Coventry City Council

Corporate Debt Recovery Strategy

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Our vision for debt recovery

To manage debt in a way that maximises the collection of income, protects public funds and is responsive to the needs of our customers.

Introduction

Coventry City Council (the Council) is required to collect monies from both residents and businesses for the provision of a variety of goods and services. The Council recognises that prompt collection of local taxation and sundry charges are vital to help pay for the services we provide to local people. Many of the services provided by the Council are statutory and the Council has to provide them by law.

In order to continue to provide hundreds of services to our communities, including to our most vulnerable residents, it's essential that the Council maximises the collection of revenue. To do this, the Council endeavours to keep outstanding debt at the lowest possible level by having in place effective income and debt management practices.

The Council also has a responsibility to act proportionately in the management of debt and to ensure that debtors are not placed in undue financial hardship as a result of the Council's efforts to recover any outstanding debt.

Debt

For the purpose of this strategy, 'debt' is defined as any amount of Council revenue that is due to the Council but has not been paid. 'Overdue debt', or 'arrears', is defined as any amount of the revenue due to the Council which has not been paid by the due date.

Debtor

A debtor is anybody (whether an individual, organisation, staff member (current or previous) or councillor) who has received goods or services from the council, or is liable for a statutory debt, and who has not yet paid the full amount owed.

For council tax and business rates, a debtor is an individual or organisation that does not adhere to the statutory instalment scheme.

For Housing Benefit overpayments, a debtor is a benefit claimant, or alternative payee such as a landlord, who has been overpaid Housing Benefit because of a change in circumstances.

To reduce the number of debtors, service providers must attempt to obtain payment in advance or at the point of service delivery wherever possible. Invoices should only be raised where payment in advance for a service is inappropriate.

Strategic Context

This strategy supports all aspects of the One Coventry Plan. The collection of income supports the provision of all Council services and activities. In particular, this strategy supports the enabling priority of 'continued financial sustainability' of the Council.

Purpose of the strategy

This strategy is intended to provide an overarching framework for debt management. Individual income streams and the actions to recover debt within those streams, are subject to a wide range of processes, policies and statutory frameworks. This strategy sets out guiding principles which govern the Council's overall approach to recovering debt and maximising public revenue.

Specifically, this strategy is intended to:

- Set out the key guiding principles for the Council's approach to the recovery of debt.
- Optimise and increase the collection performance of income.
- Minimise the level of debt held by the Council.
- Minimise the levels of debt written off.
- Promote a robust, proportionate and fair approach in the Council's debt recovery processes.
- Ensure the Council discharges its statutory functions.

Scope of the strategy

The strategy covers all debts owed to the Council including:

- Council tax
- Business rates
- Business Improvement District
- Commercial rent
- Housing benefit overpayments
- Sundry fees and charges (adult social care, general services)
- Parking Fines / Penalty charge notices

The strategy relates to all customers of the Council, including residents, businesses and partner organisations.

Accountability and Responsibility

The Council's Section 151 officer has statutory responsibility to oversee the proper administration of the Council's financial affairs.

Responsibility for debt recovery rests with the Council's revenues and benefits department, except for road traffic in the form of penalty charge notices which are the responsibility of the Council's Highways department.

Corporate Directors have operational responsibility for monitoring and managing levels of income, debt and bad debt within their respective service areas.

For sundry fees and charges, budgets are credited with income at the point an invoice is raised. Directors should therefore ensure that budget holders have visibility of outstanding invoices even where the debt does not show on the cost centre.

If a debt is subsequently written off it is debited back to the originating cost centre.

Key principles

There are four guiding principles which shape the Council's approach to debt management.

Key principle 1	Robust and proportionate collection

- The Council takes all reasonable steps to pursue outstanding debt, including the application of all available statutory remedies.
- Proportionality is central to recovery action – the Council will consider the unique circumstances of each debtor as appropriate – taking account of the potential impact of enforcing the debt on an individual or organisation.
- Use public funds responsibly and ensure the likelihood of recovering a debt, and the level of the debt, justify the cost of pursuing the debt.

Key principle 2	Efficient administration

- Billing, invoicing and collection practices are efficient, accurate, utilise appropriate technology and encourage and facilitate payment of income before it falls due.

- Charges for services should, as far as possible, be settled in advance of provision.
- Convenient payment options are provided for customers.
- Charges are clearly set out and continuously reviewed.
- Plain English is used in all correspondence.

Key principle 3	Financial inclusion

- Promote income maximisation and benefit take up**.**
- Promote eligibility for reliefs and discounts.
- Work with partners to identify and support vulnerable customers.
- Target the underlying causes of indebtedness.

Key principle 4	Minimise arrears and bad debt

- Recovery practices and processes limit bad debt and levels of debt written off.
- Debts written off are subject to appropriate governance and scrutiny.
- Budget holders make adequate provision for bad debt.

Enforcement remedies

Where payment is not received, the Council will apply the appropriate enforcement measures to each debt type and the specific circumstances of the debt and debtor. The Council retains ultimate discretion to determine the appropriate legal means of recovery of any debt. Where a debt is deemed appropriate for recovery, the Council will adopt a robust approach using a range of measures including:

- Attachments of earnings
- Warrants of execution
- Third party orders
- Insolvency/Bankruptcy
- Instructing Enforcement Agents
- Possession proceedings

- Committal to prison
- Charging orders
- Orders for sale
- Deductions from benefits
- Registering debts at County Court

Where the Council incurs recoverable costs in pursuing a debt, the Council will normally seek to recover those costs from the debtor.

Customer commitment

The Council is committed to providing excellent customer service. Council officers will be courteous, professional and fair in their debt management activities.

