

Taunton Deane Borough Council

Executive – 10 November 2010

Irrecoverable Sundry Debts

Report of the Performance and Client Lead

(This matter is the responsibility of Executive Councillor Resources Terry Hall)

1. Executive Summary

The Council's commitment to providing cost-effective services is underpinned by sound financial management arrangements which include formal debt write-off procedures.

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 seeks approval for the write-off of 2 sundry debt accounts with a combined value of £134,049.41.

2. Background

- 2.1 Sundry debtors (invoices) are issued by a number of sections within the Council and are used to collect income for a variety of Council services. Examples include commercial rents, leisure and recreation planning contributions, former tenant arrears, service charges, rechargeable DLO works, charges to tenants for repairs to Council properties and piper lifeline charges.
- 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 over £10,000, to 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.

3. Details of debts submitted for write-off

Invoice	Dated	Value	Income type	Reason for Write-off
60003103	8/1/2009	£107,604.00 (net of payments)	Leisure and recreation contribution – Sect 106 agreement -relating to land now known as Northfield Court.	Administration – no prospect of dividend.

Invoice	Dated	Value	Income type	Reason for Write-off
60003112	5/1/2007	£26,445.41 (net of payments)	Leisure and recreation contribution – Sect 106 Agreement relating to land now known as Thomas Moore Court.	Administration – no prospect of dividend.

The developer was placed in administration on 01/03/2010, after the completion of the respective developments.

The Administrator’s report makes clear there is no prospect of unsecured creditors, like the Council, getting paid. Please refer to ‘Legal Comments’ below.

4. Finance Comments

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. If approved, these write-offs will be charged against the General Fund provision for bad debts, for which adequate provision is made each year.

This report has been reviewed by the Council’s Section 151 officer prior to distribution.

5. Legal Comments

Generally, leisure and recreation contribution obligations pass with the land but it is common practice to exempt individual house owners once they have purchased the property. Therefore if a developer is part way through a development, whoever takes over the scheme would become liable for the payments, but in this case both developments were **complete before** the administration and therefore there is no successor to take on these obligations.

6. Links to Corporate Aims

No direct links.

7. Environmental and Community Safety Implications

The loss of potential leisure and recreation contribution income has an opportunity cost to the Authority; reducing the scope of new facilities that would otherwise be provided.

8. Equalities Impact

None.

9. Risk Management

There is a risk of further leisure and recreation contributions being lost due to the insolvency of developers after the developments have completed. Added protection could be given to the Council by lowering the 'trigger point' at which the leisure and recreation contributions become due; so that the development will not be completed by the time any debt collection takes place.

10. Partnership implications

The Accounts Receivable function is performed by the Finance Service of Southwest One.

11. Recommendations

The Executive are recommended to approve the write-off of the debts detailed in this report.

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