

UNCOLLECTABLE DEBTS IN EXCESS OF £10,000
COUNCILLOR DAVID SEATON, CABINET MEMBER FOR RESOURCES
July 2018
Deadline date:

Cabinet portfolio holder: Responsible Director:	Councillor David Seaton, Cabinet Member for Resources. Peter Carpenter, Acting Director of Corporate Resources
Is this a Key Decision?	NO
Is this decision eligible for call-in?	NO
Does this Public report have any annex that contains exempt information?	NO
Is this a project and if so has it been registered on Verto?	NO

R E C O M M E N D A T I O N S
The Cabinet Member is recommended to authorise the write off of the debt shown as outstanding in respect of non-domestic rates and accounts receivable (sundry debt) accounts included in the Appendices. This details the financial year and the category for the write off request.

1. SUMMARY OF MAIN ISSUES

- 1.1 This report seeks the Cabinet Member’s approval to write-off uncollectable debts that exceed £10,000 in relation to non-domestic (business) rates and accounts receivable (sundry debt), as detailed in the appendices to this report. The aggregate total value of these debts is £328,084.
- 1.2 All cases requested for write-off follow a lengthy process to recover the outstanding money, sometimes dating back many years. Only once all avenues have been exhausted will the council consider writing off debt.
- 1.3 It is acknowledged that given the high volume and value of invoices and bills issued there will always be a requirement to write off an element of debt as uncollectable.
- 1.4 The largest type of debt raised each year is non-domestic rates at approximately £100 million per annum. When the sum recommended for write off is expressed as a percentage

of the total debt raised over the period it represents only 0.002% for business rates and only 0.07% for sundry debt accounts.

- 1.5 Debt to be written off is set out in Appendix 1. The majority of this is over 3 years old and has been fully provided for in the council's debt provisions. As a result, there will be no adverse impact on the Council's revenue position as a result of this write off exercise and no adverse financial impact as a result of not writing these debts off sooner.
- 1.6 This report is the first quarterly write-off of debt over £10,000 following the significant exercise undertaken in February 2018 to write-off over £4.6m of historic debt across non-domestic rates, council tax, housing benefit overpayments and accounts receivable (sundry debt) accounts.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for the Cabinet Member for Resources to consider exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (n).

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
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4. DETAILS OF DECISION REQUIRED

- 4.1 The Cabinet Member for Resources is requested to approve the write off of uncollectable debt in excess of £10,000. These debts relate to non-domestic rates and accounts receivable (sundry debt) accounts.

Financial Context

- 4.2 The Council is committed to taking all appropriate action necessary before considering a debt for write off. This includes multiple written reminder letters early in the recovery process, telephone call follow up, senior management dialogue with counterparts, and where necessary, court and enforcement agent action. It can take several years before all actions have been undertaken.
- 4.3 Per annum, the Council currently expects to receive approximately £100m in non-domestic rates and in excess of £50m of sundry invoice income. As a result of business activity on this scale, the Council recovers millions of pounds every year in unpaid debt, sometimes dating back years, due to being persistent in recovery activity.
- 4.4 Despite our best endeavours, it is inevitable that a small percentage of debt will not be collected and will ultimately have to be written off. There are a number of reasons why this occurs with the most common being where a company has gone into liquidation, an individual has been made bankrupt, a debtor has died with no funds available, or where it has not been possible to trace a debtor. It is very common for large organisations in both the public and private sectors to incur debt, and the Council is no different in that respect. Writing off debt is standard practice and recommended as part of good budget management.
- 4.5 In respect of non-domestic rates, although the Council continues to collect arrears after the year it becomes due, the amount collected 'in year' is still measured. The in year collection of non-domestic rates as at 31 March 2018 was 97.9%, which is 0.05% above the target set.

4.6 As an indication of the equivalent amounts of income raised over the corresponding period, Table 1 in Appendix 1 shows that the total write off being considered for each debt type is less than 0.1% of the total expected to be received, and that the debts span a number of financial years.

4.7 In addition to the balances to be written off as part of this report, debts with a value less than £10,000 also require write-off consideration. While not forming part of this governance process (due to delegation limits as part of the Council's financial regulations), the values are shown in Appendix 2 for completeness and overall context.

5. CONSULTATION

5.1 Consultation between relevant Council Officers, the Head of Finance, the Local Taxation section and key Heads of Service within the Peterborough-Serco Strategic Partnership was undertaken to provide the relevant information for this report.

6. ANTICIPATED OUTCOMES

6.1 It is anticipated that the Cabinet Member for Resources will approve the write-off of the debt amounts summarised in Appendix 1.

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

7.1 In all cases included in this Cabinet Member Decision Notice the authorisation for write-off is requested due to one of the following scenarios:

- a company being placed into administration of liquidation;
- the ratepayer is an individual being made bankrupt;
- the ratepayer is deceased with no further income due from the estate; or
- following extensive enquiries being made it has not been possible to trace the debtor and therefore collect payment.

7.2 Where debt being written off is in relation to companies that have gone into administration/ individuals being made bankrupt, proof of debt has been lodged with the Administrators or Liquidators in all appropriate cases and either it has been confirmed that no dividend is payable or a final dividend payment has been received. Recovery action has therefore been exhausted and there is no further action that can be taken to obtain any further payments in relation to the debt. Table 2 in Appendix 1 summarises the rationale for the different reasons for write off decisions by year and by value.

