

NOT FOR PUBLICATION: The Appendix A to this report contains information considered to be exempt under Paragraph 3 of Schedule 12A to the Local Government Act 1972 as amended

Agenda Item No.

---

**REPORT TO:** Cabinet Member for Resources, Enterprise and Economic Development

**DATE:** 03 March 2021

**SERVICE AREA:** Corporate Affairs

**REPORTING OFFICER:** Central Finance Manager  
(Tracy Burr)

**SUBJECT:** **IRRECOVERABLE DEBT ON THE AGRESSO SUNDRY DEBTOR SYSTEM**

**WARD/S AFFECTED:** ALL DISTRICT

**FORWARD PLAN REF:** N/A

---

**1.0 PURPOSE OF REPORT**

1.1 To seek approval to write-off debts raised on the Council's Financial Management System considered irrecoverable.

**2.0 RECOMMENDATION**

2.1 The Cabinet Member is asked to approve the sundry debtor write-off amount of £169,483.40 (net of recoverable VAT), as summarised in the two tables on pages 2 and 3 of this report.

**3.0 RECOMMENDED REASONS FOR DECISION**

3.1 A regular review of customer bad debt for write-off is good accountancy practice.

3.2 The Council will be able to recover VAT on all but one of these debts.

**4.0 ALTERNATIVE OPTIONS CONSIDERED AND RECOMMENDED FOR REJECTION**

4.1 Not to write off any bad debts. This is not acceptable accountancy practice and means that we will not be able to recover VAT on debts that are unlikely to be paid.

4.2 To amend the recommended list of debt to be written off. As described below, a stringent process has been followed to arrive at the list of debts recommended for writing-off.

## 5.0 THE REPORT

### 5.1 Determination of Write-Offs

5.1.1 Invoices are issued by Service Areas who are then responsible for pursuing the debts in line with standard procedures, before referring them to Legal Services where necessary.

5.1.2 Debts go through a rigorous process before they are submitted for write-off whereby each has to be:

- a. Investigated and allocated a reason for writing off and supported with appropriate paperwork.
- b. Considered by at least two managers; and
- c. Subject to a minimum number of checks.

5.1.3 The process used has been and is subject to audit scrutiny and has been found to be satisfactory.

### 5.2 Large Balance Write-Offs

5.2.1 Large balance write-offs are those greater than £100 and for this report total £170,591.86 (including VAT). The two tables below provide a summary and Appendix A sets out the individual accounts.

<b>SUMMARY OF PROPOSED WRITE-OFFS BY REASON</b>	<b>No of Invoices</b>	<b>Amount (including VAT)</b>
A Bankruptcy/Liquidation	18	3,729.82
B Customer deceased	0	0.00
C Committed to prison	0	0.00
D Remitted to Magistrate	0	0.00
E Gone away/Unable to trace	6	6,880.64
F Statute Barred	0	0.00
G No assets	12	1,765.83
H Road traffic accident damage	0	0.00
I Other*	10	158,215.57
<b>TOTAL</b>	<b>46</b>	<b>£170,591.86</b>

\*These are mainly debts that are uneconomic to pursue further. The costs involved are too great, the probability of success is too slim or there are simply no further legal options available.

<b>SUMMARY OF PROPOSED WRITE-OFFS BY PORTFOLIO</b>		<b>Amount (including VAT)</b>
A	Resources, Enterprise & Economic Development - HCC	5,042.74
B	Resources, Enterprise & Economic Development - Central	156,331.90
C	Resources, Enterprise & Economic Development - Collection Fund	0.00
D	Resources, Enterprise & Economic Development - General	0.00
E	Sustainable Transport	129.00
F	Leader	0.00
G	Resources, Enterprise & Economic Development - Property	2,370.00
H	Planning	0.00
J	Housing & Sustainable Communities - Safer Communities	1,374.15
K	Environment, Waste Reduction & Recycling	5,006.84
L	Housing & Sustainable Communities - Housing	0.00
M	Culture, Tourism & Sport	0.00
N	Resources, Enterprise & Economic Development - ED	337.23
<b>TOTAL</b>		<b>170,591.86</b>

5.2.2 The large balance write offs for 2020/21 represents an overall increase of £120,961 on the 2019/20 write off value. The large increase relates to one commuted sum invoice and if we were to disregard this, the 2020/21 write-off value would represent a decrease of £33,360 on the previous year.

