

# London Borough of Waltham Forest

## Corporate Write Off Policy

October 2023

<b>Policy Title</b>	Write off Policy
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<b>Date of Issue</b>	October 2023
<b>Date of Next Update</b>	The Policy should be reviewed annually following any revisions to Financial Procedure Rules,
<b>Policy Summary</b>	This document outlines the Council's policy and approach to the write-off of debts to maximise the opportunity for collection thereby minimising the need for write off.
<b>Audience</b>	<ul style="list-style-type: none"> <li>• Budget Holders</li> <li>• Finance Managers</li> <li>• Other Employees directly involved with write-offs</li> </ul>
<b>Related Documents</b>	Budget Monitoring process report

## **PURPOSE**

This document outlines the Council's policy and approach to the write off of debts to maximise the opportunity for collection thereby minimising the need for write off. However, it also proposes a disciplined approach to the write off of irrecoverable amounts so that resources can be focused on potentially recoverable debt. This policy will identify the minimum that users will need to follow, and users / services will be able to enhance their recovery procedures.

## **WRITE OFFS**

### **Why do we need them?**

Despite the continuous improvement in income and debt collection, there will always be an element of debt that is irrecoverable. There are eight main reasons for write off:

- Insolvency – the debtor is officially unable to pay their debts in full (business debts)
- Deceased – the debtor has died and there are insufficient funds to fully discharge the debt.
- Court Remittal – the courts have remitted (reduced) the debt.
- Imprisonment – for non-payment of Council Tax and Business Rates only. Once the sentence has been served the debt must be written off.
- Statute Barred – the debt has become irrecoverable through the passage of time.

In each of the above cases, once we have reached that stage there is effectively nothing we can do to recover (all of) the debt and write off will be required. The emphasis in such cases is quite clearly on the much earlier collection of income thereby preventing the debt passing into these stages.

The remaining three reasons are:

- Uneconomic to collect – the amount owed is too small to warrant the cost of collection. This usually applies where part payments have been made leaving a small residual debt. It is often linked to another write off category.
- Negotiated Settlement – pre court negotiation to arrive at economic settlement for both parties.
- “Gone away, no trace” – this is the category where a much more proactive approach should pay dividends and reduce the level of write offs, and it is in this area that the main focus of the write off strategy will lie.

when all methods of debt recovery have been exhausted, any debts that remain irrecoverable are written off promptly in accordance with the Council's Constitution and Financial Regulations.

### **Will we only write off Closed Accounts?**

In all of the above cases the account concerned will be closed i.e. the debt has stopped accruing. As a general rule there would be no question of writing off “live accounts” (where charges are still being made to the account because the account holder is still resident in the borough and/or actively receiving services). However, in exceptional circumstances a live account may need to be considered for write off. Such circumstances may include extreme financial vulnerability e.g. illness, where the arrears are never realistically going to be paid but remain as a burden to the individual. In many cases this situation will have arisen through no fault of the individual concerned e.g. local authority error made in benefit calculation. Clearly it can place great stress on the individual and it is right that the Council acknowledge and provide for such eventualities even though they will be relatively small in number.

## **What outcomes are we trying to achieve?**

The write off strategy should achieve the following outcomes:

- Minimise the level of write off necessary (as part of the corporate debt strategy)
- Minimise the level of resources provided for bad and doubtful debts.
- Standardise the write off process across all income and debt areas.
- Avoid the use of subjective judgement and criteria in considering cases for write off by providing clear objective criteria and process.
- Introduce effective performance management arrangements.
- Help focus resources on potentially recoverable debts (by disciplined approach to writing off irrecoverable debts – “wood for the trees”)
- Further enhance the Council’s reputation for resource management
- Deliver a clear message that it expects people to pay the amounts properly due by treating write offs as exceptions (not the rule).

## **Who is accountable?**

Cabinet is responsible for the approval of the write off strategy. At officer level overall accountability lies with the Chief Finance Officer, primarily through their personal statutory responsibilities (section 151 officer). The Council’s Scheme of Delegation contains the extent of individual officer authority that applies uniformly across all services.

