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Debt Management Policy

DEBT MANAGEMENT POLICY
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DEBT MANAGEMENT POLICY

1 Purpose

The purpose of this policy is to provide clear guidance for all Council Officers on the recording, reporting, recovery and monitoring of income.

All service areas must follow this procedure to ensure that the Council maximises the collection of debts and income by using a co-ordinated approach but having due regard to the customer's ability to pay. The purpose should be to maximise income to the Council. Whilst some parts of income recovery must adhere to relevant regulations e.g. Council Tax, Business Rates and Council House Rents, the overall principle of recovery should be efficient and effective recovery of income owed.

2 Objective

The Council's debt recovery policy has the following objective:

"In order to maximise income for the provision of services, Oxford City Council will collect all debt owing to it promptly, effectively and efficiently, while ensuring fair treatment to all debtors."

Outcome

The outcomes expected from this policy are to:

- Set out the general principles of debt management across all services provided by Oxford City Council
- Ensure a consistent approach to the management of debts across the authority
- Set out provisions to assist customers to pay sums owed in a sustainable way
- Ensure individuals financial circumstances are considered on a case by case basis before enforcement proceedings are commenced.
- Enable signposting of debtors to debt advice as appropriate

3 Debts to which this policy applies

For the avoidance of doubt this policy document applies to all debts and income due to the Authority including but not limited to:

- Council Tax
- Business Rates
- Overpaid Housing Benefit
- Council Housing Rent
- Commercial Property Rent and Service Charges
- Leaseholder payments
- Commercial and Garden Waste Collection
- Sundry Debts (incl. licensing, statutory notices, sundry rents, subscriptions, etc.)

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- Car parking excess charges
- Recovery of enforcement costs following works in default
- Charging for discretionary services or any money due to the council under terms of an agreement to pay for goods, services or property

4 Roles and Responsibilities

Head of Financial Services

The Head of Financial Services is the Council's Chief Financial Officer and has statutory responsibilities in relation to the council's financial affairs.

In addition, under Paragraph 18.1 – of the Finance Rules within the Councils Constitution, The Head of Financial Services is responsible for regulating and controlling the finances of the Council and hence he/she shall be responsible for the proper administration of the Council's financial affairs.

Heads of Service have responsibility for the raising and recording of debts in relation to Services they manage.

5 General Principles

The general principles adopted in this policy are as follows:

- To ensure a professional, consistent and timely approach to debt recovery action across all of the Council's functions.
- To limit the circumstances in which credit is offered. To consider the customer's circumstances and ability to pay prior to granting any credit terms, and to only extend credit to those customers in a position to pay the debt in accordance with the Council's terms.
- If the customer's circumstances do not justify the granting of credit, payment in advance should be offered for the goods/services.
- For some debts, particularly those paid periodically, such as trade or garden waste, periodic rents, or licensing the preferred method of payment is by electronic means and where possible direct debit should be selected.
- To promote a coordinated approach towards sharing debtor information internally and managing multiple debts owed to the Council.
- To improve the speed of collection and the levels of income collected by the Authority
- To ensure that debts are managed in accordance with legislative provisions and best practice.
- To consider the impact on the debtor of the consequences of any recovery options pursued, including their mental wellbeing and the proportionality of these.
- To try and protect customers from undue financial hardship by ensuring realistic payment arrangements are agreed upon.

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- Where appropriate, to encourage the debtor to make contact with relevant organisations for debt management advice.
- To differentiate between the debtor who won't pay, and the debtor who can't pay, and take appropriate action in either case.

6 Delivering the policy

Delivering the policy involves a number of processes which are explained in more detail below:

- Raising of invoices
- Methods of Payment
- Refunds and contras
- Collection and Recovery
- Social Inclusion – the ability to pay
- Bad Debt Provision
- Writing debts off

7 Raising Invoices

Before providing requested goods or services to a company which amount to more than £10,000 for which payment will be invoiced officers must carry out a credit check and/or company search to establish the financial standing of the organisation and if concerns are raised a payment in advance should be sought.

