

Southend-on-Sea Borough Council

Report of Corporate Director of Support Services
to

Audit Committee

on

23rd June 2010

Report prepared by:
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Agenda
Item No.

Debt Recovery and Debt Write Off

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1. To inform the Audit Committee of the process and procedure involved when collecting debt and writing off uncollectable debt.

2. Recommendation

- 2.1. The content of this report is noted.

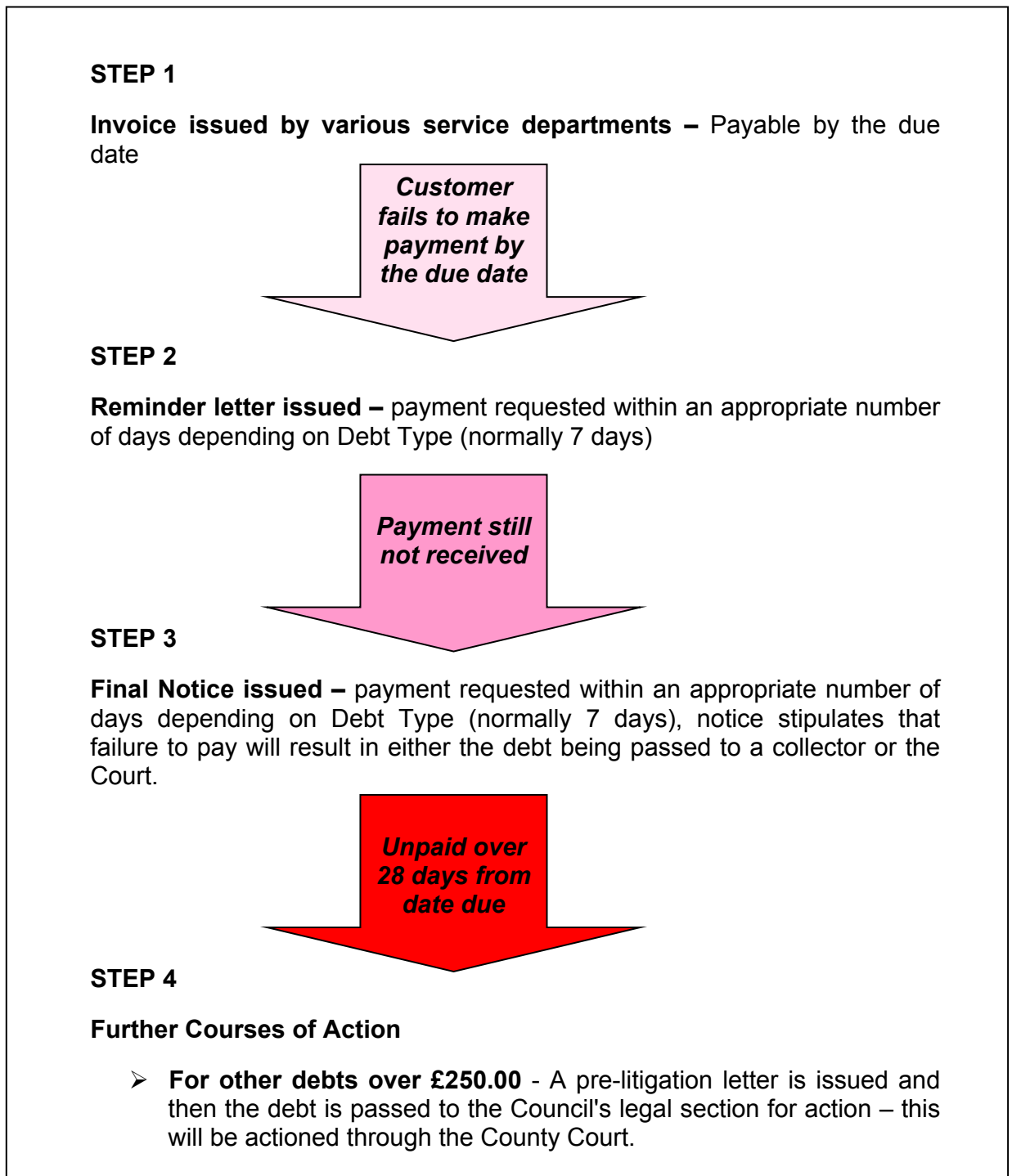
3. Background

- 3.1. The Council provide services to the residents and businesses of Southend, some of which are chargeable. Some charges are made in advance of the service being delivered, e.g. 'pay and display' car parking, some are invoiced prior to the service being delivered but the service is continuous, e.g. 'Careline', while others are invoiced after the service has been provided, e.g. 'Pest Control'.
- 3.2. The Council collects many types of debt but fall under three main headings:
- Council Tax & Business Rates
 - Miscellaneous (Sundry) Debts including beach huts, moorings, Careline and Rent Deposit Guarantees.
 - Car Parking and Penalty Charge Notices
- 3.3. Car Parking and Penalty Charge debt collection is excluded from this report as working practices are currently under review.

Miscellaneous Debt

- 3.4. Appendix 1 shows the Councils debt recovery strategy for 'Miscellaneous Debt' but it can be summarised in the chart below.

Sundry Debtor Recovery Processes



- 3.5. It can be seen from the above and Appendix 1 that there is a robust process in place to ensure the debt is collected yet there is flexibility to ensure that individual circumstances are taken into consideration, an affordable payment plan is negotiated and an appropriate level of enforcement is applied commensurate with the type of debt.

3.6. It is inevitable that despite the attempts of the council, debt collection agencies and the courts some debt will remain unpaid. Under these circumstances the Council apply the debt write off procedure attached as Appendix 2 which is based around the rules set out in Section 4f of the Constitution. This appendix shows the detailed process involved in writing off a debt but also includes the following authorisation limits.

Write Off or Write on Authorisation Levels

£1 to £5,000	Team Manager - Income
£5,000 to £25,000	Head of Service
£25,000 +	Cabinet Committee

3.7. This ensures that there is adequate internal officer scrutiny of debts being written off. Debts between £1 and £10 can be delegated to officers below Team Manager level at the discretion of that manager.

