
PROPOSED WRITE-OFF OF IRRECOVERABLE DEBTS

Responsible Cabinet Member - Councillor Stephen Harker
Efficiency and Resources Portfolio

Responsible Director - Paul Wildsmith,
Director of Neighbourhood Services and 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 £89,532.65, being 0.3% of the debt collectable, in which during 2014/15 it has become apparent that no further practical or economical steps can be taken to recover the sums due.
3. Of the debts to be written-off, 64 individual debts (88%) amounting to £74,749.64 are more than one year old with 36 (49%) of those amounting to £45,445.54 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 are included in the bad debt provision. The total write-off including debts of less than £500 represents 0.5% of debts raised.

Recommendation

4. It is recommended that Sundry Debtor invoices over £500 in value amounting to £89,532.65 for 2014/15 be written-off, subject to further action if and when contacts are made.

Reasons

5. The recommendation is 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 the Financial Procedure Rules.

Paul Wildsmith
Director of Neighbourhood Services and Resources

Background Papers
 Sundry Debtor records

Elaine Hufford : Extension 5404

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

6. 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.

7. 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.

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

Category of Write-Off	2014/15	
	No. of Invoices	Value £
Bankruptcy/Receivership	1	1,970.00
Debtor Absconded	7	8,538.59
Deceased- no estate	12	19,996.09
Exhausted Recovery Procedures	53	59027.97
Total	73	89,532.65

9. The totals above represent a reduction on previous years. However, the main area of write-off still relates to debts where all avenues of recovery have been exhausted and continuing to pursue these debts has become uneconomical. This is historically the area that is always the largest for write-off numbers.
10. Of the £89,532.65 debts identified above, £74,749.64 relates to invoices, 64 (88%) that are more than one year old with 36 (49%) of those amounting to £45,445.54 being over two years old.
11. A provision for bad debts is made in the accounts on a monthly 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.
12. Cabinet should be aware that in accordance with Financial Procedure Rules, the Director of Neighbourhood Services & Resources has authorised write-offs amounting to £37,668.52 in 2014/15 in respect of 359 individual debts of less than £500 where all practical steps have been taken to recover the debt.
13. An analysis by group of all debts to be written off is shown in the following table:-

Department	Total £
People Group	41,949.64
People Group Schools	804.44
Economic Growth	10,235.89
Neighbourhood Services and Resources	24,906.90
Housing	49,304.30
Total	127,201.17

14. The total amounts to be written off compared to the total invoices raised for 2014/15 are shown in the table below:

	£M	£M
Debt Brought Forward	5.328	
New debt raised during the year	21.155	
Total debt collectable during 2011/12		26.483
Less Cash collected during year	21.099	
Less total debt to be written off	0.127	21.226
Debt carried forward		5.257
Total Debt written off as a percentage of debt collectable in 2014/15		0.5%
Total Debt written off as a percentage of debt collectable in 2013/14		0.7%

15. 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

16. No consultation was undertaken in producing this report.