

<b>UNCOLLECTABLE DEBTS IN EXCESS OF £10,000</b>
<b>COUNCILLOR ANDY COLES, CABINET MEMBER FOR FINANCE</b>
<b>November 2021</b>
<b>Deadline date: 29 November 2021</b>

Cabinet portfolio holder: Responsible Director:	Councillor Andy Coles, Cabinet Member for Finance. Peter Carpenter, Corporate Director of 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

<b>R E C O M M E N D A T I O N S</b>
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 £262,697.
- 1.2 All cases requested for write-off follow a lengthy process to recover the outstanding money, sometimes dating back many years. Only after 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 In recent years, sundry debt raised by the Council is normally in excess of £60 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 0.03%. If debts less than £10,000 are also included, the total percentage written off is only 0.06% 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?	<b>NO</b>
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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 £60m 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 within the respective estate, 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 concerning disputed balances; &
- the debt has become statute barred following efforts to recover.

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 £23,656. 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 2021-22 due to the ongoing= impact of Covid-19 on individuals/ organisations and the resulting suspension of active debt recovery action in the early phase of the pandemic.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

8.1 The alternative option is to not write off this debt. This would result in uncollectable debts continuing to be shown as outstanding, with a bad debt provision apportioned to these balances. It should be noted that 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 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 (%)
2009/10	-	n/a	n/a	-	51,430,000	0.00%
2010/11	-	n/a	n/a	-	51,450,000	0.00%
2011/12	1,248	n/a	n/a	-	47,270,000	0.00%
2012/13	1,882	n/a	n/a	-	48,540,000	0.00%
2013/14	3,780	n/a	n/a	144,597	46,140,000	0.31%
2014/15	51	n/a	n/a	14,519	45,140,000	0.00%
2015/16	6,043	n/a	n/a	40,284	54,270,000	0.06%
2016/17	9,776	5,628,589	0.17%	-	56,610,000	0.00%
2017/18	14,494	5,381,202	0.27%	-	56,914,648	0.00%
2018/19	4,409	4,721,450	0.09%	-	67,843,815	0.00%
2019/20	6,372	5,671,537	0.11%	13,561	68,726,462	0.02%
2020/21	1,159	5,468,315	0.02%	-	69,698,833	0.00%
2021/22	522	3,589,408	0.01%	-	27,972,893	0.00%
<b>Total</b>	<b>49,736</b>	<b>30,460,501</b>		<b>212,961</b>	<b>692,006,651</b>	

**Table 2: By financial year and write-off rationale**

Financial Year	Company/ ratepayer placed into Administration/ Liquidation/ Bankruptcy/ Entered into a CVA (£)	The ratepayer is deceased with no further income due from the estate (£)	Disputed debts/ incomplete records (£)	Statute Barred (£)	All recovery methods/ attempts exhausted (£)	Total (£)
2009/10	-	-	-	-	-	-
2010/11	-	-	-	-	-	-
2011/12	-	1,248	-	-	-	1,248
2012/13	-	1,882	-	-	-	1,882
2013/14	-	3,780	-	144,597	-	148,377
2014/15	-	51	-	14,519	-	14,570
2015/16	-	6,043	31,680	8,400	204	46,327
2016/17	-	9,776	-	-	-	9,776
2017/18	-	14,494	-	-	-	14,494
2018/19	-	4,409	-	-	-	4,409
2019/20	13,561	6,372	-	-	-	19,933
2020/21	-	1,159	-	-	-	1,159
2021/22	-	522	-	-	-	522
<b>Total</b>	<b>13,561</b>	<b>49,736</b>	<b>31,680</b>	<b>167,516</b>	<b>204</b>	<b>262,697</b>

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

**Table 1: Sundry Debt Write-Off by type and financial year**

Financial Year	Adult Social Care Write-Off (£)	Housing Debt Write-Off (£)	Market Debt Write-Off (£)	Property Debt Write-Off (£)	Other Sundry Debt Write-Off (£)	Under £10k Write-Off Total (£)	Total Debt raised in year (£)	write-off as a %
Up to 2008/09	-	483	400	1,674	-	2,557	N/A	N/A
2009/10	1,498	21	-	10,261	112	11,892	51,430,000	0.02%
2010/11	1,911	-	-	11,320	2,316	15,547	51,450,000	0.03%
2011/12	-	220	-	17,984	-	18,204	47,270,000	0.04%
2012/13	8,481	369	-	5,682	4,222	18,754	48,540,000	0.04%
2013/14	1,394	7,403	-	21,725	14,661	45,183	46,140,000	0.10%
2014/15	6,441	7,427	-	10,646	2,242	26,756	45,140,000	0.06%
2015/16	5,228	8,856	-	3,559	2,159	19,802	54,270,000	0.04%
2016/17	3,671	225	2,690	2,752	6,738	16,076	62,238,589	0.03%
2017/18	1,891	3,104	550	5,114	3,532	14,191	62,295,850	0.02%
2018/19	289	2,027	1,590	3,093	943	7,942	72,565,265	0.01%
2019/20	-	3,525	-	9,877	2,070	15,472	74,397,999	0.02%
2020/21	-	-	-	379	1,440	1,819	75,167,148	0.00%
2021/22	-	-	-	-	-	-	31,562,301	0.00%
<b>Total</b>	<b>30,804</b>	<b>33,660</b>	<b>5,230</b>	<b>104,066</b>	<b>40,435</b>	<b>214,195</b>	<b>722,467,152</b>	<b>-</b>

**Table 2: Council Tax and Housing Benefit Debt Write-Off by financial year**

Financial Year	Council Tax			Housing Benefit		
	Write-off (£)	Debt raised in year (£)	Percentage in year (%)	Write-off (£)	Debt raised in year (£)	Percentage in year (%)
up to 2008/09	189,962			3,108		
2009/10	195,009	£59,936,975	0.33%	403	£1,804,684	0.02%
2010/11	91,443	£61,993,112	0.15%	6,171	£2,173,907	0.28%
2011/12	56,060	£62,824,264	0.09%	1,575	£2,211,795	0.07%
2012/13	59,075	£65,357,199	0.09%	1,315	£2,705,840	0.05%
2013/14	85,597	£70,463,240	0.12%	4,429	£3,222,339	0.14%
2014/15	55,720	£72,502,578	0.08%	6,928	£4,676,459	0.15%
2015/16	23,452	£74,410,461	0.03%	6,276	£3,974,226	0.16%
2016/17	8,614	£79,108,656	0.01%	14,277	£3,905,442	0.37%
2017/18	3,465	£84,345,870	0.00%	8,791	£4,499,133	0.20%
2018/19	2,302	£91,040,667	0.00%	2,358	£2,700,526	0.09%
2019/20	2,814	£96,943,022	0.00%	8,329	£1,638,886	0.51%
2020/21	2,118	£100,450,774	0.00%	10,846	£1,065,571	1.02%
2021/22	156	£108,504,254	0.00%	9,842	£1,305,618	0.75%
	<b>775,787</b>	<b>1,027,881,072</b>		<b>84,648</b>	<b>35,884,426</b>	