

Policy

Title: Write Off of Bad Debts and Credits

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CONTENTS PAGE

Introduction	3
Aims / Objectives	3
Scope	3
Policy Statement	3
Responsibility	4
Service Standards	4
Performance Measures / Monitoring	5
Consultation Arrangements	6
Benchmark Analysis	6
Regulatory and/or Legal Compliance	6
Key Lines of Enquiry (KLOEs) Affected	6
Diversity Considerations	7
Links to Strategies, Procedures and Associated Documents	7
Business Impact	7

Introduction

Halton Housing Trust (the Trust) may write off all debts which are considered to be irrecoverable or uneconomic to pursue, as per good accountancy practice.

Aims / Objectives

The aim of this policy is to maximise the efficient and effective recovery of the Trust's income by focussing on a manageable and well maintained ledger of collectable arrears.

Scope

This Policy covers the write off of:

- Former and current customer rent arrears
- Former customer rent credits
- Sundry Debts including rechargeable repairs, court costs, leaseholders, recharges to third parties and any other sundry amounts that have been invoiced through the housing management system or the finance system
- Current customer rent arrears in exceptional circumstances

Policy Statement

The Trust will ensure that there are processes in place to collect the debts from customers whilst they have tenancies or dealings with the Trust. For those customers who no longer have tenancies either through their own choice or as a result of abandonment of their properties or eviction the Trust will use external third party contractors to collect the arrears that are due.

The criteria to be applied to **individual debts** presented for write-off may include the following:-

- There is no forwarding address or trace of the debtor and no payments have been received;
- The debtor has died and there is no estate;
- The debt is less than £200 and is considered to be uneconomical to pursue (former customer arrears only)
- The customer is vulnerable and/or action to recover the debt would be inappropriate due to the customer's poor health e.g. the debtor is resident in a nursing home. These will be considered on a case by case basis;
- The debt is statute barred or is of such an age that action for recovery via the courts is unlikely to succeed.
- There is no evidence to support the debt

Sundry Debts

Sundry debts are generally low in value and will not be considered for right off if they are less than £200 unless it fulfils ***at least*** one other criteria as detailed above.

Where a debt has been written-off because the Trust originally had no forwarding address, and details of the former customer become known later; the debt will be written back to the ledger and will be pursued as if the debt had never been written-off.

Dealing with Credits

Where these occur at the end of a tenancy, they will be dealt with in the following ways

When an existing customer moves to another Trust property:

- The Trust will be entitled to use all rent payments made on the new home to pay off any arrears on the old home;
- The Trust will be entitled to use any credit built up on the old home to cover the rent of the new home;
- In normal circumstances, the Trust will expect any customer to clear their existing rent account before a transfer or exchange of homes can take place.

When a customer leaves a Trust property having more than one outstanding charge, e.g. a charge for damage caused to their property, as well as for rent arrears:

- Any credit left on the rent account may be paid towards the oldest debt first, provided that the Trust has informed the customer beforehand.

If a credit is left on an account and the creditor cannot be traced:

- The amount of the credit may be written-off with the approval of the Lead Board Member for Finance and Performance.

Responsibility

The Director of Resources will be responsible for producing a detailed set of procedures to ensure the effective implementation of this Policy.

The Director of Resources will be responsible for ensuring that all employees involved in this process are fully trained in the procedures to ensure consistency of implementation.

Service Standards

Dealing with Bad Debts

- Individual debts up to £200 that are deemed appropriate for write off will be reviewed and authorised for write off by the Director of Resources.

- Individual debts that are less than £1,000 in value but more than £200, that are deemed for write off will be reviewed and authorised for write off by the Director of Resources and the Chief Executive.
- The Lead Board Member for Finance will periodically receive for consideration reports identifying individual bad debts in excess of £1,000 deemed appropriate for write-off.

Current arrears may be recommended for write off in exceptional circumstances.

Reports recommending write-offs will contain information to explain the reason why the debt cannot be recovered and the steps that have been taken to attempt to recover the debt.

