

FINANCIAL INSTRUCTION

AR04 Write-Offs

1. Overview & Background

1.1 The rules around all debt write-offs at Northampton Borough Council are governed by this Financial Instruction. The final approver of write-offs will be the Director of Finance and Support, in his / her role of Chief Financial Officer.

2. Scope

2.1 Where reference is made to the Director of Finance and Support within this document, that shall extend to any nominated representative of the Director of Finance and Support.

2.2 This Financial Instruction covers all operations and systems for raising and recording debt throughout the Council.

2.3 For the purpose of this Financial Instruction and the procedures underpinning it, the term 'Write-Off' shall include all housing benefit overpayments that cannot legally be pursued.

2.4 This write-off instruction outlines the circumstances where debt will be submitted for write-off, and all members of staff must adhere to the rules set out in this instruction.

3. Instructions

3.1 **Write-off Process**

3.1.1 A write-off will only be considered once all debt recovery processes possible for that debt have been completed.

3.1.2 All proposals for write-offs must be recorded on the standard write-off form (Appendix A). This is the existing form, however, the process will be reviewed in light of this financial instruction and processes/forms amended as necessary. All write-offs will be approved within the departments concerned prior to submitting to the Director of Finance and Support for final approval. Authorisation levels for Write-Off are shown at 3.3 below. No write-off may be actioned on the Council's systems prior to this approval being received.

3.1.3 Write-Offs will only be considered for one of the reasons detailed in 3.2 below.

3.1.4 All authorised write-offs will be input into the relevant computer system or recorded in the relevant manual records. An audit trail of all recovery actions will be maintained on those systems. The write-off documentation will be retained and a reconciliation between the

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authorised write-off forms and the computer / manual debt recording system shall be maintained.

- 3.1.5** In any case, if the debt becomes collectible again, for whatever reason, the debt will be written back onto the Council's systems and will be pursued through the normal debt recovery processes.

3.2 Reasons for Write-off

The accepted reasons for Write-off are shown below. These are shown in order, starting with the most compulsive.

3.2.1 Debt Uncollectible (Housing Benefit Overpayment Debt only)

The Overpayment has occurred through Local Authority error and is not legally recoverable from the claimant. Legally this does not constitute debt and must be removed from debtor and account balances and the cost of the loss be borne by the Local Authority.

3.2.2 Agreed Settlement Figure

Where a lower amount than the original debt balance has been agreed in order to gain settlement of a matter, often in the case of a dispute over the value rather than the service received, this reason can be used. Full evidence and reasoning of why the full balance cannot be recovered must accompany the write-off paperwork.

3.2.3 Debtor Deceased

All accounts will be subject to review and every effort made to establish the Executor of the estate and to obtain payment from the estate in accordance with legislation. Where no executor can be established, or there is insufficient monies in the estate to settle debts the outstanding amount will be written off.

3.2.4 Untraceable Debtor

All arrears that require tracing activity to be carried out will be passed to the Council's approved debt collection agency(ies), who will attempt to recover the debt in full. In circumstances where they are unable to trace the whereabouts of the debtor, the agency will return the case to the Council with a recommendation that the debt is written-off. These cases must be returned by the agency in accordance with the timescales set out in the Contractual Agreements for each type of debt, and will be written-off within two working days of receiving the recommendation from the agency.

If the whereabouts of the debtor is established after the debt has been written-off, then the relevant amount will be written back on to the account, unless it is statute barred, and recovery procedures recommenced.

3.2.5 Bankruptcy / Insolvency / Administration Order

Where a formal Bankruptcy Order, or Individual Voluntary Arrangement (IVA), is made against the liable person, the balance outstanding up to and including the date of the order will be submitted for write-off. A claim

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for this amount will be submitted to the Trustee. In the event of a dividend being paid by the Trustee, this amount will be written back on to the account.

In circumstances where joint liability exists, the remaining party will be pursued for whole amount of the arrears.

Where an Administration Order is granted by the Court, all balances on the account will be submitted for write-off. Payments made in excess of the order will be written back on to the account.

Records of all debts written off through Bankruptcy / Insolvency / Administration Orders will be maintained by the Section responsible for the management of the debt.

3.2.6 Disputed / Unresolved Query

Where a debt has been disputed and it is found that there is not adequate supporting documentation for the debt, the debt shall be written off. A report shall be written to the Director of Finance and Support explaining why there are no records to support a debt which has been raised.

3.2.7 Balance Uneconomical to Pursue

Different types of debt will have different economical limits, and these will be specified separately by the Director of Finance and Support. Debt balances that have remained outstanding and unchanged for a period of 6 months (e.g. no payments received or no change in liability) and are less than the economical limit will be written-off providing that it can be demonstrated that full recovery processes have been adhered to.

3.2.8 Extenuating Circumstances

The debtor may have extenuating circumstances whereby it may not be in the best interests to pursue the debt or all of the debt due to the personal circumstances of the debtor(s).

