

Report to: **Cabinet**

Date: **1 May 2007**

By: **Deputy Chief Executive and Director of Corporate Resources**

Title of report: **Write-off of Debts**

Purpose of report: **To seek Cabinet approval for writing off certain debts in excess of £2,500.**

RECOMMENDATION

The Cabinet is recommended to authorise the writing off of debts amounting to £196,685.95 in the Council's 2006/07 accounts

1. Financial Appraisal

1.1 Cabinet will remember that this report last year focussed on reviewing and on dealing with the accumulated older debt that had built up over the proceeding years (prior to the migration to SAP).

1.2 The review of the backlog is now complete and as a result income has been collected against a large number of older outstanding accounts. This report deals with those accounts of over £2,500 which, having been reviewed, are recommended for formal write-off. This comprises almost wholly the "tail" of the review and most of the debts are prior to 2005.

1.3 The Council's annual accounts have always included a provision for bad debts to recognise that a proportion of outstanding debtors at year end may not be collected. Clearing these older unrecoverable debts will enable this annual provision to be reduced again, this time by an estimated £250,000 to £300,000. This reduction is a real budget gain available as a contingency in 2007/08. This follows the reduction of £564,000 in the provision at the end of 2005/06. This provision has been monitored each month during 2006/07 and will continue to be monitored monthly to ensure the lower value is maintained, thereby giving an overall base budget benefit to the County Council.

1.4 The focus of work now is on continuing improvement, particularly in further improving the collection rate and time periods.

2. Supporting Information

Introduction

2.1 The County Council's net budget for 2006/07 is £283m after allowing for income of £200m (excluding the Dedicated Schools Grant of £222m). This income comes from claims for specific grants/contributions from Government and other bodies and a variety of charges for services. This latter category includes charges for residential accommodation, home helps, school meals, adult education, highways work, rents etc. Some of the income is received in cash or in advance of the service being provided, but much is collected by raising an account on the debtor.

2.2 The major exercise started in 2005/06 has been continued in 2006/07 to raise the profile and the focus of the corporate debt recovery process to enable continuous improvement and monitor debt recovery performance. This work has involved:-

- Completing the review of aged debt
- Reviewing the corporate Income Policy and associated Service Standards.
- Providing a 1-day refresher training course to include on-SAP and off-SAP processes to all staff involved in debt recovery.
- Updating the SAP Accounts Receivable Training Manual
- Providing reportwriter training to key staff in departments to enable more robust monitoring.
- Implementation of a robust query resolution process.
- Implementation of a new corporate invoice request form to ensure essential back-up supporting information is supplied and retained at the time of the invoice being raised.
- Implementation of a monthly RAG status report highlighting departmental areas of concern requiring remedial and urgent action.
- Reviewing and documenting the work undertaken within the Legal Team

2.3 This report proposes the write-off of the £196,685.95 debts. Detail regarding the proposed write offs contains exempt information and is included in a later report on this agenda.

2.4 The write-off of these debts would bring the total in 2006/07 to £403,891.21. Due to the backlog of older debts this remains high this year, as shown in the table below, but this does also show how the total level of debtors and the provision for bad debts are reducing as a result of the focus in this area. The review has addressed the bulk of older debts and this is a very positive improvement which benefits the Council's overall financial standing.

Financial Year	Total Debtors £m	Provision for bad debts		Write-offs £m	Write-offs as a % of income collected £m	Net Improvement /(decline) in financial position* £m
		£m	% of debtors			
2006/07	10.6	0.30	2.8	0.40	0.20	0.38
2005/06	14.5	0.55	3.8	0.53	0.30	0.11
2004/05	13.3	1.12	8.4	0.07	0.06	(0.06)
2003/04	9.0	0.94	10.4	0.19	0.16	-

* Total provision and write-offs compared to previous year.

2.5 26 of the 30 proposed write-offs are from Adult Social Care and relate to a previous approach where much of this recovery work was dealt with on a departmental basis. This is no longer the case and the corporate debt recovery process now applies to all such debts.

2.6 An improvement plan has been developed and continues to be maintained to ensure that the progress made to review the backlog and streamline the corporate process is continually improved. The focus for 2007/08 will be to develop this area of work further. This work will involve:-

- Implementation of improved collection targets for Serco, Legal and departmental staff
- Collection by direct debit and telephone

- Enable payment by credit and debit cards
- Enable payments via the internet
- Add interest to some invoices where payment is late
- Monitoring the promptness of raising invoices

3 Conclusion and Reason for Recommendation

3.1 There is no prospect of recovering the thirty outstanding debts and it is therefore proposed that the Cabinet should write-off these debts in the Council's 2006/07 accounts.

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