
DEBT WRITE-OFF PROTOCOL

To: **Governance and Audit Committee – 29 September 2011**

Main Portfolio Area: **N/A**

By: Income Manager EK SERVICES

Classification: **Unrestricted**

Summary: To provide information to Governance and Audit Committee for the proposed EK Services, Income Management Policy with respect to administration of Write Offs.

For Decision

1.0 Introduction and Background

1.1 The Income Management Policy has been produced by EK Services and written for the purpose of the collection of monies due for Council Tax, Business Rates, Overpaid Housing Benefit and Sundry Debts (miscellaneous income).

The power to recover monies due has been fully delegated to EK Services.

1.2 This *policy has yet to be agreed* by authorities participating in EK Services: on agreement it will ensure that all customers are treated in a fair, consistent and equal manner. Whilst the majority of income is collected in a routine manner, unpaid charges and arrears do arise for a variety of reasons. This policy sets out the principles that it expects EK Services Officers to follow in the recovery and enforcement of arrears.

1.3 Approval is still required from the three Authorities for the introduction of the full policy. Consideration is asked from the Committee to be given to the Write Off chapter to ensure full agreement and understanding.

2.0 The current Situation

2.1 The policy has been presented at CMT at Dover District Council, Canterbury City Council and Thanet District Council. Approval for the full policy has yet to be given.

2.2 A request was made at the previous meeting to present to the Committee the proposed Write Off procedures.

3.0 External Audit.

3.1 All processes and evidence from workings will be made available by EK Services to any Audit that may be required.

4.0 Options

4.1 The Members review / comment on the Income Management Policy with respect to the Write Off procedures

4.2 The Members contribute to the Policy and amendments made to ensure that all write Off decisions are made within legislation, are timely and efficient.

5.0 Corporate Implications

5.1 Financial

5.1.1 To maintain a low level of debt carried on the Collection / General Fund.

5.3 Legal

5.4 Corporate

5.4.1 The Policy should be agreed to avoid high level debt amounting in the collection and general fund.

5.5 Equity and Equalities.

5.5.1 The Policy has aligned with an Equality Impact Assessment

5.6 Risks

5.6.1 The Members will not have had the opportunity to consult on the document. Once approved may not be able to change document.

6.0 Recommendations

6.1.1 Consult and agree the Policy

7.0 Decision Making Process

7.1 This recommendation does not involve the making of a key decision.

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Annex List

Income Management Policy	Write Off Procedures

12.0 Bad debt provision

12.1 EK Services will work with each Local Authority to ensure there is adequate provision for bad debt. This is done in accordance with CIPFA Code of Practice on Local Authority Accounting in the United Kingdom – A statement of recommended practice.

12.2 For every type of debt, there must be an identifiable bad debt provision. EK Services will ensure that, where there is little or no likelihood of receiving payment, the arrears are notified as a potential bad debt as soon as possible.

EK Services are committed to demonstrating that we undertake the administration and recovery of all arrears in an efficient and effective manner. EK Services has a legal duty to ensure cost effective billing, collection and recovery of all sums due to each Local Authority.

EK Services will act in accordance with the relevant legislation as detailed below (this list is not exhaustive);

Income Type	Legislation
Council Tax	<ul style="list-style-type: none"> • Local Government Finance Act 1992 • The Council Tax (Administration & Enforcement) Regulations 1992 (as amended)
Business Rates	<ul style="list-style-type: none"> • Local Government Finance Act 1988 • The Non-Domestic Rating (Collection & Enforcement) (Local Lists) Regulations 1989
Housing Benefit Overpayments	<ul style="list-style-type: none"> • Housing Benefit Regulations 2006 • Council Tax Benefit Regulations 2006 • Housing Benefit (Pension Credit) Regulations 2006 • Housing Benefit (Recovery of Overpayments) Regulations 1997
Sundry Debts	<ul style="list-style-type: none"> • Local Government Act 1972 • Accounts and Audit Regulations 2011 (S.I.817) • Harbours Act 1964 • Late Payment of Commercial Debt Regulations 2002

12.2 For every type of debt, there must be an identifiable bad debt provision. EK Services will ensure that, where there is little or no likelihood of receiving payment, the arrears are notified as a potential bad debt as soon as possible.

13.1 Reasons for writing off debts

13.1.1 EK Services recognises that it is important to consider the balance between recovering arrears as effectively and efficiently as possible with the need to be fair and reasonable to the customer and council tax payers as a whole.