3.8. During 2009/2010, 1,010 debts to the value of £445,266.87 were written off. To put this into context, the Council raises debts of this category in the region of £23m per annum.

3.9. No debt write off was over £25,000.

3.10. All write offs over £5,000 are shown below

Transaction Date	Amount	Invoice No	Description
29/10/2009	£20,588.14	278752	Housing Benefit
25/09/2009	£13,405.90	313876	Housing Benefit
25/09/2009	£10,167.00	322289	Housing Benefit
25/01/2010	£10,161.37	305579	Housing Benefit
29/03/2010	£ 8,900.00	416866	National Grid - no supporting paper work
25/09/2009	£ 8,586.00	301300	Housing Benefit
25/09/2009	£ 8,208.22	315281	Housing Benefit
25/09/2009	£ 7,773.92	293557	Housing Benefit
15/10/2009	£ 7,026.00	205915	Housing Benefit
25/09/2009	£ 6,240.57	312161	Housing Benefit
23/03/2010	£ 5,747.69	330325	Housing Benefit

3.11. South Essex Homes also have a debt collection function and their write off amounted to 415 cases totalling £244k from a collectable debt of £23.9m (1.02%).

Council Tax and Business Rates

- 3.12. The collection of Council Tax and Business Rates are bound by complex legislation and therefore the collection policy is less flexible and limits discretion.
- 3.13. The Council raises approximately £66m of Council Tax debt and £44m of Business Rate debt each year.
- 3.14. In 2009/10, 437 Business Rate accounts were written off equating to £0.667m and 1,982 Council Tax accounts were written off equating to £0.213m (approx 3% of total debt). It should be remembered that the debts written off in the 2009/10 financial year do not solely relate to that year but also to previous years

4. Corporate Implications

4.1. Contribution to Council's Vision & Corporate Priorities

The prompt and efficient collection of income is fundamental to maintaining a sustainable financial position for the Council.

4.2. Financial Implications

The financial implications are highlighted in the report

4.3. Legal Implications

The issuing, collection and write off of debt is operated within a statutory framework as applicable to the circumstances.

4.4. People Implications

The collection of debt affects residents and business of Southend

4.5. Property Implications

Some debts raised are in relation to either property rent (domestic and commercial) or servicing of properties.

4.6. Consultation

The amounts of the debts raised are based on the 'Scale of Fees and Charges' report agreed by Council each February as part of the Budget setting process.

