

REPORT

To: CORPORATE SERVICES COMMITTEE		Subject: GENERAL DEBTORS BAD DEBT WRITE-OFF FOR CORPORATE SERVICES IN FINANCIAL YEAR 2010/11
From: EXECUTIVE DIRECTOR OF CORPORATE SERVICES		
Date: 20 July 2011	Ref: JAF/PD	

1. Purpose of Report

- 1.1 This report presents a summary of outstanding debtor accounts for the financial year from April 2010 to March 2011 deemed non-collectable following all attempts at recovery. A bad debt collection provision has been included within the annual accounts recognising the non-collection of these accounts.

2. Background

- 2.1 The annual value of invoices issued for all of Corporate Services for the financial year 2010/2011 was £7,976,948.86.
- 2.2 The Council is engaged in a number of activities aimed at improving collection rates, reducing debt arising and streamlining the recovery process, including payments in advance, a Centralised Debt Recovery Team and improved use of external collection agents and there is, additionally, in relation to Corporate Services a team within the Property Services Division dedicated to the recovery of unpaid costs associated with the leasing of properties.
- 2.3 Within the Property Services Division the commercial property folio has in the order of 1,082 properties which during the year 2010/11 generated a rental income for the Council in the order of £7,378,435 per annum. This compares fairly well with the rent generated in 2008/09 prior to the economic downturn of £7,628,699 per annum. Occupancy rates have held up during this period at around 90% as a result of a proactive approach in ensuring that vacant units are offered back to the market as quickly as possible and this has helped maintain the rent roll at the level detailed above.
- 2.4 The effects of the economic downturn have not had the effect on the rent roll that would otherwise have been expected due to the manner in which the units are let, where the flexible lease terms that the Council can offer are more attractive than those being leased by the private sector. Short term debt continues to be managed well, but there is an increasing problem with aged debt where a number of tenants are going into receivership/administration which makes recovery problematic. This debt continues to be pursued where appropriate and is being written of as required when it is clear that we have no prospect of recovery.
- 2.5 In line with recognised accounting procedures and best practice, there continues to be an appraisal of the outstanding balances to assess those deemed non-collectable. This process is underpinned by a systematic approach to recovery and a realistic assessment of the expected collection of outstanding balances.
- 2.6 The write-off of an invoice within the accounts ensures a realistic assessment of expected income. However, where appropriate, action is taken to continue to seek collection of the outstanding balances if the circumstances of the debtor alter and recovery is deemed practical.

3. Summary of Bad Debt Write-Off

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- 3.1 An analysis of the outstanding balances has been conducted. A sum of £97,633.68 in respect of 196 outstanding debts has been identified as non-collectable.
- 3.2 The Executive Director of Finance and Customer Services, under the Scheme of Delegation, has exercised powers to write-off those balances under £250. That has involved the write-off of 106 debtor accounts to the value of £11,545.39.
- 3.3 An analysis of the total write-off proposal is summarised below. 36 fall into the category of 'Small balances' where actions taken towards recovery have been exhausted and it is uneconomic to continue to seek recovery of the sums involved.

There are 90 invoices each over the value of £250 amounting in total to £86,088.29 and it is recommended that these be written off.

Cause Analysis	Human Resources		Central Services		Property Services		Legal Services		Design Services		Total	
	Value	Count	Value	Count	Value	Count	Value	Count	Value	Count	Value	Count
Deceased					£489.38	2					£489.38	2
Liquidation/ Sequestration			£700.42	1	£43,164.55	21					£43,864.97	22
Gone away/No trace					£5,269.24	15					£5,269.24	15
Small Balances/ Uneconomic to pursue	£375.00	5			£136.99	31					£511.99	36
Others					£47,498.10	121					£47,498.10	121
Total	£375.00	5	£700.42	1	£96,558.26	190	£0	0	£0	0	£97,633.68	196

Amount	Human Resources		Central Services		Property Services		Legal Services		Design Services		Total	
	Value	Count	Value	Count	Value	Count	Value	Count	Value	Count	Value	Count
£0-£250	£375	5			£11,170.39	101					£11,545.39	106
£251 - £1000			£700.42	1	£43,323.23	82					£44,023.65	83
£1000+					£42,064.64	7					£42,064.64	7
Total	£375	5	£700.42	1	£96,558.26	190	£0	0	£0	0	£97,633.68	196

3.4 As detailed in paragraph 2.4, whilst approval is sought to write-off the sums within the financial systems, the Council will continue to monitor the situation and, if circumstances change, recovery of the sums due will be re-assessed.

4. Financial Implications

There are no budgetary implications arising from these recommendations as provision has been made within the annual estimates.

5. Recommendation

The Committee is asked to -

- (a) note the exercise by the Executive Director of Finance and Customer Services of delegated authority to write-off sums, all with a value of less than £250, to the total value of £11,545.39; and
- (b) approve the write-off of items over £250 to the value of £86,088.29 and to refer the report to the Policy and Resources (Finance and Customer Services) Sub-Committee for consideration.


Executive Director of Corporate Services

Members seeking further information on the contents of this report should contact Paul Donnelly on Extension 2422.