



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 v1.1 May 2017
Date of Issue:	July 2017
Review Date	May 2017, May 2014, January 2011
Next Review Date:	January 2020 (in conjunction with Income Collection and Recovery Policy)
Departments Affected:	Finance and Housing
Approved By/Date:	Finance & Risk Committee: 18th May 2017 Board of Management: 12th July 2017
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) 2016
Other linked documents	<ul style="list-style-type: none"> - Income Collection and Recovery Policy (2017) - Vulnerable Tenants' Policy (2016)

BAD DEBT POLICY

1. Introduction:

Bad debts represent uncollectable income. The Association has robust policies and procedures for the collection of rent, service charges and other income. However, there are inevitably occasions when the income due to the Association cannot 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 the 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 stage in pursuing the debt (tenant advised of Court Date) and the age of the debt in accordance with the following table:

Debt	% Provision
Rent and service charge arrears	
0-4 weeks	0
5-8 weeks	50
9-12 weeks	50
13-17 weeks	100
18-25 weeks	100
26-51 weeks	100
Over 52 weeks	100
Former tenant arrears	100
Rechargeable repairs	100
Other sundry debtors	Per current rents above
Leaseholder	Discounted by average interest rate

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. However, to reflect the length of time it can be before such

leaseholder debt is repaid, the debt will be 'discounted' by the average interest rate, and the value of this 'discount' will be the bad debt provision.

- 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 Adviser or signposting to agencies like CAB (Citizens Advice Bureau).
 - (v) Wherever possible, avoid wasting costs associated with chasing potentially uncollectable debts.
- 2.7 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.

3 Review

3.1 The Association's Bad Debt Policy will be reviewed every three years to ensure its on-going relevance.

<p>Strategic Risk Factors</p>	<p>SR16/003 Managing Welfare Reform Financial Risks – if the income due to the Association is not collected in a timely way, there is a risk that income will become uncollectable and therefore has to be written off.</p> <p>SR16/016 Reputation - impact on business from reputational damage (e.g. from complaints - social media - press coverage).</p>	
<p>Equality Impact Audit</p>	<p><i>How does/will this policy ensure needs are met fairly, particularly with regard to race, gender, disability etc.?</i></p>	<p>An Equality Impact Assessment has been undertaken – see attached.</p>
	<p><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></p>	<p>No groups or individuals are expected to be adversely affected.</p>
	<p><i>Have any representative groups in the locality been asked for their opinion and if so what was the outcome?</i></p>	<p>Policy briefing presented to Tenants' and Residents' Forum (TaRF). They did not consider any changes were required.</p> <p>TaRF agreed leaseholder debt should always be pursued. They also agreed a Tenant's estate should be pursued for any outstanding arrears and that the death of a tenant would not, in itself, be sufficient grounds to write off the debt.</p>
<p>Tenant Engagement</p>	<p><i>How does/will this policy ensure the needs of tenants are met?</i></p>	<p>Reviewed and approved by T&RF.</p> <p>The object of this policy is to ensure only uncollectable rents are written off.</p>
	<p><i>How is it felt this Policy will impact on the rights and obligations of tenants?</i></p>	<p>Reviewed and approved by T&RF.</p> <p>It is not envisaged that this policy affect tenants' rights and obligations</p>
	<p><i>Have tenants been consulted and were the outcomes of that consultation taken into account when considering the introduction of this Policy?</i></p>	<p>Yes. Please see above.</p>

SCREENING EQUALITY IMPACT ASSESSMENT

Name of project, policy, function, service or proposal being assessed	Bad Debt Policy
Names and roles of officer(s) completing this assessment	Charles Brotherton, Director of Finance
Section	All services
Contact details of lead officer for this assessment	Charles Brotherton, Director of Finance
Date SEIA completed	12th April 2017

1. Aims and objectives of the project, policy, function, service or proposal being assessed

		Action Points
Is this an existing project, policy, function or service, a review or a new proposal?	An existing policy that applies to all tenants, leaseholders and service charge payers.	
What are the aims and objectives of the service?	Only write-off debts that are uncollectable.	
What are the main activities of the service?	The main debts relate to the rental of the Association's housing properties.	
Will the service be contracted out or commissioned?	The policy relates to existing internal service delivery.	
Will it be delivered in partnership?	No.	
Which staff members will carry out the function?	The actual write-off of debts will only be actioned by the Director of Finance. However, this write off will only be actioned if the Income Management Team have demonstrated that procedure has been followed and there is no realistic prospect of collecting the outstanding debt.	
Who is responsible for the service?	Director of Finance.	
Whose needs is this service designed to meet? How does it fit in with the wider aims of the organisation?	Tenants. Wrongly writing off debts wastes the income from our tenants and therefore the proper application of this	

	policy supports Value for Money (VfM).	
Are there any aspects of the service which will be governed by the service provider's judgement? If so, is there clear guidance for staff to prevent any bias?	Policy and guidance.	
At this stage is there anything about the service that you think could disadvantage or discriminate against people with protected characteristics or Welsh speakers?		
• Sex/Gender	No.	
• Gender Identity	No.	
• Disability The Equality Act 2010 defines disability as 'a physical or mental impairment which has a substantial and long-term adverse effect on your ability to carry out normal day-to-day activities'. This includes people with sensory and mobility problems, people with learning difficulties, people with mental health needs and people living with a serious health condition.	No.	
• Ethnicity	No.	
• Religion and belief	No.	
• Sexuality	No.	
• Age	No.	
• Pregnancy/Maternity	No.	
• Marriage/Civil Partnership	No.	
• Welsh Language	No.	

2. Equalities monitoring data and any other evidence

What does your equalities monitoring data tell you about this service? Consider data for access to the service (who is using and not using it), outcomes and satisfaction levels. Consider complaints and grievance data (by group).		
Where are your data gaps and how do you intend to fill them in		

the future?		
Do you have any other evidence? E.g. national research, regional data.	None.	

3. Level of Impact

Based on your evidence and your initial thoughts you will now need to make a judgement as to the potential overall level of impact this service could have on people with protected characteristics/Welsh speakers. At this point you will need to bear in mind your legal obligations under the relevant equalities legislation and Welsh Language Measure. In order to rate this service as low you will need to have strong evidence that there is or will be no differential impact on people with protected characteristics.

HIGH		FEIA required – refer to Equality Review Group
MEDIUM Yes	Whilst the screening equality impact assessment produces a low score, the potential sensitivity of pursuing a debt and not writing it off indicates the prudence of bringing this policy to the Equality Review Group.	FEIA required – refer to Equality Review Group
LOW		Provide Summary of SEIA within Board/Committee Report. Implement agreed action points above.

4. Completion of assessment

Please list all staff, board members and representatives involved in the Assessment.

Name	Position	Signature
Charles Brotherton	Director of Finance	

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 13 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 1326 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. The bad debt provision is based upon how many years the debt has been outstanding, and this amount is discounted each year by the average interest rate of the Association.
- All debt write-offs will be done by the Director of Finance.

Date Approved: May 2017
Review Dates: May 2017
May 2014
January 2011