

Debt Management Policy

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Purpose of the Report

This report requests that members note the impact of the Debt Management Policy.

Recommendations

1. That Audit Committee note the positive impact that the Debt Management Policy has had on debt levels
2. That Service Managers take a more proactive approach to Debt Management

Background

The Debt Management Policy was approved by District Executive in January 2013 and rolled out across the whole Council during April 2013. This has meant that there has been 16 months for the policy to be embedded and an accurate assessment be made on the impact that the Policy has had in terms of debt across the Authority. The adherence of the Debt Management Policy directs officers to take a pro-active approach in order to maximise collection of debts.

A report was brought to Audit Committee in November 2013, where the initial impact shown was that the Debt Management Policy had reduced debt. This report only referred to Sundry Debtors and members requested further information relating to not only Sundry Debtors but other types of debt.

Report Scope

The report will review the arrears levels relevant to Sundry Debtors, Council Tax and National Non-Domestic Rates.

Impact of Implementing the Debt Management Policy

Sundry Debtors

The table beneath shows that for the most part that the month by month comparison of outstanding debt has reduced. This is encouraging.

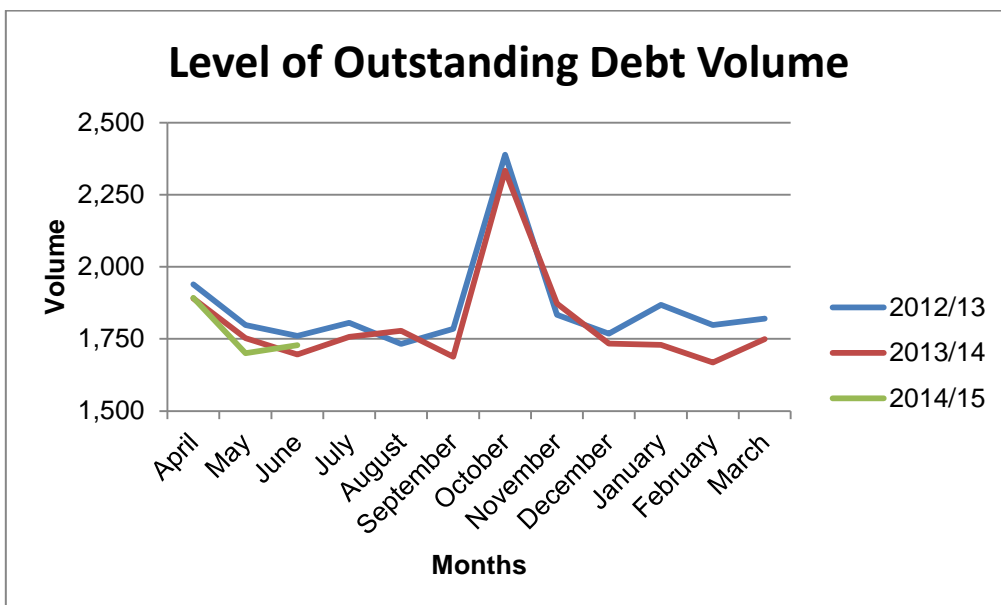
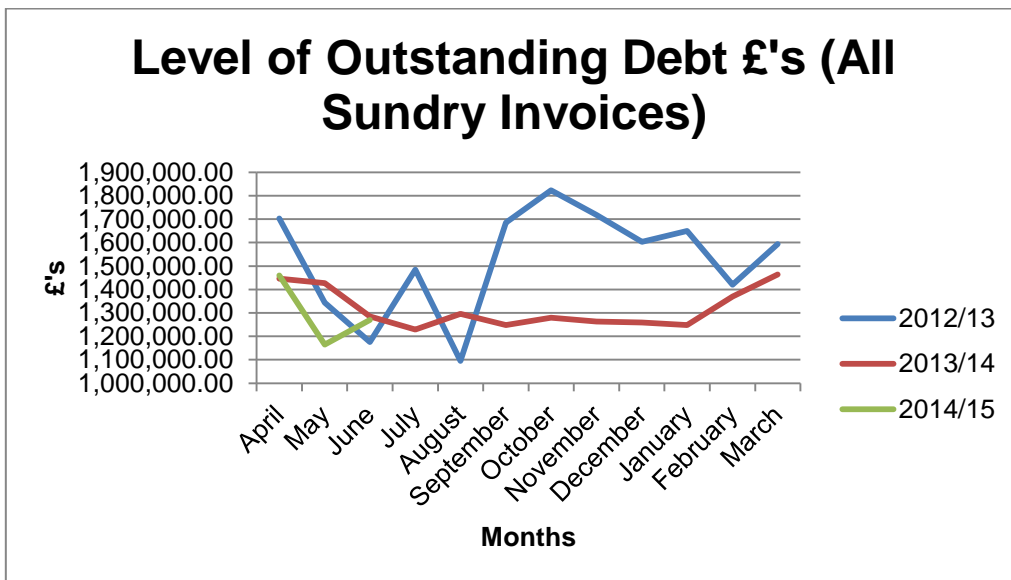
	2012/13	2013/14	Year on year difference %	2014/15	Year on year difference %
April	1,703,337	1,446,074	(15%)	1,459,996	1%
May	1,343,297	1,427,363	6%	1,165,321	(18%)
June	1,175,788	1,285,334	9%	1,270,472	(1%)
July	1,483,694	1,229,348	(17%)	n/a	n/a
August	1,095,160	1,295,762	18%	n/a	n/a