5.2.3 Despite the pandemic, debt due from companies that are bankrupt or in liquidation has reduced by £37,215 from 2019/20.

### **5.3 VAT**

5.3.1 If accounts are less than four years and six months old, the VAT is recoverable from HM Revenue & Customs otherwise it is lost.

5.3.2 Of the £170,591.86 to be written off £1,164.66 is VAT, of which £1,108.46 is recoverable. This means the net cost to the Council of writing off these debts is £169,483.40.

### **5.4 Small Balance Write-Offs**

5.4.1 Whilst the Section 151 Officer has delegated authority to write-off, debts up to £500 this is only exercised in relation to small debts i.e. those of £100 or less (Financial Procedure Rules 14.5). This is because multiple individual invoices for the same debtor could exceed the £500 threshold over the year.

5.4.2 Minor balances under £100 are written off on a regular basis throughout the year. For 2020/21 these write-offs total £203.34 and allowing for recoverable VAT, the net cost to the Council is £182.46

### **5.5 Total Debtor Write-Off**

5.5.1 In total £170,795.20 of debt is being put forward for write-off in March 2021, with a net cost to the Council of £169,665.86. This is equivalent to approximately 1.23% of the £13.8m of debtor accounts raised in the financial year 2020/21 (to 12/02/2021).

- 5.5.2 Of this total, the Cabinet Member is asked to agree the large balance total of £170,591.86. The small balances have already been written off during this financial year under the delegated authority of the Section 151 Officer.

## **5.6 Provision of Bad Debt**

- 5.6.1 The majority of the write off balance relates to a single invoice for £154k. This invoice related to part of a commuted sum for a housing development. This commuted sum was treated as a capital grant and so there is no impact on the revenue budget. The full cost of £154k was provided for in 2019/20, so there will be no impact in 2020/21 from writing off this invoice. The remainder of the cost of the write offs can be met by existing provisions for bad debt. A full review of the Council's provision for bad debt will be undertaken as part of the final accounts process. If this results in a requirement to increase the current level of provision this will be reported in due course.

## **6.0 REQUIRED ASSESSMENTS AND IMPLICATIONS**

- 6.1 The following were considered: Financial Implications; Human Resources Implications; Legal Implications; ICT Implications; Strategic Property/Asset Management Considerations; Risk Assessment; Equality and Diversity (the Public Sector Equality Duty and impact upon people with protected characteristics). If applicable, the outcomes of any consultations, assessments, considerations and implications considered necessary during preparation of this report are detailed below.

- 6.2 The report was written by Finance staff but consultation sought from the Service Finance Manager in relation to the bad debt provision. Their response is set out in 5.6.1.

- 6.3 The Legal Section has been consulted during the preparation of this report with no comments received. In addition, all outstanding debt is referred to the Council's legal section for recovery in the first instance. This is in line with the Council's policy for The Management of Sundry Debt.

- 6.4 A risk assessment has been undertaken and the main risk is:

A debt is written off that could have been recovered. As described in Section 5.1, a stringent process is followed before debts are put forward for write-off.

## **7.0 CONCLUSIONS**

- 7.1 Regular review of bad debt for write-off is good accountancy practice.

- 7.2 A stringent process has been followed in arriving at the list of bad debts recommended for writing off. This process has been the subject of audit scrutiny and found to be satisfactory.

**Background Papers** – Working papers are kept within the Central Finance Team.

**OFFICER CONTACT:** Please contact Tracy Burr (Central Finance Manager) if you require any further information on the contents of this report. The officer can be contacted at Finance/Civic Centre, PO Box 787, Harrogate, HG1 9RW Tel 01423-500600(ext. 58577) or by e-mail [tracy.burr@harrogate.gov.uk](mailto:tracy.burr@harrogate.gov.uk)