13.1.2 EK Services will ensure that all reasonable steps to recover arrears have been taken and that no further recovery action is practicable. We will concentrate our resources on collectable arrears.

13.1.3 It is EK Services aim to collect all taxes and outstanding charges from customers wherever possible, provided that it is cost effective. EK services will only recommend to appropriate councils the write off of arrears where the arrears are non recoverable, uneconomical to recover or we are unable to trace the customer.

13.1.4 Reasons to Write Off Debt

Non recoverable arrears	<ul style="list-style-type: none"> • Customer/Company is insolvent i.e. Bankruptcy, Liquidation and Administrative Receivership cases. • Customer has served a custodial sentence in respect of Council Tax or Business Rate arrears • Customer deceased and there is no funds in the Estate • For Council Tax and Business Rates, where all or part has been remitted by the Magistrates Courts • For Housing Benefit Overpayments, where the overpayment has arisen as a result of an official error and the customer could not reasonably have been expected to realise the overpayment was occurring. • Arrears that cannot be legally enforced
Uneconomical to pursue	<ul style="list-style-type: none"> • Council Tax and Business Rates – Balances below £5.00* • Housing Benefit Overpayments – Balances below £50.00* • Sundry Debts - Balances below £50.00* <p>*Where no payment has been received within 6 months of sending the final demand for payment</p>
Unable to trace	<ul style="list-style-type: none"> • Customer has absconded • Debt collection agency failed to trace • Bailiff failed to trace

13.2 Writing off costs

13.2.1 EK Services will apply and recover costs/fees that are legitimately due from a customer. Only in exceptional cases or where it is established that the arrears are irrecoverable will consideration be given to costs/fees being waived.

13.3 Authority to process and approve write offs

13.3.1 Arrears will normally only be considered for write off where the account is 'closed'. An account is defined as 'closed' when there is no future liability. Only in exceptional circumstances will amounts on a 'live' account be considered for write off and as such the delegated authority lies with the Team Leaders and Income Manager. Delegation will be authorised by the S151 Officer's from each Council.

13.3.2 Credits on account will normally be refunded to customers. Where it is necessary to write off a credit on an account, the delegated authority lies with the Income Officers without the requirement of counter authority.

13.3.3 In the interests of efficiency, the authority to process and approve write offs on closed accounts are delegated as follows;

Write off Thresholds	Position of Authority	Counter Authority
Up to £500.00	Council Tax, Business Rates & Income Officer	Not required. An audit of a percentage of write offs will be undertaken by QA/systems team. Monthly report provided to Section 151 Officer
£500.01 to £5,000	Council Tax, Business Rates & Income Officer	Senior Officer/Team Leader. Monthly report provided to Section 151 Officer
£5,000.01 to £9,999	Council Tax, Business Rates & Income Officer to make recommendation & Team Leader to approve application and refer to Income Manager	Income Manager. Monthly report provided to Section 151 Officer
£10,000 to £20,000	Council Tax, Business Rates & Income Officer to make recommendation & Team Leader to approve application and refer to Income Manager	Income Manager to refer to EK Services Assistant Director to recommend. Income Manager to refer to Section 151 Officer in consultation with portfolio holder and Cabinet leader for Cabinet decision.
Above £20,000	Council Tax, Business Rates & Income Officer to make recommendation & Team Leader to approve application and refer to Income Manager	Income Manager to refer to EK Services Assistant Director to recommend. Income Manager to refer for Cabinet decision.

13.4 Write Off and reporting

13.4.1 Write off reports will be collated for each service on a monthly basis and will be reported to each Local Authority quarterly.

13.4.2 All write offs over £10,000 will be referred to Cabinet for final approval. For efficiency in administration, arrears will be written off before approval is provided by Cabinet but will always be reversed if approval is not given.

13.4.3 Where arrears are written off because a customer could not be traced, if a new address is provided, the write off can be reversed and recovery action can continue.

13.4.4 If a customer is declared bankrupt and a dividend is received, the write off will be reversed to reflect payment received.

13.5 Arrears written back on

13.5.1 Any arrears that have been written off can, if appropriate, be written back on, subject to statute. The reasons arrears may be written back on are as follows;

- Customer returned to area, where previously no trace;
- A customer is declared bankrupt and a dividend is received.