



ARGYLL AND BUTE COUNCIL

CORPORATE DEBT POLICY

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WELFARE REFORM APPENDIX 3: CORPORATE DEBT POLICY

1. Introduction

This corporate debt policy defines the principles that will be adopted when undertaking the billing, collection and recovery of council debt from customers in Argyll and Bute. It provides the framework to collect council debt effectively and efficiently, but also with due sensitivity to the circumstances of our individual customers. In the current economic climate with private sector wage freezes, many individuals are finding it hard to manage their financial affairs and many have high personal borrowing. This policy aims to balance the conflicting priorities of delivering high levels of collection performance in tandem with the provision of appropriate advice and support to our customers who may be finding it difficult to pay our debts.

1.1 Policy Scope

1.1.1 Argyll and Bute Council raises charges for a wide range of services that it provides, as well as collecting local taxes. There are different systems and methods used for billing, collection and recovery of a wide range of debts. This corporate debt policy is over-arching and establishes general principles to be applied consistently in relation to debt recovery.

1.1.2 For the purposes of the corporate debt policy, council debt is defined as:

- Council Tax
- Housing Benefit overpayments
- Non Domestic Rates
- Sundry Debtor accounts (which cover all other amounts due to the Council)

1.1.3 The policy applies to all service units of the Council. It focuses on collecting the sums due. The Council's ability to deliver services which meet the needs of our customers depends heavily on its success in collecting revenues. However, ability to pay is a paramount concern when undertaking debt recovery. The approach to recovery must be sensitive to individual circumstances and take into account all debts owed to the council.

1.1.4 This policy is supplemented by specific recovery procedures for each individual debt type.

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2. Aims and Objectives

2.1 Policy Vision

LINKS TO THE COUNCILS CORPORATE PRIORITIES AND OUTCOMES

2.1.1 Our Debt Recovery Policy is aligned to the Council's Vision and to national outcomes.

Our Vision
Realising our potential together
The core values underpinning this vision are that:
We involve and listen to our customers and communities
We take pride in delivering best value services
We are open, honest, fair and inclusive
We respect and value everyone

2.1.2 This links to **National Outcome 15:**

Our public services are high quality, continually improving, efficient and responsive to local people's needs.

2.2 Policy Objectives

2.2.1 The Council has a legal duty to ensure cost effective billing, collection and recovery of all sums due to the Council. The Council is committed to delivering the highest level of customer service and supporting citizens when they are experiencing financial difficulties. The Council recognises that, whilst the vast majority of citizens meet their financial obligations to the Council, for a proportion of citizens this is not always the case. Within this context, the key policy objectives that will guide the Corporate Debt Policy are:

- to seek to address debt issues as early as possible with a strong emphasis on arrears prevention in order to minimise overall indebtedness and improve collection rates across all debt categories;
- to ensure that customers have a clear understanding of their responsibility to pay and the associated consequences of deliberate non-payment especially when they are able to pay;
- to operate in a fair and equal way when recovering debt;
- to work in partnership with customers and their representatives to agree realistic payments based on their circumstances;
- to ensure that all council staff and council appointed debt collection agents and sheriff officers work together efficiently and effectively and provide a single co-ordinated approach in dealing with council debtors;
- to support debtors in becoming reliable payers in the future through referral to appropriate advice agencies;

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- to ensure that all debtor accounts are issued as accurately as possible and are updated for any relevant changes in circumstances in accordance with the timescales within the Council's Customer Charter;
- debtors are advised of all relevant benefit entitlements and assistance is provided in accessing these benefits.

3. Code of Practice

3.1 Roles and Responsibilities

- 3.1.1 The corporate debt policy is governed by the Council's Financial and Security Regulations and in particular regulations 7.39 to 7.47 under the heading of "Income". This sets out the responsibilities of both the Head of Strategic Finance and Head of Customer and Support Services. The former is the council's Chief Financial Officer and is responsible for the overall financial arrangements of the council. The latter is responsible for operational debt collection which includes all billing arrangements and income recording.
- 3.1.2 Responsibility is delegated to service directors to render accounts for all work done, goods supplied, services provided and all other amounts due and service staff have direct access to the sundry debtors system to enable them to do this.
- 3.1.3 The Head of Customer and Support Services is responsible for offering an appropriate range of payment mechanisms to the council's customers.
- 3.1.4 All cashiers are responsible for ensuring that receipts are posted accurately and on a daily basis, and with the appropriate reference number so that it can be matched to the relevant council tax, non-domestic rates, housing benefit overpayment or sundry debtor liability.
- 3.1.5 Where debts are not paid promptly, the Head of Customer and Support Services is responsible for ensuring that payment is pursued promptly, and where necessary, that the debt is passed for appropriate action by the council's in-house legal services, sheriff officers or debt collection agents.
- 3.1.6 Service departments are responsible for ensuring that any disputes in relation to debts are resolved as soon as possible with relevant credit notes being authorised and processed as appropriate. Whilst disputes are unresolved, accounts will be suspended from follow-up.

