
REVISION TO FINANCIAL PROCEDURE RULES RE THE REPORTING OF BALANCE SHEET DEBT

To: **Standards Committee – 21 November 2013**

Main Portfolio Area: **Financial Services**

By: **Sarah Martin, Financial Services Manager**

Classification: **Unrestricted**

Ward: **All**

Summary: For the Standards Committee to approve a revision of the Financial Procedure Rules to require the reporting of aged debts over £150,000 to Council.

For Decision

1.0 Introduction

1.1. The level of outstanding debt is an important indicator of the financial risk being carried by the Council. It was therefore recommended by Cabinet at its meeting on 1 August 2013 that the Constitutional Review Working Party approve a revision to the Financial Procedure Rules to require the reporting to Council of any debt owed by an organisation, or its subsidiaries, where it exceeds £150,000. It is proposed that the report will also include details of the debt recovery measures in place and that the debt will only be reported where it becomes 'aged', i.e. where the standard payment terms have been exceeded and payment remains outstanding after the normal reminder letters have been sent. Such debts will be reported to the next available ordinary council meeting.

2.0 Background

2.1 There is currently no requirement within the Financial Procedure Rules for large outstanding debts to be reported to Council. The effective management and collection of debt is an essential contributor to Local Authority financial resources and maximises income available to provide services. As such, the level of outstanding debt is a key indicator of the financial risk being carried by the Council and it is therefore important that Members are aware of any large outstanding debts and the recovery action being taken to pursue them.

2.2 The standard payment terms for our debtors is 0 days (immediate payment), with 30 days for our larger debtors, although individual contracts with debtors may vary these terms. There are a few of our largest debtors who have agreed payment terms of 60 days.

2.3 The Council's recovery process is that a first reminder is sent if payment, or an arrangement for payment, is not made within 10 days of the payment terms being exceeded. A second reminder notice will be issued after a further 10 days. If payment is not received within the stated terms of the invoice and subsequent reminder notices, EK Services will commence recovery procedures beginning with the issue of

a more formal reminder notice, giving the customer a further 7 days to make full payment. If full payment is not made within 7 days of this reminder notice being issued, EK Services will send a final notice requiring payment to be made in full within 7 days. If this doesn't result in payment, EK Services will contact the debtor to negotiate settlement of the arrears. If payment is still not made, then a final notice is sent and further recovery action is progressed.

- 2.4 This report proposes that when a debt over £150,000 becomes 'aged' it will be reported to the next available ordinary council meeting. It is proposed that for those debts over £150,000 with payment terms of 0 or 30 days, they are reported to Council at day 60. At this stage the debt has been passed to EK Services and the first formal reminder letter has been sent. For those few debtors where the payment terms are 60 days, they will be reported to Council if the debt exceeds £150,000 at day 90.
- 2.5 Debts that exceed £150,000 on day 60 or day 90 will be reported to the next available Council meeting regardless of whether the debt has been paid in part or in full in the period between day 60 and day 90 and the next available ordinary Council meeting.

3.0 Options

- 3.1 Members agree the revision to the Financial Procedure Rules requiring the reporting of aged debts over £150,000 to the next ordinary council meeting in accordance with the timelines proposed above.
- 3.2 Members agree the revision to the Financial Procedure Rules requiring the reporting of aged debts over £150,000 to the next ordinary council meeting but propose alternative timelines for such reporting.
- 3.3 Members do not agree the revision to the Financial Procedure Rules requiring the reporting of aged debts over £150,000 to the next ordinary council meeting.

4.0 Corporate Implications

4.1 Financial and VAT

- 4.1.1 This report does not result in any additional costs or VAT implications to the authority but does ensure that Council is aware of the financial risk associated with large outstanding debts and the action being taken to recover these debts.

4.2 Legal

- 4.2.1 All outstanding debts will continue to be pursued in accordance with the appropriate legal powers.

4.3 Corporate

- 4.3.1 Corporate priorities can only be delivered with robust finances. The effective monitoring and collection of debts is essential to protect the income coming in to the authority.

4.4 Equity and Equalities

- 4.4.1 There are no equity or equality issues arising directly from this report.

5.0 Recommendations

- 5.1. That the Standards Committee approves and recommends to Council the amendment to the Financial Procedure Rules to require the reporting of all aged debt over £150,000 to the next available ordinary council meeting.
- 5.2. That the Standards Committee approves and recommends to Council that the timeline for reporting debts shall be 60 days for those debts with standard payment terms of 0 or 30 days and 90 days for those debts with payment terms of 60 days regardless of whether or not the debt has been paid in full or in part between the expiry of the 60 or 90 day period (whatever the case may be) and the date of the next available ordinary Council meeting.
- 5.3. That the Standards Committees recommends for Council approval the amendments to Financial Procedure Rule (Regulation D: Systems and Procedures), as set out at Annex 1.

Future Meetings: Governance & Audit Full Council	Date: 25 September 2013 3 October 2013
--	--

Contact Officer:	Sarah Martin, Financial Services Manager
Reporting to:	Sue McGonigal, Chief Executive and S151 Officer

Annex List

Annex 1	Proposed amendments to Financial Procedure Rules (Regulation D: Systems and Procedures)
---------	---

Corporate Consultation Undertaken

Finance	n/a
Legal	Harvey Patterson, Monitoring Officer and Corporate & Regulatory Services Manager