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**PROPOSED WRITE-OFF OF IRRECOVERABLE DEBTS**

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**Responsible Cabinet Member - Councillor Stephen Harker  
Efficiency and Resources Portfolio**

**Responsible Director - Paul Wildsmith,  
Director of Neighbourhood Services and Resources**

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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 to be irrecoverable.

**Summary**

2. Approval is being sought to write-off sundry debts of £102,727, being 0.33% of the debt collectable, in which during 2016/17 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, 79 individual debts (82%) amounting to £87,638 are more than one year old with 40 (51%) of those amounting to £46,412 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 £102,727 for 2016/17 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 Assistant Director, Law and Governance 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	2016/17	
	No. of Invoices	Value £
<b>Bankruptcy/Liquidation</b>	<b>1</b>	<b>828</b>
<b>Deceased – No estate</b>	<b>25</b>	<b>31,866</b>
<b>No longer trading</b>	<b>6</b>	<b>6,568</b>
<b>Recovery Proceedings Exhausted</b>	<b>64</b>	<b>63,465</b>
<b>Total</b>	<b>96</b>	<b>102,727</b>

9. The totals above represent a reduction in values from the previous year but an increase in the number of invoices. The main area of write-off relates to debts for repair or maintenance of Housing properties where the debt is either uneconomical to pursue or tenants have absconded and recovery proceedings have been exhausted. The second largest area related to debts for Adult Social Care where debtors have died and there has been no estate to recover the debt from, no probate has been entered and all avenues of recovery have been exhausted.
10. Of the £102,727 debts identified above, £87,638 relates to 79 (82%) invoices that are more than one year old with 40 (51%) of those amounting to £46,412 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 £68,110 in 2016/17 in respect of 523 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:-

<b>Department</b>	<b>No. of Invoices</b>	<b>Total £</b>
<b>Adults</b>	<b>157</b>	<b>58,508</b>
<b>Children</b>	<b>6</b>	<b>830</b>
<b>Schools</b>	<b>16</b>	<b>2,421</b>
<b>Economic Growth</b>	<b>29</b>	<b>451</b>
<b>Neighbourhood Services and Resources</b>	<b>63</b>	<b>14,413</b>
<b>Housing</b>	<b>348</b>	<b>94,214</b>
<b>Total</b>	<b>619</b>	<b>170,837</b>

14. The total amounts to be written off compared to the total invoices raised for 2016/17 are shown in the table below:

	<b>£M</b>	<b>£M</b>
<b>Debt Brought Forward</b>	<b>4.669</b>	
<b>New debt raised during the year</b>	<b>26.449</b>	
<b>Total debt collectable during 2015/16</b>		<b>31.118</b>
<b>Less Cash collected during year</b>	<b>25.607</b>	
<b>Less total debt to be written off</b>	<b>0.171</b>	<b>25.778</b>
<b>Debt carried forward</b>		<b>5.340</b>
<b>Total Debt written off as a percentage of debt collectable in 2016/17</b>		<b>0.5%</b>
<b>Total Debt written off as a percentage of debt collectable in 2015/16</b>		<b>0.5%</b>

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.