

## Corporate Debt Strategy

### SUMMARY

- 1.1 Derby City Council provides a wide variety of key services to its customers, citizens, businesses and communities and as a result is required to collect large sums of money.
- 1.2 This report introduces a Corporate Debt Strategy (CDS) which sets out the approach to be taken by the Council in the collection of debt. This approach is based around overarching principles of consistency, transparency and proportionality.
- 1.3 Through the delivery of this strategy the Council will maximise collection of debt whilst minimising the costs associated.

### RECOMMENDATION

- 2.1 To approve the CDS.
- 2.2 To note the approach in communicating the detail of the CDS to the Derby Community Legal Advice Centre (CLAC) and Derby Advice
- 2.3 To delegate responsibility for the following functions to the Controls Board:
  - The reviewing and revising of the CDS to ensure it remains fit for purpose.
  - Reviewing and revising all associated policies.

### REASONS FOR RECOMMENDATION

- 3.1 The CDS will provide a consistent and fair approach to the collection of debt in order to maximise debt collection whilst minimising costs
- 3.2 There are policies, linked to debt recovery, for example the Miscellaneous Income and Sundry Debt policy and the Housing Benefit Overpayment Recovery Strategy. These will be revised to reflect the CDS principles.

## **SUPPORTING INFORMATION**

- 4.1 The Council needs to raise invoices and collect money owed to ensure that it can continue to offer a wide range of quality, key services for citizens, businesses and communities.
- 4.2 The CDS sets out the approach for the collection of the following income: Council Tax, Rent, Business Rates, Business Improvement District levy, Sundry Debts, Housing Benefit Overpayments and Penalty Charge Notices.
- 4.3 Through delivering the CDS the Council will seek to maximise the collection of debt whilst minimising the associated costs. In addition it will ensure that intelligence is gathered about customers to ensure that the recovery regime is appropriate and proportionate.
- 4.4 Key internal stakeholders have been consulted on the CDS and Derby Homes have agreed to adhere to it.
- 4.5 Key stakeholders for example the CLAC and Derby Advice will be advised of the content of the CDS and any new associated procedures so they can continue to give their customers effective advice.

## **OTHER OPTIONS CONSIDERED**

- 5.1 Do nothing – taking this option would pass up the opportunity to deliver a consistent approach to debt collection.

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	Martyn Marples, Director of Finance and Procurement Not applicable Kath Gruber, Director of Customer Management Members of the Controls Board
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<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Name John Massey 01332 643774 e-mail <a href="mailto:john.massey@derby.gcsx.gov.uk">john.massey@derby.gcsx.gov.uk</a> Appendix 1 – Implications Appendix 2 – Draft Corporate Debt Strategy
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<b>IMPLICATIONS</b>
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### **Financial and Value for Money**

- 1.1 The CDS will seek to maximise collection of debt whilst minimising the costs associated with debt collection.

### **Legal**

- 2.1 The CDS complies with all relevant statute and case law, including the Data Protection Act.

### **Personnel**

- 3.1 None

### **Equalities Impact**

- 4.1 An Equality Impact Assessment (EIA) will be carried out in June 2012. Once completed, the EIA will be passed to representatives of relevant groups and be published once the process has finished.

### **Health and Safety**

- 5.1 None

### **Environmental Sustainability**

- 6.1 Promoting electronic pay methods and minimising the number of paper invoices will have a positive impact on environmental sustainability.

### **Asset Management**

- 7.1 None

### **Risk Management**

- 8.1 None

### **Corporate objectives and priorities for change**

- 9.1 The CDS contributes to good quality services that meet local needs.

## **Derby City Council – Corporate Debt Strategy**

### **1. Introduction**

Derby City Council (hereafter referred to as “the Council”) provides a wide variety of key local services to its customers, citizens, businesses and communities and as a result is required to collect large sums of money (over £200 million in 2011/12).

The Council takes its collection responsibilities seriously and sets out its approach to the collection of debt in this document. The responsibility for the Council is clear – we must maximise our income whilst recognising the individual circumstances of our customers and take steps to prevent serious hardship on the part of the payer.

The principles outlined in this strategy will apply to the collection of all debts listed in part 2. and therefore will apply to all Council Directorates and Derby Homes. This policy does not prejudice any legal action that the Council may wish to take.

