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**PROPOSED WRITE-OFF OF IRRECOVERABLE DEBTS**

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**Responsible Cabinet Member – Councillor Chris McEwan  
Efficiency and Resources Portfolio**

**Responsible Director -Paul Wildsmith, Director of Corporate Services**

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**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 irrecoverable.

**Summary**

2. The debts recommended to be written-off at this time amount to £148,119.14 being 0.6% of the debt collectable, which during 2009/10, it has become apparent that no further practical steps can be taken to recover the sums due.

**Recommendation**

3. It is recommended that Sundry Debtor invoices over £500 in value amounting to £148,119.14 for 2009/10 be written-off, subject to further action if and when contacts are made.

**Reasons**

4. The recommendations are supported by the following reasons :-
  - (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 Financial Procedure Rules.

**Paul Wildsmith,  
Director of Corporate Services**

**Background Papers**  
Sundry Debtor records

Elaine Hufford : Extension 2447

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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
Sustainability	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	This report does not represent a change to the Council's budget or policy framework
Key Decision	The proposals 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

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 through the court.
6. 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.
7. The Sundry Debtors function for the authority is part of the services transferred to Xentrall on May 2008 and is now administered by the team based in Stockton.
8. The following is a schedule of debts over £500 recommended for write-off

Category of Write-Off	2009/10	
	No. of Invoices	Value £
<b>Bankruptcy/Receivership</b>	<b>5</b>	<b>83,054.56</b>
<b>Debtor Absconded</b>	<b>2</b>	<b>1,708.33</b>
<b>Deceased- no estate</b>	<b>14</b>	<b>33,303.65</b>
<b>Exhausted Recovery Procedures</b>	<b>12</b>	<b>30,052.60</b>
	<b>33</b>	<b>148,119.14</b>

9. The table above includes a debt of £80,300, which relates to RedPC Services. In April 2007 the Council entered into an agreement with RedPC to supply ICT equipment and training to employees in a "Salary Sacrifice" scheme. The Council, in common with many organisations, has successfully operated a number of such schemes, which provide HMRC approved tax-efficient benefits to employers and employees. RedPC subsequently went into liquidation in June 2009. At the time that the company went into liquidation the Council had paid for some equipment that was later found to have not been delivered. As the equipment had not been received by the employees the Council was unable to recover payments from salaries. At the time of the liquidation of the company, there were liabilities amounting to £1.2m of which unsecured creditors (including Darlington Borough Council) amounted to £1.1m. There are no prospects of a payment to any unsecured creditor. Provision for this write off is included in the budget.
10. Cabinet should be aware that in accordance with Financial Procedure Rules, the Director of Corporate Services has also authorised write-offs amounting to £38,079.87 in 2009/10 in respect of 440 individual debts of less than £500 where all practical steps have been taken.
11. An analysis by department of all debts written off is shown in the following table:-

<b>Department</b>	<b>2009/10 Total £</b>
<b>Chief Executives Office</b>	<b>1,382.52</b>
<b>Childrens Services</b>	<b>9,292.50</b>
<b>Community Services</b>	<b>76,519.42</b>
<b>Corporate Services</b>	<b>99,004.57</b>
<b>Total</b>	<b>186,199.01</b>

12. The total amounts written off compared to the total invoices raised for 2009/10 are shown in the table below

	<b>£M</b>	<b>£M</b>
<b>Debt Brought Forward</b>	<b>5.185</b>	
<b>New debt raised during the year</b>	<b>21.177</b>	
<b>Total debt collectable during 2009/10</b>		<b>26.362</b>
<b>Less Cash collected during year</b>	<b>22.581</b>	
<b>Less total debt to be written off</b>	<b>0.186</b>	<b>22.767</b>
<b>Debt carried forward</b>		<b>3.595</b>
<b>Debt written off as a percentage of debt collectable in 2009/10</b>		<b>0.7%</b>
<b>Debt written off as a percentage of debt collectable in 2008/09</b>		<b>0.2%</b>

13. Darlington Borough Council and Xentrall continually work together on debt collection to minimise loss of income by speeding up collection time and reduce 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**

14. No consultation was undertaken in producing this report.