
PROPOSED WRITE-OFF OF IRRECOVERABLE SUNDRY DEBTS

Responsible Cabinet Member(s) -Councillor Don Bristow, Resource Management Portfolio

Responsible Director(s) - Paul Wildsmith, Director of Corporate Services

Purpose of Report

1. To seek approval from Cabinet for the write-off of sundry debtor arrears in respect of invoices with individual values greater than £500 that are considered to be irrecoverable.

Summary

2. The Council collects income for charges using a variety of means, of which one is by issuing sundry debtor invoices to customers. The amount recovered using this method shows a collection rate of 99% or better in each financial year from 2001/02 to 2003/04. The net amount invoiced is £50.305m with a total amount collectable of £49.865m, which is an average of 99.1%. This leaves £0.440m, or 0.9%, considered as unrecoverable, with £0.189m for debts in excess of £500 and £0.251m for those invoices under £500.
3. The average amount uncollected according to the CIPFA Benchmarking Club for 2003, of which this Council is a member reveals that the average collection rate is 99.1% across a number of single tier authorities. Therefore the rate achieved by Darlington Borough Council is in line with the average.
4. In respect to individual financial years, the arrears of invoices for £500 or more amount to £37,016.60 for 2001/02, £46,894.42 for 2002/03 and £105,105.94 for 2003/04. It has become apparent that no further steps can be taken to recover the sums due. A schedule of the sums involved is shown later in this report.

Background Information

5. Following submission of a sundry debtor account to a customer, a period of 28 days is normally allowed for payment after which a reminder is sent. A notice advising that legal proceedings may be taken is sent following a further 14 days after which the account is sent to the Borough Solicitor in appropriate cases for action to be taken through the court.
6. During the course of recovery procedures, it may be found that an individual has absconded or been declared bankrupt, or in the case of a company, has ceased trading and winding-up procedures commenced. In these circumstances the Financial Services division will try to find absconders or submit claims to receivers/liquidators. Enquiries are made through other

departments of the Council and if appropriate, searches are initiated by bailiffs. Only when all recovery routes have been exhausted is it considered that invoices should be written off.

Information and Analysis

7. The following is a schedule of debts over £500 recommended for write off: -

Category	2001/2002		2002/2003		2003/2004		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
No Forwarding Address	5	2,940.49	12	17,314.21	9	10,035.54	26	30,290.24
Bankruptcy and Receivership	14	11,557.03	3	2,773.94	10	12,266.36	27	26,597.33
Deceased	1	850.00	1	-850.00	1	535.95	3	535.95
Otherwise Irrecoverable	21	21,669.08	39	27,656.27	45	82,268.09	105	131,593.44
Total	41	37,016.60	58	46,894.42	65	105,105.94	161	189,016.96

8. Cabinet should also be aware that in accordance with Financial Procedures section 6(5), I have authorised write-offs amounting to £58,626.28 in 2001/02, £90,635.26 in 2002/03 and £102,077.18 in 2003/04 in respect of individual sums less than £500 where all practical recovery steps have been taken.
9. The total amounts written off, compared to the total invoices raised for each year are shown in the following table.

	2001/02	2002/03	2003/04	Total
Total of all invoices raised	£15.941m	£14.639m	£19.725m	£50.305m
Unrecoverable less than £500	£0.059m	£0.090m	£0.102m	£0.251m
Unrecoverable over £500	£0.037m	£0.047m	£0.105m	£0.189m
Total invoices written off	£0.096m	£0.137m	£0.207m	£0.440m
Invoices written off as percentage of all invoices raised	0.6%	0.9%	1.0%	0.9%
Collection Rate	99.4%	99.1%	99.0%	99.1%

10. The Council is a member of the CIPFA Benchmarking Club, which compares costs and performance across a number of single tier authorities. Analysis of the results for 2003, which uses 2002/2003 data reveals that the average level of invoices written off is 0.9%. Therefore the figures for Darlington Borough Council are in line with national comparators.
11. All amounts written off are charged to the Council's provision for bad debts, which stood at £0.177m at 31st March 2002, £0.341m at 31st March 2003 and £0.102m at 31st March 2004.

12. In view of the use of a provision for bad debts, as described above, there is no effect on the Council's revenue budgets.

13. An analysis of all invoices written off, by department is shown in the following table

Department	2001/02	2002/03	2003/04	Total
Chief Executive's Office	0.00	2,174.81	814.40	2,989.21
Community Services	15,357.25	43,684.64	82,078.00	141,119.89
Corporate Services	28,701.24	32,452.98	2,706.38	63,860.06
Development and Environment	32,321.82	43,370.37	68,878.44	144,570.63
Education	15,517.19	14,347.54	21,275.71	51,140.44
Internal Invoices	0.00	31.86	135.15	167.01
Social Services	3,745.38	1,467.48	31,295.04	36,507.90
Total	95,642.88	137,529.68	207,183.12	440,355.68

Outcome of Consultation

14. No consultation is taken on these items as a decision is made by members.

Legal Implications

15. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

16. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

17. The issues contained within this report do not represent change to Council policy or the Council's policy framework

Decision Deadline

18. For the purpose of the 'call-in' procedure this does not represent an urgent matter

Recommendation

19. It is recommended that invoices over £500 in value, in the sums of £37,016.60 for 2001/02, £46,894.42 for 2002/03 and £105,105.94 for 2003/04 be written off, subject to further

action if and when further contacts are made.

Reasons

20. The recommendation is supported by the following reasons: -

- (a) All steps for the recovery of these debts have been taken.
- (b) During the course of such actions to recover the debts it was established that the debtors were insolvent, deceased or had absconded.
- (c) As a result the debts are deemed irrecoverable

Paul Wildsmith
Director of Corporate Services

Background Papers

Sundry Debtor Records

Steve Vasey : Extension 2321