

Draft

Write Off Policy



Bromsgrove
District Council

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1.0 Introduction

The purpose of this document is to set out a framework for the authorisation and reporting of debt to be written off.

The Council delivers a wide range of services that involve the recovery of debt. Implementing an effective method for reporting and authorising the write off of irrecoverable debts will ensure that the functions of the council are carried out in an effective and efficient manner.

The effectiveness of the council's debt management will be improved by revising the authority to write off debts and empowering suitably competent officers to authorise the write off of debt.

The authorisation for write off of debt will only be referred to Cabinet in cases where the write off would have a significant and material impact on the financial standing of the authority or where the decision to write off the debt is exceptional and the debt management and write off policy does not provide guidance.

The write off policy introduces a requirement for the Cabinet to be informed on a quarterly basis of the present position with regard to overall debt, the value of debt written off within the financial year and the impact of these write offs on the authority's bad debt provision.

2.0 Aims and Objectives

Bromsgrove District Council recognises that the prevention of indebtedness and the effective management of debt are crucial in maximising the resources available to the council and ensuring the well-being of the residents of the Bromsgrove District.

The key aims of the policy are:

To improve the level of Exchequer collected by the Council;

To identify the circumstances when it will be appropriate to write off debts;

To summarise the steps which need to be taken before a debt is written off;

To introduce a scheme for authorising the write off of debt that ensures the decision to write off is made by an appropriate officer of the Council;

To ensure that members are informed of the level of debt owed to the council, the position regarding debts written off and the impact on the council's financial position.

To ensure that there is a coordinated approach to the sharing of debtor information across council departments and to the management and write off of debt.

The policy will apply to the following debts and to any combination of these debts;

Council Tax
Non-Domestic Rates
Housing Benefit Overpayments
Sundry debts
Excess Charge Notices

3.0 Procedures for write off of debt

Each service will have procedures or policies in place to enable timely billing and collection of debts and to ensure that in appropriate cases recovery action is taken promptly. The service's procedures and policies will identify the mechanisms provided by legislation for the recovery of debts.

As a general rule – except in cases of hardship, low value debt or cases where recovery is prevented by law - all recovery processes will be attempted before a debt is considered for write off.

The council recognises that there will be cases where it is not practical for the recovery process to continue because either the debtor has absconded or the costs of recovery are greater than the value of the debt outstanding.

The circumstances listed below are indicative of the situations in which a debt will be written off, the fact that a case falls within the criteria will not compel the council to write the debt off as there may be other factors which would indicate that recovery action is appropriate.

Circumstances where debts may be written off

Closed accounts with debt below £50.00

The costs of pursuing the debt through court action will exceed the outstanding balance. In addition the costs of pursuing a debt from an individual no longer resident in the property could further increase the costs.

Letters warning of the potential for court action will be issued if this does not prompt recovery the debt may be written off.

Individual debts below £5.00

It is not cost effective to pursue recovery of cases where the debt is below £5.00 and there is no ongoing liability to the Council. In these circumstances the debts will be written off.

Debtor Absconded

Trace Action will be undertaken and the debtor's details will be checked across all appropriate Council databases, with credit reference agencies and appropriate trace databases i.e. Experian and LOCTA.

If enquiries do not yield a forwarding address then the debt will be written off, if the debtor subsequently reappears the debt will be written back on and recovery action recommenced.

Live debt which is uneconomic to pursue

The costs of commencing bankruptcy action, applying for charging orders or making an application for committal to prison can be high with no guarantee that the debt will be recovered. Where an assessment of the debtor's circumstances indicates that further action would be costly and collection of the outstanding balance is unlikely the debt will be written off.

Insolvency – bankrupt individual or insolvent company

Where an individual has been made bankrupt or a company has entered liquidation no further recovery action can be taken and the debt will be written off.

If a bankrupt individual remains in receipt of Housing Benefit then recovery of Housing Benefit Overpayments can be made from any ongoing benefit entitlement up until the individual's discharge from bankruptcy.

Dissolved Companies

On dissolution the company will have no legal identity and any property of the company will become bona vacantia. There will be no prospect of recovery in these cases and the debt will be written off.

