

CHELTENHAM BOROUGH COUNCIL

Corporate Debt Management Policy

Purpose of this policy

Cheltenham Borough Council is responsible for the collection of local taxes and a wide range of miscellaneous fees and charges. It is committed to ensuring that all monies due are collected efficiently and effectively for the benefit of its council tax payers

The aim of this policy is to provide a framework for a consistent and sensitive approach to the collection of debt whilst at the same time ensuring that the Council continues to maximise the collection of income due. It is recognised that the nature of debt management and recovery is heavily reliant on knowledge of the individual circumstances of each case. It is therefore essential that the policy be used in a flexible rather than prescriptive manner.

Service managers will be responsible for ensuring that all debt collection processes are in accordance with the overlying principles of this policy. It should be supplemented by more detailed collection procedure notes in relation to debt where service specific and statutory requirements apply (eg council tax, business rates, benefit overpayments, certain sundry debts and Penalty Charge Notices). These procedure notes should be reviewed at least annually.

In conjunction with this policy service managers should ensure all procedures are compliant with statutory requirements, the Fees & Charges Policy (approved May 2009) any other charging policies and the Council's Financial Rules.

Policy Objectives

- to ensure a corporate approach to the billing, collection and recovery of debt owed to the Council that is timely, proportional, consistent and transparent
- to ensure the debtor's circumstances and ability to pay are considered fully and fairly and so distinguish between those who can and those who genuinely can't pay
- to ensure effective monitoring arrangements are in place to identify areas where action is needed to improve the levels of income collected and therefore reduce the levels of arrears and bad debts.
- to ensure debts are managed in accordance with any best practice guidance and legislative provisions
- To maximise collection of all income due to the Council

Policy Principles

1. Payment in Advance

Wherever possible and appropriate, income should be collected in advance of the service being provided. This approach maximises cash flow, reduces the time and cost of administering invoices and also reduces the opportunity for bad debts to occur.

2. Charging Arrangements

Accurate business records should be maintained to evidence the goods/services provided or other legal basis for raising a charge and identifying the correct person or organisation liable to pay.

All bills and invoices should be issued promptly and accurately once the necessary information has been obtained and in accordance with any charging policies, statutory requirements or service specific requirements and procedures. Where no statutory provisions apply every effort should be made to issue bills, invoices or other notices no more than 14 days after liability for the charge arises.

Service managers should ensure that all policies and service procedures are reviewed and updated regularly.

If it is not possible or appropriate to collect payment in advance electronic methods should be made available and encouraged at all times.

All bills/invoices and similar documents requesting payment should include the following:

- A clear description of the service, goods or statutory liability being charged including any relevant dates or periods
- A clear statement of how much is to be paid and by what date
- Details of appropriate payment options and where payment can be made
- Contact details for any queries or if there is difficulty in making payment
- Any additional service specific or required statutory information (eg details about discounts, benefits or appeal process)
- Clearly worded details of any recovery action that may be taken in the event of non payment

All communication received querying charges should be dealt with in accordance with any service standards but should normally be within 10 working days. This will help to prevent unnecessary delays in payment being made and incorrect debts being shown as income due the Council.

Once raised, no bona fide debt should be cancelled. A credit note or revised bill can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt. Any such amendments to charges raised should be made and notified to all relevant parties as soon as practicable and normally within 10 working days of becoming aware of the error.

A formal write-off can only be made in accordance with the Council's Financial Rules and must be authorised by the appropriate delegated officer in line with delegated authority. Once it has been established that a debt can not be collected and should be written off details should be referred promptly to the appropriate officer for processing so that it does not continue to show as income due to the council.

3. Fair Debt Collection

All customers have a responsibility to pay debts that are due and the Council will use all means at its disposal, following the relevant statutory or civil process, to enforce payment. However, this should be done in a fair and consistent manner, taking individual circumstances into account and ensuring people are treated with courtesy.

The Council recognises that some customers do not pay their debts for a variety of reasons. This may include poverty or other financial hardship, which the council will endeavour to balance against its duty to collect.