Dealing with Credits:

- The Trust regards a credit as an advance rent payment made to a customer's rent account.
- The amount of any credit will be added to a customer's rent account with the Trust to the oldest liability first. Any remaining credit will then be utilised against any other debts that the customer has with the Trust.
- If a credit remains on the account then the customer can request a repayment of the credit.
- The write off of any credit balances will be dealt with under the same authorisation limits as the write off of bad debts and presented to the Director of Resources, Chief Executive or Lead Member for Finance and Performance as appropriate.

Performance Measures / Monitoring

The increases and decreases to the bad debt provision will measure the performance of the collection of arrears.

The number and value of debts and the level of provision required against each debt is calculated.

The collection rates achieved by the Trust's third party appointed agency for the collection of former customer arrears will be used to measure the successful identification and processes for the collection of recoverable debt that has been outsourced for collection.

The number and value of former debts that have been transferred from current debt to former debt will indicate the collection performance from the in house collection team. In addition it will indicate the potential increased cost and loss of income to the Trust through third party collection costs.

The number and value of credits arising will also be monitored.

Individual cash collection targets are set and monitored for the Income Recovery Team and the Income Management Team. These targets are included in personal development plans and on departmental Balanced Scorecards.

Consultation arrangements

As this Policy relates to an essentially internal financial process, the Trust has not deemed it necessary to consult with customers in the revision of this policy.

However, in reviewing the Policy the Trust will ensure that it takes account of good practice elsewhere. In particular the Director of Resources will compare the Trust's performance in this area with other housing associations in its peer group.

Benchmark Analysis

The Trust has reviewed the policies set by a number of other Housing Associations. The Trust's policy is comparable to those that it has consulted.

Regulatory and/or Legal Compliance

One of the specific expectations contained in the TSA's Governance and Financial Viability standard states that: "*Registered providers shall ensure that **effective controls and procedures are in place to ensure security of assets***"

The Trust must also ensure that it complies with the Companies Act and Financial Reporting Standards in the identification and management of any bad debts or credits in its Financial Statements and reporting.

Key Lines of Enquiry (KLOEs) affected

One of the questions posed in the Audit Commission's Income Management KLOE states: "*Does the organisation minimise loss of income by taking prompt and appropriate action to recover both current and former service user arrears and other debts?*"

One of the descriptors of an organisation delivering an excellent service in this area states that it "*has a policy on former tenant arrears that includes the methods used to collect such arrears and **the factors to be taken into account when writing off these debts.***"

The Trust will look to meet the part of the requirement highlighted above by the effective implementation of this policy.

This Policy also links into Value for Money KLOE. The Trust must ensure that it is collecting income in a cost effective and efficient way.

Diversity Considerations

The Public Sector Equality Duty's (PSED) supports public authorities to demonstrate that they are making decisions in a fair, transparent and accountable way, considering the needs of different members of their community, considered to have 'protected characteristics' under the Equality Act 2010. The PSED instructs public authorities to assess each service, policy and/or function to assess whether they contribute to the Act's three aims. Which are to:

- Eliminate unlawful discrimination, harassment and victimisation
- Advance equality of opportunity between different groups
- Foster good relations between different groups

Once this consideration has taken place, each service, policy and/or function which contribute to one or more of the above aims must be assessed further to ensure they do not unfairly impact on one or more particular users protected under the Equality Act. Assessing the impact can be done by having a robust equality impact assessment framework, which systematically assesses any impact on any of the protected groups.

Therefore, it is clear that when developing proposals or reviewing any services, policies or functions an initial consideration is noted and if a further assessment is required the impact this will have on the protected groups under the Act is also recorded.

However, If the service, policy or function is considered NOT to contribute to any of the above three key aims, it is not required to undertake any further assessment.

An Equality Impact Assessment has not therefore been carried out on this policy.

Links to Strategies, Procedures and Associated Documents

The following documents are linked to this policy

- Value for Money Strategy
- Rent Arrears Recovery Policy
- Rent Collection Payments Policy
- Rent Setting and Service Charge Policy
- Corporate Debt Policy

Write off Procedures document

Business Impact

This Policy will not have any direct impact on the Trust's Business Plan or on its business activities in general.