

# **Buckinghamshire Council**

## **Corporate Debt Management Strategy**

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## 1. Introduction

Effective debt management is an important element of effective financial management of any organisation, as inefficient and ineffective debt management puts income at significant risk, and this consequently reduces the money available to fund services. The purpose of this Strategy is to ensure that the council receives the maximum level of income possible for services it provides.

For the purposes of this strategy 'Debt' is defined as any amount of Council income that is due to the council but which has not been paid.

For the purposes of this strategy 'Overdue Debt' is defined as any amount of Council income that is due to the council but which has not been paid by the due date.

For the purposes of this strategy 'Customers' are defined as all organisational and individuals (both customers and clients) with whom a debt has arisen.

This Strategy is intended to:

- Provide a clear structure that allows all those involved in debt collection to adopt a consistent and timely approach;
- Encourage payment processes which avoid debt arising;
- Ensure all debts owed to the Council ensuring that those with means to pay do so;
- Manage debts in accordance with legislation and best practice;
- Be considerate of all customers / organisations and in particular those customers who are experiencing genuine financial hardship;
- Keep write off levels to a minimum;
- Minimise the level of complaints and appeals relating from charges made.

This Strategy is applicable to all service areas which provide services to or invoice or charge customers, clients, commercial or other organisations for the provision of goods or services, or for other reasons, and for any loans provided by the council to individuals or organisations for whatever reason.

The principles of this strategy are relevant to all debts. Local Debt Management protocols will be developed for the following areas, in order to reflect the unique legislative circumstances within which they operate:

- Council Tax and Business Rates.
- Housing Benefits.
- Temporary Accommodation payments.
- Adult Social Care charges.
- Commercial Property charges.
- Car Parking charges.

These protocols must adhere with the principles contained within this strategy, and will be approved by the S151 Officer to ensure compliance.

## 2. Key principles

It is important to the financial sustainability of the Council that it is able to collect all income due to it. This helps the Council to pay for the services it delivers and any non-payment ultimately impacts on service levels. The following key principles are essential to delivering this ambition:

- income is collected before it becomes overdue;
- where it does become overdue prompt, effective and appropriate action is taken to collect all outstanding amounts;
- consideration is given to the ability to pay, both through the charging decision and in recovery action;
- all correspondence is clear and written in plain English;
- it is easy for customers / organisations to pay and contact us;
- enforcement action is taken against debtors that refuse to pay in line with any appropriate legislation;
- early contact and signposting to debt advice and support agencies will be offered where appropriate;
- customers / organisations in debt, or at risk of getting into debt, will be helped to set payment arrangements that they can afford.

## 3. Operation of the Strategy

Billing is a function devolved to individual service areas, and operation of this strategy requires Corporate Directors and their services to accept responsibility and accountability for their actions in charging and debt management.

As mentioned above there are some areas of the Council which operate under specific legislative regimes in relation to debt management. These areas will maintain local debt management policies as appropriate. These policies will comply as far as practical with the principles of this strategy and will be formally agreed by the appropriate Corporate Director and S151 Officer.

The first principle of income collection is to collect income in advance of the delivery of service whenever possible. This does not create a debt, and hence avoids the risk of a debt becoming overdue. This also allows the Council to withhold service if payment has not been received, potentially avoiding any costs which might be incurred unnecessarily. Although this is not applicable to all debts which the council holds, it should be the preferred approach for all areas where it is appropriate.

Secondly whenever a chargeable service is delivered the recipient should be made aware that an invoice will be raised before the service is delivered. By setting an expectation that the services will be paid for the customer is fully informed at the point of commissioning the service, and will be more likely to pay when the invoice is received. Invoices should include, where possible;

Thirdly, whenever an invoice is raised for services provided it should be both accurate, understandable and issued in a timely fashion. No invoice should come as a surprise to a customer, and all invoices should contain sufficient information so that the customer can;

Fourthly, wherever practical payment mechanisms should be used to automate payment (such as Direct Debits and Standing Orders) such that payment can be taken without the need for the client / customer to actively engage with making a payment to the council. This will benefit the council as it will reduce defaults and failure to pay. As new payment options develop in the market which can deliver similar benefits these will also be considered and implemented where appropriate.