Under the Council’s Constitution Level 5 officers can write off debts:

- Up to £50k in consultation with the Chief Finance Officer
- Over £50k in consultation with the Chief Finance Officer and relevant portfolio Holder.

## **The Policy Statement and Document.**

The document sets out the ways in which the Council will manage the write off process and the actions that it will take to ensure that only those that are truly irrecoverable are written off. It also recognises the reality of debt collection in that it provides for the following eventualities and provides a framework within which they should be managed:

- Write off debts within “live accounts”.
- Negotiating settlement with debtors at Court (such negotiations will be opportunist and debt owners need to be able to respond in a way that balances the potential loss from write off and the cost that would be avoided through settlement)
- Uneconomic to collect – there will always be a need for considering the economics of individual cases. There is a risk that small amounts will be written off in one debt area whilst we actively pursue larger debts with the same debtor in other areas, but the aim is to minimise these.

Both Internal and External Audit will have access to these records as part of their routine audit activity or in the case of any specific investigation.

## **Performance Management.**

Write-offs are at the end of the “income chain”. In the past they have often been inevitable and a fait accompli – certainly if no action is taken to recover debts, then they will eventually become statute barred purely through the passage of time. However, write-offs are indicative of possible failure and under performance in the earlier stages i.e. from charging policies through to debt recovery. Formal performance management arrangements e.g. BVPI’s focus on “in year” collection rates for Council Tax, Business Rate etc. Very few councils can claim

to have no arrears, yet performance in debt recovery/non recovery (as opposed to income collection) is rarely measured.

Each year Cabinet will receive a report from the Chief Finance Officer summarising performance on debt write offs during the previous financial year. This report will include requests for write off where the cases are outside the delegated authority of officers.

**Authority for Write off.**

The constitution of the council sets out who has authority for writing off irrecoverable amounts and this is then delegated to officers using prescribed thresholds. At officer level, only the Chief Finance Officer (or his or her nominated representatives) has the authority to write off a debt. All decisions for write offs need to be made by the individuals who have the authority to write off the corresponding level of debt.

Under the Council’s Constitution Level 5 officers can write off debts:

- Up to £50k in consultation with the Chief Finance Officer
- Over £50k in consultation with the Chief Finance Officer and relevant portfolio Holder.

For debts greater than £50,000 (including aggregated debts for one debtor, the delegated authority rests with the Chief Financial Officer in consultation with the Portfolio Holder. The request for write off must be made in a report to the executive.

**Under the updated scheme of delegation there are bandings of officers, which better reflect the current management hierarchy. These are shown in the table below;**

Level	Authorised Officer Posts
7	Chief Executive with the Director of Resources
6	Chief Executive, Deputy Chief Executive and Strategic Directors
5	Corporate Directors and Divisional Directors
4	Deputy Directors and Assistant Directors
3	Heads of Service
2	Team/Service Managers
1	Team Leaders and other posts with limited responsibilities

**Write Off Reporting**

All debt write off will be reported annually to cabinet and will include the following information:

- Total amount of debt written off by tier group for each service area on a spreadsheet showing reference, amount, and year the debt was raised.
- Sorted into the debt type and service area and reason for the write off (if available).
- Summarised on a front sheet detailing the number of cases and total amount of debt.

**Retention periods**

To comply with the requirements of the authority's standing orders, all documentation supporting write-offs of debts shall be retained in respect of the current year plus the previous 6 years.

This procedure will be reviewed on an annual basis to ensure it remains valid, effective, and relevant.

## APPENDIX 1

### Amendment to Scheme of Delegation.

The revised scheme is set out in the tables below.