Invoices should be sent to customers via email wherever possible. To this end, the relevant Service is responsible for obtaining the email address/s of all new customers at the point of agreeing to provide goods or service/s.

When charging for goods and services provided the Council will make it as easy as possible for customers to pay by seeking to raise the invoice within 10 working days of delivering the service or goods or of the commencement of the period where service covers a period of time.

All invoices raised will as a minimum bear the council logo, contact details, details and period of debt and methods of payment. Online and DD/ card payment will be promoted. Where legislation requires additional information to be provided with the invoice/ demand notice this will also be included.

All invoices will have a unique reference so that the customer is able to quote the appropriate document number/s to enable their account to be accessed and credited quickly and accurately.

The supporting documents relating to a demand/ invoice must be made readily available to the Financial Services as and when requested. All documentation relating to a demand/ invoice will be kept either in paper or scanned image format

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in accordance with the services policy which is to hold supporting documents for a period of up to 6 years.

8 Methods of Payment

The Council will promote the use of Direct Debit as a preferred payment method, maximizing the use of this wherever possible. It will discourage the use of cash and cheque, by persuading customers to use more electronic methods of payment.

The Council will accept payment of debt by credit/debit card, but will levy a charge, currently 1.5% for payment by credit card to cover transaction charges

All Invoices will include Information on how and where payments can be made i.e. listing the various options we offer, for example:-

- Bank account details for bank transfers
- Pay point
- At Post Offices using barcodes
- Card Payments
- Automated Payments
- Internet Payments

Customers may request an instalment arrangement for debts which will be considered by Financial Services. The instalment amount offered, frequency of the payments, will be based on an assessment of the likelihood of the customer meeting the arrangement. The emphasis will be put upon Direct Debit payments when agreeing such arrangements.

9 Collection and Recovery –

The collection of income in respect of invoices raised must follow a standard course, which fully documents the efforts made to settle the debt although it is recognised that certain debts such as Council Tax and Business Rates will have a more regulated period for recovery. The recovery process for each type of debt covered by this policy is shown in Appendix 1 with the following principles applying to unregulated debt:

- Invoices raised in respect of services delivered are normally due for payment immediately although the maximum payment terms is 30 days unless otherwise agreed with the Head of Financial Services.
- If no payment is received within 10 working days of the invoice date or agreed payment terms a reminder letter will be issued
- Where debts in respect of services provided remain unpaid after the first reminder, a second debt notice is raised and the provision of further services will cease until the debt is paid.
- If no payment is received within 10 days of the reminder letter, a final demand will be sent.

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- If no payment is received within 7 days further recovery action will be initiated which may include legal proceedings and/or referral to debt collection agencies

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Where legislation permits, the Council will seek to levy and recover from the debtor all costs/fees that are legitimately due from the debtor to the Council or its agents. Only in exceptional circumstances, where it would not be in the public interest to pursue costs/fees will they be waived.

The Head of Financial Services will review the enforcement agencies to be used by the Council in respect of unregulated debt that remains unpaid after the final reminders have been issued and in respect of debt. Heads of Service will be expected to use agencies approved by Financial Services.

All debts will be taken into consideration when referring the debt for legal recovery. Where multiple debts are owed the Council will endeavour to consolidate those debts before taking recovery action.

10 Refunds

Where refunds over £1,000 are required the officer responsible will have all financial systems in other areas of the Councils' Business checked to ascertain whether any debt is owed to the Council for any other goods or services provided, and take that indebtedness into account, before making any refund.

Likewise, when a debtor is also a supplier to the Council, the Council will seek to offset any overdue debts owed to the Council from the monies owed to the supplier. All future supplier contracts should include a clause clarifying this right.

11 Social inclusion – the ability to pay

Ability to pay is a paramount concern when considering debt recovery.

A standardised "income and expenditure" form will be used to ensure that collection officers can ascertain a customer's total income and expenditure, and agree a consolidated affordable payment, which will clear all overdue sums in an appropriate period of time.