Finally, if a debt becomes overdue the council will make all reasonable efforts to recover all sums outstanding in a timely fashion. The Corporate Debt Management Team will take over conduct of overdue debts when they become 5 days overdue, unless the service area concerned actively chooses to retain conduct for justifiable business reasons. Whilst conduct of the debt is transferred, responsibility for the debt remains with the service concerned, and any decisions to write-off, cancel or refer the debt for legal recovery remain the responsibility of the originating service.

The Legal recovery process will be managed and monitored by the Corporate Debt Management Team, and regular reporting made to the responsible service manager, with issues escalated to the Directorate leadership team as required. Poor performance in the legal recovery process will be escalated to the legal debt recovery lead for action.

Any costs associated with Legal recovery processes are the responsibility of the originating service area, and the costs should be considered as part of the decision to escalate collection to the legal recovery process.

The Corporate Debt Management Team will pursue debt through agreed processes until such time as they collect the debt, or require a decision from the originating service to escalate collection processes, or to write-off the debt. Regular reports on the process of debt recovery will be provided to Corporate Directors and their management teams by the Corporate Debt Management Team, along with advice on the future conduct of specific debts.

Where a service area retains conduct of a debt they will be expected to comply with the principles contained within this strategy in their actions, and to escalate issues to their management teams. Corporate Directors are expected to engage directly in the recovery of debt where the debt lies with a partner organisation at an early stage in order that all practical leverage is used to deliver a speedy conclusion of discussions and that any underlying financial problems with the partner organisation are identified in a timely fashion.

Where there is a legal framework specific to a type of debt this must be adhered to above the principles contained within this strategy. Progress on these debts will be reported in the monthly reports produced by the Corporate Debt Management Team.

#### **4. Customer care**

The Council recognises that customers can and do occasionally experience financial difficulties. Many of our customers have a relationship with the council because they are vulnerable, or in financial hardship.

The Council aims to collect debts fairly and consistently from customers and organisations. We aim to adhere to some key principles when collecting debt:

- Recover all debts due to the Council in a timely manner;
- Make it easy for customers to pay and contact us;
- Actively pursue debtors that refuse to pay and take enforcement action in line with any appropriate legislation;
- Encourage early contact and signpost to debt advice and support agencies if appropriate;
- Work with customers in debt, or at risk of getting into debt, to set payment arrangements that they can afford;
- Ensure that all Council services work together to recover multiple debts if appropriate;
- Where recovery action has to take place, explain the process to the customer and ensure that they understand the process and their obligations.

Signposting to other agencies is an important part of debt collection. Many organisations offer free confidential advice to customers to help them to prioritise their debt and often arrange payment plans with their creditors. A list of appropriate agencies will be kept by the Corporate Debt Management Team, which will be made available to service areas upon request.

## **5. Management reporting of debt**

Corporate Directors and their management teams are accountable for all debt within their service areas. The Corporate Debt Management Team will provide reporting to Directorates / Portfolios as to the status of recovery of all debts, whether managed centrally or retained by the service. The format of reporting will be agreed corporately, in consultation with Heads of Finance, and will be provided on a monthly basis.

The value, risk level and status of debts must be reported and reviewed by Directorate Management Teams on a monthly basis, and will also be reported to the Senior Leadership Team on monthly basis. Reporting to Cabinet on debt will be on a quarterly basis. Reports will provide sufficient information to ensure that any issues are clearly described and mitigating and that corrective actions stand up to scrutiny.

## **6. Right of Appeal and Complaints**

One of the principles of this strategy is to minimise the level of appeals and complaints. However, officers have to make decisions regarding the most appropriate action to take and the reasons why. If the customer / organisation disagree with the decision they have the right of appeal.

Appeals should be made in writing by post or e-mail and considered by the Management Team of the Service area concerned. Customers should be asked to explain the reason for the appeal and provide as much information as possible to support proper consideration of any complaint or appeal.

The original decision will be reviewed within 7 days and the customer will receive a written response. The response will either uphold the original decision or revise the decision.

The Corporate Complaints procedure allows for formal complaints to be made if a customer is not satisfied with the standard of service.

In the event that the complainant remains dissatisfied after the Council has investigated the complaint, the complainant may make a further complaint to the Local Government Ombudsman.

