



Oxford City Council

Corporate Debt Management Policy

CORPORATE DEBT MANAGEMENT POLICY

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CORPORATE DEBT MANAGEMENT POLICY

1 Purpose

This policy is designed to set out a framework for Oxford City Council (OCC) employees and provide clear guidance for all Council Officers on the recording, reporting, recovery and monitoring of income.

This policy covers all debts shown at section 3 (A).

The Council has a legal duty to ensure cost-effective billing, collection, and recovery of all sums due to the Council.

All service areas must follow this procedure to ensure that the Council maximises income by using a co-ordinated approach whilst having due regard to the customer's ability to pay.

2 Objectives

- To treat customers fairly when assessing ability to pay;
- To follow all appropriate legislative requirements and procedures in an efficient and effective way;
- To use all methods available to recover debts;
- To ensure that benefit entitlement is accurately and efficiently applied to maximise the debtors income;
- To have clarity in the enforcement action process;
- To identify and assist those who face difficulties in paying at an early stage and to actively encourage them to contact us to help to reduce the effect of debt on people on low income;
- To signpost potential debtors to advice agencies and other sources of support and do everything possible to encourage them to use them
- To identify customers who face barriers in understanding what is expected of them e.g. because of age, language, culture or disability.

Outcomes

The outcomes expected from this policy are to:

- Set out the general principles of debt management across all services provided by Oxford City Council
- Ensure a consistent approach to the management of debts across the authority
- Set out provisions to assist customers to make payment agreements appropriate to their circumstances
- Ensure individuals financial circumstances are considered on a case by case basis before enforcement proceedings are commenced
- Identify deliberate non-payers or people who delay payment

3**A) Debts to which this policy applies**

For the avoidance of doubt, this policy document applies to all debts and income due to the Council including but not limited to:

- Council Tax
- Business Rates
- Overpaid Housing Benefit
- Overpaid Council Tax Reduction
- Council Housing Rent
- Rechargeable repairs
- Residential Garage Rent
- Commercial Property Rent and Service Charges
- Leaseholder payments
- Commercial and Garden Waste Collection
- Sundry Debts (incl. licensing, statutory notices, sundry rents, subscriptions, etc.)
- Car parking excess charges
- Recovery of enforcement costs and civil penalties, including works in default
- Charging for discretionary services or any money due to the council under terms of an agreement to pay for goods, services or property

B) Debts to which this policy does not apply

- Oxford City Housing Ltd rental income.
- Oxford Direct Services Ltd and Oxford Direct Services Trading

These will be covered by each company's own debt recovery policy, which have been agreed by the shareholders and relevant company boards.

C) Priority Debts

Priority debts are those debts that can result in loss of essential service, loss of home or imprisonment.

- **Housing**
Mortgage/Rent
Council Tax
- **Utilities**
Electricity
Gas
Telephone
Water
- **Other**
Business Rates
Child Support Agency deductions
Court Fines
Income Tax
Maintenance Arrears
Secured Loan

4 Roles and Responsibilities

Head of Financial Services

The Head of Financial Services is the Council's Chief Financial Officer and has statutory responsibilities in relation to the council's financial affairs.

In addition, under Paragraph 18.1 – of the Finance Rules within the Councils Constitution, the Head of Financial Services is responsible for regulating and controlling the finances of the Council and hence he/she shall be responsible for the proper administration of the Council's financial affairs.

Heads of Service have responsibility for the raising and recording of debts in relation to Services they manage.

Income relating to all types of debt should always be handled in accordance with the Council's Constitution and the Financial Rules.

Where the Council is made aware that a debtor owes multiple debts to the Council and unless the debtor advises to the contrary, debts will be considered in a priority order, to avoid the customer losing their tenancy, or going to prison for non-payment as follows:

- Rent Arrears
- Council Tax Arrears
- Business Rates
- Other

5 General Principles

The general principles adopted in this policy are as follows:

- To ensure a professional, consistent and timely approach to debt recovery action across all of the Council's functions.
- To limit the circumstances in which credit is offered by considering the customer's circumstances and ability to pay prior to granting any credit terms, and to only extend credit to those customers in a position to pay the debt in accordance with the Council's terms.
- If the customer's circumstances do not justify the granting of credit, payment in advance should be offered for the goods/services.
- For some debts, particularly those paid periodically, such as garden waste, periodic rents, or licensing, the preferred method of payment is by electronic means and where possible direct debit should be selected.
- To promote a coordinated approach towards sharing debtor information internally and managing multiple debts owed to the Council.

