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Report to the Finance Strategic Policy Committee Debtors Balances year end 2016

Introduction

The active pursuit and collection of all revenues due to the Council is of paramount importance. Individual managers within departments and areas are accountable and responsible for the identification of potential income sources, the timely issue of invoices and the ultimate collection of the money due. The collection of all outstanding amounts in a timely manner is an essential activity for the efficient running of an organisation. It results in positive cash flow impact, reduced borrowing requirements and associated borrowing costs and ensures that third parties are aware that the Council intend to fully pursue all monies owing.

Debtors balances

The following table shows the total amount owed to DCC at the end of December 2016 compared with the opening balance at the start of the year, broken down over main Debtor categories. Revenue Debtors have increased by just over 6% from €220m at the start of the year to €235m at year end. The increase is mainly due to higher Government Debtors. An overall bad debt provision of 45% has been provided against our debtors.

	Opening Balance (Gross Debtors) 01/1/2016	Closing Balance (Gross Debtors) 31/12/2016	Bad Debt Provision	Closing Balance (Debtors net of Provision) 31/12/2016
Trade Debtors				
Government Debtors	39,120,948	55,890,808	8,448,067	47,442,741
Commercial Debtors Subtotal	68,884,927	63,329,196	44,512,091	18,817,105
Non-Commercial Debtors Subtotal	38,453,748	38,188,721	31,682,580	6,506,141
Other Services	5,775,048	7,557,136	-	7,557,136
Other Local Authorities	4,161,492	5,618,236	-	5,618,236
Total Trade Debtors	156,396,163	170,584,097	84,642,738	85,941,359
Other Debtors				
Development Levy Debtors	20,093,027	23,823,089	20,535,241	3,287,848
Amounts falling due within one year	44,000,000	41,000,000	-	41,000,000
Total Other Debtors	64,093,027	64,823,089	20,535,241	44,287,848
Overall Current Debtors	220,489,190	235,407,186	105,177,979	130,229,207

Government debtors

€55.9m has been accrued for Government debtors at the end of December 2016. This is an increase of €16.8m on the opening balance at the start of the year. The increase is due primarily to amounts owed for Housing projects and Homeless claims. The debtor is broken down as follows:

1. Housing projects	€ 22.8m
2. Homeless	€ 12.4m
3. MARP claims	€ 6.3m
4. Other Claims	€ 14.4m

1. Housing Project claims amounting to €22.8m were accrued for at the end of December 2016 as follows:

Purchase of Houses	€12.0m
Refurbishment Houses/Voids	€ 2.3m
Priory Hall	€ 1.3m
Voluntary Funding	€ 3.1m
Modular Housing Programmes	€ 4.1m

The majority of the 2016 Capital Claims for the Department have been paid. An amount of €1.1m for St. Teresa's Gardens is awaiting a budget increase approval before it will be paid.

2. In relation to Revenue Homeless income accrued at year end an amount of €1.46m remains outstanding from Department of Social Protection for deposits and € 4.9m remains outstanding on Section 10 from Department of Housing, Planning, Community and Local Government. The department notified DCC on 18/05/17 that they are currently seeking approval to make the 2016 reconciliation payment of €4.9m. In addition a Capital claim for €3.5m remains outstanding for Homeless (Hostels).
3. The MARP claim of €6.3m is separate to the normal government grant claims. The Mortgage Arrears Resolution Process fund compensates local authorities for losses incurred on repossessed and mortgage to rent properties. These claims are approved by a committee and are dependent on the funds being available to meet all claims submitted. Of the €6.3m accrued at year end only €2.9m has been claimed and paid to date. Claims can only be made twice a year in June and December.
4. Other claims mainly relate to HAP claims of €2.2m, CLSS funding €4.1m and CALF/CAS claims €2.9m. There is currently €307k awaiting payment by the Department on these claims.

Commercial debtors

Commercial Rates

Rate % Collection 2016

Opening balance 1/01/2016	Debit raised	Receipts less Refunds	Write Offs / Vacant Property adj	Balance December 2016	Specific doubtful arrears	% Collected
51,124,526	324,501,784	303,112,295	31,442,649	41,071,365	5,655,228	90%

Rates % Collection 2015

Opening balance 1/01/2015	Debit raised	Receipts less Refunds	Write Offs / Vacant Property adj	Balance December 2015	Specific doubtful arrears	% Collected
62,598,018	336,255,813	314,107,645	33,621,660	51,124,526	7,100,100	88%

The percentage collection of rates up to the end of December 2016 was 90%, 2% higher than the same period in 2015. The target set centrally by the sector for 2016 to reduce the Debtor at year end to €43m has been exceeded. Appropriate Bad Debt Provision has been maintained against the arrears outstanding.

