
PROPOSED WRITE-OFF OF IRRECOVERABLE DEBTS

**Responsible Cabinet Member – Councillor Steve Harker,
Efficiency and Resources Portfolio**

Responsible Director – Paul Wildsmith, Director of Resources

SUMMARY REPORT

Purpose of the Report

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

Summary

2. Approval is being sought to write-off sundry debts of £161,782.55, being 0.6% of the debt collectable, in which during 2011/12 it has become apparent that no further practical or economical steps can be taken to recover the sums due.
3. During 2011/12 officers commenced a full review of sundry debtors as part of the Transformation Agenda under the Business Operations Improvement Strand. Increased resources from the legal division have been used to review and conclude older outstanding debts and this has resulted in an increase of debts to be written-off this year where all avenues of recovery have been exhausted.
4. Of the debts to be written-off, 112 individual debts (94%) amounting to £145,655 are more than one year old with 84 (71%) of those amounting to £104,846 being over two years old. As such these debts have already been reflected in budgets and fully provided for in the Medium Term Financial Plan (MTFP), as all sundry debts over one year old included in the bad debt provision.

Recommendation

5. It is recommended that Sundry Debtor invoices over £500 in value amounting to £161,782.55 for 2011/12 be written-off, subject to further action if and when contacts are made.

Reasons

6. The recommendations are supported by the following reasons :-
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- (a) It is considered all practical steps have been made to recover the debts
- (b) To enable the Council's accounts to be maintained in accordance with the Financial Procedure Rules

Paul Wildsmith
Director of Resources

Background Papers
Sundry Debtor records

Elaine Hufford : Extension 2447

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	There are no issues which this report needs to address
Carbon Impact	There are no issues which this report needs to address
Diversity	There are no issues which this report needs to address
Wards Affected	The proposal effects all wards
Groups Affected	The proposal effects all groups within the community
Budget and Policy Framework	The report does not represent a change to the Council's budget or policy framework
Key Decision	The proposal do not represent a key decision
Urgent Decision	This is not an urgent item
One Darlington: Perfectly Placed	This report does not seek to deliver aspects of the sustainable community strategy
Efficiency	This report does not contain proposals but refers to on-going initiatives to increase income and reduce costs.

MAIN REPORT

Information and Analysis

7. 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 after a further 14 days following which the account is sent to the Borough Solicitor in appropriate cases for action through the court.
8. During the course of recovery procedures, it may be found that an individual has absconded or been made bankrupt, or in the case of a company has ceased trading and winding up procedures commenced. In these circumstances, the authority will try to find absconders or submit claims to receivers/liquidators. Enquiries are made through other departments of the Council and if appropriate, searches initiated by bailiffs. Only when all recovery routes have been exhausted is it considered that invoices should be written off.
9. The following is a schedule of debts over £500 recommended for write-off;

Category of Write-Off	2011/12	
	No. of Invoices	Value £
Bankruptcy/Receivership	15	41,597.58
Debtor Absconded	4	3,472.44
Deceased- no estate	1	851.49
Exhausted Recovery Procedures	97	114,845.22
Upheld Complaint	1	1,015.82
Total	118	161,782.55

10. The totals above represent a significant increase on previous years due in part to the economic climate which has produced a seven fold increase in the value of debts to be written-off relating to bankruptcy and receivership. However, the main area of write-off relates to debts where all avenues of recovery have been exhausted and continuing to pursue these debts has become uneconomical. Whilst historically this area is always the largest for write-off the numbers are higher this year due to the intensive work carried out to clear old debts in the Sundry Debtors review.
11. As part of the Transformation Agenda under the Business Operations Improvement Strand, a review of sundry debtors was undertaken. The review examined the current processes employed in respect of the Sales Ledger with the aim of streamlining and improving them, along with reducing bad debt levels. The project is reaching its conclusion with a number of process changes already identified and implemented. As part of this exercise, increased legal resources were directed to examine and conclude older outstanding accounts, this has resulted in an increase of debts to be written off where all avenues of recovery have been exhausted. Of the £161,782 debts identified above, £145,655 relates to 112 invoices (94%) that are more than one year old with 84 (71%) of those amounting to £104,846 being over two years old.
12. A provision for bad debts is made in the accounts on an annual basis and reflected in budgets. Debts over one year old are provided for on a 100% basis, so the write –off outlined above will have no adverse effect on the MTFP. Debts of less than one year old

may also be provided for and the decision of how much to provide is taken in consultation with the manager responsible for the service.

13. Cabinet should be aware that in accordance with Financial Procedure Rules, the Director of Resources has authorised write-offs amounting to £73,986.19 in 2011/12 in respect of 797 individual debts of less than £500 where all practical steps have been taken. Again the majority of these debts are over one year old and only £7,213 and 197 individual debts relate to 2011/12.
14. An analysis by group of all debts to be written off is shown in the following table:-

Department	Total £
People Group	165,596.20
People Group Schools	14,552.75
Place Group	50,760.74
Resources Group	4,859.05
Total	235,768.74

15. The total amounts to be written off compared to the total invoices raised for 2011/12 are shown in the table below;

	£M	£M
Debt Brought Forward	4.681	
New debt raised during the year	21.810	
Total debt collectable during 2011/12		26.491
Less Cash collected during year	-20.502	
Less total debt to be written off	-0.236	
Debt carried forward		5.753
Total Debt written off as a percentage of debt collectable in 2011/12		0.9%
Total Debt written off as a percentage of debt collectable in 2010/11		0.4%

16. Darlington Borough Council continually works on debt collection to minimise loss of income by speeding up collection times and reducing the need for invoicing debt by maximising “up front” payment for services wherever possible. Councils are, however, obliged to provide some services that cannot be withheld prior to payment.

Outcome of Consultation

17. No consultation was undertaken in producing this report.