

Tewkesbury Borough Council

Revenues and Benefits Write-Off Policy

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Introduction

This document sets out the procedure to be followed when writing off irrecoverable amounts of Council Tax, Non-Domestic Rates (Business Rates) and Housing Benefit overpayments.

Under the Accounts and Audit Regulations 2003 (as amended by subsequent regulations) bad debts should not be written off without approval of the responsible financial officer or such member of staff as is nominated by him for this purpose. There are no equivalent rules for credit balances although it is prudent to write these off on a regular basis.

Both internal and external audit need to be satisfied any write off policy is both robust and transparent. At the same time, there needs to be a mechanism for reporting write offs through members. A debt should only ever be written off in accordance with a policy agreed by members.

Staff are required to take robust action to collect all debts however in some cases this might not be possible and debts do become irrecoverable. Where a debt is deemed to be non-recoverable (or a credit non-refundable) it needs to be identified at the earliest possible opportunity and properly dealt with in accordance with financial regulations.

Writing off irrecoverable items represents good financial management. It allows staff to concentrate on recoverable debts and ensures that the level of debtors/arrears within the accounts is accurate and represents a true and fair view of the Council's financial position.

Reasons for write off

Every effort will be made to recover a debt owing to the Council before it is considered for write off. This includes using tracing agents, visiting the property, contacting occupiers and owners and cross-referencing other internal databases. Only where all recovery action has failed is a debt regarded as irrecoverable.

This policy covers Tewkesbury Borough Council's policy and approach in the following areas:

- Remission by the magistrates' court
- Imprisonment
- Bankruptcies and liquidations
- Death of a debtor
- Absconded debtors who cannot be traced
- Small balances where it is uneconomical to collect
- Court, enforcement agent and other costs
- Miscellaneous reasons

- Credit balances

Remission by the magistrates' court

If a magistrate finds that the failure to pay the amount of Council Tax or Business Rates is not due to wilful refusal or culpable neglect and the debtor is unable to pay the debt it can be remitted. Remission may be in full or in part and the debt becomes irrecoverable. Even though a debt or debts may be remitted, liability for future years will continue. Following the decision of the magistrates the write off will be processed and we will store a copy of the Court Remission Sheet on our files.

Imprisonment

If a debtor is committed to prison for non-payment of Council Tax or Business Rates the debt has to be written off once the term of imprisonment has been served. No further recovery action can be taken with regard to the relevant amount as the enforcement process has come to an end. Liability for future years will continue.

Bankruptcies and liquidations

In the event of a successful bankruptcy petition or successful winding up proceedings for limited companies, once the court has made an order no other recovery action can be taken. This applies to only debts outstanding at the time and future Council Tax, Business Rates and Housing Benefit overpayment liability will continue.

In the majority of bankruptcy and insolvency cases where the Council has not instigated the action there is a small or no dividend payable to the Council. On receipt of the statement of affairs from the trustee in bankruptcy or liquidator it is usually clear how much money is available to creditors. After a taking into account any payments received or due the balance is written off as irrecoverable.

Death of a debtor

In the majority the cases the debt remains collectable either from a jointly liable person or the estate of the debtor. In certain circumstances, however, it is not possible to collect the debt and it will be written off. This is usually where there are no assets or where the debtor dies intestate or we cannot trace who the executors are.

If there are assets and the executors fail to make payment to clear the debt we can take separate action to recover the debt through civil enforcement proceedings.

Debtors who cannot be traced

There are occasions when debtors abscond leaving debts. In all cases every effort is made to locate the debtor. This includes:

- A check of records using internal and external tracing tools
- Visit to the property if it is cost effective to do so; and
- Passing the debt to an enforcement agency to see if they are able to trace the debtor

If the debtor cannot be traced there is no alternative but to write off the debt, however debts will be reviewed after 6 and 12 months in case any further information has come to light which means they can be collected

Small balances and amounts uneconomical to collect

On occasions where debtors have left the area it is considered uneconomic to pursue small balances beyond the issue of copy bills. These debts are written off on an annual basis.

If a debtor comes back into Tewkesbury Borough with a new liability the write off will be reversed and recovery action will continue where necessary.

Other write off situations

Court, Enforcement Agent and other costs

When the debt is being written off for one of the reasons above, legal fees and costs incurred in recovering the debt need to be written off separately as their accounting treatment is different.

There are a small number of cases that are taken to court and issued to enforcement agents before it transpires the liability is incorrect, but the Council was unaware at the time the action was taken. In correcting the liability it may be necessary to cancel costs and other fees depending on the individual circumstances of the case.

Miscellaneous

The Council has some debts which we are unable to pursue for other reasons, such as it not being in the public interest or due to local authority error, and need to be written off. These will be exceptional in nature and approved by the Head of Finance and Asset Management with full details held on file.

Credit balances

There will be instances where an account is closed and a credit balance remains on the account. If it has not been possible to refund the money (for example a forwarding address is not known) the credit will be written off after a period of 9 months has elapsed.

Procedure for processing write offs

This is covered in separate staff procedure notes using appropriate computer system transaction codes in order for the write off to be identified and monitored.

All accounts that are being submitted for write off shall be accompanied by a proforma which identifies the following:

- Name and liability address of debtor
- Amount due to be written off
- How the outstanding amount has arisen
- Period to which the outstanding amount relates
- Reason for write off
- Details of the checks that have been carried out to validate that the debt is irrecoverable

The completed proformas should be submitted to the Team Leader - Revenues together with any relevant supporting documentation for approval.

The Team Leader - Revenues will only submit write offs to the Head of Finance and Asset Management or the Executive Committee for authorisation when they are satisfied that all appropriate checks have been carried out and the debt is irrecoverable.

Management checks

The Revenues and Benefits Service has a range of management controls in place to ensure that debt is only written off in accordance with this policy document. The controls and management checks include:

- The Head of Finance and Asset Management has delegated authority to authorise the write off of debts up to and including £15,000
- Any debts greater than £15,000 have to be authorised for write off by the Council's Executive Committee.
- The Team Leader – Revenues and Revenues Officers have been given delegated authority to write offs debts up to £55.00
- A bulk write off of closed accounts over 6 years old where no payments have been received for 12 months takes place towards the end of the financial year which is authorised by the Head of Finance and Asset Management.
- The Revenues and Benefits Manager will review debts written off on a quarterly basis to ensure policy and procedures are being correctly followed.

Policy Review

The policy will be reviewed annually to ensure it remains valid, effective and relevant. If any significant amendments are required the Policy will be brought back to Executive Committee for consideration. If there are any major changes to legislation which means the Revenues and Benefits Write-Off Policy requires earlier review, appropriate action will be taken at the time.

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