4.7. Equalities and Diversity Implications

The Debtor Recovery policy ensures that an individual's circumstances are considered when raising and pursuing debt

4.8. Risk Assessment

None

4.9. Value for Money

The prompt and efficient collection of income is fundamental to maintaining a sustainable financial position for the Council.

4.10. Community Safety Implications

None

4.11. Environmental Impact

None

5. Background Papers

5.1. None

6. Appendices

Appendix 1 – Debt Recovery Strategy

Appendix 2 – Internal Debt Write Off Procedure

Debt Recovery Strategy

Sundry Debtors

February 2009

1. Introduction

This document sets out the Council's policy for the billing, collection and enforcement of Council debt.

Debt management is the process for collecting income due to the council, 'writing-off' debts that are considered to be irrecoverable and monitoring performance regarding collection rates and speed of collection. Effective debt management is crucial to the success of any organisation.

It is recognised that people do not pay their debts for a variety of reasons. It could be due to living in or on the margins of poverty and therefore will have difficulty in paying. The Council will use its best endeavours to help such people and to minimise the impact of debt on them.

Some people may be able to pay but do not because of an oversight or personal difficulties, not because of a deliberate decision to avoid or delay payment. The Council will seek to help such people develop a culture of payment by encouraging them to make contact and discuss any difficulties.

In some case people may deliberately set out to delay or not make payments and all methods of enforcement will be used in these cases.

Where a person makes contact, their circumstances will be considered with a view to agreeing a reasonable payment arrangement, minimising recovery action and helping to alleviate hardship. Where people fail to make contact or maintain arrangements, recovery action will continue.

2. Guiding Principles

The following principles guide the Council's Debt Management Policy:

- Customers have a responsibility to pay amounts they owe to the Council. The consequence of non-payment is that the burden falls on Council tax payers.
- Recovery action will be targeted at those who can pay but who refuse or who delay payment. In addition, where appropriate, the provision of services to a debtor will be stopped where invoices remain unpaid.
- Contact is encouraged at every stage of the collection and recovery process.
- The Council acknowledges that debt management services need to be effective and sensitive to customers needs.
- The Council has a responsibility to collect revenue efficiently and effectively.

If people get into arrears the Council will;

- ensure that payment arrangements reflect the ability to pay as well as the level of debt owed
- acknowledge and respect a person's obligations to their dependants and recognise the need for a person to maintain a reasonable standard of living
- acknowledge the role of the recognised advice agencies and will work with such agencies whenever possible.

3. Scope

The Council raises charges for a wide range of services it provides as well as collecting local taxes from residents and businesses in the borough. This policy details procedures and policies for collection of 'miscellaneous income' or 'Sundry Debts'.

4. Policy Aims

The aims of this policy are:

- To improve the level of income collected by the Authority.
- To ensure prompt billing and to remind people promptly if they do not pay.
- To encourage people to make early contact to avoid the build up of debt.
- To effectively pursue all debts owed to the Council, ensuring that those with the means to pay do so.
- To ensure a professional, consistent and timely approach to recovery action across all of the Council's functions.
- To promote a corporate approach towards sharing debtor information and managing multiple debts owed to the Council.
- To ensure that charges are raised and debts are managed in accordance with legislative provisions and best practice.
- To treat individuals consistently and fairly regardless of age, race, religion, gender, disability and sexual orientation.

The Policy will:

- help to identify deliberate non-payers or people who delay payment
- enable people who fall into arrears to come to payment agreements appropriate to their circumstances
- make sure that when we take enforcement action it is appropriate and likely to be effective
- help to reduce the effect of debt on people on low income.

Where people have fallen or are likely to fall into arrears, Council officers will work with them and their representatives to set reasonable payment levels that they can maintain.

5. Code of practice

The Council will provide clear and prompt information about bills and liabilities.

The information provided will show;

- what the bill or liability is for
- the amount due
- how to make payment
- a contact point for all enquiries.

All such correspondence will be clearly written, without the use of jargon and will contain, where appropriate, information about where to get independent advice.

6. Making payment

The Council provides a choice of convenient methods of payment for bills and invoices and details of these options are advised on each bill. Whatever the method of payment individuals must ensure that payments reach the Council by the due date.