September	1,684,783	1,248,608	(26%)	n/a	n/a
October	1,822,542	1,279,879	(30%)	n/a	n/a
November	1,718,358	1,263,586	(26%)	n/a	n/a
December	1,603,399	1,258,887	(21%)	n/a	n/a
January	1,649,564	1,247,755	(24%)	n/a	n/a
February	1,420,762	1,369,758	(4%)	n/a	n/a
March	1,593,532	1,463,691	(8%)	n/a	n/a

(Figures in brackets represent a reduction)

Appendix A shows the level of debt per service per month.

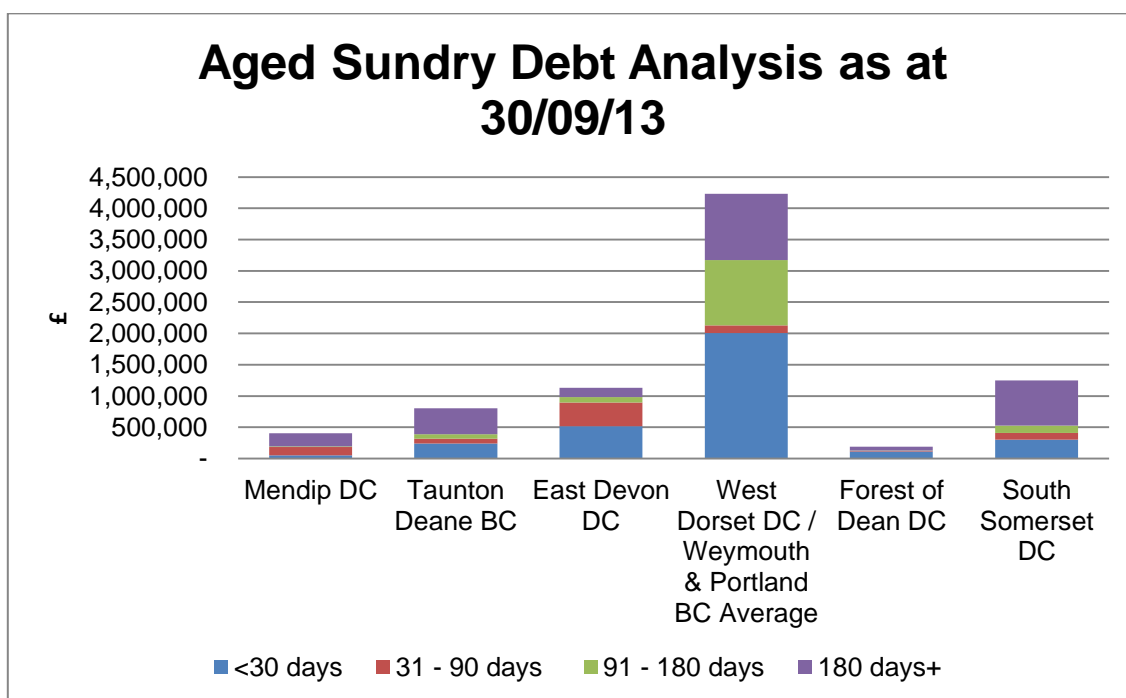
The graph shows that the level of debt has in general fallen, since the Debt Management Policy was rolled out in April 2013. The value of the level of debt overall has also been consistently lower, although the volume of invoices has not changed significantly.