### **2. Scope**

This strategy covers the following debts:

- Council Tax
- Rents, both housing and others, e.g. garages and commercial
- Business Rates
- Business Improvement District (BID) levy
- Sundry Debts
- Housing Benefit Overpayments (HBO)
- Penalty Charge Notices (PCN)

### **3. General Principles**

When undertaking the collection function the Council and Derby Homes will apply the following principles:

- That collection of debts will be based upon the principles of consistency, transparency and proportionality
- That the customer, citizens and businesses of Derby have a responsibility to pay for the services they receive and the taxes and rents they are liable for;
- The majority of debts owed to the Council are priority debts and as such the Council expects that debtors will give priority to the repayment of these debts over most other debts that they may owe, for example catalogue debts. The list of priority and non-priority debts are shown at Appendix A.
- Cost of collection of sums due will be minimised by promoting efficient payment methods like Direct Debit wherever possible. Other payment

methods that support the Council's Channel Shift Strategy such as ATP payments and the Internet will also be promoted ahead of other methods;

- That different collection processes will apply to those customers identified as "cant pay" and "wont pay" and that we will work, where possible, with voluntary sector partners to secure the best solution of both the Council and/or Derby Homes and the customer, for those classed as can't pay.
- Where appropriate the Council will use its discretionary powers to minimise debts, for example awarding Discretionary Rate Relief for Business Rates.

#### **4. Maximising Collection**

Through the operation of this strategy the Council and Derby Homes will aim to maximise the collection of debts owed. This will be achieved through taking a "firm but fair" approach.

In all cases steps will be taken to gain intelligence of a customers ability to pay by taking a full income and expenditure assessment where possible. The aim of any repayment plan should be to ensure that the customer's indebtedness to the Council or Derby Homes does not increase.

**Wont Pay cases** - In cases where it is identified that the customer has the means to pay but will not then the following approach will be taken:

- All enforcement options open will be explored and the most appropriate enforcement action taken. This will require staff who are adequately trained on recovery processes and that have the autonomy to take decisions on enforcement methods
- That payment arrangements are based upon income and expenditure information and therefore minimise the chances of the arrangement being broken

**Can't Pay cases** – In cases where it is identified that the customer does not have the means to pay then the following approach will be taken:

- We will work closely with our own Derby Advice service and our partner organisations in the voluntary sector for example CAB, including empowering them to make payment arrangements on the Councils and Derby Homes behalf
- Steps will be taken to maximise the customer's income and therefore increase their ability to pay debts. This will include signposting eligibility to welfare benefits (see part 5 for more detail) and negotiating down payments to non-priority debts

#### **5. Maximising Customers Income**

In order to increase a customer's ability to pay debts owed to the Council or Derby Homes steps will be taken to maximise customer's income. This will be achieved by:

- Ensuring that all Council and Derby Homes customer contact staff are adequately trained to identify possible entitlement to other income streams, including welfare benefits and can signpost these effectively
- Signposting customers to partner organisations for help and advice as appropriate including Derby Advice, CAB and the CLAC

- Ensuring all appropriate written documentation includes adequate advice, written in plain English, on how and where customers can receive help and advice about debt problems and income maximisation, including entitlement to:
  1. Housing and Council Tax Benefits
  2. Council Tax Discounts, Relief's and Exemptions;
  3. Business Rates Relief's and Exemptions;
  4. Working Tax Credit;
  5. Pension Credit;
  6. Welfare Benefits
  7. Discretionary Housing Payments.
- Undertake pro-active campaigns for Benefit as appropriate
- Ensure other media channels, for example the Council's website has information about where to receive help and advice about debt and how to claim Benefits, reductions and relief's
- Assisting people whose first language is not English to access other welfare benefits, reductions and relief's wherever possible

## 6. Minimising Costs of Collection

This strategy aims to deliver the following benefits for the Council, Derby Homes and their customers:

- To minimise the costs associated with the collection of debt
- To promote greater choice and access for customers having to pay for services and local taxes

This will be achieved by:

