

UNCOLLECTABLE DEBTS IN EXCESS OF £10,000
COUNCILLOR DAVID SEATON, CABINET MEMBER FOR FINANCE
January 2020
Deadline date: 25 January 2021

Cabinet portfolio holder: Responsible Director:	Councillor David Seaton, Cabinet Member for Finance. Peter Carpenter, Acting Director of Corporate Resources
Is this a Key Decision?	NO If yes has it been included on the Forward Plan: N/A Unique Key decision Reference from Forward Plan: N/A
Is this decision eligible for call-in?	YES
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 accounts receivable (sundry debt) accounts included in the Appendices. These detail 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 accounts receivable (sundry debt), as detailed in the appendices to this report. The aggregate total value of these debts is £116,128.
- 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 Sundry debt raised each year is normally in excess of £50 million. When the sum recommended for write off in this report is expressed as a percentage of the total debt raised

over the period, it represents only 0.018%. If debts less than £10,000 are also included, the total percentage written off is only 0.025% of the total debt raised.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for the Cabinet Member for Finance 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 (i).

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 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 in excess of £50m of sundry invoice income. As a result of 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 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 Finance 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:
- the individual being made insolvent/ bankrupt;
 - the ratepayer is deceased with no further income due from the estate;
 - all recovery options/ activity have been exhausted.
- 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, the impact on the Council's revenue position as a result of this write off exercise is £32,155. 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 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 represents the first exercise for 2020-21 due to the impact of Covid-19 on individuals/ organisations and the resulting suspension of active debt recovery action.

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 with 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.
- 9.3 There are no equalities implications arising from the recommendation.

Carbon Impact Assessment

- 9.4 It is considered that there is no/ negligible impact of implementing this decision.

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 by type

Appendix 2 - Debt Write-Offs With A Value Over £10,000 by write-off rationale

Appendix 3 - Debt Write-Offs With A Value Under £10,000 (for information only)

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

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

Financial Year	Adult Social Care			Sundry Debt		
	Write-off (£)	Debt raised in year (£)	Percentage in year	Write-off (£)	Debt raised in year (£)	Percentage in year
Up To 2008/09	-	-	-	1,041	-	-
2009/10	-	n/a	-	3,133	51,430,000	0.01%
2010/11	-	n/a	-	2,494	51,450,000	0.00%
2011/12	10,575	n/a	-	7,639	47,270,000	0.02%
2012/13	6,232	n/a	-	340	48,540,000	0.00%
2013/14	-	n/a	-	6,320	46,140,000	0.01%
2014/15	1,447	n/a	-	18,208	45,140,000	0.04%
2015/16	12,562	n/a	-	22,100	54,270,000	0.04%
2016/17	3,574	5,628,589	0.06%	15,422	56,610,000	0.03%
2017/18	3,098	5,381,202	0.06%	588	56,914,648	0.00%
2018/19	1,355	4,721,450	0.03%	-	67,843,815	-
2019/20	-	5,671,537	0.00%	-	68,726,462	-
2020/21	-	3,948,641	0.00%	-	43,762,501	-
Total	38,843	25,351,419	0.15%	77,285	638,097,426	0.01%

Table 2: By financial year and write-off rationale

	Company/ ratepayer placed into Administration/ Liquidation/ Bankruptcy/ Entered into a CVA	Recovery action exhausted	The ratepayer is deceased with no further income due from the estate	Total
Up to 2008/09	-	1,041	-	1,041
2009/10	-	3,133	-	3,133
2010/11	-	2,494	-	2,494
2011/12	-	7,639	10,575	18,214
2012/13	-	340	6,232	6,572
2013/14	-	6,320	-	6,320
2014/15	1,447	18,208	-	19,655
2015/16	2,712	22,100	9,850	34,662
2016/17	2,932	15,422	642	18,996
2017/18	3,098	588	-	3,686
2018/19	1,355	-	-	1,355
2019/20	-	-	-	-
2020/21	-	-	-	-
Total	11,544	77,285	27,299	116,128

Appendix 2 - Debt Write-Offs With A Value Under £10,000 (For Information)

Financial Year	Adult Social Care			Sundry Debt		
	Write-off (£)	Debt raised in year (£)	Percentage in year	Write-off (£)	Debt raised in year (£)	Percentage in year
Up To 2008/09	376	-	-	-	-	-
2009/10	180	n/a	-	-	51,430,000	0.00%
2010/11	229	n/a	-	-	51,450,000	0.00%
2011/12	734	n/a	-	-	47,270,000	0.00%
2012/13	3,374	n/a	-	-	48,540,000	0.00%
2013/14	6,409	n/a	-	-	46,140,000	0.00%
2014/15	3,245	n/a	-	-	45,140,000	0.00%
2015/16	9,904	n/a	-	-	54,270,000	0.00%
2016/17	6,907	5,628,589	0.12%	-	56,610,000	0.00%
2017/18	5,945	5,381,202	0.11%	-	56,914,648	0.00%
2018/19	1,744	4,721,450	0.04%	-	67,843,815	0.00%
2019/20	6,485	5,671,537	0.11%	-	68,726,462	0.00%
2020/21	1,328	3,948,641	0.03%	-	43,762,501	0.00%
Total	46,860	25,351,419	0.18%	0	638,097,426	0.00%

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