



To: Executive Councillor for Housing: Councillor Kevin Price

Report by: Julia Hovells, Business Manager / Principal Accountant

Relevant scrutiny committee: Housing Scrutiny Committee 30/6/2015

Wards affected: Abbey Arbury Castle Cherry Hinton Coleridge East Chesterton King's Hedges Market Newnham Petersfield Queen Edith's Romsey Trumpington West Chesterton

CAMBRIDGE CITY COUNCIL HRA WRITE OFF POLICY

Key Decision

1. Executive Summary

- 1.1 In March 2015, Housing Scrutiny Committee and Strategy and Resources Committee considered, and the relevant Executive Councillors subsequently approved, changes in the powers delegated to officers in respect of decisions about finance, human resources and property matters. This included amendments to the approval limits and decision makers in respect of writing off HRA debt.
- 1.2 Following approval of changes to delegations in March 2015, which came into immediate effect, this report presents an update of the HRA Write Off Policy. The policy aims to strengthen the Council's position in matters relating to the write-off of former tenant, and other HRA debt, where reasonable attempts to recover the debts have been made. It also sets out the commitment of the Council to keep the appropriate records to ensure debts written off are in compliance with the Council's Constitution and Financial Standing Orders.

2. Recommendations

The Executive Councillor is recommended:

- 2.1 To approve the revised HRA Write-off Policy at Appendix A.

3. Background

- 3.1 The officer delegation reports, presented at Housing Scrutiny Committee and Strategy & Resources Committee in March 2015, agreed changes to the approval limits and the decision-makers in relation to writing off HRA debt.
- 3.2 With the changes now in effect, a revised Write Off Policy sets the framework in which officers will need to operate to ensure that HRA debt is being written off in a consistent and accountable manner, and that the decision makers can be confident that the correct procedures have been followed and that robust records are being kept.
- 3.3 The Council will update and review the policy in accordance with any changes in legislation relating to the collection of debt or any other housing legislation.
- 3.4 A report will be presented to Housing Scrutiny Committee on an annual basis, usually as part of the HRA Outturn Report. For the purposes of considering the revised policy, an example of the detail that will be provided is attached at Appendix B to this report.

4. Implications

(a) Financial Implications

Provision is made within the Housing Revenue Account for the write off of bad and doubtful debts.

The recently approved delegations will reduce the timescales in which debt is able to be written off within the Housing Revenue Account, ensuring that the financial impact is accounted for in a timely manner, whilst also ensuring that officers are able to prioritise collection of arrears that are recoverable, thus maximising rental income.

(b) Staffing Implications

There are no direct staffing implications associated with this report at this stage. Officers will need to ensure they are adhering to the revised write-off policy and procedures.

(c) Equal Opportunities Implications

An Equalities Impact Assessment will be undertaken as part of the preparation of this report. The assessment will be found as part of the background papers associated with this report.

(d) **Environmental Implications**

There are no direct environmental implications identified as part of this report or proposed revised policy.

(e) **Procurement**

There are no initial procurement implications identified as part of this report or proposed revised policy.

(f) **Consultation and communication**

Consultation with the tenant and leaseholder representatives on Housing Scrutiny Committee is undertaken as part of this report being presented to the Housing Scrutiny Committee.

(g) **Community Safety**

There are no direct community safety implications identified as part of this report or proposed revised policy.

5. Background Papers

These background papers were used in the preparation of this report:

6. Appendices

- Appendix A – HRA Write Off Policy
- Appendix B – 2014/15 Write Off Activity Summary

7. Inspection of Papers

To inspect the background papers or if you have a query on the report please contact:

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Housing Revenue Account

Write Off Policy

1 Introduction

The purpose of this Write Off Policy is to establish a framework to regulate the process under which rent, and other Housing Revenue Account debts, should be submitted for write off, and the guidelines that should be followed are set out in this policy.

The policy is intended to ensure that the writing off of debts is conducted in a consistent and accountable manner.

2 Background

The Council has a duty to ensure that all money owed to the authority is collected promptly, wherever possible.

Cambridge City Council's rental income supports the management, maintenance and major improvements of the housing stock, in addition to supporting the borrowing (housing debt) taken on under Self Financing. It is therefore the Council's policy to exhaust all possible options to try to recover arrears in accordance with its rent arrears policy.