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- To improve the speed of collection and the levels of income collected by the Authority
- To ensure that debts are managed in accordance with legislative provisions and best practice.
- To consider the impact on the debtor of the consequences of any recovery options pursued, including their mental wellbeing and the proportionality of the option chosen.
- To try and protect customers from undue financial hardship by ensuring realistic payment arrangements are agreed upon.
- Where appropriate, to encourage the debtor to make contact with relevant organisations for debt management advice, and to do everything possible to ensure they take up these options.
- To differentiate between the debtor who won't pay, and the debtor who can't pay, and take appropriate action in either case.
- To maintain debt recovery procedure notes for staff and regularly update these, as well as provide face to face training, including as part of the relevant induction process

6 Delivering the policy

Delivering the policy involves a number of processes which are explained in more detail below:

- Raising of invoices
- Methods of Payment
- Refunds and contras
- Collection and Recovery
- Social Inclusion – the ability to pay
- Bad Debt Provision
- Writing debts off

7 Raising Invoices

Before providing requested goods or services to a company which amount to more than £10,000 for which payment will be invoiced, officers must carry out a credit check and/or company search to establish the financial standing of the organisation and if concerns are raised, a payment in advance should be sought.

Invoices should be sent to customers via secure email wherever possible. To this end, the relevant Service is responsible for obtaining the email address/s of all new customers at the point of agreeing to provide goods or service/s.

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When charging for goods and services provided, the Council will make it as easy as possible for customers to pay by seeking to raise the invoice within 10 working days of delivering the service or goods or of the commencement of the period where service covers a period of time.

All invoices raised will as a minimum bear the correct logo, contact details, details and period of debt and methods of payment. Online and Direct Debit/ card payment will be promoted. Where legislation requires additional information to be provided with the invoice/ demand notice, this will also be included.

All invoices will have a unique reference so that the customer is able to quote the appropriate document number/s to enable their account to be accessed and credited quickly and accurately.

All information will be clearly written, without the use of jargon

OCC will train staff who advise the public on debt matters to be aware of the benefits, discounts, reliefs and exemptions that may be applied to ensure that take up is maximised.

Staff responsible for the recovery of debt will all complete the relevant Safeguarding awareness training as part of their induction if a new staff member, and will have regular refresher training in accordance with Council policy.

Staff will undertake other debt recovery training as part of their role to enable them to recognise vulnerability issues and their trigger points, and identify ways to manage debt appropriately in these cases. Where necessary the Council will assist vulnerable customers by discussing their case with an appropriate adult, where an authority to discuss has been obtained.

The supporting documents relating to a demand/ invoice must be made readily available to the Financial Services as and when requested. All documentation relating to a demand/ invoice will be kept either in paper or scanned image format in accordance with the services policy which is to hold supporting documents for a period of up to 6 years.

For debts under £20 alternative methods of payment should be sought such as by card/bank payment rather than by invoice.

8 Methods of Payment

The Council will promote the use of Direct Debit as a preferred payment method, maximising the use of this wherever possible. It will discourage the use of cash and cheque, by persuading customers to use more electronic methods of payment.

The Council will accept payment of debt by credit/debit card.

All Invoices/Demand Notices will include information on how and where payments can be made i.e. listing the various options we offer, for example:-

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- Bank account details for bank transfers
- Pay point
- Post Office
- Card Payments
- Automated Payments
- Internet Payments
- Cheque Payments
- Cash Payments

Customers may request an instalment arrangement for debts which will be considered by the relevant service area. The instalment amount offered, and frequency of the payments, will be based on an assessment of the likelihood of the customer meeting the arrangement. The emphasis will be put upon Direct Debit payments when agreeing such arrangements.

Whatever the method of payment individuals must ensure that payments made reach the Council by the due date.

Housing Benefit overpayments will be recovered from on-going benefit where possible.

Council Tax Reduction excess payments will be recovered from the claimant's Council Tax account where possible.

9 Collection and Recovery –

The collection of income in respect of invoices raised must follow a standard course, which fully documents the efforts made to settle the debt. It is recognised that certain debts such as Council Tax and Business Rates will have a more regulated period for recovery. The recovery process for each type of debt covered by this policy is shown in Appendix 1 with the following principles applying to unregulated debt:

- Invoices raised in respect of services delivered are normally due for payment immediately although the maximum payment terms is 30 days unless otherwise agreed with the Head of Financial Services.
- If no payment is received within 10 working days of the invoice date or agreed payment terms a reminder letter will be issued
- Where debts in respect of services provided remain unpaid after the first reminder, a second debt notice is raised and the provision of further services will cease until the debt is paid.
- If no payment is received within 10 days of the reminder letter, a final demand will be sent.
- If no payment is received within 10 days further recovery action will be initiated which may include legal proceedings and/or referral to debt collection agencies

Where legislation permits, the Council will seek to levy and recover from the debtor all costs/fees that are legitimately due from the debtor to the Council

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or its agents. Only in exceptional circumstances, where it would not be in the public interest to pursue costs/fees will they be waived.

