

REDDITCH BOROUGH COUNCIL

**EXECUTIVE
COMMITTEE**

28th July 2010

WRITE OFF POLICY - UPDATE

Relevant Portfolio Holder	Cllr Michael Braley, Portfolio Holder for Corporate Management
Relevant Head of Service	Teresa Kristunas
Key Decision	
This report contains exempt information as defined in Paragraph(s) of Part I of Schedule 12A to the Local Government Act 1972, as amended	

1. SUMMARY OF PROPOSALS

- 1.1 The report proposes an amended policy for the write off of debts due to the authority.
- 1.2 The policy would operate across all debt streams and authority to delegate all debts, except those where the write off is being made due to hardship, vulnerability or as part of a debt matching arrangement, will be delegated to the Council's Section 151 Officer.
- 1.3 The policy introduces a requirement for information on the level of bad debt write off to be reported to the Executive Committee on a quarterly basis.
- 1.4 Introduction of the policy will require an amendment to the Council's financial regulations at D10 and D11.

2. RECOMMENDATIONS

The Committee is asked to RECOMMEND that the draft Write Off Policy included at Appendix 1 be approved.

3. BACKGROUND

- 3.1 The write off of bad debts is a necessary function of any organisation which deals with the collection of debt. Effective write off procedures contribute to the efficient management of debt as officers' time can be concentrated on monitoring and recovering the collectible debt.
- 3.2 The existing policy for write off of debt was approved in 2004. A LEAN processing review of the procedures for write offs found that:-
 - The process was wasteful in terms of the number of officers and levels of authorisation that are required prior to write off.

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- That the referral of write off for Executive Committee approval rarely resulted in authorisation to write off being withheld;
 - That the process of referring debts to Executive Committee caused delays to the timely write off of debt;
 - Executive Committee wrote off debt without any knowledge of the effect of the write off on the provision for bad debt.
- 3.3 The major impact on the provision for bad debt was the larger volumes of small value write offs and liquidation write offs which were approved at levels below Executive Committee. For example for Non-Domestic Rates write offs of £378,883.16 have been processed from 1st February 2009, none of these write offs required Executive Committee approval as they were either irrecoverable by virtue of being an insolvency debt or they fell below the £1,500.00 threshold.
- 3.4 The review highlighted that improvements to the efficiency of the write of process could be obtained if revisions were made to the debts which were referred for Executive Committee approval and better management information were provided to Executive Committee. The improved management information would allow scrutiny of the reasons for write off and the effects of all write off on the provision for bad debt.
- 4. KEY ISSUES**
- 4.1 The revised policy delegates the authority to write off all debts - except those where write off is requested due to hardship, illness or other exceptional circumstances and those being written off as part of a negotiated debt matching arrangement - to the Council's Section 151 Officer.
- 4.2 The process of reporting debts for write off will be simplified and the majority of write offs will be approved on bulk schedules – this will allow for better automation of the write off approval process and provide efficiency to the procedure.
- 4.3 Evidence of all checks carried out prior to write off will be prepared by the officer requesting write off and will be available for inspection at the approval and authorisation stages.
- 4.4 Quarterly monitoring reports will be provided to Executive Committee providing a profile of the existing debt by age and the proportion of debt

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outstanding for that year. The value of debt written off to date (profiled by reason for write off) and the effect of write offs on the bad debt provision.

- 4.5 Information may also be provided on the level of debt which may become subject to write off.

5. FINANCIAL IMPLICATIONS

The policy will operate within the existing provisions for bad debt, the additional monitoring proposed will improve the ability to monitor the appropriateness of those provisions and the total impact of write offs on the provision.

6. LEGAL IMPLICATIONS

Approval of the revised policy will require an amendment to be made to the Council's financial regulations.

7. POLICY IMPLICATIONS

A revised policy for the write off of debt is proposed.

8. COUNCIL OBJECTIVES

The proposed procedures should enable the Council to improve the process for the write off of debt by clarifying the situations in which debt can be written off and reducing the number of officers involved in the process.

**9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY
CONSIDERATIONS**

There is a risk that recoverable debts may be written off or that debts may be written off without the appropriate checks being carried out. Sample testing off write offs by Internal Audit will identify any weaknesses in procedures. Inappropriate write offs can then be reversed and recovery action recommenced.

10. CUSTOMER IMPLICATIONS

There are no customer implications.

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11. EQUALITIES AND DIVERSITY IMPLICATIONS

There are no equalities and diversity implications.

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

The revised write off procedure should be more effective in terms of the use of officer time. There are no procurement or asset management implications.

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

There are no climate change, carbon implications or biodiversity implications.

14. HUMAN RESOURCES IMPLICATIONS

There are no human resources implications.

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

It is proposed that performance information is reported to the Executive Committee on a quarterly basis.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

There are no community safety implications.

17. HEALTH INEQUALITIES IMPLICATIONS

There are no health inequalities implications.

18. LESSONS LEARNT

None.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

None.

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20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	No.
Chief Executive	Yes
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	Yes
Executive Director – Planning & Regeneration, Regulatory and Housing Services	Yes
Director of Policy, Performance and Partnerships	Yes
Head of Service	Yes
Head of Resources	Yes
Head of Legal, Equalities & Democratic Services	Yes
Corporate Procurement Team	No

21. WARDS AFFECTED

None.

22. APPENDICES

Appendix 1 – Draft Write Off Policy.

23. BACKGROUND PAPERS

Existing Write Off Policy and procedure.

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