It is important to note that the level of debt identified above is a cumulative total meaning that any new invoices raised increases the amount of outstanding debt. The graph above shows that not only has new debt been maintained but existing debt is being managed and reduced. This has meant that short term debtor balances have been improved thus improving cash flow.

Benchmarking of Sundry Debtors

The graph beneath shows the aged sundry debt analysis for 6 District Councils including South Somerset. Not only does the graph show the value of outstanding debts for each Council but a breakdown of how old the debt is. It is worth noting that Taunton Deane BC had an unprecedented level of write offs which reduced the level of debt significantly.



The table beneath shows the level of outstanding debt against budget for each local authority.

	Sundry Debt Value as at 30/09/13	13/14 Budget	Debt Value as % of Budget
Mendip DC	£403,456	£15,096,000	2.67%
Taunton Deane BC	£801,790	£12,319,000	6.51%
East Devon DC	£1,130,510	£15,281,770	7.40%
West Dorset DC/Weymouth & Portland BC Average	£4,231,582	£10,398,134	40.70%
Forest of Deane DC	£190,961	£10,670,580	1.79%
South Somerset DC	£1,248,608	£19,082,300	6.54%

Write off of Sundry Debts

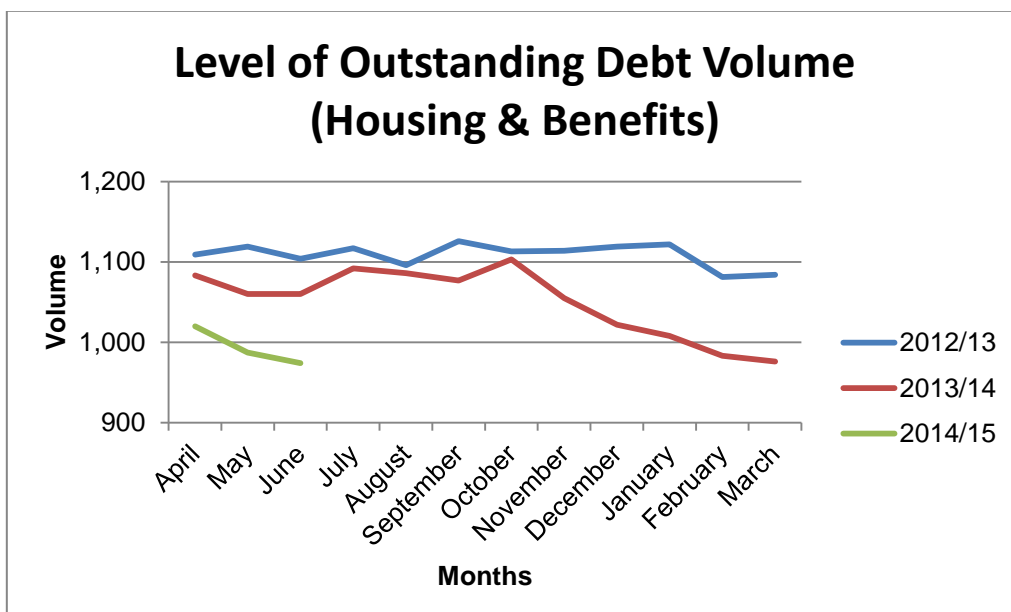
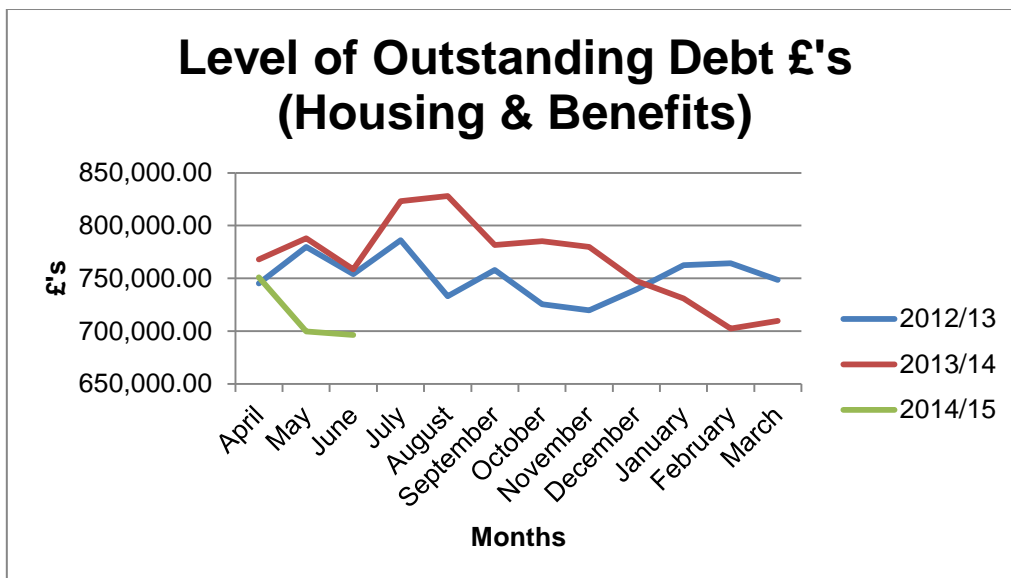
The table beneath shows the amount of debt that has been written off. Debt is only written off when prescribed circumstances laid out in the Debt Management Policy are met. This shows