However, debts should be written off with minimum delay, in accordance with proper accounting practice, in circumstances where all efforts have failed to recover the debt, legal action can no longer be taken and /or the debt is deemed to be no longer recoverable.

In practice, debt recovery is influenced by a wide range of factors, such as the value of the debt, the nature of the debt, the location of the debtor(s), the cost of recovery action and the likelihood of a successful recovery outcome. In this regard, the policy seeks to provide a framework within which the decision to write off a debt can be made.

3 Policy Statement

Cambridge City Council's Write Off Policy focuses around the following statements of principle:

- Ensure that all reasonable attempts have been made to recover the arrears, in accordance with the rent arrears policy.
- Evidence the methods used to attempt the recovery of the arrear as part of the write off request process.
- Ensure debts to be written off receive the relevant approvals, as set out in this policy, and in compliance with the Council's Constitution and Financial Standing Orders.

4 Policy Process

The write off policy is enacted from the point at which a decision is taken to put forward an arrear case for write off. Prior to this, the Arrears Recovery Policy should be followed.

Administrative procedures should be in place to ensure that debts are only written in appropriate circumstances. These procedures should include:

- The need to confirm that the rent arrears recovery policy and procedure has been complied with, and that all reasonable attempts have been made to recover the debt.
- Specified actions that need to be taken to attempt to locate debtors who have absconded.
- Clear details of those who are authorised to make recommendations for the write off of debt.
- Clear details of those who are authorised to approve the write off of debts, including any scheme of officer delegations that have been made for operational purposes.
- Clear details of the process for writing off the debt in the authorities departmental and accounting systems.
- Clear details of the documents that will be completed as part of the write off process, and records that will be kept in relation to debts written off.

5 Policy Criteria

Debts may be considered for write off if they fall into one of two key categories, category 1 where there is no alternative but to write off the debt and category 2, where an element of discretion must be exercised in the decision as to whether or not

to write off the debt. Listed below is the current list of recognised reasons for writing off of debt within each of these categories:

Category 1

- **Debtor Deceased** - Where the tenant is deceased and has left no estate, which the authority is able to make a claim against. The executor or next of kin has shown to the Council's satisfaction that the deceased has left no estate with which to discharge the debt. Where the estate is sufficient to pay a proportion of the debt, the balance may be written off.
- **Bankruptcy / Insolvency** – Where the tenant has been made bankrupt or deemed insolvent and we can no longer pursue the tenant for the debt covered under the bankruptcy order the debt should be immediately written off.
- **Debt Relief Order (DRO)** – Similar to a bankruptcy order, a tenant that has a DRO can no longer be pursued for any arrear covered within the order. In the case of a DRO, the council hold the debt for a period of 12 months before the debt is forwarded for write off to ensure no changes to circumstances occur within the period.
- **Court has refused to make an order in respect of the debt** – Where the court has refused to grant an order / make a judgement in favour of the Council, thus allowing enforcement of the debt.
- **Debt is Statute Barred** – Where the authority has not actively pursued the debt for a period of 6 years or more, and the debtor fails to accept the existence of the debt.

Category 2

- **Debtor Untraceable** - Where the debtor has absconded and an appropriate level of activity has been undertaken to trace the debtor, particularly in the case of former tenant arrears, and has been unsuccessful.

- **Debtor is residing outside of the UK** - Where the debtor now resides outside of the UK, and it is deemed uneconomical to pursue the debt. Legal advice shall be sought depending upon the location of the debtor and the value of the debt.
- **Uneconomical to Pursue / Recovery Procedures Exhausted** - Where the debt is deemed uneconomical to pursue and routine tracing and recovery activity has been unsuccessful, ie; where the cost of enforcing payment will exceed the amount expected to be collected, or the likelihood of enforcement action being successful is low and enforcement costs are unlikely to be recovered. In any given year, less than two weeks average rent is deemed to be the threshold for a debt being uneconomical to pursue.
- **Balance of debt is small** – Where the debt is less than £10, and there is no ongoing relationship with the debtor.
- **Imprisonment** – Where the debtor is serving a prison sentence, consideration needs to be given to the circumstances and length of imprisonment involved in considering whether to write off the debt.
- **Unable to Substantiate Debt** – In exceptional circumstances insufficient information may be held in order to substantiate or enforce the debt.
- **Other / Special Circumstances** – Exceptional circumstances where the landlord considers write off the most appropriate action. It may be that it is in the Council's interest to agree a negotiated settlement for part of the debt, that enforcement would cause unacceptable hardship or that it is in the interest of the Council or the wider community to write off the debt. In respect of a write off where pursuing the debt would cause unacceptable hardship, the following shall be considered in light of potential changes in circumstances over a 3 year timeframe, prior to a decision being made:
 - Where the customer owes a substantial debt, has no means of payment and is now reliant on state benefits.
 - Where there may be cause for write off of the debt on compassionate grounds, for example where illness or accident renders the debtor unable to pay.