The Head of Financial Services will review the Enforcement Agencies to be used by the Council in respect of unregulated debt that remains unpaid after the final reminders have been issued and in respect of debt. Heads of Service will be expected to use agencies approved by Financial Services.

All debts will be taken into consideration when referring the debt for legal recovery. Where multiple debts are owed the Council will endeavour to consolidate those debts before taking recovery action.

Making arrangements for people in arrears

We will encourage people to contact us early if they are having difficulty paying any debt to the Council, and advise them where to get independent advice as appropriate. Many people are unaware of their rights and responsibilities and of the availability of a variety of payment options.

If people contact us as soon as they fall into arrears we can discuss the situation and prepare a payment plan. This will help to keep people out of debt.

When people contact us we will:

- comply with current service standards
- check whether they should be paying less or nothing at all by ensuring that all the relevant benefits, reductions, discounts, reliefs, exemptions and rebates are being claimed
- advise on the most appropriate payment methods
- make a realistic payment agreement if appropriate
- advise them to contact an independent advice agency if appropriate
- expect priority debts (see 3.C) to be given precedence over other debts

All information collected by OCC is governed by the General Data Protection Regulations 2016/679 which were implemented on 25th May 2018.

10 Refunds

Where refunds are required from an OCC account, the officer responsible will check other areas of the Councils' Business to ascertain whether any debt is owed to the Council for any other goods or services provided, and take that indebtedness into account, before making any refund. If another debt is owed, the customer will be advised that any credit will be used to offset that debt unless they advise us to the contrary.

Likewise, when a debtor is also a supplier to the Council, the Council will seek to offset any overdue debts owed to the Council from the monies owed to the supplier. All future supplier contracts should include a clause clarifying this right.

11 Vulnerability and the ability to pay

Ability to pay is a paramount concern when considering debt recovery; however we will also take into account each individual's circumstances. For those that we identify as vulnerable we will work across service areas and with external agencies to achieve the best outcome, which balances the Council's need to recover debt with the well-being of the individual/family.

Our Welfare Reform Team has been providing personal budgeting support to Universal Credit claimants, as this customer group has particular issues relating to debts. As from 1st April 2019 Central Government is moving this advisory/support role away from local authorities to the Citizens Advice Bureaux (CAB). The rationale for this is to provide a more consistent approach across the country. We will continue to work alongside the CAB to support customers. Staff that have been providing this support will now work closely across our own service areas to provide additional support where needed.

We are signed up to the CAB 'Collection of Council Tax arrears good practice protocol 2013. This protocol has been developed through partnership work between the national bodies representing advice agencies and local government throughout England and Wales. It reflects best practice at local level and is intended to facilitate regular liaison on practices and policy concerning council tax debt collection. In setting down clear procedures and keeping them regularly under review all parties can ensure that cases of arrears are dealt with quickly and realistically whilst complaints are handled efficiently. We are signed up to the protocol as a public commitment to its principles of fairness, partnership working and transparency in local authority debt collection.

We also have a protocol with our Enforcement Agents for identifying and dealing with vulnerable cases.

A standardised "income and expenditure" form will be used to ensure that collection officers can ascertain a customer's total income and expenditure, and agree a consolidated affordable payment, which will clear all overdue sums in an appropriate period of time.

Information and Advice

The Council provides information to all debtors on its website www.oxford.gov.uk which covers all services and gives details on how to pay all debts under the relevant debt type. Information is also included on bills, statements and letters.

Information is available in a variety of formats and languages when requested.

Staff will promote the services of qualified debt advisers i.e. Citizens Advice Bureau, National Debt-Line, Neighbourhood Advice Centres, Money Advice (MA) etc. Refer Financial Inclusion Strategy document:

Equality Statement

We will be consistent and fair in our dealings, regardless of any protected characteristic.

By administering this policy we will assist with Financial Inclusion by offering the right advice to enable debtors to maximise their income and to help prevent the build-up of debt.

When people get into arrears, we will:

- ensure that as far as possible, payment arrangements reflect the ability to pay as well as the level of debt owed
- expect Priority Debts (see section 4) to be given priority over other debts owed to OCC
- work with recognised advice agencies wherever possible to reach an acceptable arrangement for the recovery of the debt.