that good practice is being adhered to, as well as highlighting that debt is not reducing merely because it has been written off.

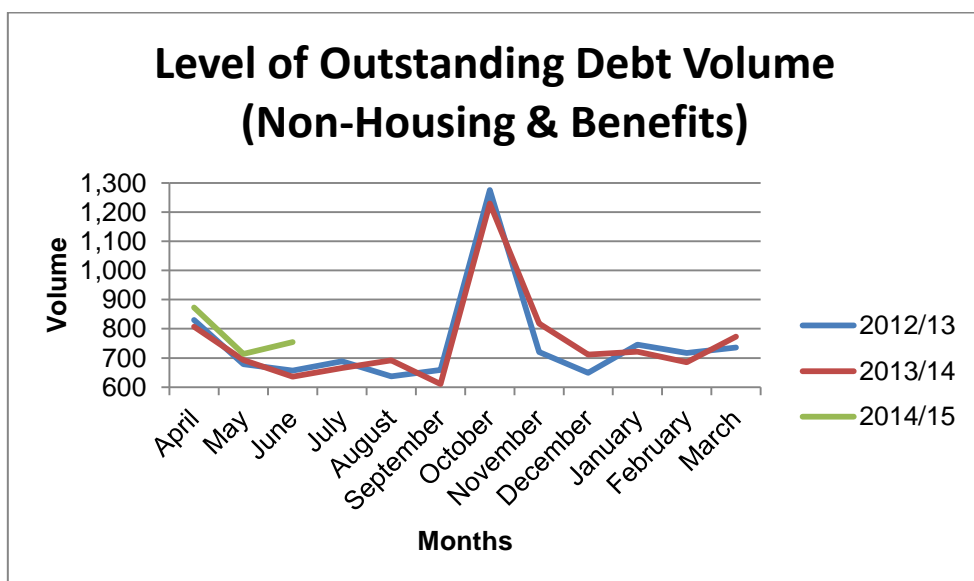
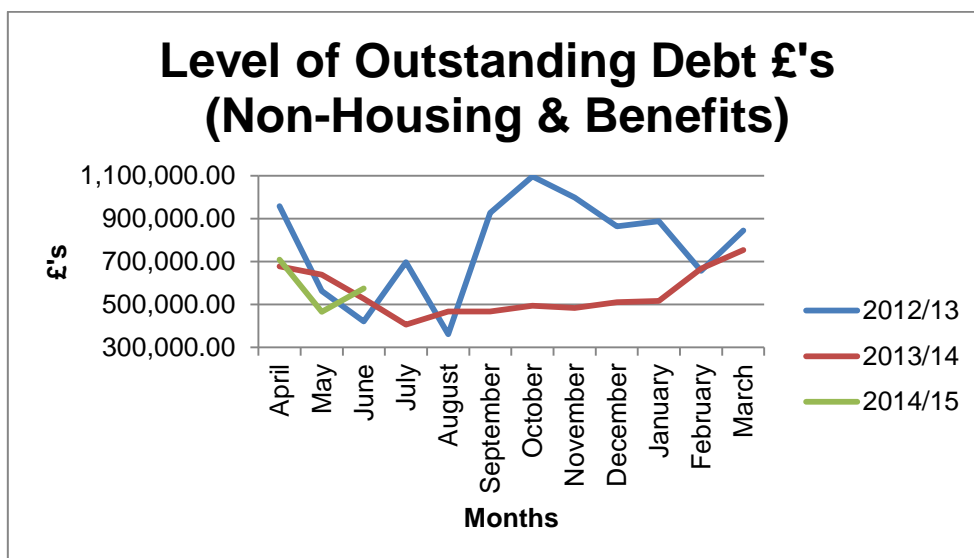
	£	Number of invoices
2012/13	77,854	181
2013/14	93,020	311
2014/15 (to July 2014)	45,749	52
	216,623	544