- Where a matrimonial break up leaves one partner with debt accrued prior to the break-up which they do not have the means to pay, and the exiting partner has absconded, discretion may be applied to write off of all or part of the debt.
- Where there is mental incapacity.

In order for debts to be written off under this category, in exceptional circumstances only, a clearly documented case must be presented to the authorising officer or member.

6 Policy Approval Limits

The following approval limits exist, and where it is necessary for member consideration prior to writing off the debt, a report must be provided with a summary of the cases to be considered detailing a brief history of each individual case.

HRA Debt	Decision-maker
Up to £10,000	Head of Finance (delegated to other senior officers within a documented scheme of officer delegations contained within the Write Off Procedures)
Over £10,000 and up to £25,000	Head of Finance in consultation with Executive Councillor for Housing
Over £25,000	Executive Councillor for Housing, following consideration by Housing Scrutiny Committee

Any decision to write off debt should be made fairly and impartially. To ensure that this happens, officers are required to make a declaration of interest in respect of any individual debtor, and to ensure that they are not involved in any way in the decision making process for this debt.

7 HRA Bad Debt Provision

Any debts written off under this policy, will be charged against the HRA bad debt provision, which is held specifically for this purpose, and which is reviewed annually to ensure that the sum held is sufficient to meet the anticipated liabilities for both bad and doubtful debts.

8 Reporting Write Off of HRA Debt

Officers will include a report summarising the debts written off in each financial year as part of the annual HRA Outturn Report, which is presented to Housing Scrutiny Committee in June / July of each year.

9 Review of Write Off Policy

The Council will update and review the policy in accordance with any changes in legislation relating to the collection of debt or any other housing legislation.

The bad debt provision will be reviewed annually as part of the HRA Business Planning and Budget Setting processes.

The policy will be reviewed by officers at a minimum of every 3 years, with any changes being presented to Housing Scrutiny Committee for pre-scrutiny and approval by the Executive Councillor for Housing.

Policy Date June 2015

Review Date June 2018

2014/15 Write Off Activity SummaryWrite Off Activity by Value

Debt Value	No. of Cases	Total Written Off
£0.00 - £100.00	125	£5,257.39
£100.01 - £200.00	81	£11,556.67
£200.01 - £300.00	40	£9,628.34
£300.01 - £400.00	32	£11,266.53
£400.01 - £500.00	34	£15,320.73
£500.01 - £600.00	33	£18,091.02
£600.01 - £700.00	26	£16,815.07
£700.01 - £800.00	19	£14,205.22
£800.01 - £900.00	14	£11,720.57
£900.01 - £1,000.00	13	£12,233.75
£1,000.01 - £1,250.00	16	£17,913.72
£1,250.01 - £1,500.00	8	£10,701.91
£1,500.01 - £1,750.00	7	£11,095.53
£1,750.01 - £2,000.00	7	£13,135.37
£2,000.01 - £2,500.00	17	£38,628.22
£2,500.01 - £3,000.00	11	£30,211.11
£3,000.01 - £3,500.00	6	£19,484.02
£3,500.01 - £4,000.00	2	£7,282.46
£4,000.01 - £5,000.00	4	£18,266.54
£5,000.01 - £7,500.00	2	£10,323.12
£7,500.01 - £10,000.00	1	£8,800.63
Total Write Off	498	£311,937.92

Debt Value	No. of Cases	Total Re-Instated
£0.00 - £1,000.00	6	(£1,538.80)
£1,000.01 - £2,000.00	1	(£1,370.91)
£2,000.01 - £3,000.00	0	£0.00
£3,000.01 - £4,000.00	1	(£3,394.56)
Total Re-Instatement	8	(£6,304.27)

Net Debt Written Off	506	£305,633.65
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