7. Making arrangements for people in arrears

The Council will actively encourage people to get in touch at an early stage if they are having difficulty paying and, when appropriate, advise them where to get independent advice. Many people are unaware of their rights and responsibilities and of the availability of a variety of payment arrangements. If people contact the Council early officers will be able to discuss the situation and prepare a payment plan.

When people contact the Council, officers will

- check whether they should be paying less or nothing at all by ensuring that all the relevant benefits, discounts, exemptions and rebates are being claimed
- advise on the most appropriate payment methods
- if appropriate, advise them to contact an independent advice agency.

When a person makes contact a realistic agreement for payment will be made.

It is important to remind the individual to contact the Council if they anticipate problems in meeting any instalment due date. They will be advised not to wait until they have received a written response to their offer of payment, but to start and maintain payments.

8. Obtaining background information

Officers should try to get as much detail as possible of a person's circumstances to make the best assessment of their ability to pay. However if a person refuses to divulge any information this could be used as a reason for refusing to make an arrangement.

9. Documentary evidence

In some cases it may be necessary to request documentary evidence to confirm particular details when arriving at a payment arrangement. Individuals should not however be asked for documentary evidence unless it is necessary.

If it is necessary the individual should be told of the particular items that require confirmation and be given a specified reasonable time limit within which they are required.

The individual should be advised that if the evidence is not produced within the agreed timescale the offer of payment may be rejected and further action could be taken.

All information collected is governed by the Data Protection Act 1998 and the Council has a procedure and Policy in place to comply with the Act.

10. Monitoring payment arrangements

The Council has a duty to monitor all payment arrangements and will ensure;

- all payment arrangements will be closely monitored
- prompt recovery action will be taken in respect of missed payments
- action may be taken, even where payment is received shortly after the due date

- the responsibility for making sure that payment reaches the account by the due date remains with the individual
- the individual should be reminded that the date on which instalments are to be paid is the final date on which money should reach the account. This means that individuals must allow sufficient time for the payment to reach the Council by the due date.

When payment arrangements are not maintained, it is important to ensure that prompt action is taken (by the individual) to try and bring the arrangement back up to date. Although the Council ideally will require the original agreement to be brought up to date within a short timescale, if there has been a significant change in circumstances it may be possible to negotiate a new arrangement.

11. Maintaining current instalments

When negotiating arrangements for payment, staff should ensure that any current instalments are being maintained, i.e. the arrangement will be in addition to and conditional on, current debt being paid. When an arrangement is made on a total balance the minimum arrangement will be the usual current instalment plus a contribution towards the arrears.

12. Personal circumstances

The Council is obliged to pursue all debts irrespective of a person's age, disability etc. However, the Council recognises that some groups of people may have difficulty understanding or dealing with their financial problems.

A suitable payment plan will be agreed along with the payment method most convenient to the person's circumstances. Once the payment plan is agreed it will be closely and regularly monitored and when necessary, may be reviewed.

13. Monitoring the Policy

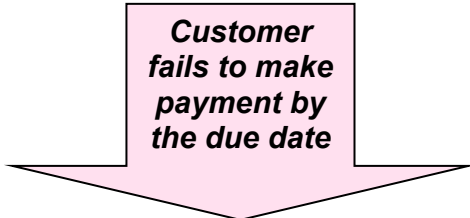
It is the responsibility of the Council to ensure the Policy is effective through its monitoring and complaints procedures, taking into account the indicators listed below

- rate of collection
- number of cases reaching each stage of recovery
- number of cases where recovery is suspended due to arrangements being made
- number of cases with arrears outstanding at year end
- amount of arrears outstanding at year end
- number of complaints received where the Policy is not being followed
- internal control reviews.

14. Sundry Debtor Recovery Processes

STEP 1

Invoice issued by various service departments – Payable by the due date



***Customer
fails to make
payment by
the due date***

STEP 2

Reminder letter issued – payment requested within an appropriate number of days depending on Debt Type (normally 7 days)



***Payment still
not received***

STEP 3

Final Notice issued – payment requested within an appropriate number of days depending on Debt Type (normally 7 days), notice stipulates that failure to pay will result in either the debt being passed to a collector or the Court.



