



TAI CANOLBARTH CYMRU MID-WALES HOUSING

Yn barod **amdani** **Equal** to the challenge

Bad Debt Policy

Strategic Aim:	To promote the Association's core value of EXCELLENCE. <i>"We believe in positively changing the attitude towards social housing and promise to provide affordable homes to a high standard and through making the best use of our resources."</i>
Bad Debt Aim:	To ensure the Association has an appropriate approach for the provisioning and writing-off of bad debts.
Reference No:	Bad Debt Policy v1.2 May 2014
Date of Issue:	June 2014
Review Date	May 2014 January 2011
Next Review Date:	January 2017
Departments Affected:	Finance and Housing
Approved By/Date:	Board of Management: 28th May 2014
Lead Officer:	Carl Leah, Finance Team Leader
Statutory Compliance:	<ul style="list-style-type: none"> - Rules of The Association - Welsh Government Accounting requirements for Social Landlords General Determination (Wales) 2009
Other linked documents	<ul style="list-style-type: none"> - Income Collection and Recovery Policy (2014)

Title: BAD DEBT POLICY

1. Introduction:

Bad debts represent uncollectable income. The Association has robust policies and procedures for the collection of rent, service charge and other income. However, there are inevitably occasions when the income due to the Association can not be collected and therefore has to be written off.

While the debt collection process is being pursued an assessment is made of the likelihood of the income being collectable. A provision is therefore made against the outstanding income to reflect that income that may not become collectable.

The policy, therefore, outlines the basis for making a provision for bad debts and the actual writing off of the bad debts.

2. Policy Statement

- 2.1 The Association aims, through this policy, to ensure that only uncollectable rent, service charge and other income is written off.
- 2.2 The Association will make a prudent provision for bad debts on the basis of the age of the debt in accordance with the following table:

Debt	% Provision
Rent and service charge arrears	
0-8 weeks	0
9-12 weeks	25
13-17 weeks	45
18-25 weeks	55
26-51 weeks	100
Over 52 weeks	100
Former tenant arrears	100
Rechargeable repairs	100
Other sundry debtors	Per current rents above
Leaseholder	0

- 2.3 Debts will only be written off where all the arrears processes have been exhausted and the debt collection referral agencies advise the Association that the debt is uncollectable.
- 2.4 All write-offs are approved by the Director of Finance in accordance with the approved Scheme of Delegation.
- 2.5 Leaseholder debt can be secured against the property. Upon the sale of the property the debt will be repaid. Therefore, no leasehold debt should become uncollectable; hence no provision is made for bad debts associated to leaseholders.
- 2.6 Before any debt is written off the Association will:
 - (i) Ensure all arrears-chasing processes have been actioned.
 - (ii) Ensure all legal requirements have been complied with.
 - (iii) To the best of its ability have complied with the seven strands of diversity to those who use our services.

- (iv) Promote awareness of good financial management through the use of the Association’s Welfare Benefits Officer or signposting to agencies like CAB (Citizens Advice Bureau).
 - (v) Wherever possible, avoid wasting costs associated with chasing potentially uncollectable debts.
- 2.6. The Association will implement this policy in line with the principles agreed from time to time within the Bad Debt Strategy.

Key Performance Areas:

- A. The Director of Finance, in conjunction with the Executive Group and Team Leaders, will establish appropriate procedures and training requirements relating to pursuing debts and determining which debts should be written off.
- B. The Finance Team Leader will calculate the bad debt provision on a monthly basis in accordance with the policy. The level of bad debt will be reported monthly in the management accounts to Executive Group, Performance Management Team and included in the metrics reporting system which is presented to Board on a monthly basis.
- C. The Director of Finance will write off debts in accordance with the policy on a monthly basis. The value of write-offs will be included in the metrics reporting system on a monthly basis.

Equality Impact Assessment	<i>How does/will this policy ensure needs are met fairly, particularly with regard to race, gender, disability etc?</i>	N/A
	<i>Is it felt that this policy might affect different groups adversely. If so, what is the justification for this and is it legally permissible?</i>	No groups or individuals are expected to be adversely affected
	<i>Have any representative groups in the locality been asked for their opinion and if so, what was the outcome?</i>	No
Tenant Engagement	<i>How does/will this policy ensure the needs of tenants are met?</i>	The object of this policy is to ensure only uncollectable rents are written off.
	<i>How is it felt this policy will impact on the rights and obligations of tenants?</i>	It is not envisaged that this policy affect tenants’ rights and obligations
	<i>Have tenants been consulted and were the outcomes of that consultation taken into account when considering the introduction of this policy?</i>	At this time, tenants have not been consulted on this policy

MID-WALES HOUSING ASSOCIATION

BAD DEBT WRITE-OFF STRATEGY

The Association is committed to collecting all the rent, service charge and other income that is due. The Rent Collection and Arrears Policy outlines the approach to chasing and collecting the income due to the Association. These policies and procedures are vigorously applied.

However, it is acknowledged that there will be some money due to the Association that will not be collectable. This will be for a variety of reasons, but this often arises when a tenant abandons a property where they have been threatened with eviction.

While the debt collection process is being pursued an assessment is made of the likelihood of the income being collectable. A provision is therefore made against the outstanding income to reflect that income that may not become collectable. This provision is related to the age of the debt. The older the debt the less likely it will be collectable and therefore the greater chance it will 'turn bad'. This increased likelihood means a larger percentage of the debt is provided for as a potential bad debt the older the debt becomes; once the debt is 26 weeks old the provision is 100%.

Principles

- The Association will make a provision for a bad debt when a debt is over eight weeks old.
- The Association will make a 100% provision for a bad debt when a debt is over 26 weeks old.
- No debt is written-off until all policy and procedures, concerning the chasing of debts, have been exhausted.
- The Association will maintain an effective rent collection and arrears framework designed to maximise income collection.
- The Association will refer all former tenant debts to a debt collection agency.
- Leaseholder debt will be secured to the property and not provided for.
- All debt write-offs will be done by the Director of Finance.

Date Approved: May 2014

Review Dates: January 2017
May 2014
January 2011