It is meaningful to split Sundry Invoices into two categories: Housing and Benefits; and Non-Housing and Benefits.

The Housing and Benefits' outstanding debt accounts for just over 50% of all Sundry Debtor debts. The graph beneath show that the value of debt has increased during 2013/14 but have since reduced significantly which is very encouraging. The number of outstanding invoices have reduced significantly over both years meaning that in effect there are less debtors.



For the non-housing and benefits sundry debt the amount has reduced significantly especially during the months of October. The volume of invoices outstanding has remained fairly static.



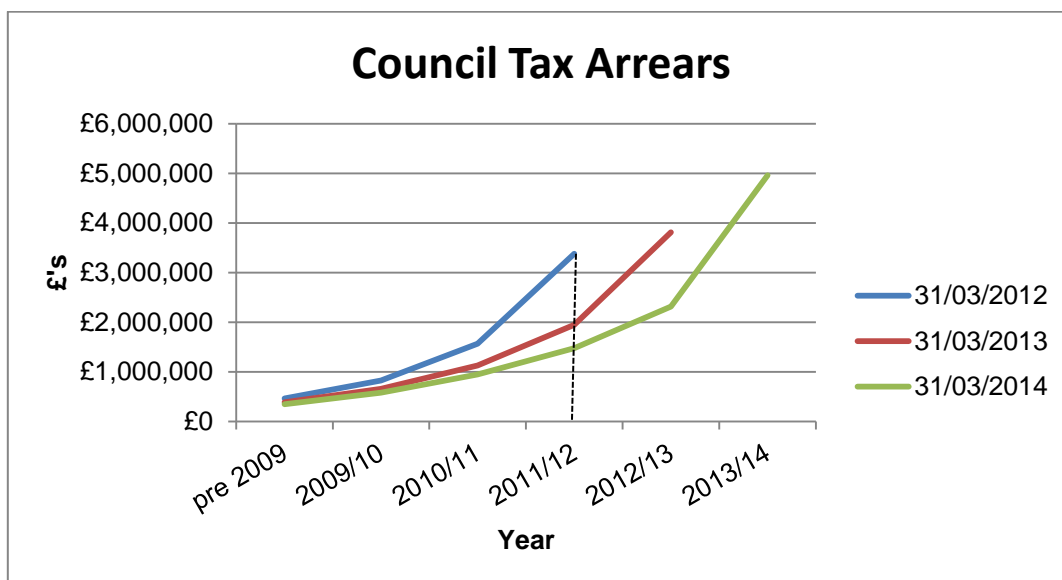
The above results indicate that the Benefits and Housing Services are able to follow the Debt Management Policy more rigidly than perhaps other services. Both Services have dedicated resources that focus on the management of debt.

Council Tax

The table beneath highlights the collection rates for Council Tax for a number of Councils.

	2012/13	2013/14	Difference
East Devon DC	98.67%	98.60%	-0.07%
West Dorset DC	98.25%	98.03%	-0.22%
Taunton Deane BC	98.34%	98.04%	-0.30%
Mendip DC	96.83%	97.60%	+0.77%
South Somerset DC	97.81%	97.40%	-0.41%
Weymouth & Portland DC	95.55%	96.28%	+0.73%

The arrears in the graph beneath are cumulative. It highlights that the arrears for previous years are still being collected in the following years. For example, if you look along the x axis at say 2011/12, there are 3 lines, the blue one (year ended 31/01/12, say £3.4m) is the original value of debt for that year, the red line directly underneath shows that the £3.4m outstanding has fallen to just under £2m for year ended 31/03/13 and then to about £1.5m for year ended 31/03/14 (green line). This is shown by the vertical dotted line.



It is worth noting that out of the total arrears just 14.9% belong to South Somerset District Council with the remainder being shared proportionately between the other major preceptors based on precepts.

