
PROPOSED WRITE-OFF OF IRRECOVERABLE DEBTS

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

Responsible Director - Paul Wildsmith, Managing Director

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 23 individual sundry debts totalling £33,087.32, being less than 0.1% of the debt collectable, in which during 2017/18 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, 21 individual debts (91%) amounting to £30,614.93 are more than one year old with 10 (48%) of those amounting to £9,864.94 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 0.2% of debts raised.

Recommendation

4. It is recommended that Sundry Debtor invoices over £500 in value amounting to £33,087.32 for 2017/18 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
Managing Director**

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 al 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 does 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.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers.

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	2017/18	
	No. of Invoices	Value £
Unable to Trace	6	8,478.81
Deceased – No estate	2	1,238.62
Uneconomical to Pursue	10	18,159.22
Recovery Proceedings Exhausted	5	5,210.67
Total	23	33,087.32

9. The totals above represent a reduction in both values and number of invoices from the previous year. The main area of write-off relates to debts for repair or maintenance of Housing properties (19 individual debts amounting to £30,497.12) where the debt is either uneconomical to pursue or tenants have absconded and recovery proceedings have been exhausted.
10. Of the £33,087.32 of debts identified above, £30,614.93 relates to 21 (91%) invoices that are more than one year old, with 10 (48%) of those amounting to £9,864.94 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 Assistant Director Resources has authorised write-offs amounting to £40,686 during 2017/18 in respect of 336 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	No. of Invoices	Total £
Adults & Children	68	5,874
Economic Growth	35	1,476
Neighbourhood Services and Resources	61	8,297
Housing	195	58,126
Total	359	73,773

14. The total amounts to be written off compared to the total invoices raised for 2017/18 are shown in the table below:

	£M	£M
Debt Brought Forward	5.340	
New debt raised during the year	27.773	
Total debt collectable during 2015/16		33.113
Less Cash collected during year	27.972	
Less total debt to be written off	0.073	28.045
Debt carried forward		5.068
Total Debt written off as a percentage of debt collectable in 2017/18		0.2%
Total Debt written off as a percentage of debt collectable in 2016/17		0.5%

15. It should be noted that during 2017/18, 20 individual debts amounting to £7,378.37 which had been written off in previous years were resurrected when debtors were found, these debts were subsequently paid.
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.