

Taunton Deane Borough Council

Executive - 13 March 2013

Accounts Receivable - Write-offs

Report of the Performance and Client Lead

(This matter is the responsibility of Executive Councillor Resources Vivienne Stock-Williams)

1. Executive Summary

The Council's Financial Regulations require Executive approval for the write-off of irrecoverable sundry debts which have an individual value greater than £10,000.

This report recommends the write-off of 4 sundry debt accounts with a combined value of £81,217.14, as detailed in Appendix A to this report.

2. Background

- 2.1 Sundry debtors invoices are raised by a number of sections within the Council and are used to collect income for a variety of Council services. Examples include commercial rents, former tenant arrears, rechargeable DLO works and charges to tenants for repairs to Council properties.
- 2.2 In accordance with good financial management principles the Council has made a provision for bad debts. This provision recognises that a proportion of the authority's debts will prove irrecoverable. Common reasons for write-off include, unable to trace the debtor, debtor insolvency or where debtor has died with an insufficient estate.
- 2.3 Where a debt is deemed irrecoverable it is good practice to write-off the debt rather than continue to report it as a recoverable debt as this is likely to lead to a false impression of funds likely to be available to the Authority.
- 2.4 The Council's Financial Regulations require that irrecoverable sundry debts, with an individual value of up to £5,000 can be approved for write-off by the S151 officer, debts between £5,000 and £10,000 can be approved for write-off by the Chief Executive but sundry debts over £10,000 must be submitted to the Executive for approval.
- 2.5 Members are reminded that any debt that is written off may subsequently be re-raised should circumstances change, such as an unexpected dividend being received in an insolvency case or an absconded debtor being traced.
- 2.6 Officers have concluded that there is no further practicable recovery action available to the Council for the recovery of the amounts referred to within this report.
- 2.7 Each of the debts within this report are old, and as part of ongoing reviews of debt by CMT, have been identified as irrecoverable.

- 2.8 **These debts were included within a report which went before Corporate Scrutiny on 21st February 2013. The members of the scrutiny committee were unanimously in support of the recommendation that the debts, referred to within this report, be written-off.**
- 2.9 Responses to some questions coming out of the Scrutiny meeting are set out below as it is felt the responses will be helpful to the Executive.
- 2.10 Members asked about whether documented procedures exist for managing debts. It was confirmed that the Councils procedures for managing sundry debts are included within corporate debt management policy- approved by the Executive on 14th March 2012.
- 2.11 Officers were asked at what point a debt becomes a 'problem'? - The response given was that it is difficult to be precise, but generally if a debt is over 90 days old it is likely there is an issue and a stronger risk of problems. Services are asked to give particular focus on debts of this age although, through regularly running aged debt reports, all debts should receive scrutiny. The value of debts above 90 days old are reported 6 monthly to Corporate Scrutiny and are provided regularly to the s151 officer and CMT to ensure senior management visibility of these debts. CMT also have a regular review of the 'top 20' debts owed to TDBC to ensure the risks associated with those debts are being suitably managed. CMT most recently reviewed the corporate sundry debt position on 4th Feb 2013.
- 2.12 Members asked who is responsible for managing sundry debts? It was confirmed that ultimately all debts are 'owned' by the service which raised them and are responsible for ensuring the debts are pursued. Some debts are however raised on behalf of the Council by SWOne such as debts relating to our commercial property estate (which are raised and managed by SWOne property services) and some debts relating to employees (which are raised and managed by the SWOne HR team).
- 2.13 A question was asked concerning what steps were undertaken in pursuing debt eg letters, negotiation, dispute resolution, solicitors and court? Officers confirmed that all of these steps are available and can be considered on a case by case basis by services. The standard process which applies to sundry debts is set out within the debt management policy (page 71 refers). All debts raised will, for example be issued with a reminder notice and final notice by SWOne Accounts Receivable team where payment is overdue, as a matter of course. Additional steps, outside of the standard process, can be determined by services once a final notice has been issued. For elective services, e.g. where we have a choice on whether or not we provide a chargeable service we of course also have the option to withhold providing future services if debts are due.
- 2.14 Scrutiny also asked for the value of debts **under** £10,000 which have been written off under delegated powers by the S151 officer or the Chief Executive. It was confirmed that between 1st April 2012 and the date of the scrutiny meeting, £102,170 had been written off.
- 2.15 Scrutiny have asked for a summary of debts under £10,000 to be provided when further debts over £10,000 are before them, in order to provide a more complete picture of write-offs within the Council. It has been confirmed that this will be done.
- 2.16 The committee also asked for additional commentary to be provided relating to the debts in question. This has been done and is reflected in this report.

3. Details of debts submitted for write-off

3.1 Please refer to Appendix A to this report.

4. Finance Comments

4.1 There is sufficient bad debt provision within the Authority's accounts to cater for these write-off amounts.

5. Legal Comments

5.1 The Council's standing orders require Executive approval for the write-off of sundry debts which have an individual value above £10,000.

6. Links to Corporate Aims

6.1 There are no direct links to corporate aims.

7. Environmental and Community Safety Implications

7.1 There are no environmental and community safety implications associated with this report.

8. Equalities Impact

8.1 An initial equalities screening has taken place and has concluded that a full equalities impact assessment is not required in relation to this report.

9. Recommendations

It is recommended that the debts referred to within this report be written-off.

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Irrecoverable Sundry Debts.

Cust Ref	Name	Details	Value (£)	Reason for Write-off
1018486	Wellsway Packaging Ltd	Rental of Unit 2, Blackdown Business Park, Wellington	£15,079.47	This contract commenced Sept 2005 and was ended in Aug 2006. No payments made. The company went into liquidation. No prospect of dividend.
1019673	Mr K Thompson Deceased	Rental of unit 1A Blackdown Business Park	£17,071.92	The customer is deceased. No prospect of further payment. Customer was in poor state of health and had been advised to petition for bankruptcy, which affected enforcement decisions. Occupied Dec 2006 to Jan 2009. (Rent £1125.00 per month + VAT). Paid £19,828.19.
1018780	Redacted - private individual.	The debt relates to a DLO building services job that was performed in 2006.	£18,972.00	The outstanding sum is a disputed balance for works above the agreed contract that the client later refused to pay for as they deemed that they had not agreed to the cost of these extras. The undisputed element of the works has been paid. The total value of the original invoice was £38,277.00 + vat.
1124647	ILS Distribution Ltd	Rental of 1A Blackdown Business Park, Wellington	£30,093.75	Customer was billed late. Billed issued 07/12/2010. Occupied 01/02/2009. The amount outstanding on the account relates to the period: 01.02.09 – 31.12.2010 (23 months @ £1125.00 per month + VAT) The customer has only paid £5,371.88 for period: 01.01.2011 – 30.04.2011 (4 months @ £1125.00 per month + VAT). Company had been referred to the Council's legal team for legal action but company liquidated. As a result of audit of asset management by SWAP they identified risk of invoices not being matched to properties . As a result, full reconciliation undertaken and working practices changed to avoid similar problem of late/missed billing arising.

Total Value £81,217.14