

Southend-on-Sea Borough Council

Report of Corporate Director of Support Services
to

Audit Committee

on

13th January 2011

Report prepared by:
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Agenda
Item No.

Updated Debt Collection and Recovery Strategy

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1. To inform the Audit Committee of the updated Debt Collection and Recovery Strategy.

2. Recommendation

- 2.1. The content of this report is noted.

3. Background

- 3.1. A report was submitted to Audit Committee on 23rd June 2010 on the process and procedure involved when collecting debt and writing off uncollectable debt. At that meeting a further report was requested for presentation to a future meeting of the Committee, to include the procedures and processes for collecting debt and the threshold limits for debt write-offs.
- 3.2. The Debt Recovery Strategy included as Appendix 1 to the June report covered Miscellaneous (Sundry) Debts. These include beach huts, moorings, Careline and Rent Deposit Guarantees. However, the Council collects other types of debt including Council Tax, Business Rates, Car Parking and Penalty Charge Notices. The updated Debt Collection and Recovery Strategy covers all types of debt.
- 3.3. All debts owed to the Council should be pursued, as effective debt management is crucial to the efficient and cost effective running of any organisation. Most of the debt raised by the Council can be pursued in the same way as any business would; these are referred to in the updated strategy as 'commercial' debts.
- 3.4. However, due to the nature of the services provided by the Council and the role that it has in protecting the most vulnerable people in society, there will be some types of debt that cannot be pursued in the same way; these are referred to in

the updated strategy as 'social' debts. Even though the approach to debt collection for this type of debt is more considered, the Council will still ensure that those with the means to pay do so.

- 3.5 The updated Debt Collection and Recovery Strategy is attached as Appendix 1 to this report. It sets out the Council's strategy for the collection of all debt and the enforcement and debt recovery of all debts that are 'commercial' in nature and some debts that are 'social' in nature if this is deemed appropriate.
- 3.6 The updated strategy has been informed by the work undertaken on the Delivery Excellence projects on payments and financial management processing (T20) and debt collection and debt raising process (T25). This includes work to reduce instances where low value debts are raised by finding appropriate alternatives and debt clearance work with Essex County Council and the PCT which has led to £800k of debt being recovered. On-line payment in advance for services such as licensing is also being investigated to see if it is possible and practical.
- 3.7 The strategy will be further enabled by the changes to debt processes as a result of the implementation of Agresso. This includes enforcing compliance for provision of relevant information for certain types of debt, strengthened system procedures around reminder letters and legal debt recovery and an enhanced ability to have a 'single view' of the customer across all types of debt. The number of days between reminders and notices varies by debt type and will be reviewed as part of the implementation.
- 3.8 The updated strategy refers to debt being raised by a corporate billing team wherever possible and the debt being collected and recovered through one corporate function. This means that there is a corporate approach to billing, collection and recovery of debt but does not necessarily mean that the team will be in one location or will have one manager. It allows for the various types of debt and what is appropriate to each one, for instance, the collection of Council Tax and Business Rates are bound by complex legislation and therefore the collection policy is less flexible and limits discretion.
- 3.9 It can be seen from the strategy in Appendix 1 that there is a robust process 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.
- 3.10 The corporate debtors team will decide, in consultation with the department who originated the debt, whether legal recovery or the use of a debt collection agency would be most appropriate and cost effective. Legal recovery of the debt may include placing a charge on property, repossession of property or bankruptcy proceedings as appropriate. This can be directly or after the use of a debt collection agency.
- 3.11 For commercial debts, where the use of a debt collection agency or legal recovery is not deemed to be cost effective, the debts may be sold to a debt factoring company. The decision to use a debt factor will be taken by the corporate debtors team, in consultation with the department who originated the

debt, as any fees paid to the factor will be charged to the originating department.

- 3.12 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 which is based around the rules set out in Section 4f of the Constitution including the following authorisation limits:

Write Off or Write on Authorisation Levels

£1 to £5,000	Team Manager - Income
£5,000 to £25,000	Chief Finance Officer
Over £25,000	Cabinet

- 3.13 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.
- 3.14 If the agreed processes have been followed at the debt identification and debt raising stages and the raising of low value debts is avoided, there should be very few instances where debts are uncollectable or uneconomic to collect.

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 some 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

There is a risk of negative publicity regarding the enforcement and debt recovery of debts that are 'social' in nature where this is deemed appropriate.

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 – Updated Debt Collection and Recovery Strategy