12 Bad Debt Provision

The Head of Financial Services in conjunction with Service Managers must ensure there is adequate provision for Bad Debts, in accordance with CIPFA¹ Code of Practice on Local Authority Accounting in United Kingdom – A Statement of Recommended Practice.

Bad debts which are usually an amount owed by a debtor that is unlikely to be paid should be reviewed at least annually to establish if circumstances have changed and the debt is now recoverable. This is particularly relevant to debt incurred as a result of works carried out in default of statutory notices.

A separate bad debt provision is held for each service area so that any increase required in the provision will be charged to the service area concerned. Conversely, if the debt for which a bad debt provision is paid then the provision for that debt will be credited back to the relevant service area.

13 Writing Debts Off

All debts of the Council will be acted on in accordance with its Financial Rules. If the debt remains unpaid, after exhausting all appropriate recovery methods, the debt should be written off. All requests to write off debts must be approved by the Head of Financial Services.

It would normally be expected that debts to be written off would consist of:

¹ Chartered Institute of Public Finance and Accountancy

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- Cumulative debts under £50, where no payment has been received within six months of sending the final demand.
- All debts where an Enforcement or Debt Collection Agent advises they are unable to collect and all options are exhausted - in these circumstances the Head of Financial Services will deem it not cost-effective to pursue.
- All debts where Legal Services advises the debts are irrecoverable or that legal action is unlikely to be cost effective.
- Debtors who have absconded/ or have been unable to traced
- Bankruptcy of debtor
- Limitations Act, where debt is older than 6 years old and no recovery action has commenced
- Debt Relief Orders
- Debtor is deceased and there are insufficient funds in the Estate to clear the outstanding charge
- The debt is uneconomical to collect meaning the cost of collection outweighs the value of the debt recovered
- In cases of vulnerability and/or ill health/terminal illness where collecting the debt would cause further hardship (usually for benefit overpayment cases)

Once appropriate authorisation has been received and final authorisation for the write off obtained from the Head of Financial Services, the debt will be removed from the relevant accounting system and charged against the appropriate bad debt provision.

Where the Council collects debt on behalf of a third party e.g. Oxford City Homes Ltd, it will have its own write off criteria separate to this policy.

Where circumstances change and it becomes possible to collect the debt then it will be written back on to the account and pursued.

14 Monitoring the Policy

It is the responsibility of the Council to ensure the policy is effective through the monitoring and complaints procedure, taking into account the indicators listed below:

- Rate of collection
- Recovery of housing benefit overpayments
- Number of cases reaching each stage of recovery
- Number of cases where attachments of benefit/earnings are made
- Number of cases being referred to Enforcement Agencies
- 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 policy is not being followed
- Audit recommendations

Debt Recovery Processes By Debt Type

	Regulated Recovery process	1 st Reminder	2 nd Reminder	Final Demand
Miscellaneous Debts	No	10 working days after invoice date	Further 10-working days	10 days after 2 nd reminder
Sundry Debts	No	14 days after due date	45 days after due date	60 days after due date
Council Tax	Yes	7 days after due date If payment not made, a summons will be issued.	7 days after due date If payment not made, a summons will be issued.	Sent after 3 rd instance of a missed payment. Right to instalments is lost; remaining balance is due in full. If payment is not made in full, a summons will be issued.
Business Rates	Yes	14 days after due date If payment not made, a summons will be issued.	Not issued	14 days after due date If payment not made, a summons will be issued.
Housing Rent	Yes	2-3 weeks in arrears	Pre Notice of Seeking Possession (NSP) warning then NSP 4-6 weeks rent in arrears	N/A
Housing Benefit Overpayments	Yes	7 days after due date	Not issued	14 days after 1 st reminder

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Excess Charges	Yes	After 28 days of the penalty notice being raised the owners details are requested from the DVLA. Once the details are received a 1 st reminder is sent out.	14 Days after the 1 st reminder letter is sent	21 Days later notification of enforcement agent action is sent
Commercial Property Rent	Yes	7 days after due date	21 days after due date	21 days after due date (2 nd reminder is final demand)
Leaseholder payments	Yes	14 days after due date	7-14 days after initial contact	Letter to lender, Application for determination of the debt in the First tier Tribunal then a forfeiture application.

Oxford Direct Services Ltd, Oxford Direct Services Trading and Oxford City Housing Ltd debts are not included in this policy and debt recovery is covered within each Service Level Agreement and debt recovery policy, which have been agreed by the shareholders and relevant company boards.