3.2 Payment Arrangements

- 3.2.1 As an inclusive and customer focused organisation, the Council will ensure that a wide range of payment options are available to encourage payment from customers. We will however actively promote cost effective collection methods, such as direct debit which offer best value for the Council and assist individuals to manage their personal finances more effectively and minimise the risk of arrears occurring.

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3.2.2 The range of payment options available currently includes:-

- Direct Debit;
- Online payment via internet;
- 24 hour telephone payment line on the customer payment no. 01546 605515;
- By cash, cheque, debit and credit card at local Customer Service Points.
- At pay point terminals located in outlets across Argyll and Bute, post offices and banks using payment cards for Council Tax only;
- By post; payments by cheque or postal order;
- Deductions from prescribed benefits

3.2.3 Wherever possible, Housing Benefit overpayments will be recovered from ongoing benefit.

3.2.4 Where practicable and reasonable, the Council will seek to establish payment in advance, payment at point of sale or direct debit whichever is appropriate to the service being provided.

3.3 Communications

3.3.1 Customers or their representative will be encouraged to contact the Council as soon as they encounter payment difficulties. The Council will be proactive in its communications with customers by taking an holistic view of debt. This will be achieved as follows:

- All contact information will be made clear and understandable on all outgoing communications.
- Available payment methods will be clearly outlined to customers.
- Clear information will be provided detailing the customer's obligations to pay and the consequences of non-payment at each stage of the recovery process for each debt type.
- Access to money advice, debt counselling services and energy advice will be actively advertised, encouraged and facilitated.
- All communications should be jargon free and in plain English where possible, help will also be provided where literacy issues exist.
- Debtors will be encouraged to make prompt contact via telephone, letter or e-mail.
- The Council will ask for and store customer telephone numbers to facilitate effective and efficient ongoing dialogue.
- Services which deal with customer debt internally will work together in a joined up way to avoid placing undue pressure on customers who are in debt.

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- The Council will embrace new technology to contact/remind customers of outstanding amounts where possible e.g. text messaging, and e-billing.
- Bills, invoices, benefit award notifications and recovery notices will be sent out promptly and in accordance with legal requirements.

3.4 Customer Care

3.4.1 The Council is committed to the delivery of quick, accurate and responsive services that are personalised to the needs of individuals through the delivery of joined up services. In terms of the corporate debt policy, its vision and associated objectives focus on two key components,

1. increasing income collection efficiently,
2. a clear commitment to respond to customer needs when debt issues exist.

3.4.2 Our overriding aim is to achieve excellent customer access and customer satisfaction. To do this we need to put the customer at the heart of what we do, get customer service right first time every time, at the first point of contact and put any mistakes right quickly. The term 'customer' is generic, it embraces citizens, members of the public, service users, clients, tenants and claimants.

3.4.3 In operating this policy, Argyll and Bute Council will:

- Ensure that all staff deal with enquiries in accordance with its Customer Service standards
- Deal with complaints in line with the corporate complaints procedure.
- Interact with customers in a professional and equal manner at all times displaying the utmost courtesy and respect.
- Provide facilities to enable customers to discuss their debts in a confidential environment and providing guidance on ways to reduce bills and maximise income if appropriate.

3.4.4 Encourage constructive comments from our customers about how we can improve our services. All staff involved in the billing, collection, recovery and enforcement of debts will be trained in customer care.

3.5 Service Delivery

3.5.1 The objectives outlined in the corporate debt policy will lead to changes in working practices and the way some services are provided, for example:

- Customers will be encouraged to pay on time. Particularly where the service is recurring, direct debit will be actively encouraged to support this objective. The implications of non-payment will be made clear including the potential of the service being withdrawn where it is non-statutory and this is appropriate.