- Promoting and incentivising cost effective payment methods** – Both the Council and Derby Homes formally recognise Direct Debit as its preferred payment method and incentivise Direct Debit as appropriate. This does not necessarily mean giving customers financial inducements to choose this method but by offering multiple payment dates to suit customers personal budgets or by considering more choice on the frequency of payments, e.g. weekly and monthly schemes.
- Promoting cheaper self-service options** – The Council's Channel Shift Strategy recognises the need to move to self-service channels. For payments this can include Internet or the ATP line. As well as delivering savings the 24/7 access associated with such payment methods will enable customers to pay debts at a time and place suitable to them
- Payment in Advance** – Maximising payment in advance will increase cash flow and income for the Council, whilst reducing costs by minimising the number of bills and invoices issued and reducing debts

## 7. Minimum Invoice Values

For non-statutory fees and charges, for example Sundry Debts, the Council and Derby Homes will aim to have a minimum invoice value of £30.

For charges less this amount every effort must be taken to ensure that an individual invoice is not raised. Other options for collecting the debt include:

- Payment in advance (see section 6 above)
- Consolidated invoices – in cases where there is a regular charge for goods or services provided

## **8. Providing Information to Customers**

In addition to detailing the amount payable, the date by when a payment(s) should be made and a description of the charge, the Council and Derby Homes will, wherever possible, include the following information on all accounts

- The payment options available
- A contact number for queries in relation to the accuracy of the account
- A contact number for repayment queries (if different to the number in the bullet point above)
- The potential implications of not paying the debt, including extra costs, court action and enforcement options

Where it is necessary to issue further recovery documents (e.g. a reminder or a summons) the Council or Derby Homes should, wherever possible, include all the information listed above

Wherever possible the Council and Derby Homes will issue the information in a format to meet a customers specific needs including

- Braille
- Large Print
- Audio Tape
- Community Languages

Where steps have been taken to meet individual needs then this information should be stored to ensure that future information is supplied in the same format.

The Council and Derby Homes will ensure, wherever possible, that arrangements are in place to use language translators/interpreters to assist people whose first language is not English and BSL interpreters for those who are deaf.

All information or documents provided should be in plain English.

## **9. Early Intervention**

Contact with customers should be as early as possible to ensure that:

- Any costs associated with collection (for example bailiff fees and court fees) are minimised
- That remedies are put in place whilst debt levels are at a minimum and therefore solutions are more likely to be effective



## **10. Sharing Information**

Within an organisation as large and diverse as the Council and Derby Homes there will be many instances where a customer owes different debts to different departments and as a result individual but incomplete pieces of intelligence about the debtor are known.

Obtaining a complete picture of a citizen will deliver the following Benefits:

- Re-payment plans will be based upon a customer's total indebtedness and ability to pay.
- Certain intelligence may result in an assessment that a customer is vulnerable and therefore ensuring that inappropriate enforcement methods will not be used

Effective sharing of data can be achieved by:

1. Ensuring that all computer systems used to bill and recover money satisfy statutory requirements and offer the full range of recovery options
2. Subject to the limitations of the Data Protection Act staff involved in the collection of debts are given access to the full suite of systems holding relevant data
3. Subject to the limitations of the Data Protection Act staff are given appropriate training on the use of the full suite of systems given under 2. above
4. Ensuring that where data sharing is required a full and robust Fair Processing Notice (FPN) is included on relevant pieces of correspondence, website etc. Details of the structure of an FPN and where it should be included can be confirmed by the Information Governance Manager
5. Ensuring that partner organisations have in place policies and procedures to ensure compliance with Data Protection principals, appropriate Customer Service Standards and investigating customer complaints

All of the actions in section 9 of this strategy are subject to any limitations imposed by the Data Protection Acts and Human Rights legislation. Before putting in place arrangements to share data confirmation of its legality should be obtained by the Council's Information Governance Manager. Derby Homes staff are acting as agents for the Council in the recovery of Council debts and therefore should be given the same access to data sharing as Council staff.

## **11. Multiple Debts**

In cases of multiple debts the Council and Derby Homes will work, where possible, with Derby Advice and other voluntary sector partners to deliver effective solutions for customers.

Sharing of data and information will be key to delivering effective solutions and will be shared in accordance with the principles including in section 9 of this strategy.