7.3 The majority of the aged debt outlined in Appendix 1 has been fully provided for in the council's debt provisions in accordance with the council's debt provision policies, local accounting procedures and statutory accounting regulations. As a result, there has been no adverse impact on the Council's revenue position as a result of this write off exercise and no adverse financial impact as a result of not writing these debts off sooner. All debt recovery actions available to the council must be exhausted before outstanding debt can be recommended for write-off.

7.4 To further strengthen its debt collection procedures, the Council has now implemented a robust end-to-end accounts receivable process, including ensuring that all future debt write off exercises take place on a quarterly basis. This report is the first iteration of that new process.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 The alternative option is to not write off this debt but this would result in an uncollectable debt continuing to be shown as outstanding and a bad debt provision for this debt. Once a debt is no longer collectable it should be written off in the Council's accounts and the debt provision adjusted accordingly.

8.2 All other alternative options available to the Council to collect the debt have already been undertaken before making a decision to recommend a debt for write off.

9. IMPLICATIONS

9.1 Financial and legal implications have been included within this report.

9.2 Section 151 of the Local Government Act 1972 requires a local authority to make arrangements for the proper administration of their financial affairs and the write-off of debts falls within such duties.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

None

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985 and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

There are no documents.

12. APPENDICES

Appendix 1 - Debt Write-Offs With A Value Over £10,000

Appendix 2 - Debt Write-Offs With A Value Under £10,000

Consultation (officers/ward councillors)	Section	Name	Outcome	Date
<i>Legal and finance should be consulted regarding the proposals. Ward Councillors, other Cabinet Members and officers should be consulted if the proposals will have an impact on their service area/ward.</i>	Ward Councillors <i>(if decision is ward specific)</i>			
	Legal	Fiona McMillan	Approved	03/07/2018
	Finance	Nick Hutchins	Approved	26/06/2018
	Democratic Services	Dan Kalley	Approved	02/07/2018
	Procurement Project Director <i>(if decision is contract/procurement related)</i>	N/A		
	Head of Strategic Property <i>(if decision is property related)</i>	N/A		
	Other Officers / Members	N/A		
Director's approval <i>Directors are requested not to sign if the above section is incomplete</i>	Peter Carpenter			03/07/2018
Date sent to Cabinet Member if key decision	<i>To be inserted by Democratic Services</i>			
If key decision – date decision may be taken	<i>To be inserted by Democratic Services</i>			
Cabinet Member approval				Date
Reasons for making decision Please tick one of the Options	Option 1 I agree with the officer's reasons for recommending the decision.			
	Option 2 I agree with the officer's reasons for recommending the decision and have the following additional comments to make.			
Once signed by Director, please pass to Democratic Services. We will contact the Cabinet Member and arrange for signature.				

Appendix 1 - Debt Write-Offs With A Value Over £10,000

Table 1: By financial year and % of total debt raised

Financial Year	Non Domestic Rates			Sundry Debt		
	Write-off (Inc. costs of collection) (£)	Debt raised in year (£)	% Write-off in-year	Write-off (£)	Debt raised in-year (£)	% Write-off in-year
Up to 2008/09	-	-	-	52,635	-	-
2009/10	-	86,843,886	0.000%	63,338	51,430,000	0.12%
2010/11	-	84,526,730	0.000%	18,130	51,450,000	0.04%
2011/12	-	89,444,197	0.000%	16,225	47,270,000	0.03%
2012/13	-	92,745,954	0.000%	40,515	48,540,000	0.08%
2013/14	-	94,532,290	0.000%	20,929	46,140,000	0.05%
2014/15	3,664	96,008,318	0.004%	22,592	45,140,000	0.05%
2015/16	4,800	100,664,032	0.005%	32,664	54,270,000	0.06%
2016/17	4,840	101,768,770	0.005%	46,431	56,610,000	0.08%
2017/18	1,320	100,459,326	0.001%	-	56,914,648	0.00%
Total	14,624	846,993,503	0.002%	313,460	457,764,648	0.07%

Note – the profile above is impacted by the effects of the recession

Table 2: By financial year and write-off rationale

	Company/ ratepayer placed into Administration/ Liquidation/ Bankruptcy	Unable to trace the debtor and collect payment	The ratepayer is deceased with no further income due from the estate	Statute barred - disputed debts and recovery action attempted but no longer not enforceable under the Limitation Act 1980	Total
Up to 2008/09	-	-	-	52,635	52,635
2009/10	-	-	5,603	57,735	63,338
2010/11	-	-	1,535	16,594	18,130
2011/12	-	448	-	15,777	16,225
2012/13	-	3,218	26,146	11,151	40,515
2013/14	-	20,929	-	-	20,929
2014/15	3,664	22,592	-	-	26,256
2015/16	14,860	22,604	-	-	37,464
2016/17	18,813	2,907	29,552	-	51,271
2017/18	1,320	-	-	-	1,320
Total	38,656	72,699	62,836	153,893	328,084

Appendix 2 - Debt Write-Offs With A Value Under £10,000

Financial Year	Sundry Debt		
	Write-off (£)	Debt raised in-year (£)	% write-off in-year
Up to 2008/09	42,794	-	
2009/10	56,208	51,430,000	0.11%
2010/11	39,556	51,450,000	0.08%
2011/12	52,031	47,270,000	0.11%
2012/13	47,221	48,540,000	0.10%
2013/14	51,451	46,140,000	0.11%
2014/15	51,214	45,140,000	0.11%
2015/16	63,697	54,270,000	0.12%
2016/17	28,769	56,610,000	0.05%
2017/18	4,714	56,914,648	0.01%
2018/19	69	-	0.00%
Total	394,929	457,764,648	0.09%

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