Examples of where this category of write-off may apply are: -
severe disability; ill health; old age; death of partner; long term recipient of income support / incapacity benefit; other extenuating personal circumstances.

3.2.9 Statute Barred

Where there has been no communication from the customer for six years, the debt becomes statute barred. This debt is legally uncollectible and will be written off. Debt should only reach this position in exceptional circumstances; normally debt will be collected or written off under the other criteria.

3.2.10 Recovery procedures exhausted

For cases where all recovery procedures have been pursued and have failed, the outstanding balance will be written off. Any write-off falling into this category will be heavily scrutinised to ensure that the write-off is valid and the reason is accurate and not due to poor practices or processes.

3.3 Authorisation

All debt proposed for write-off must be approved by the responsible department in the first instance. If a debt has been through the recovery process and a valid reason for write-off, as defined above, has been identified, the responsible department must provide evidence of collectibility to justify not authorising the write-off. The final arbiter of any dispute between the debt management team and the responsible department shall be the Director of Finance and Support.

The process for authorisation of write-offs is dependent upon the value of the debt. This is defined below. Currently there are only one set of values; it may be considered appropriate in the future to have different levels of authorisation for different types of debt and if this is the case, this Financial Instruction will be amended to reflect that. In all instances, the write-off of debt must be authorised by the Director of Finance and Support prior to being actioned.

3.3.1 Value less than £100

In these instances the evidence must be prepared giving the facts of each case and the reason for the proposed write-off for consideration by a Team Leader in the service area concerned. The Team Leader will consider the merits of the case and may endorse the Write-off form and thereby authorise the write off. These must be batched by the relevant debt recovery team using the summary template provided and submitted to the Director of Finance & Support.

3.3.2 Value more than £100 but less than £9,999

In these instances the evidence must be prepared giving the facts of each case and the reason for the proposed write-off for consideration by a Manager in the service area concerned. The Manager will consider the merits of the case and may endorse the Write-off form and thereby authorise the write off. These must be batched by the relevant debt collection team and using the summary template, be signed if deemed appropriate, by the Head of Service and the Director of Finance & Support (on the front summary sheet). Any individual amount over £2,500 should be on a separate form and will need authorising by the respective Head of Service prior to being submitted to the Director of Finance & Support.

3.3.3 Individual indebtedness Debt Valued £10,000 or more

Where the value of debt to the Council carried by a customer is £10,000 or more, (including the debt being proposed for write-off), a report must be produced for Cabinet by the Service Department justifying the reasons for write-off and Cabinet approval must be received prior to any write-off being actioned. These must be signed off by the relevant service manager and where deemed appropriate for write off, by the Head of Service, Director and the Director of Finance & Support on the summary template, prior to being submitted to Cabinet.

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These Cabinet reports will be subject to the normal call over and approval process.

The above values are subject to monitoring and review in year and can be altered as deemed necessary by the Director of Finance & Support. The Audit Committee will be advised of any alterations to this.

4. Reporting

4.1 Cabinet

Summary of all write-offs will be presented to Cabinet as part of the revenue monitoring report. Where the value of debt to the Council carried by a customer values £10,000 or more, a report must be prepared for Cabinet as detailed in 3.3.3 above.

4.2 Audit Committee

Audit Committee shall receive reports on a regular, at least annually, detailing the amounts of debt written off, the types of debt written off, and the reasons for those write-offs. Audit Committee may then, as it sees fit, scrutinise those write-offs more closely. This does not form part of the authorisation route for write-offs but forms part of the governance of Council processes and procedures.

5. Specific Responsibilities

5.1 Cabinet

5.1.1 Approval of write-offs over specified limits.

5.2 Chief Executive

5.2.1 None

5.3 Directors

5.3.1 To approve write-off requests presented to Cabinet or Director of Finance and Support.

5.3.2 To ensure that procedures for write-offs within their department follow the rules laid out in this Financial Instruction and are applied in a timely and consistent manner.

5.4 Director of Finance and Support.

5.4.1 To approve or reject write-offs as appropriate

5.4.2 To update the Write-off Form from time to time which will be attached as an appendix to this Financial Instruction.

5.4.3 To ensure that Internal Audit checks the compliance with Financial Instructions within their audit programme. There will be spot checks of write-offs.

5.5 Heads of Service

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- 5.5.1** To approve or reject write-offs as appropriate
- 5.5.2** To produce reports to Cabinet on write-offs as appropriate
- 5.5.3** To attend Audit Committee to answer questions on write-offs from within their department.
- 5.5.4** To ensure officers within their department adhere to this Financial Instruction
- 5.6 Officers**
- 5.6.1** To adhere to this Financial Instruction

Reference: -

Northampton Borough Council Constitution (**Constitution Reference**)

Appendices: -

AR04APP1 Write-off Proforma