Council Tax Write Offs

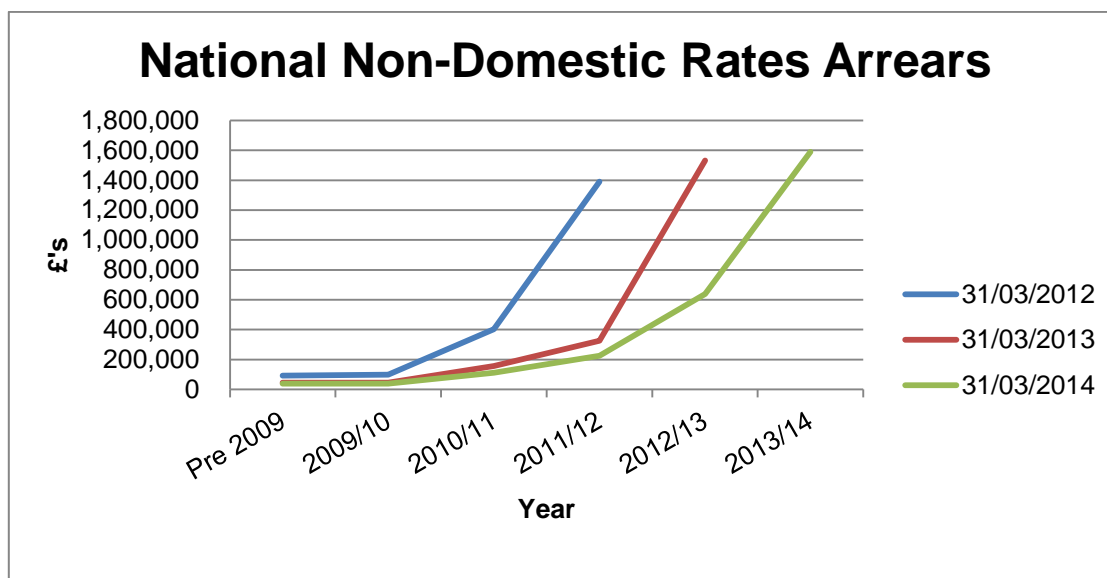
Council Tax collection of arrears follows a different procedure, whereby Magistrates Courts can issue a liability order. The following recovery options are available: agreement to pay; appointed bailiff; attachments to earnings and attachments to benefits. Only once these are exhausted can a debt be written off. The table beneath shows the value of write offs over the past 3 years.

	£	Number of invoices
2012/13	63,440	1,062
2013/14	61,341	956
2014/15 (to July 2014)	1,143	5
	125,924	2,023

National Non-Domestic Rates

The table beneath highlights the collection rates for National Non-Domestic Rates for a number of Councils.

	2012/13	2013/14	Difference
Mendip DC	99.20%	98.90%	-0.30%
Taunton Deane BC	99.22%	98.88%	-0.34%
South Somerset DC	96.39%	98.81%	2.42%
East Devon DC	98.66%	98.36%	-0.30%
West Dorset DC	96.35%	98.11%	+1.76%
Weymouth & Portland DC	96.57%	95.38%	-1.19%



The arrears in the graph above are cumulative. It highlights that the arrears for previous years are still being collected in the following years. For example, the National Non-Domestic Rates arrears that relate to 2011/12 have reduced over the 3 years.

It is worth noting that out of the total arrears just 40% belong to South Somerset District Council with the remainder being shared between the other major preceptors.

National Non-Domestic Rates Write Offs

National Non-Domestic Rates collection of arrears follows a similar procedure to Council Tax, whereby Magistrates Courts can grant a liability order with the following recovery options are available: agreement to pay or an appointed bailiff; Only once these are exhausted can a debt be written off. The table beneath shows the value of write offs over the past 3 years.

	£	Number of invoices
2012/13	482,131	243
2013/14	40,145	31
2014/15 (to July 2014)	0	0
	216,623	274

Future Monitoring

The data that is available for comparative purposes is limited. As data becomes available, Audit Committee will be updated on the impact that the Debt Management Policy has on debt levels.

Financial Implications

There were no direct financial implications in approving the Debt Management policy but since being implemented the level of short term debtors has reduced thus improving cash flow.

Background Papers: *Debt Management Policy*
Financial Procedure Rules
Debt Management Policy report to Audit Committee (September 2012)
SWAP: Debt Management Themed Review