## **7. Data Protection and Fair Processing**

The Council will comply with the Data Protection Act 1998 at all times and will adhere all relevant to Buckinghamshire Council policies:

Data may be shared between service areas within the Council in order to ensure that a customer's debt is managed corporately if appropriate.

The Council take part in data matching exercises as part of work to assist in the prevention and detection of fraud. Data matching involves comparing sets of our data against other records held by the Council or other bodies to see how far they match. Data matching allows potentially fraudulent claims, reductions and payments to be identified. Where a match is found it indicates that there is an inconsistency that requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out. The processing of personal information by the Council for data matching exercises is carried out in accordance with the Data Protection Act 1988; specifically under section 29 of that act. This means the Council does not require the consent of the individuals concerned.

## **8. Review and continuous improvement**

The Strategy will be reviewed annually. Any changes in legislation and any new ways of working will be incorporated as required.

The Corporate Debt Management Team will provide a corporate overview of the performance of the process, and will identify relevant trends in debt matters, and identify opportunities to improve practice, including areas where pre-payment before delivery of service will improve performance.

The council will strive to make continuous improvements to the collection and enforcement of debt. This will be achieved by:

- Promoting a co-ordinated approach to debt collection;
- Sharing good / best practice;
- Setting consistently high standards;
- Monitoring and reporting process quality;
- Supporting the rectification of quality failures;
- Providing staff with clear procedures supported by training;
- Using and building upon the technology available to us;
- Encouraging partnership working with external agencies such as the Citizens Advice Bureau.

## **9. Writing-off debt**

Having a robust Corporate Debt Management Strategy in place ensures that only the minimal amounts of debt need to be considered for write off. As part of the

commercial approach of the Council, we would not anticipate that debts against corporate bodies and other organisations would be written off. The approach to individuals should be subject to the local service area debt management arrangements and this strategy.

Individual debts under £10,000 can be written off by agreement of the relevant Corporate Director and relevant Head of Finance. Debts over £10,000 must be written off by agreement of the relevant Corporate Director and Head of Finance, and the S151 Officer.

Value of debt being written off	Approvals required
<£10,000	Corporate Director Head of Finance
>=£10,000	Corporate Director Head of Finance S151 Officer

Tracing agencies will be used to search for debtors where contact has not been possible.

Before being considered for write-off, debts may be referred to a debt collection agency in order to maximise the income that the Council can recover.

Debts must only be written off if they are deemed to be irrecoverable, and it can be demonstrated that every effort was made to recover the debt or it is uneconomical to recover (i.e. the debtor is bankrupt or has died with no estate).

In instances where a write off has taken place, should the debtor be subsequently traced the debt will be written back on and action to collect any balance will be taken.

## 10. Bad and Doubtful Debt provisions

For Bad and Doubtful Debt Provisions the recommended provision levels must be based on the following for non-secured debts, unless information is available about specific debts or customers. Where this is the case, the justification for the basis of the provision must be recorded in the working papers for the accounts.

It is recognised that our customer base is broad, and includes very different types of relationship with the different groups we invoice, and subsequently the risks of non-payment of debts differs between commercial and client debts and those with other public sector bodies. The tables below show the recommended provisions for bad debt for the customer groups identified above:

### Commercial debtors and clients

Age of Debt	Provision
Up to 3 months	1% of outstanding debt
3 months – 6 months	25% of outstanding debt

6 months – 12 months	50% of outstanding debt
Over 12 months	100% of outstanding debt

**Other public sector bodies**

<b>Age of Debt</b>	<b>Provision</b>
Up to 3 months	No provision
3 months – 6 months	No provision
6 months – 12 months	No provision
12 months – 18 months	25% of outstanding debt
Over 18 months	50% of outstanding debt

**Loans to community groups / organisations where we are the only available lender / lender of last resort**

Where these are high-risk they should be fully provided for in the year the loan is made. Judgement should be applied if the risk is not high, and an appropriate provision made. This should be reviewed annually to ensure the provision reflects the latest risk position.

Bad and Doubtful Debt provision will be reviewed on a regular basis and the service will update its budget monitoring position to reflect the likely movement in the provision.