Limited companies in administration

In administrations the debt will be proved in the proceedings and written off. On going trading liabilities will be payable by the administrators and they will be advised to make payment.

Debtor deceased with no prospect of recovery from estate

It is a common misconception that when a person dies, his/her debts are automatically discharged. Debts are not discharged on death unless specific provision has been made for them to be discharged, e.g. by an insurance policy. All debts that are not provided for must be met from the assets of the deceased debtor. Where the assets are insufficient to meet all the debts, the estate is insolvent.

In these circumstances if it is not appropriate to apply for an insolvency administration order then the debt will be written off.

Debtor sentenced to term of imprisonment in respect of the debt

Where a term of imprisonment has been served in respect of a debt the council will be precluded from taking any further action to recover the outstanding balance and the debt will be written off.

Debt remitted by court

Magistrates have the power to remit all or part of a debt. If the magistrates have taken a decision to remit the debt no further recovery action can be taken and the debt will be written off.

Out of time for recovery action

Debts over 6 years of age where action for recovery has not been taken will be statute barred and write off will be necessary.

Where a liability order or judgement has been made in respect of the debt execution of the judgement will still be permitted. Therefore attachment of earnings order or the use of distress can still be made.

Debtor out of jurisdiction

Where a debtor is outside of the jurisdiction of England and Wales and there is unlikely to be any prospect of recovering the debt, it will be written off.

Debtor's circumstances are such that it is not appropriate for council to pursue Debtor Infirm or suffering from hardship

There will be cases where it is not felt to be appropriate to continue with recovery action due to the debtor's mental or physical health or due to particular circumstances of the case. In these cases the Service Manager will recommend that the Cabinet approve write off the debt.

For Council Tax and Non-Domestic Rates debts the Revenue Service Manager should first consider whether a reduction of the debt under the provisions of Section 13a of the Local Government Finance Act 1992 or Section 49 of the Local Government Finance Act 1988 is more appropriate.

Debtor enters into a debt matching agreement

Debt matching is an agreement with the debtor whereby if payments are made under an agreed payment arrangement the Council will write off a portion of the debt, either on receipt of each payment or where payments have been made for a specified period of time.

Debt matching will only be undertaken where there are no prospects of recovering the debt in full and an assessment of the debtors Exchequer indicates that any payment arrangement would extend beyond three years.

Debt matching arrangement will be reviewed periodically to ensure there has not been a change in the debtor's circumstances. If the debtor's circumstances change then the arrangement may be amended or cancelled.

Debt matching will only be undertaken on recommendation of the Service Manager and approval of the Cabinet.

Credit balance write offs

Where accounts are closed and a credit balance is held on the account the credit will be refunded preferably by BACS where the customer's bank account details are held.

In cases where no bank account details are held we will write to the customer advising them of the credit and requesting details of the account into which the credit can be refunded. If we do not hold a forwarding address we will issue notification of the credit to the last known address of the individual.

If after a period of three months the customer has not requested a refund then the amount of the credit will be written off. Where the customer makes contact at a later date or is located at a new address within the area the amount can be written back on and repaid.

Credits held on open accounts will be rolled forward and offset against future year's charges if a request for refund is not made.

In cases where the credit balance is less than £5.00 refunds will not be made unless requested by the customer as the costs of making payment are greater than the credit held. Credit balances below £5.00 will be written off when identified.

Where mutual credits and debits exist across separate debt streams we will offer the customer the opportunity to transfer the credit to offset any debit balances before a refund is made.

4.0 Authorisation of write offs

The table at appendix A details the authorisations required before a debt is written off.

5.0 Reporting write offs

The table at appendix B summarises the action that will be taken prior to write off and the method of reporting the debt.

The Council's Section 151 Officer will approve procedures for the reporting, approval and authorisation of debts for write off.

6.0 Monitoring

Each section will be responsible for ensuring that the policy is applied correctly and is effective. For each debt type management information will be compiled on a quarterly basis. The information will include a profile of debt by age, the value of debt written off to date (profiled by reason code), and the effect on the provision for bad debt.

Information will also be provided on debt which could become subject to write off; this would include debts where recovery is unlikely because the debtor has absconded, there is ongoing insolvency or a write off is pending.