***Unpaid over
28 days from
date due***

STEP 4

Further Courses of Action

- **For other debts over £250.00** - A pre-litigation letter is issued and then the debt is passed to the Council's legal section for action – this will be actioned through the County Court.

Internal procedure note**Sundry Debtor – Write Offs****PURPOSE**

To ensure that:

- a. all accounts, where the recovery procedure has been exhausted, are written off the system and properly authorised and reconciled;
- b. accounts, previously written off, are written on where money has been recovered.

SECTION GOALS & TARGETS

To be processed on a regular basis.

OFFICERS RESPONSIBLE

- Preparation of Documents – **All Staff**
- Authorisation to write off/on – **TM-I**
- Inputting data to action write off/on – **IO (DJ)**
- Checking/reconciliation – **SIO (SEB)**

Write Off or Write on Authorisation Levels

£1 to £5,000	Team Manager - Income
£5,000 to £25,000	Head of Service
£25,000 +	Cabinet Committee

TIME ALLOCATION

Amendments/write off.

PROCEDURE

Once an account has been identified for write off/write on a “recovery action - write off/on sheet” (Action Sheet) should be fully completed with the relevant background papers attached.

This is then submitted to the TM-I for authorisation.

Once authorised the paperwork is passed to IO (DJ) to be written off/on on the debtors system.

Once input on the debtors system the paperwork is passed to SIO (SEB) for checking.

UPDATING SYSTEM

Select Invoice Enquiry screen to confirm balance agrees with write off or write on instruction and check narrative details. - **If narrative refers to damage claim invoices raised by Enterprise, Tourism & the Environment (old Tech. Services) a new ledger code must be obtained from**

Ray Walker (ext 5306). - Select Invoice Amend screen. Select Status field and tab down to change status option to pending write off. Key F3 to confirm. Select Write Off – Single screen. Check status is shown as “pending write off”. Press Enter. Then Key “Y” + enter. Insert reason for write off/write on in box (**should be detailed as on Action Sheet**). Press enter, change ledger code (e.g. for damage claim invoices or where code is no longer valid) and amount (if the figure shown does not agree with the instruction). **Where the figure is to be written on, the figure should be a minus.**
Key F3 and Press OK.

The account is now written off or on. To confirm select the Invoice Enquiry Screen, select balance field and Key F4. This should show the write off or write on. **Where there has been a write on the status field of the Invoice Amend Screen must be returned to “active”.**

Where there is a VAT element to any write off or write on a copy of the Action Sheet should be forwarded to Accountancy. A print out of the transactions is produced – DRSRRW01

ACCESS DENIED

If cannot access, select Invoice Enquiry screen, tab across to ledger field, press F9 to expand Field and then print screen. Pass print to SRIO who will input ledger code for current year. When actioned check with accountancy (ext 5211) that the ledger code is still current and, if not make a note on print of new ledger code. Once verified continue process as above under **“Inputting data”** – Select Invoice Amend screen.

CHECKING/RECONCILIATION PROCESS

As part of the weekly Sundry Debtor processing routine, a write off report is produced – DRSRRW01, this report details all the accounts that have been written off/on for the week.

Once a write off/on has been input, it should be passed to SIO (SEB) for checking.

The purpose for checking is to ensure that what has been authorised for write off/on has actually been input on the system correctly.

To carry out the check, compare the individual account write off/on details on the report (DRSRRW01), to the Action Sheet and ensure that the details are identical, i.e. the right account and amount have been written off/on. If correct, the Action Sheet should be signed and dated.

The report should also be checked to see if the invoice balance is showing as ‘nil’. Any invoices with a balance should be investigated and the report noted. When all items on the weekly DRSRRW01 have been checked, the report should also be signed and dated.

Any discrepancies should be investigated. The outcome will either reverse the amount written off or write an additional amount off. In either case, it is important to initial any changes that have to be made, both by the person inputting the details and the person checking.

At Year End, a complete report (DRSRRW01), for the financial year is produced. This report should be checked back to totals of the individual weekly reports and any discrepancies investigated accordingly. The yearly report should also be checked to ensure that balances are

'Nil'. Any balance should be investigated and the report annotated and initialled. Any corrective action should be taken. This task to be carried out by SIO (SEB).

20th January 2009