The Council aims to take, as far as reasonable, an accommodating approach to managing the repayment of debt. Where appropriate, customers will be offered affordable and sustainable payment plans.

The Council recognises that, in certain circumstances, a firm and decisive approach to debt recovery is necessary to safeguard public funds and ensure that those who are able to pay, do so. This is particularly important when the debt has arisen as a result of a financial penalty or enforcement action.

The Council has a duty of care towards its employees and will not tolerate any form of abuse of officers carrying out their duties.

External Specialist Providers

The Council will work in partnership with a number of specialist companies to recover unpaid debts. These companies provide additional support and are specialists in their respective areas of recovery. External companies are used for tracing absconders, insolvency work and debt collection work. All external companies working with the Council are required to follow our policies and procedures at all times.

Customers in Difficulty

The Council will at all times try to help customers who are experiencing difficulties in paying. Wherever possible the Council will try to distinguish between those who cannot pay and those who will not pay, or are deliberately withholding, delaying or giving false information.

All available allowances, discounts and rebates will be granted where appropriate, at the first point of contact. The Council aims to ensure that all customers are dealt with efficiently so that they get the correct bill, any benefit advice and the best instalment agreement to maximise revenue to the Council and to meet the needs of the customer at the first point of contact.

The Council will also aim to work with external agencies to offer customers additional support. The Council will work in partnership to assist both the Council to secure debt recovery and the customer in obtaining the correct benefit and debt management advice to enable them to pay their bills.

The Council is committed to reducing poverty and hardship and ensuring benefits and other income is maximised. If the customer experiences considerable financial hardship or has multiple arrears the Council assesses each customer's case on its own merit. We would always expect the customer to pay their current financial years liabilities and then agree a payment plan for the arrears.

Debt advice

The Council will maintain effective working relationships with partners across the Advice Sector and ensure that customers are aware of available debt advice services. This includes working collaboratively with partners to respond to customer need and to undertake proactive data sharing campaigns to actively seek out and support vulnerable debtors.

The Council partners with the Money and Pension Service (MAPS) to provide debtors with direct referrals and warm handoffs for debt advice.

In addition to debt advice, the Council actively seeks to encourage income maximisation for debtors – using data intelligence to identify underclaiming of benefit, working with partners to engage with those with potential entitlement to additional benefits and providing on an online benefits calculator for debtors.

The Council is a signatory to the Collection of Council Tax Arrears Good Practice Protocol published by Citizens Advice in 2013 and will endeavour to satisfy the requirements of subsequent iterations of the protocol.

Bad and doubtful debts

The Council will exhaust all reasonable efforts and statutory remedies in pursuing outstanding debt. The Council recognises that in some circumstances it may be necessary to write off debt. The following sets out some of the circumstances in which the Council may consider writing off debt:

- All reasonable efforts to recover the debt have been exhausted.
- The cost of pursuing the debt exceeds the value of the debt and those costs incurred are unlikely to be recovered.
- The likelihood of recovery is such that the Council determines that no further resource should be allocated to pursuing the debt.
- Pursuing the debt would place the debtor in undue and extreme financial hardship.
- The Council is legally compelled to write off a debt.

- The debtor cannot be traced (the Council will undertake reasonable tracing measures including the use of credit reference agencies as appropriate).
- The debtor's vulnerability justifies writing off the debt.
- The debt is time barred, where the statute of limitation applies. Generally, this means that if a period of six years has elapsed without notifying the debtor of the amount owing, the debt cannot be enforced by legal action.

Writing off debt will also be subject to the governance and approval provisions set out in the Council's constitution.

Council budget holders will work with Finance Managers to ensure adequate provision for bad debt is made and maintained.

The Council can and will reinstate, within statutory deadlines, any debt where it becomes apparent the circumstances for write-off are no longer applicable.

Individual debt relief

There are a number of options available to individuals to assist them in dealing with debt – this includes breathing space (debt respite scheme), debt management plans, Individual Voluntary Arrangements and Debt Relief Orders.

Some debt relief schemes require the Council, as a creditor, to vote on whether to accept proposals put forward by a debtor or their representatives. This usually involves an offer of a percentage payment in the pound.

In such circumstances the Council would generally seek to maximise the level of debt recovered to the public purse. However the Council will consider the circumstances of individual applications including factors such as:

- The type, amount and age of outstanding debt.
- The applicant's specific circumstances and whether the debt relief application would allow the applicant to regain financial control which benefits the public purse in future.

Accounts in Credit

The Council will review credit balances annually. Where credit balances go unclaimed, and all reasonable efforts have been made to contact the debtor, credit balances may be written off.

The Council will make reasonable efforts to refund credit balances should a debtor subsequently seek to reclaim a written off credit.

Complaints

Certain income streams are subject to specific statute governing the manner by which a debtor may challenge liability. Generally, the Council's complaints procedure enables complaints to be made regarding Council services and complainants ultimately have recourse to the Local Government and Social Care Ombudsman.

Monitoring performance against this strategy

A number of indicators and metrics are used to monitor debt management performance including:

- In year/prior year collection rates and outstanding debt for local taxation.
- The amount and age of outstanding corporate debt (excluding local taxation).
- Levels of debt written off.
- Statutory reporting requirements for local taxation and housing benefit overpayments.

Local taxation collection performance is reported through the One Coventry Plan and subject to annual scrutiny by Finance and Corporate Services Scrutiny Board (Scrutiny Board 1).

Directorate management teams and budget holders have responsibility for monitoring levels of collection, debt and bad debt within their respective service areas.

Review

This strategy will be formally reviewed every three years. Council departments responsible for income collection will, as part of operational service delivery, ensure that income collection practices are reviewed continuously so that they are fit for purpose, represent best value, meet debtor need and make best use of existing and emerging technologies.