Service Managers responsible for debt collection must ensure that all documentation is written in plain English unless statutory requirements apply.

All documentation should include

- The amount overdue and the date by which it should be paid
- An explanation of the overdue payment and the consequences of further non payment
- Contact details for queries and complaints as well as for making payment
- A statement encouraging debtors to contact the Council and/or a nationally recognised advice agency, as early as possible if they disagree with a bill, invoice or other charge, or, are having difficulty in making payment on time

Where a debtor is having difficulty in making payment, their circumstances should be considered and ability to pay assessed with a view to agreeing a reasonable payment arrangement, or other suitable outcome, which minimises the need for further recovery action and helps alleviate any hardship. This should be within the confines of any statutory or recognised timescales.

There should be a facility to temporarily suspend further action whilst a debtor's circumstances or queries are being considered. The debtor must be advised of the timescale of any suspension and the action that will be taken once it expires.

Debtors should be given advice on where they can get independent financial advice (e.g Citizens Advice Bureau) and advice on the availability of income related benefits.

Where debtors fail to make contact or maintain agreed arrangements, recovery action will continue.

4. Recovery Procedures

Service Managers responsible for debt collection should ensure that detailed recovery procedure notes are in place and are being followed. The procedures should be in accordance with any service specific or statutory requirements and define the processes to be followed with timescales. Procedures should incorporate the principles in the fair debt collection section of this document.

Recovery procedures will vary depending on the type and size of the debt but should include a combination of the following:

- Reminder letters
- Telephone calls/Personal visits
- Statutory notices
- Legal action, including all appropriate statutory enforcement options.
- Referral to a debt collection or tracing agency

Where debts remain unpaid after the due date for payment has passed effective recovery action should be instigated promptly and within timescales defined by statutory and/or service procedures

If debtors fail to make contact or respond to documents and requests for payment robust follow up procedures or further action should be instigated promptly.

Where services are non statutory further supply of the service should be terminated and the debtor should be given advance notice of this.

All recovery procedures should incorporate the following principles

- action should be **proportional** - a balance should be struck between the potential loss of income to the Council and the costs of taking a course of action
- the approach should be **consistent** - with the aim of achieving consistency in the advice given, the use of our powers and in the recovery/enforcement action taken
- action should be **transparent** - to help customers understand what is expected of them and to explain the reasons for taking any recovery/enforcement action

5. Performance Monitoring Arrangements

Service managers responsible for debt collection must have arrangements in place to ensure the regular and effective monitoring of all outstanding debts.

Performance targets for the collection and recovery of each debt stream debt should be set annually and recorded in the performance management system. Targets should be set each year which seek to stretch performance.

Actual performance against targets should be monitored at least quarterly and reported to senior management and members. Monitoring reports should be reviewed by senior management and members as part of the performance management framework with the intention of driving forward improved payment records and reducing the level of outstanding debt.

In addition to collection performance, service managers should have arrangements in place to regularly monitor outstanding debts in the following circumstances to ensure payment is being made or further action is instigated promptly

- Cases where recovery action has been temporarily suspended eg because correspondence has been received
- Cases where payment arrangements have been agreed
- Cases where statutory deductions from benefits or earnings are being made
- Cases referred to external agencies eg bailiffs
- Cases with no current action
- Cases awaiting progression to appeal or court hearings

Policy Implementation and Variation

This policy will take effect immediately and performance monitoring arrangements should be put in place for all strands of income. The overlying principles should be followed in the collection of all debt owed to the Council but it is recognised that more detailed service specific procedure notes will need to be developed and these should be in place by 31 March 2011.

This policy has been designed to set a framework of overlying principles rather than detailed procedures and therefore should remain valid and appropriate regardless of organisational, local or national changes. It will be reviewed after two years, or as required in response to any legislative or Government/local policy issues.

Governance

The Section 151 Officer will, in accordance with his responsibilities set out in the Council's Financial Rules, be responsible for ensuring compliance with the requirements of this policy.