Other commercial debtors

The balance outstanding on other commercial debtors is €22.26m, an increase of €4.5m on the opening balance at the beginning of the year. The debtors are made up of invoices raised for the commercial activities of the City Council and consist mainly of the following balances:

	1/1/2016	30/12/2016
Rental income	€2.3m	€2.4m
Repayable works	€3.3m	€2.6m
Fire charges (commercial)	€1.0m	€0.5m
Derelict sites	€1.6m	€1.8m
Dangerous buildings	€1.3m	€1.3m
Ambulance services	€4.3m	€0.8m
Irish Water SLA Recoupment	€4.4m	€8.8m

Part of the reduction in the Ambulance Service debts was due to €2.7m of old invoices being written off in the last quarter of 2016. Of the €8.8m owed by Irish Water, €8.6m was paid between January and March of this year. The balance of €0.2m relates to milestone project payments.

Non commercial debtors

Housing Rents

Housing Rents % Collection 2016

Opening balance 1/01/2016	Debit raised	Receipts	Refunds	Write Offs	Balance December 2016	% Collected
18,674,502	76,230,343	74,318,798	572,794	426,875	20,731,966	78.1%

Housing Rents % Collection 2015

Opening balance 1/01/2015	Debit raised	Receipts	Refunds	Write Offs	Balance December 2016	% Collected
19,640,272	72,272,933	73,693,211	454,508	-	18,674,502	79.7%

The balance of the debtor at the end of December 2016 for Housing Rents has increased from €18.7m to €20.7m. Housing rent income was understated in 2015 by €1.3m. The income was raised in 2016 and this adjustment increased the debtors at year end by this amount. It is imperative that Housing ensures that timely and accurate monthly reconciliation of rents is adhered to.

Housing Loans

House Purchase Loans % Collection 2016

Opening balance 1/01/2016	Debit raised	Receipts	Refunds	Write Offs	December 2016	% Collected
15,126,790	20,834,761	23,555,187	-	-	12,406,364	65.5%

House Purchase Loans % Collection 2015

Opening balance 1/01/2015	Debit raised	Receipts	Refunds	Write Offs	Balance December 2015	% Collected
15,135,113	22,063,055	22,071,378	-	-	15,126,790	59.3%

The balance of €12.4m outstanding for Housing Loans debtor at end of December is a reduction of €2.7m on the opening balance at the 1st January 2016 (an additional €7.7m principal on interest only loans not raised is not included in this balance). A dedicated mortgage support unit is in place to manage the Council's housing loans book. This unit engages with borrowers who are experiencing difficulties and makes them aware of the various options under the Mortgage Arrears Resolution Process (MARP). Every effort is being made to reduce the level of arrears but the current economic situation, particularly with regard to mortgages, is not improving sufficiently yet. The reduction in debtors is mainly due to borrowers' mortgages accounts being closed and them moving to paying rent for the property to the Council.

Loans	31st December 2016	%	31st December 2015	%
Interest Only	30	1%	196	8%
Accounts in Arrears	973	43%	1124	45%
Total number of accounts	2270		2488	

Since the same period last year, the numbers on interest only loans has decreased from 8% of the loan book to 1% and the number of accounts in arrears has decreased by 2%. As can be seen from the above table the number of loan accounts has reduced by 218. This can be explained as follows;

- Number of repossessed properties 16
- Number of mortgage to rent properties 114
- Number of new accounts less closed accounts 88
- 54 Shared ownership loans were transferred to 100% mortgage

Due to repossessions and mortgage to rent properties, €4.1m has been written off the revenue debtor's balance. The write off has mainly been funded through claims against the MARP fund. When the write off is taken into account, the balance on the remaining debtor accounts has increased by €1.4m. The capitalisation of arrears for customers who are in arrears and unable to fund these arrears at this point in time also have an impact on the Debtor balance.

Development Levy Debtors

The short term debtor at the end of December for Development Levies has increased from €20.1m to €23.8m. This figure includes €3.7m for the Water and Sewerage element of the contribution which when collected will be payable to Irish Water.

Properties for which planning permission has been granted are monitored to ascertain if the permission is implemented. Developments that are underway are monitored to ensure that all development levies are paid in full. Where the levy due is large, the Council may agree a phasing arrangement. Given the current financial climate, discussions and re-phasing arrangements may also be agreed with developers who encounter financial difficulties. There is no provision to write-off a levy or part thereof. All levies are pursued and where negotiation of phasing arrangements or payments is unsuccessful, enforcement and legal proceedings are taken to ensure payment.

Antoinette Power

Head of Financial Accounting