



## Belfast City Council

<b>Report to:</b>	Strategic Policy & Resources Committee
<b>Subject:</b>	<b>Debt Management</b>
<b>Date:</b>	22 October 2010
<b>Reporting Officer:</b>	Julie Thompson, Director of Finance & Resources, Ext. 6083
<b>Contact Officer:</b>	Trevor Wallace, Financial Accounting Manager, Ext. 6097

### Relevant Background Information

Members will recall that at the meeting of the Strategic Policy and Resources Committee on 24 September 2010 the Quarter 1 2010/11 Financial Reporting was discussed.

Included within this report was information relating to the Council's debt position and debt performance indicators.

	Days Q4 09/10	Days Q1 10/11
% debt recovered 30 days average	23	36
% debt under 90 days old	57	47

It was agreed that a report would be brought to the Strategic Policy and Resources Committee in October outlining the current debt position as well as proposals for improvements to the billing and collection of outstanding accounts.

In 2007, a new financial system (SAP) was introduced and the debt collection process within the Council was centralised into a Central Transactions Unit (CTU). This provided the Council with a degree of transparency around the debt position of the council that previously did not exist.

This has resulted in the debt recovery process being documented and streamlined and reductions in the debt levels year on year.

As a result the overall debt figure has continued to fall on a yearly basis:

31 March 2008	£10.0m
31 March 2009	£7.5m
31 March 2010	£5.0m
30 June 2010	£3.9m
30 September 2010	£3.6m

### **Key Issues**

As well as the overall level of debt reducing, the level of debt over 90 days has also reduced from £2.1m at 31 March 2010 to £1.9m at 30 September 2010. However, the level of debt over 90 days has not reduced as quickly as we would like.

In light of the current economic climate, customer debt is becoming harder to collect and recover, especially as the number of customers in bankruptcy and liquidation has increased over the last two years.

Steps that have been undertaken so far to improve the debt position are:

- The introduction of performance indicators as reported previously to committee are helping to monitor the effectiveness of the recovery position and help to target areas for improvement;
- Regular meetings are held with the service departments and/or Legal Services representatives to analyse the debt position and to gather information and advice on how best to proceed on a case by case basis;
- Facilitating payment by credit card;
- Payment plans have been introduced, in conjunction with departments, to enable customers to pay their outstanding invoices over a period of time, whilst continuing to pay current invoices; and
- Referring customers to the Small Claims Court.

In order to improve the councils overall debt position further we are looking at the following areas:

- Improving billing information by ensuring accurate billing data is collected at first point of contact and sufficient information is included on the invoice to enable the customer to pay without having to request additional information;
- Reviewing and reducing the timeline in relation to the sending of reminder letters;
- Exploring the possibility of allowing customers to pay over the internet;
- Promoting the use of direct debit as a means of paying invoices for regular

customers.

Some of the above areas can be actioned and implemented quickly whilst others will require some development work, specifically around systems. The level of debt will continue to be monitored monthly within the service and reported on a quarterly basis through the Financial Reporting framework.

#### **Outstanding Accounts – Provision of Services to Associated Companies**

A report was taken to Health and Environmental Services Committee on 4<sup>th</sup> August 2010 considering whether the Council could restrict services to an associated company of a business which has gone into liquidation that had outstanding accounts with the Council, particularly where directors of the company in liquidation are also directors of the associated company. This issue affects the entire Council and therefore also needs to be referred to Strategic Policy and Resources Committee.

As limited companies are separate legal entities, the Council would not normally have recourse against a company which continued to trade, where the directors were also directors of a company in liquidation. However the Town Solicitor & Assistant Chief Executive has advised that, in certain circumstances, the Council could consider withdrawing services to an associated company where the directors were also the sole or substantially the same directors of a company in liquidation which had amounts owed to the Council.

Such decisions would, however, be required to be taken on an individual basis and would need to consider whether the company had a statutory right to the service, such as Building Regulations, or if it was in the interests of the Council to continue the service, for example Regulatory or Licensing services. The business nature of the service may also need to be considered, for example Commercial Waste Collection, where businesses pay a commercial charge for the service. Where the Council perceives that there is a risk of further financial loss in dealing with an associated company, alternative payment methods may be considered, rather than foregoing potential external income. In such cases, the relevant Director would assess, taking advice from Legal Services where appropriate whether withdrawal of service or alternative payment method is appropriate.

The Town Solicitor & Assistant Chief Executive has also advised that there is no requirement to restrict publication of the details of individual outstanding accounts which have been written off by the Council and as such the restriction could now be removed from the Committee reports.

#### **Resource Implications**

Level of debt at 30 September 2010 is £3.6m.

<b>Recommendations</b>
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Members are requested to note the key issues around the management of debt, and note the advice of the Town Solicitor & Assistant Chief Executive regarding the provision of services to companies, whose directors are also directors of a company in liquidation which owe amounts to the Council.
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<b>Decision Tracking</b>
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None
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<b>Key to Abbreviations</b>
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