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- When a refund is due in respect of any Council service, checks will be made for other outstanding debts prior to such a refund being made. Where other debts are identified, it **may** be necessary to obtain the customer's permission prior to transferring the credit against another debt and due consideration should be given to this in every case.

3.6 Equal Opportunities

3.6.1 Argyll and Bute Council is fully committed to delivering services in line with equal opportunities legislation and policy. The Council will treat customers consistently and fairly regardless of age, race, religion, gender, disability and sexual orientation.

3.6.2 Customers will be dealt with as individuals taking into account, wherever possible and appropriate, their known personal circumstances.

3.7 Data Sharing

3.7.1 The Council will adopt a corporate approach to sharing information where a customer has multiple debts owing to the Council with this being co-ordinated through the Corporate Debt Recovery Team paying due regard to Data Protection legislation. The information shared will only be used to ensure that the customer will, so far as is possible, only be pursued by one body in relation to all council debts.

3.8 Recovery Remedies

3.8.1 Where there is a clear indication of an ability to pay, Argyll and Bute Council will use the full range of statutory powers available to obtain payment. Depending on the debt that is owed, different legislation governs the available enforcement remedies that the Council has to collect outstanding debt. To ensure that the different legislative frameworks are applied consistently and lawfully, the Council will:

- Ensure that charges are raised and debts are managed in accordance with their respective legislative provisions and best practice.
- Fully document procedures that exist for recovering outstanding debt including limits/thresholds for debt recovery action to be taken.
- Establish and maintain clear time limits from moving debt from one recovery stage to another.
- Endeavour that all payments are recorded and applied to the relevant accounts within 24 hours of the payment being received by the council.
- Ensure that prompt, proportionate and appropriate action is taken to recover debt before the situation becomes unmanageable.
- Provide and make widely available clear and concise information about statutory procedures that are used in the recovery process.
- In the case of sundry debts, notify the relevant service area of customers that are in arrears and/or have defaulted on arrangements to pay to facilitate discussions on the options open to the Council, including termination of services if this recourse is considered appropriate.

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- Pursue the recovery of costs/fees in all cases except where it would not be in the public interest to do so.
- Comply with the Office of Fair Trading Guidelines on Debt Collection (published July 2003, updated November 2012).

3.9 Collection agents

3.9.1 Effective partnership working with the Council's appointed debt collection agents, sheriff officers and in-house Legal Services is critical in delivering the vision and objectives set out by this policy. The Council and its collection partners will ensure that:

- Codes of practice are adhered to and reviewed regularly.
- Collection Agents are made fully aware of and implement this Corporate Debt Policy
- Regular liaison meetings are held which focus on improving working relationships, reporting on agreed performance metrics, specific case reviews and the agreement of proactive recovery exercises.
- Collections Agents comply with the terms of their contract which are formally reported upon and monitored.

3.10 Performance monitoring

3.10.1 The Council is committed to maximising its income so that vital front line services can be delivered locally. Those departments that are tasked with collecting monies due to the Council will ensure that this is carried out in the most efficient and fair manner possible.

3.10.2 To monitor progress and to inform improvement initiatives, the Council will:

- Set clear targets for the recovery of debt in each area covered by the corporate debt policy.
- Provide and interpret sufficient management information to drive service/collection improvement opportunities.
- Hold regular meetings between responsible officers, and other bodies as appropriate, to drive forward improved collection performance.
- Carry out quality checks on work processed by individuals.
- Monitor and evaluate the effectiveness of recovery actions, associated costs, and the cost of not recovering debt promptly for material categories of income.

3.11 Write Offs and provisions for bad debt

3.11.1 Prior to any debt being recorded for write-off, the relevant team must complete a write-off schedule which details the value of each debt, age, action taken and the reason for the write-off request. Following review by the Revenues and Benefits Manager, details of all debt to be written-off will be passed to the Head of Customer and Support Service or Head of Governance and Law for

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authorisation at least once per annum. The Head of Customer and Support Service and Head of Governance and Law have delegated authority from the Executive Director Customer Services to authorise write-offs. All working papers backing up each individual debt on the schedule should also be submitted along with the lists of debt to be written off.

