

WRITE OFFS

1. INTRODUCTION

- 1.1 Following the last Senior Management restructure officer delegations and authorisations have been reviewed. The review highlighted the need to update the process for writing off debt.
- 1.2 This report seeks approval for the adoption of a new write off code of practice in order to streamline the process and make it more efficient.

2. BACKGROUND

- 2.1 The write off procedure falls under Financial Regulations which states that:
 - the S151 Officer is authorised to write off uncollectable or cancelled debt;
 - prior to write off all debts must be submitted with full details; and
 - all written off debt must be reported to the Audit Committee annually.

3. EXISTING ARRANGEMENTS

- 3.1 The following nine service areas are responsible for the collection of income and administration of debt write offs:
 - Council Tax
 - Business Rates
 - Overpaid Council Tax Benefit and Housing Benefit
 - Accounts Receivable
 - Housing Rents
 - Garages
 - Penalty Charge Notices
 - Stores
 - Health and Leisure Centres
- 3.2 The existing code of practice requires that each service prepares a schedule for write off, which is agreed by the Service Manager and the relevant Head of Service (HoS). The S151 Officer (Executive Director & Chief Financial Officer) approves the schedule following recommendations made as a result of Internal Audits' 10 % sample check. The service updates the relevant system with approved account write offs. Internal Audit completes reconciliation and reports annually on write off across the Council.

4. PROPOSED FRAMEWORK

- 4.1 In order to support the organisation's restructure, which has given greater responsibilities to HoS for the service areas they manage, and to make the administration of write offs more efficient, it is proposed that the S151 Officer delegate to the relevant HoS the approval of debt write offs that fall within an agreed set of pre-agreed circumstances.

- 4.2 The new code of practice (Appendix 1) requires the nine service areas to prepare the write off schedules for approval in the same way but ensuring the write off is coded against criteria for write off. The criteria are listed in Appendix 2.
- 4.3 Where a write off is requested outside of the standard reasons the account with full supporting paperwork must be submitted to the S151 Officer via Internal Audit (which may highlight possible system failures) for approval.
- 4.4 The effectiveness of these arrangements will be reported on as follows:
- Collection performance and total write offs processed each quarter to be reported to the S151 Officer. (Frequency to be reviewed in a year)
 - Annually each HoS will arrange for a full system reconciliation to demonstrate write offs have been processed accurately and report collection performance and the annual amount and breakdown of write off reasons to the S151 Officer.
 - From this information a single report will be submitted to the Audit Committee by the S151 Officer.

Additionally, Internal Audit will complete an annual systems audit on write offs processed.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no direct budget implications, whilst write offs impact on the level of revenue received this is not material to this report.

6. EQUALITY & DIVERSITY, ENVIRONMENT AND CRIME & DISORDER IMPLICATIONS

- 6.1 There are none arising directly from this report.

7. RECOMMENDATIONS

It is recommended that members approve;

- the updated code of practice for write offs, effective from April 2013.
- An update to Financial Regulations to reflect that HoS are authorised to write off debts and that the annual report is submitted to the Audit Committee.

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1.0 INTRODUCTION

- 1.1 Section 151 of the Local Government Act 1972 requires that “every local authority shall make arrangements for the proper administration of financial affairs and shall secure that one of their Officers has responsibility for the administration of those affairs”. This responsibility is vested with the Section 151 Officer. This code of practice seeks to ensure that the role of the Section 151 Officer is not compromised.
- 1.2 To ensure this proper administration, the Section 151 Officer has an obligation under the Authority’s Financial Regulations for write offs. The Section 151 Officer may authorise an officer (Head of Service) to authorise an uncollectable or cancelled debt to be written off. This delegations carries with it accountability.
- 1.3 Whilst the requirement has been established in Financial Regulations no guidance notes exists to assist the Heads of Service. The Code of Practice has therefore been developed with the intention of formalising procedures and to maintain consistency across the Authority.

