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Report to the Finance Strategic Policy Committee

Re: Debtors Balances Quarter 4 2017

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 2017 compared with the opening balance at the start of the year, broken down over main Debtor categories. Revenue Debtors have increased from €235m at the start of the year to €320m at end December 2017. This increase is mostly due to higher Government Debtors.

	Opening Balance (Gross Debtors) 01/01/2017	Closing Balance (Gross Debtors) 31/12/2017	Bad Debt Provision	Closing Balance (Debtors net of Provision) 31/12/2017
Trade Debtors				
Government Debtors	55,890,807	136,329,100	14,199,311	122,129,789
Commercial Debtors	63,329,196	55,965,123	38,414,422	17,550,701
Non-Commercial Debtors	38,188,717	39,306,524	36,467,579	2,838,945
Other Services	7,557,136	11,577,156	-	11,577,156
Other Local Authorities	5,618,237	11,630,987	8,098,650	3,532,337
Total Trade Debtors	170,584,093	254,808,890	97,179,962	157,628,928
Other Debtors				
Development Levy Debtors	23,823,089	40,196,354	37,526,249	2,670,105
Amounts falling due within one year	41,000,000	25,000,000		25,000,000
Total Other Debtors	64,823,089	65,196,354	37,526,249	27,670,105
Overall Current Debtors	235,407,182	320,005,244	134,706,211	185,299,033

Government debtors

€136.3m has been accrued for Government debtors at the end of December 2017. This is an increase of €80.4m 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 € 78.9m
2. Homeless € 29.0m
3. MARP / LAMTR € 6.1m
4. Other Claims € 22.3m

1. Housing Project claims and accruals amounting to €78.9m at the end of December 2017 are as follows:

- Purchase of Houses €47.7m
- Housing Construction €17.0m
- Refurbishment Houses/Voids €10.8m
- Voluntary Housing € 2.0m
- Priory Hall € 1.4m

2. An accrual of €29m was made at year end for Homeless Services. Payment of €24.2m was received from the Department of Housing, Community and Local Government on 13th April 2018.

3. 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. Claims can only be made twice a year in June and December. At the end of 2017 there was a loss of €6.1m on these transactions in our books for which claims can be made.

4. Other claims which amounted to €22.3m are made up of the following,

- a. CLSS € 6.6m
- b. HAP € 6.4m
- c. Parks/Sports Grant € 3.2m
- d. NTA Grants € 2.5m
- e. Miscellaneous € 3.6m

Commercial debtors

Commercial Rates

Rate % Collection Q4 2017

Opening balance 1/01/2017	Debit raised	Receipts less Refunds	Write Offs / Vacant Property adj	Balance December 2017	Specific doubtful arrears	% Collected
41,071,365	321,481,363	306,931,580	23,187,223	32,433,925	3,600,000	91%

Rates % Collection Q4 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%

The percentage collection of rates up to the end of December 2017 was 91%, 1% higher than the same period in 2016. The target cash collection for 2017 was €300m which has been achieved. Appropriate Bad Debt Provision has been maintained against the arrears outstanding.

Other commercial debtors

The balance outstanding on other commercial debtors at end December 2017 is €23.5, an increase of €1.2m 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:

	1/1/2017	31/12/2017
Rental income	€2.7m	€3.2m
Repayable works	€3.8m	€2.9m
Fire charges (commercial)	€0.5m	€0.5m
Derelict sites	€1.8m	€2.0m
Dangerous buildings	€1.3m	€1.7m
Ambulance services	€0.8m	€0.8m
Irish Water SLA Recoupment	€8.8m	€5.3m
Development Charge	€0.9m	€2.7m

The current balance outstanding for Irish Water of €5.3m consists mainly of the December 2017 Invoices and this was all paid in Q1 2018.

Non commercial debtors

Housing Rents

Housing Rents % Collection 2017

Opening balance 1/01/2017	Debit raised	Receipts	Refunds	Write Offs	Balance December 2017	% Collected
22,544,788	85,865,796	82,060,147	439,221	557,941	26,231,717	76%

Housing Rents % Collection 2016

Opening balance 1/01/2016	Debit raised	Receipts	Refunds	Write Offs	Balance December 2016	% Collected
20,498,356	80,994,532	79,106,302	594,783	436,581	22,544,788	78%

The balance of the debtor at the end of December 2017 for Housing Rents has increased by €3.7m from €22.5m to €26.2m.

Housing Loans

House Purchase Loans % Collection 2017

Opening balance 1/01/2017	Debit raised	Receipts	Refunds	Write Offs	Balance December 2017	% Collected
12,406,365	19,353,878	20,981,400	-	-	10,778,843	66%

House Purchase Loans % Collection 2016

Opening balance 1/01/2016	Debit raised	Receipts	Refunds	Write Offs	Balance December 2016	% Collected
15,126,790	20,834,761	23,555,187	-	-	12,406,364	66%

The balance of €10.8m outstanding for Housing Loans debtor at end of December 2017 is a reduction of €1.6m on the opening balance at the 1st January 2017 (an additional €7.8m 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 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 repossessions and the capitalisation of arrears and borrowers moving to mortgages to rent, where their arrears are written off.

Loans	31st December 2017	%	31st December 2016	%
Interest Only	22	1%	30	1%
Accounts in Arrears	883	41%	973	43%
Total number of accounts	2156		2270	

Since the same period last year, the numbers on interest only loans has reduced from 30 to 22 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 114. Some of this is due to repossessions (7) and transfer to mortgage to rent properties (49).

As a result of the repossessions and mortgage to rent properties €2.3m 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 €0.7m. 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 2017 for Development Levies has increased from €23.8m at 31st December 2016 to €40.2m. This figure includes €2.7m 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

17th May 2018