For Citizen and Business Debts (excluding Council Tax and Business Rates) not exceeding £50,000, the revised scheme is set out below;

Officer Level	CITIZEN DEBT			BUSINESS DEBT		
	Closed Accounts	Live Accounts	Negotiated Settlements*	Closed Accounts	Live Accounts	Negotiated Settlements*
7	Not Exceeding £50,000	Not Exceeding £50,000	Not Exceeding £50,000	Not Exceeding £50,000	Not Exceeding £50,000	Not Exceeding £50,000
6	Not Exceeding £50,000	Not Exceeding £50,000	Not Exceeding £50,000	Not Exceeding £50,000	Not Exceeding £50,000	Not Exceeding £50,000
5	Not Exceeding £50,000	Not Exceeding £50,000	Not Exceeding £50,000	Not Exceeding £50,000	Not Exceeding £50,000	Not Exceeding £50,000
*4 and above	Not exceeding £20,000	Not exceeding £20,000	Not exceeding £20,000	Not exceeding £20,000	Not exceeding £20,000	Not exceeding £20,000
3 and above	Not exceeding £10,000	Not exceeding £10,000	Not exceeding £10,000	Not exceeding £10,000	Not exceeding £10,000	Not exceeding £10,000
2 and above	Not exceeding £1000	Not exceeding £1000	Not exceeding £1000	Not exceeding £1000	Not exceeding £1000	Not exceeding £1000
1 and above	Not exceeding £500	Not exceeding £500	Not exceeding £500	Not exceeding £500	Not exceeding £500	Not exceeding £500

\* Level 4 officer only in conjunction with the relevant Strategic Finance Advisor

For Council Tax and NNDR Debts not exceeding £50,000, the revised scheme is set out below.

Level	Council Tax	NNDR
7	Not Exceeding £50,000	Not Exceeding £50,000
6	Not Exceeding £50,000	Not Exceeding £50,000
5	Not Exceeding £50,000	Not Exceeding £50,000
4 and above	Not Exceeding £20,000	Not Exceeding £20,000
3 and above	Not Exceeding £10,000	Not Exceeding £15,000
2 and above	Not Exceeding £3,000	Not Exceeding £5,000
1 and above	not exceeding £500	not exceeding £1,000

Any Value -Tier five, six and seven Officers - only in the absence of CFO where it is in the Council's interest that a prompt decision is made.

Any Value -where an instant decision is required i.e. negotiated settlement at court-Level three Officer.

The reasons for the decision and agreed write-off amount to be presented to the appropriate officer according to the above scheme of delegation.



**DEBT WRITE OFF STRATEGY**

1. Each debt area will have a “debt manager”. The current debt areas are as follows:
  - Council Tax
  - Housing Rent
  - Business Rate
  - Housing Benefit Overpayment
  - Corporate Sundry Debt (SAP – sundry Debt Invoices) managed by Business Support
  - Traffic Enforcement
  - Temporary Accommodation
2. The Debt Manager will be responsible for the regular review of debts and will consider the need for write off of individual debts on a quarterly basis.
3. Negotiated settlements generally result in the need for a write off. Any negotiation of a settlement at court will be the responsibility of the Debt Manager, as such situations cannot be planned, and we need to respond immediately. Any other negotiated settlement will require approval according to the Scheme of Delegation i.e. the write off amount is the sum being remitted through negotiation.
4. Prior to write off being proposed, the debt will be reviewed to ensure that no further recovery action is possible or practicable. This review will consist of the minimum actions below to be taken, but each debt manager may have their own policy to enhance this:

Stage 1	Determine the reason for write off Those debts that have become irrecoverable because of insolvency, deceased (with no estate), court remittal, statute barred, imprisonment, and through a negotiated settlement will be referred for write off.
Stage 2	Those debts that are being proposed for write off as uneconomic to collect and “untraceable” must be subject to an investigation process based on the type, amount, and age of the debt. Can consist of some of the following: <ul style="list-style-type: none"> <li>• Tracing agency to identify possible addresses</li> <li>• Use of debt collection agency</li> <li>• The value of the debt</li> </ul>
Stage 3	In considering the write off of debts on “live accounts”, the following factors need to be considered: <ul style="list-style-type: none"> <li>▪ Will recovery action collect the debt?</li> <li>▪ Has the debt arisen through no fault of the debtor?</li> <li>▪ Has the debtor previously had a good record of paying?</li> <li>▪ Could the debtor be classed as “vulnerable” including financial vulnerability and would recovery action increase their vulnerability?</li> </ul>

Following the appropriate investigation, those debts still considered irrecoverable will be proposed for write off. Authorisation levels that will be reflected are in the Scheme of Delegation.