

PAPER NO. 2

REPORT TO THE EXECUTIVE MEETING OF 4th JUNE 2018

Meeting: Executive
Date: 4th June 2018
Subject: Sundry Debt Write Offs and Performance
Report of: Simon Riley, Head of Finance and Corporate Services (S151 Officer)
Portfolio Holder: Councillor James Hallam
Status: For Information & Decision
Relevant Ward(s): All

1 Purpose of the Report

- 1.1 To provide information on amounts written off under delegation in respect of Sundry Debts.
- 1.2 To provide information to the Executive where write offs above delegation limits are required.
- 1.3 To provide information concerning Sundry Debt performance.

2 Recommendations:

- 2.1 **To approve the write off of Sundry Debts as listed in Appendix A.**
- 2.2 **To note the performance on collection of Sundry Debts in Appendix B.**

3 Summary of Reasons for the Recommendations

- 3.1 The Authority's Constitution and supporting Financial Regulations delegates the responsibility for writing off individual debts up to and including £1k to the Chief Finance Officer or nominated deputy under the scheme of delegation. Above this threshold debts (greater than £1k) are written off by the Executive.
- 3.2 At Constitution Review Committee on 27 January 2015, Members considered a recommendation to make changes to Financial Procedure Rule 11. This was agreed to recommend to Council. Unfortunately, this was not incorporated into the recent refresh of the constitution and will need to be considered in the next update. The recommendation is subject to approval by Council to increase the delegation for writing off individual debts up to and

including £10k to the Chief Finance Officer or nominated deputy, instead of the current £1k.

- 3.3 The Authority only writes off debt where it is irrecoverable for example where a customer has died and there are no assets, or a business is bankrupt and has no assets. The only exception to this is where a debt is not cost effective to recover.
- 3.4 The Authority is prudent in managing debt and makes provision for bad debt in its annual statement of accounts. This ensures that the writing off of bad debt has no detrimental affect on service provision or the council taxpayer. The provision in respect of overdue invoices for at the 31 March 2018 was £317K (2016/17, £413k). The overall debt as at the 31st March 2018 is £1,058K (2016/17 £1,603K). During the year the Council has been successful in recovering some long term S106 sundry debtors thereby reducing the long term debt.
- 3.5 There are 2 invoices with an individual value above £1k in respect of Sundry Debt currently requiring write off, these are outlined in **Appendix A**.
- 3.6 Details of the year end sundry debt performance are outlined in **Appendix B**.

4 Key Facts

- 4.1 With the current economic climate, individuals and businesses may find it harder to pay for goods or services that the Authority has invoiced and as such, there may be an increase in the number of debtors who abscond with arrears left owing.
- 4.2 By not writing off bad debts efficiently, this can affect collection rates by inflating arrears figures.
- 4.3 With limited resources, it is not always cost effective to spend time tracing all levels of debt – this is assessed on a case by case basis.
- 4.4 During 2017/18 £26,416.87 in 2017/18 has been written off (including write-off of £7,929.70 approved by Executive on 14th June 2017 relating to write-offs over £1,000). The balance of £18,487.17 relates to outstanding balances of less than £1,000 written off under the current scheme of delegation. There is a further £4,669.08 requested to be written off as a recommendation on this report. This write-off will be accounted for in 2018/19. The write-off percentage versus invoices raised in 2017/18 (£6,864K) at the end of January is 0.38%.
- 4.6 There are two s.106 planning obligation invoices to the same developer with £292k outstanding dating back several year's; the invoices were originally raised totalling £643k. Some payments have been made against these. The planning obligation exists whether we raised the invoices or not, the invoices

are a method of collecting payment. These invoices are still being pursued through legal channels, however there is a possibility that these invoices might need to be written off in the future. The Council has provided for this potential occurrence within the year end bad debt provision for sundry debt.

5 Legal Issues

5.1 There are no legal issues as a result of this report. Appropriate legal recovery is being progressed in respect of individual debts.

6 Resource Issues

6.1 It is normal financial practice to ensure that the Authority is not carrying amounts that it has identified as potentially irrecoverable through due process in its financial statements. At the end of each financial year a provision is made for any debt identified as potentially irrecoverable.

7 Equality Analysis Implications/Outcomes

7.1 There are none arising out of this report.

8. Risk Management Implications

8.1 If proper debt management and accounting procedures are not followed in the management and writing off of debt then the Authority could be criticised by the external auditor as part of the Value for Money judgement.

9 Consultation

9.1 Not applicable, the debts included to write off or written off are in accordance with the current policy.

10. Options

10.1 Not Applicable.

11 Background Papers

11.1 The Council's Corporate Debt Policy

Previous report(s):

Information Issued Under Sensitive Issue Procedure: N

Ward Members Notified: N

Appendices:

A. Debts recommended for write-off

B. Year end sundry debt performance