Appendix A – Authorisation levels for write off

Value	Recommendation	Examined / Approved	Authorised
Credit balances	Exchequer Officer (EO) Revenue Officer (RO) Benefits Overpayments Officer (BOP)	Appropriate Service Supervisors/ Team Leaders	Appropriate Service Managers
Debts up to £100	Exchequer Officer (EO) Revenue Officer (RO) Benefits Overpayments Officer (BOP)		Appropriate Service Supervisors/ Team Leaders.
£101 - £2,000	Exchequer Officer (EO) Revenue Officer (RO) Benefits Overpayments Officers (BOP)		Appropriate Service Managers
Debts over £2,000	Exchequer Officer (EO) Revenue Officer (RO) Benefits Overpayments Officers (BOP)	Service Managers	Executive Director (Finance and Corporate Resources) - Section 151 Officer Accountancy Services Manager (deputy Section 151 Officer). Head of Finance & Resources.
Debts remitted by Magistrates or where a term of imprisonment has been served	Exchequer Officer (EO) Revenue Officer (RO) Benefits Overpayments Officer (BOP)		Appropriate Service Managers

Insolvency proceedings Administration Order (where claim has been formally acknowledged)	Exchequer Officer (EO) Revenue Officer (RO) Benefits Overpayments Officer (BOP)		Appropriate Service Managers
Debtor is deceased no prospect of dividend from estate	Exchequer Officer (EO) Revenue Officer (RO) Benefits Overpayments Officer (BOP)		Appropriate Service Managers
Debt matching agreements	Appropriate Service Managers		Cabinet
Cases of hardship or discretionary write offs	Appropriate Service Managers		Cabinet

Appendix B – Actions to be taken prior to write off

Write off reason	Actions Prior to W/Off	Procedure for Write/off
Credit Balances < £5.00	None	Cases reported on bulk write off schedule for appropriate authorisation
Credit Balances > £5.00	Notice of credit issued to customer.	Cases reported on bulk write off schedule for appropriate authorisation
Closed accounts with debt below £50.00	Invoice/Demand issued to customer No ongoing liability. Debt static for 12 months	
Individual debts below £5.00	Invoice/Demand issued to customer. No ongoing liability. Debt static for 12 months	Cases reported on bulk schedule for appropriate authorisation.
Debtor Absconded	Check internal databases and trace database, enquiries with property agents.	Cases reported on bulk schedule for appropriate authorisation
Live debt which is uneconomic to pursue	All appropriate recovery routes attempted. Assessment of costs and likelihood of recovery to be made.	Cases reported on bulk schedule for appropriate authorisation.
Insolvency – bankrupt individual or insolvent company	Claim lodged in proceedings.	Cases reported on bulk schedule for appropriate authorisation.
Dissolved Companies	Confirmation of dissolution received	Cases reported on bulk schedule for appropriate authorisation.
Limited companies in administration.	Confirmation of administration. Debt lodged in proceedings.	Cases reported on bulk schedule for appropriate authorisation.

Write off reason	Actions Prior to W/Off	Procedure for Write/off
Debtor Infirm or suffering from hardship	Appropriate recovery procedures to be attempted.	Case referred to Cabinet for W/off consideration.
Debtor's circumstances are such that it is not appropriate for council to pursue recovery.	Appropriate recovery procedures to be attempted.	Case referred to Cabinet for W/off consideration.
Debtor deceased with no prospect of recovery from estate respect of the debt	Confirmation of value of the estate and outstanding liabilities obtained.	Cases reported on bulk schedule for appropriate authorisation.
Debtor sentenced to term of imprisonment in respect of debt.	No further powers of recovery	Cases reported on bulk schedule for appropriate authorisation.
Debtor out of jurisdiction		
Debt remitted by court	No further powers of recovery	Cases reported on bulk schedule for appropriate authorisation.
Out of time for recovery action	No further powers of recovery	Cases reported on bulk schedule for appropriate authorisation.
Debtor enters into a debt matching agreement	Debt matching agreement approved by Cabinet. Payments monitored – portion of debt written off at agreed intervals.	Cases reported on bulk schedule for appropriate authorisation.