
PROPOSED WRITE-OFF OF IRRECOVERABLE SUNDRY DEBTS

Responsible Cabinet Member -Councillor Stephen Harker, Resources Portfolio

Responsible Director - Paul Wildsmith, Director of Corporate Services

SUMMARY REPORT

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 net amount invoiced for 2007/08 is £28.300m with a total amount collected of £28.254m, which is a collection rate of 99.84%. This leaves £45,604.95 or 0.16%, considered as unrecoverable, with £20,366.54 for debts in excess of £500 and £25,238.41 for those invoices under £500
3. The individual debts under £500 (£25,238.41) have been written off under delegated powers. In respect of debts over £500 Member's approval is required. These debts amount to £20,366.54 for 2007/08 and a schedule of the sums involved is shown later in this report. All practical steps to recover these debts have now been exhausted.
4. The average amount uncollected according to the CIPFA Benchmarking Club for 2007/08, of which this Council is a member reveals that the average collection rate is 99.5% across a number of single tier authorities. Therefore the rate achieved by Darlington Borough Council is better than average.

Recommendation

5. It is recommended that invoices over £500 in value; in the sums of £20,366.54 for 2007/08 be written off, subject to further action if and when further contacts are made.

Reasons

6. 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

Key Issues

S17 Crime and Disorder	This report has no implications for crime and disorder.
Health and Well Being	There are no issues relating to health and wellbeing which this report needs to address
Sustainability	There are no issues relating to environmental impact.
Diversity	There are no specific implications for diversity
Wards Affected	All wards are affected equally.
Groups Affected	The proposals do not affect any particular groups within the community
Budget and Policy Framework	The report does not change the Council's budget or Policy framework.
Key Decision	The report does not represent a key decision
Urgent Decision	For the purpose of the 'call-in' procedure this does not represent an urgent matter.
One Darlington: Perfectly Placed	The proposals in the report support delivery of the Sustainable Community strategy through appropriate and effective deployment of the Council's resources

Background Papers

Sundry Debtor Records

Steve Vasey : ext 154929

TAB

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

<u>Category</u>	<u>2007/2008</u>	
	<u>No.</u>	<u>Value</u>
Debtor Absconded	4	5,517.42
Bankruptcy and Receivership	1	511.12
Deceased	3	1,971.00
Exhausted recovery Procedures	11	26,410.43
Money Received after Previous Write Off	30	-14,043.43
Total	49	20,366.54

10. Cabinet should also be aware that in accordance with Financial Procedures section 6(5), I have authorised write-offs amounting to £25,238.41 in 2007/08, in respect of individual sums less than £500 where all practical recovery steps have been taken.
11. The total amounts written off, compared to the total invoices raised for 2007/08 are shown in the following table.

	2007/08 Total
Total of all invoices raised	£28.300m
Unrecoverable less than £500	£0.025m
Unrecoverable over £500	£0.021m
Total invoices written off	£0.046m
Invoices written off as percentage of all invoices raised	0.16%
Collection Rate	99.84%

12. 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 2007/2008, reveals that the average level of invoices written off is 0.5% Therefore the figures for Darlington Borough Council are better than average.
13. All amounts written off are charged to the Council's provision for bad debts, which stood at £0.289 m at the 31st March 2008.
14. In view of the use of a provision for bad debts, as described above, there is no effect on the Council's revenue budgets.
15. An analysis of all invoices written off, by department is shown in the following table :-

Department	2007/08 Total
Chief Executive's Office	545.84
Children's Services	10,191.29
Community Services	23,691.37
Corporate Services	2,215.28
Development and Environment	8,450.05
Unattached	511.12
Total	45,604.95

Outcome of Consultation

16. No consultation is taken on these items as a decision is made by Members.