

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY 18 DECEMBER 2012**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **CORPORATE DEBT POLICY**

1.00 **PURPOSE OF REPORT**

1.01 To approve the introduction of a Corporate Debt Policy for the collection of Sundry Debt Invoices, Council Tax, Business Rates, Housing and Council Tax Benefit overpayments and Housing Rents.

2.00 **BACKGROUND**

2.01 Inevitably, from time to time, the Council is required to pursue recovery from individuals and commercial organisations owing money to the Council but who have not met their payment obligations. An agreed and transparent policy of how the Council manages and collects debts is considered a key element in ensuring consistency, sensitivity and best practice.

2.02 Although working procedures are well established in most areas, the Council does not currently have a formal policy in place that details the approach to raising of debt, the collection procedures carried out and the action taken to recovery unpaid debts.

2.03 The Policy, as set out in the Appendix, has primarily been developed to adopt best practise specifically in the area of Sundry Debt collection, ensuring that all monies due to the Council are collected quickly. At the same time, it also provides an opportunity to formalise, into a single policy, other well established procedures and regulations for the collection of Council Tax, Business Rates, Housing Rents and Housing Benefit overpayments.

2.04 The policy aims to specifically address Sundry Debt collection by focusing on the need for improved collective responsibility for Sundry Debt across the organisation, taking more responsive action to recover unpaid debts and minimising bad debts.

2.05 The following areas have been incorporated into the Policy in the context of the need for improvements in Sundry Debt collection:

- Improved standards for issuing invoices
- More efficient recovery processes to collect unpaid charges
- Improved standards for resolving invoice disputes
- Clearly defined recovery routes for low and high value debts
- The introduction of sound processes to support bankruptcy in isolated cases should the need ever arise
- Protocols to support write off of bad debt

3.00 **CONSIDERATIONS**

3.01 The policy has been developed to introduce a clear set of standards in the context of Sundry Debt collection, where, going forward, the Council can bring about improvements in collection and implement many of the ideas that were identified by an internal LEAN project review.

3.02 The following key features are incorporated into the policy :-

- **A cultural shift so payment is made up front**– *services will be asked to avoid raising invoices where possible and promote payment up front where it is practical to do so*
- **Billing quickly and accurately** – *services will be required to raise invoices within 10 working days of a service being delivered or charge falling due, not invoice for small amounts less than £40, ensure that invoices are accurate and always contain sufficient levels of detail for the customer to make prompt payment.*
- **Reducing the time taken to collect debts** – *the number of repeated reminders issued to customers who fail to pay will be reduced to aid prompt recovery. Recognising that the Council already offers 30 day payment terms, one reminder will be send out 7 days after payment becomes overdue (i.e. day 37). If a customer fails to respond, one final notice will be issued 14 days later (i.e. day 51) to outline the recovery options available to the Council if payment is not made.*
- **Introducing sound recovery procedures** – *14 days after final notices have been issued (i.e. day 65), by default, consideration will be given to refer debts under £500 to debt collection agencies.. Debts over £500 will be considered for litigation at County Court, on a case by case basis, in conjunction with guidance and support from Legal services.*
- **Resolving invoice disputes** – *All disputes to be resolved by issuing services within 28 days of the invoice being disputed. If no action is taken to resolve the dispute within this timescale a credit note will be raised by the Corporate Debt team to remove the debt from the Corporate debt system and reverse the income from the relevant service.*

- **Retaining accurate records to aid recovery of debt** – *Recognising that supporting information and evidence is required to aid successful and early prosecutions, services will be required to support ongoing recovery by retaining accurate records. . Where supporting information to progress recovery is not available or not provided, a credit note will be raised by the Corporate Debt team to remove the debt from the corporate debt system and reverse the income from the relevant service.*
- **Sound procedures for write offs** – *write offs will be carried out in accordance with the Councils Financial Procedure Rules where the invoice has been raised correctly and is still owing but there is a justified reason why the debt should not longer be pursued and is deemed to be irrecoverable.*

3.03 Approval of the Policy will provide services with a clear set of standards that must be met when recovering Sundry Debt income.

3.04 Although the Council does not normally undertake bankruptcy against individuals, the Public Service Ombudsman issued guidance in 2011 on the growing use of bankruptcy across local government. A key message within the guidance is the importance of having a formal policy in place if decisions are ever taken to pursue bankruptcy against individuals. The inclusion of bankruptcy protocols in the policy will ensure the Council has adequate safeguards in place in the event of bankruptcy proceedings being initiated against an individual.

4.00 RECOMMENDATIONS

4.01 That cabinet approves the Corporate Debt Policy as set out in the Appendix.

5.00 FINANCIAL IMPLICATIONS

5.01 Taking a more pro-active approach to the collection of Sundry Debt will ensure that income is maximised and bad debt is minimised.

5.02 Although write off provision of bad debt is already covered within the Financial Procedure Rules, in the interests of transparency, protocols to support the write off of bad debt have been included in the Policy to ensure that when debts are deemed to be irrecoverable, bad debts are written off promptly so that resources are concentrated where they can be most productive.

6.00 ANTI POVERTY IMPACT

6.01 The policy will ensure that recovery action will be taken against deliberate non-payers or those who delay payment without genuine reason while always working to identify and assist those who genuinely can't pay. Where people have fallen or are likely to fall into arrears, the policy will provide a commitment to work with them, and

their representatives, to set reasonable and realistic payment levels that they can maintain, ensuring that payment arrangements reflect the ability to pay as well as the level of debt owed.

7.00 ENVIRONMENTAL IMPACT

7.01 None

8.00 EQUALITIES IMPACT

8.01 The Policy is supported by guiding principles to ensure that in the wider public interest recovery action is proportionate, consistent and transparent.

8.02 The Policy aims to allow for a balance to be struck between the potential loss of income due to the Council and the costs of compliance, against the need to maximise income. When recovery is taken the Policy will ensure that a consistent approach is adopted, recognising the need to treat everyone as individuals but with very differing circumstances. Transparency is vital in maintaining public confidence in the Council and the Policy will provide members of the public with better awareness of what is expected of them in relation to their payment obligations.

9.00 PERSONNEL IMPLICATIONS

9.01 None

10.00 CONSULTATION REQUIRED

10.01 None

11.00 CONSULTATION UNDERTAKEN

11.01 Officers have sought to introduce best practice into the Policy, especially in the collection of Sundry Debt by implementing many of the findings of a recent LEAN review.

11.02 Several consultation sessions have been undertaken across the Council via the Team Talk forum, Corporate Finance Managers Group and other officers involved in the administration of Sundry Debt. Corporate Management Team has also endorsed the introduction of the Policy.

11.03 The introduction of this policy was referred to Corporate Resources Overview and Scrutiny Committee who endorsed it's introduction at a meeting held in November 2012.

12.00 APPENDICES

- 12.01 The Corporate Debt Policy, recommended for approval, is contained in the Appendix.

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

Financial Procedure Rules

Local Government Ombudsman Publication – “Can’t Pay? Won’t Pay?”
- Using Bankruptcy to recover debts

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