

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **17 July 2017**

Report of: **Director of Finance and Resources**

Subject: **UPDATE TO FINANCIAL REGULATION 19 – WRITE OFFS**

SUMMARY

A change is proposed to the wording in Financial Regulation 19 (Income and Banking) to allow approved housing officers to be able to write off low value former tenant arrears.

RECOMMENDATION

It is recommended that the Committee:

- a) consider the proposed changes; and
- b) that any comments are forwarded to Council, to aid its decision in approving the revised regulation.

INTRODUCTION

1. Financial Regulations form part of the Council's constitution and provide a detailed strategic and operational framework for managing the authority's financial affairs.
2. Work has been carried out in recent years to streamline the regulations down to the key rules that are necessary for the Council to adequately manage its financial affairs. A further amendment is now proposed to Regulation 19.

REGULATION 19 – INCOME & BANKING

3. Part 4 of Financial Regulation 19 sets out the Council's rules on who and how monies owing to the council can be written off. Currently the thresholds set are as follows:

Designated officers of the Service	£50 or less
Statutory Chief Finance Officer or Nominated General Finance Manager	£5,000 or less
Executive or relevant committee	Over £5,000

4. Some work is being carried out to look at how we are handling arrears from tenants once they leave a Council House. Since 2008 these types of debt have been managed by Financial Services. Collection rates are generally low and we end up writing off approximately 1/3 of all former tenants' debt.
5. We are intending to carry out a pilot exercise, applying vanguard principles, in which the debt stays with Housing Services for longer to use the knowledge and relationships they have built with the customer in deciding how best to pursue the debt. The Housing Officers will then make a judgement on the likelihood of collection before passing a debt to the finance debt collection team to pursue. Any debts deemed uncollectable, in accordance with a set of guidelines, will be submitted for write-off.
6. The aim of this project is to see if we can improve debt collection rates by better customer management and reduce time spent chasing debts with little probability of success.
7. Given the nature of tenant arrears the current write off threshold for the service of £50 is considered to be too low and it is proposed to increase it to £200 just for rent arrears, which is equivalent to about 2 weeks of rent. For example, in March and April 9 accounts were passed to finance for collection, only 2 of these were under £50 but 7 of them were under £200 and would therefore fall within the proposed threshold.
8. It is therefore proposed that a change is made to Financial Regulations to allow the designated officers in housing to write off debts under £200. The proposed revised wording is highlighted in [Appendix A](#).

RISK ASSESSMENT

9. This may lead to an increase in accounts being written off by the service and not pursued; and almost certainly means that some accounts deemed uncollectable will be written off earlier. However, guidance notes will be produced as to what circumstances it would be appropriate to write off the debt and all cases will be reviewed and approved by housing managers.

10. They will also be visible to the Statutory Chief Finance Officer or Nominated General Finance Manager who will review the impact over the 6 months pilot study.

Background Papers: None

Reference Papers: None

Enquiries: For further information on this report please contact Elaine Hammell. (Ext 4344)

Proposed Changes to Wording of Financial Regulation 19 (highlighted in grey)

19.4 RECOVERY AND WRITE-OFFS

19.4.1 **Recovery Procedures:** Services must establish appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly. Any recovery procedure utilised must conform to the Council's Collection and Recovery Policy.

19.4.2 **Write-Offs:** Debts due to the Council may only be written off in accordance with the following rules:-

- a) by designated officers of a service where the debt is £50 or less and appropriate steps have been taken to collect the debt such that it has been deemed irrecoverable. The write off should subsequently appear on the monitoring reports received by the Statutory Chief Finance Officer or Nominated General Finance Manager;
- b) by designated officers of the housing service where the Former Tenant arrears debts are £200 or less and appropriate steps have been taken to collect the debt such that it has been deemed irrecoverable. The write off should subsequently appear on the monitoring reports received by the Statutory Chief Finance Officer or Nominated General Finance Manager;
- c) by the Statutory Chief Finance Officer or Nominated General Finance Manager for other debts where the amount for any one debtor is less than **£5,000**;
- d) if they are **penalty charge notices** they can be cancelled in accordance with the Parking Enforcement Policy, or written off under the authority of the Nominated Director or Head of Service with responsibility for Enforcement;
- e) if they relate to housing rent income which has been waived as **rent free weeks** under the authority of the Nominated Director or Head of Service with responsibility for Housing;
- f) in all other cases by the Executive, or other relevant committee.
- g) The total value and number of write-offs carried out by officers, under the delegated powers outlined above, should be reported to the relevant committee each year.

19.4.3 Sufficient information about the debt and recovery action taken must be provided and documented before authorisation for write-off can be given.

19.4.4 A list of officers designated to write off debts in accordance with this policy will be maintained as part of the "*Posts assigned to the roles required by Financial Regulations*" document.

19.4.5 A record must be kept of all write-offs authorised and actioned which is totalled at the end of each financial year.