3.11.2 It would normally be expected that debts to be written off would be:

- Cumulative debts under £50, where no payment has been received within six months of sending the final demand;
- All debts where the Head of Governance and Law advises the debt is irrecoverable or that legal action is unlikely to be cost effective;
- All debts where the debt collection agent or sheriff officer to whom the debt has been passed advises the debt is irrecoverable and that legal action is unlikely to be cost effective;
- Gone aways, unable to trace;
- Deceased debtors with no estate;
- Accounts in liquidation or sequestration;
- Time barred accounts;
- Any other case where there are good and sufficient reasons for doing so having regard to the relative level of the debt and the prospects and costs with securing payment.

3.11.3 Once authorisation has been received, the write offs should be returned to the relevant team for the write-offs to be processed on the appropriate system, and the related bad debt provision will also be adjusted.

3.11.4 The debtor remains liable to pay. Therefore, if the debt has been written off and a further payment is received, the income must be credited to the appropriate code. The debt should be reinstated for the balance outstanding if the remainder now appears to be recoverable.

3.11.5 The Council will not write off any debt on the grounds of hardship alone but seek to refer any debtor claiming hardship to Money Advice Services, the Citizens Advice Bureau or use the Argyll and Bute Advice Network's referral system to provide the customer with support.

3.11.6 The Revenues and Benefits Manager will annually review the basis for all bad debt provisions and ensure these are set prudently in accordance with good accounting practice and that they reflect historic patterns of collectability and expected future trends. The basis for and calculation of all bad debt provisions will be carefully recorded and reviewed by the Head of Customer and Support Services.

3.12 Benefit entitlement and welfare advice

3.12.1 It is recognised that in the implementation of the Corporate Debt Policy, due consideration and recognition must be given to wider welfare considerations in relation to our customers.

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3.12.2 As part of the Council's Financial Inclusion and Anti-Poverty strategy, it is recognised that a key support mechanism to support customers to avoid falling into debt with the Council, is to ensure that they maximise their take-up of benefit entitlement. As such, the Council is fully committed to awarding the correct level of Housing Benefits/Universal Credit and the relief through the Council Tax Reduction Scheme. In addition the Council will assist customers to claim their full benefit entitlement. Where customers do fall into arrears, the provision of general welfare and debt advice is facilitated via Argyll and Bute Advice Network (ABAN) through our partner organisations, and within the council through the Income Maximisation Team, Welfare Rights and Money Advice Teams. This service is vital in ensuring that customers receive the help, assistance and support to solve debt related problems.

3.12.3 In addition to the above, we will work towards providing the following information via the Council's website:

- General information about debt recovery, Housing Benefit/Universal Credit and the national Council Tax Reduction Scheme, Council Tax, Non-Domestic Rates and Sundry Debts;
- On-line forms (for example benefit change of circumstances, Direct Debit Instructions, discount forms etc) and links to benefit information;
- General guidance on external agencies, e.g. Citizens Advice, Money and Debt Advice Services etc

3.12.4 In this context and in the context of the Corporate Debt Policy, the Council will:

- Ensure that all staff that deal with customers receive an appropriate level of welfare and debt training to help them perform their duties with the maximum effectiveness.
- Ensure that access to advice and welfare benefit entitlement through ABAN is fully advertised and marketed to the citizens of Argyll and Bute via appropriate channels.
- Endeavour to deal rapidly with cases where the Council has pending claims for benefit or discounts for these same debtors.
- Review the level of housing benefit claw back in relation to Housing Benefit overpayments where appropriate.
- Ensure all customers seeking help due to financial difficulties are actively referred to the relevant area of ABAN for income maximisation, debt advice and assessment of ability to pay.
- Encouragement will be given to customers to use external advice services such as CAB (Citizens Advice Bureau) if this is more appropriate in the circumstances.
- Provide pro-active assistance and guidance in completing application forms for discounts or reliefs in relation to Council Tax, Non-Domestic Rates relief and any passported benefits handled by the council such as free school meals, or school clothing grants or Education Maintenance Allowances.

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- We will also seek permission from our customers to share information about their changes of circumstance (such as moving house) with all council services with whom they regularly deal when they first report this to the council. All information collected is governed by the Data Protection Act 1998 and the Council has a procedure and policy in place to comply with the Act.

3.13 Debt Prioritisation

3.13.1 Priority debts are those debts owed to creditors who can take the strongest legal action against an individual who does not pay or where the action taken by a creditor may cause undue hardship.