Although individual departments reserve the right to pursue individual debts separately wherever possible existing debt collection policies for customers with multiple debts should be used, for example the Fair Repayment Promise for customers with Council Tax and Housing Rent debts.

## **12. Use of Other Agencies**

Where appropriate the Council and Derby Homes will work with external agencies, subject to a relevant procurement exercise, to ensure effective collection of debts, for example external bailiff firms.

Before instructing such firms the Council and Derby Homes will ensure that a strict code of conduct is in place, together with procedures for dealing with vulnerable people, who come to their attention.

The use of bailiffs will be considered a measure of near last resort.

## **13. Irrecoverable Debts**

The Council will vigorously pursue all monies owed to it. However, it recognises that there will be certain circumstances where it will not be able to collect all the debts owed and that some accounts below a certain value will be uneconomic to collect.

Once such debts have been identified, the Council will ensure that there is clear guidance to staff detailing the action to be taken prior to an account being written-off.

All debts written-off must be appropriately authorised. Any member of staff wishing to write-off a debt should refer to the relevant Scheme of Delegation.

Write-off authorisations should be kept securely so that they can be called upon should a request be made by Internal/External Audit.

## **14. Debt Ownership**

Current accounting practices mean that departmental budgets are credited in full as soon as an invoice is raised, irrespective of whether payment in part or full is received.

Should the level of uncollectable debts be higher than the amount provided for within departmental bad debt provisions this will result in budget pressures as income will not meet expectations.

Increasing departmental ownership of debt will help to minimise this risk and will be achieved by:

- Highlighting the impact on service budgets of debts being uncollectable
- Write-offs being actioned regularly and at least quarterly and departments receiving information on the amount of debt written-off quarterly
- Departments receiving information about bad debtors monthly so that repeat business to these customers (where there is a choice) is not permitted

## **15. Bad Debt Provision**

Accepting that some debts cannot be recovered the Council and Derby Homes should make arrangements to provide for bad or doubtful debts.

In making such arrangements consideration should be given to the type and age of debt.

The amount of bad debt provided for must be reviewed annually and must be realistic based upon the type, age and level of overall debt.

## **16. Complaints and Disputes**

The Council will endeavour to resolve any disputes in relation to debt collection informally and at the earliest possible opportunity and will ensure that debtors are fully aware of the ways in which they can contact the Council in order to discuss any dispute they may have.

Where part of a debt is disputed, the Council will endeavour to collect the undisputed amount at the earliest possible stage whilst also dealing with the disputed debt.

If a customer wishes to make a complaint regarding the way in which the Council has undertook to recover a debt, they will be fully advised of the Corporate Complaints procedure and will be given every assistance in registering a complaint.

## **17. Strategy Review, Monitoring and Governance**

The Head of Benefits and Exchequer Services (HBES) will monitor the Corporate Debt Strategy and its effectiveness. The HBES will bring any issues with the operation of the Strategy to the Controls Board for consideration and decision.

The Controls Board will review the strategy annually. This will enable it to be updated where necessary and take account of changes in legislation, new approaches and new ways of working.

## **Appendix A**

### **Priority and Non-Priority Debts**

The Council recognises the following as having equal priority

- Rent arrears – as it can result in eviction
- Council Tax – as it can result in imprisonment, bailiff action, bankruptcy or attachment of earnings/benefit orders
- Business Rates – as it can result in bailiff action, insolvency or imprisonment
- Mortgage arrears – as it can result in repossession
- Other secured loans – as it can result in repossession

Other priority debts include:

- Fuel debts – as they can result in disconnection
- Income tax or VAT – as they can result in bankruptcy or imprisonment
- County Court Judgements (eg for non-payment of a Sundry Debt of Housing Benefit Overpayment)– can result in bailiff action, attachment of earnings or bankruptcy
- Fines/compensation orders – can result in imprisonment
- Maintenance/Child Support – as it can result in repossession of goods or in extreme cases imprisonment
- Hire purchase – if for essential goods, eg for a car if needed to get to work
- Water rates – can result in disconnection
- Penalty Charge Notices – can result in bailiff action

The following are considered to be non-priority debts

- Credit/store cards
- Unsecured personal loans
- Bank overdrafts
- Credit/interest free/hire purchase agreements (non-essential items)
- Catalogue debts
- Money borrowed from family or friends