2.0 POLICY

- 2.1 The code of practice will set out standards to act as a guide for each Head of Service to follow processes. Appendix 2 sets out the business unit, the maximum amount per debtor and criteria for the write off that each Head of Service can approve.
- 2.2 Each of the nine identified business units in appendix 2 will prepare write off schedules.
- 2.3 A summary page will show the total amount to be written off or on and the number of accounts by criteria. Accompanying paperwork will show the account to be written off or on, the value, which of the criteria the write off falls under and any background information or evidence.
- 2.4 The Service Manager is then responsible for checking the summary details and carrying out spots checks, with exception to the Accounts Receivable team, who will send individual schedules to BRO’s for approval and spot checks, before signing the schedule. Any queries should be raised at this time. Once satisfied the Service Manager will sign the schedule.
- 2.5 The signed schedule is passed to the relevant Head of Service for approval. Authorised Head of Services for each service are listed in appendix 2.
- 2.6 Where the write off is for an exceptional item or over the maximum amount per debtor as listed on appendix 2, the Head of Service must submit the account to the Section 151 Officer for approval via Internal Audit.
- 2.7 Approved accounts for write off should be sent to the relevant Systems Officer for action who will retain all paperwork.
- 2.8 Collection performance and write offs approved to be reported to the S151 Officer.
- Year End Process**
- 2.9 Each Head of Service to ensure that the approved accounts to be written off or on have been actioned correctly through system reconciliations.
- 2.10 Following the reconciliation, a nominated Head of Service or a delegated officer, to compile and submit a report, to include write offs for all services, to the Section 151 Officer showing;
- the total amount (£) and
 - the number of accounts written off by agreed criteria by 31st May each year. An example of the reconciliation is attached as appendix 3.

2.11 Annual report to be issued to the Audit Committee.

APPENDIX 2

BUSINESS UNIT	HOS RESPONSIBLE	WRITE OFF / <u>ON</u> CRITERIA	UPPER £ LIMIT PER DEBTOR*
Council Tax	Head of Customer <u>and Financial</u> Services	Bankruptcy Abscond Small Balance (up to £100) Deceased Bailiff unable to collect/no goods on which to levy	£3,500
Business Rates	Head of Customer <u>and Financial</u> Services	Bankruptcy/Liquidation Abscond Small Balance (up to £100) Deceased Bailiff unable to collect/no goods on which to levy	£5,000
Council Tax and Housing Benefit (including Fraudulent cases)	Head of Customer <u>and Financial</u> Services	Bankruptcy Abscond Small Balance (up to £100) Deceased LA Error DWP Error Collection Agency unable to collect	<u>£3,000</u>
Accounts Receivable	Head of Customer <u>and Financial</u> Services	Bankruptcy Abscond Small Balance (up to £100) Deceased Uneconomic to pursue through the court	£1,500
Penalty Charge Notices	Head of Customer <u>and Financial</u> Services	<u>Bankruptcy</u> Abscond <u>Deceased</u> Bailiff unable to collect/ no goods on which to levy Foreign Vehicle	£330
Housing Rents	Head of Housing	<u>Bankruptcy</u> Abscond Small Balance (£100) Deceased	£1,000
Garages	Head of Housing	<u>Bankruptcy</u> Abscond Small Balance (£100) Deceased	£1,000
Stores	Head of Property Services	Obsolete stock Damaged stock Picking Error	£100 (noted - debtor comment does not apply, therefore per product)
<u>Health and Leisure Centres</u>	<u>Head of Leisure and Employment</u>	<u>Small Balance</u> <u>Missing Membership Proofs</u>	<u>£100</u> <u>£500</u>
All	Section 151 Officer	Any write off/on including; Partial write offs of live accounts, paying accounts, large balances, any other exceptional reason	NO LIMIT

* Limits to be reviewed by Audit Committee at least annually to ensure they are still reasonable.

Example of the Annual Submission

Category of Debt	Reason for Write off	Amount Written off £'000	No of Accounts	Annual Income / Turnover £M	Provision Made 31/3/08 £'000	Arrears Balance as at 31/3/08 £'000	Write Off as % of Turnover %
Council Tax	Bankruptcy	X					
	Abscond	X					
	Small balance	X					
	Deceased	X					
	Bailiff unable to collect/no goods on which to levy	X					
	Total	X	X	X	X	X	X%

Example of the Quarterly Summary report

Category of Debt	Reason for Write off	Amount Written off Q1 £'000	No of Accounts Q1	Amount Written off Q2 £'000	No of Accounts Q2	Amount Written off Q3 £'000	No of Accounts Q3	Amount Written off Q4 £'000	No of Accounts Q4
Council Tax	Bankruptcy								
	Abscond								
	Small balance								
	Deceased								
	Bailiff unable to collect/no goods on which to levy								
	Total								