3.13.2 In the context of the Corporate Debt Policy and in the best interests of customers, the following are deemed to be a priority and will be considered ahead of any arrears:

- Ongoing rent liability
- Ongoing council tax liability
- Mortgage liability

3.13.3 Where ongoing liability is being met, as outlined above, recovery of other council debts will then be considered:

- Council tax arrears
- Non domestic rates
- Sundry income debt

3.13.4 Housing Benefit overpayment debt will normally be recovered via deductions from on-going benefit if the claimant is still in receipt of benefit. This deduction will be made as per the Housing Benefit Overpayment Recovery Policy.

3.13.5 If the customer has more than one debt with the Council, there should be a single repayment plan covering all such arrears where this would be beneficial to the customer. The Corporate Debt Recovery Team is responsible for this repayment plan. The repayments will be apportioned to each debt by agreement with the debtor. Failing such agreement, payments will be apportioned in relation to the relative size of each debt.

3.13.6 When debt recovery has proceeded to diligence, recovery of such debts will be governed by the relevant diligence and dealt with entirely separately to any other debts which may separately be subject to the agreement of a payment arrangement. For example, if there is a council tax debt which has been to summary warrant and subsequently becomes the subject of an earnings arrestment through the council's sheriff officers, and the same debtor also then has an overdue sundry debt owing to the council, the sundry debt will be pursued independently by Legal Services.

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3.14 Income and Expenditure Analysis

3.14.1 In dealing with customers with financial difficulties and multiple and/or high levels of debt, the Council will take the customer's full indebtedness to the Council into account and consider indebtedness to other creditors when assessing ability to pay. Argyll and Bute Council will appraise its customer's indebtedness and their ability to pay by using the financial statement categories and trigger figures issued by the British Banking Association (BBA). This will enable the customer and the Council to reach an agreement on a suitable repayment plan.

3.14.2 The objective of the repayment plan will be to clear the total debt as soon as possible. As a minimum it is essential to ensure that an individual's indebtedness to the Council does not increase. This means that ongoing liabilities should be met first, with the second priority being to clear arrears and other debts.

3.14.3 This process will be facilitated by the consistent use of income and expenditure analysis to agree an arrangement that takes into account the specific circumstances of the customer. In complex cases the services involved will undertake a case conference to establish the most appropriate way forward regarding the outstanding debt. In general terms when reaching an arrangement the Council will seek to:

- Ensure ongoing liabilities are prioritised;
- Where the customer has multiple debts (classified as one or more council debts) the Council will ensure a co-ordinated approach to debt recovery which will involve establishing a suitable repayment plan which will be allocated across the outstanding arrear balances in accordance with the existing corporate agreement in respect to the Council's internal priorities.

3.14.4 Where a customer is deemed to have the ability to pay and either fails to engage in meaningful discussions to agree an affordable repayment plan or repeatedly fails to maintain agreed repayment plans, the Council will utilise the full legal remedies available to maximise the recovery of outstanding debt.

3.15 Efficiency and Cost Effectiveness

3.15.1 We will ensure that our recovery and enforcement activities are delivered in the most efficient and cost effective manner. This will include the use of any third party agencies used to supplement our in-house corporate debt recovery team as appropriate. We will maximise the use of IT in order to improve efficiency. We will promote the cheapest and most cost effective methods of payment and encourage customers to use those methods.

3.16 Complaints and Suggestions

3.16.1 The Council operates a corporate complaints system. This is available to any individual who is not satisfied with the standard of a Council service. Stage 1 of the Council's complaints procedure seeks resolution at first point of contact. Should this not be achievable then the complaint may progress to stage 2 and a review will be undertaken by a Head of Service.

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3.16.2 In the event that the complainant remains dissatisfied after the Council has investigated the complaint, the complainant may refer his/her complaint to the Scottish Public Services Ombudsman, who is independent of the Council. The complaints process should not be used in the first instance where there are disputes about the amount of the bill or the delivery of the service as these matters should follow the relevant dispute resolution or appeals route first.

3.17 Right to Appeal

3.17.1 All invoices and bills will generally outline any appeals procedures open to a customer if they dispute the amount billed. However, there are also rights to appeal to certain external agencies as follows:

- Valuation Appeals Committee – if someone considers the Council has incorrectly charged them for Council Tax or if they believe that their liability for Council Tax has not been calculated correctly; or if they dispute the valuation band for council tax, or the rateable value for Non-domestic rates.
- Sheriff Court – for people who are aggrieved by diligence following a Summary Warrant
- Tribunals Service – to appeal decisions made on Housing Benefit claims. This includes decisions about housing benefit overpayments.