Staff will promote the services of qualified debt advisers i.e. Citizens Advice Bureau, National Debt-Line, Neighbourhood Advice Centres, Money Advice (MA) etc. Refer Financial Inclusion Strategy document:

<http://www.oxford.gov.uk/Library/Documents/Policies%20and%20Plans/Financial%20Inclusion%20Strategy%202014-17.pdf>

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Income relating to all types of debt should be handled in accordance with the Council's Constitution and the Financial Rules (contained within Section 18.20 – Income Collection relating to the responsibilities for Directors, Head of Financial Services, Heads of Service and writing off debt).

Where the Council is made aware that a debtor owes multiple debts to the Council and unless the debtor advises to the contrary, debts will be considered in a priority order, to avoid the customer losing their tenancy, or going to prison for non-payment as follows:

- Rent arrears
- Council Tax Arrears
- Business Rates
- Other

It is recognised that in the absence of a system which provides 'Single View of Debt' that this will be difficult to establish if the information is not voluntarily given by the debtor. The Council is currently working on such an initiative.

12 Bad Debt Provision

The Head of Financial Services in conjunction with Service Managers must ensure there is adequate provision for Bad Debts, in accordance with CIPFA¹ Code of Practice on Local Authority Accounting in United Kingdom – A Statement of Recommended Practice.

Bad debts which are usually an amount owed by a debtor that is unlikely to be paid should be reviewed at least annually to establish if circumstances have changed and the debt is now recoverable. This is particularly relevant to debt incurred as a result of works carried out in default of statutory notices.

A separate bad debt provision is held for each service area so that any increase required in the provision will be charged to the service area concerned. Conversely, if the debt for which a bad debt provision is paid then the provision for that debt will be credited back to the relevant service area.

13 Writing Debts Off

All debts of the Council will be acted on in accordance with its Financial Rules. If the debt remains unpaid, after exhausting all appropriate recovery methods, the debt should be written off. All requests to write off debts must be approved by the Head of Financial Services.

It would normally be expected that debts to be written off would consist of:

¹ Chartered Institute of Public Finance and Accountancy

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- Cumulative debts under £50, where no payment has been received within six months of sending the final demand.
- All debts where a Debt Collection Agent advises they are unable to collect and all options are exhausted - in these circumstances the Head of Financial Services will deem it not cost-effective to pursue.
- All debts where Legal Services advises the debts are irrecoverable or that legal action is unlikely to be cost effective.
- Absconded/ Unable to Trace
- Bankruptcy of debtor
- Debtor is deceased and there are insufficient funds in the Estate to clear the outstanding charge
- The debt is uneconomical to collect meaning the cost of collection outweighs the value of the debt recovered

Once appropriate authorisation has been received and final authorisation for the write off obtained from the Head of Financial Services the debt will be removed from the relevant accounting system and charged against the appropriate bad debt provision.

Appendix 1

Debt Recovery Processes By Debt Type

	Regulated Recovery process	1 st Reminder	2 nd Reminder	Final Demand
Miscellaneous Debts	No	10 working days after invoice date	Further 10-working days	10 days after 2 nd reminder
Council Tax	Yes	7 days after due date	7 days after due date	If no response to the 1 st or 2 nd reminder a Final Reminder is issued.
Business Rates	Yes	14 days after due date	Not issued	14 days after due date
Housing Rent	Yes	2-3 weeks in arrears	Pre Notice of Seeking Possession (NSP) warning then NSP 4-6 weeks rent in arrears	N/A

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Housing Benefit Overpayments	Yes	7 days after due date	Not issued	14 days after 1 st reminder
Excess Charges	Yes	After 28 days of the penalty notice being raised the owners details are requested from the DVLA. Once the details are received a 1 st reminder is sent out.	21 Days after the 1 st reminder letter is sent	21 Days later notification of enforcement agent action is sent
Commercial Property Rent	Yes	7 days after due date	21 days after due date	21 days after due date (2 nd reminder is final demand)
Leaseholder payments	Yes	14 days after due date	7-14 days after initial contact	