

Shared Services -Sundry Debts Recovery

Policy & Procedures

Colin South

Final Document
Sundry Debts Recovery
Policy & Procedures

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1. Introduction

- 1.1 The Council's approach to the management of outstanding debt is an important factor in financial control. This policy and procedure document is intended to clarify the Council's approach to the management of sundry debts.
- 1.2 Sundry debtors represent one of the major sources of Council Income (the others being Council Tax, National non-domestic rates, and Benefits Overpaid Recovery). Income from sundry debtors amounts to many millions of pounds. The expected income from this source is an essential element of the Council's budget strategy.

2. Risk Assessment

- 2.1 If debts are not managed by having an effective sundry debt recovery policy, the Council runs the risk of:
 - Not fulfilling our duty to the taxpayers.

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- reducing the level of recovery so that the Council's budget strategy is adversely affected
- appearing to be unprofessional
- causing income shortfalls to be made up from other sources (most notably through an increase in residents' Council Tax).

3. Standard Recovery Process

3.1 The standard recovery process is detailed below. The model detailed assumes that no payments are received (this is to provide a straightforward listing of recovery procedures).

Step	Day	Action	Comments
1	1	Issue Invoice	Detailed recovery charges on back.
2	21	Issue Reminder 1	Informing debtor that a £25 charge, for instigating recovery action against them, will be added to their account should a second reminder need be sent.
3	35	Issue Reminder 2	A charge of £25.00 is added to the account and the debtor is informed of this charge on the second reminder. The second reminder also informs pending court action or if a service then advises of a pending 'stop service'.
4	42+	Review of debt	Attempts should be made to make telephone contact at this stage, in order to make an arrangement. Request to Service Dept on how they wish to proceed.
8	42+	Choose appropriate enforcement action. (Appendix 3)	Appropriate enforcement action should be chosen with consideration to debtor's circumstances, history of the case, success rate of type of action, and value of the debt. If Court Claim required it should be completed online. (Or Form N1) should be completed and sent to County Court. At this stage the £60 charge is charged to their account.
9	50+	If recovery measures are exhausted, it may be	If it is appropriate within the context of the case to refer for write off, do so as

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		appropriate to complete write off form	per councils constitution.
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4. Trade Refuse Recovery Process

4.1 The recovery procedure for Trade Refuse collection follows a different model, as detailed below:

Step	Day	Action	Comments
1	1	Issue Invoice	Detailed recovery charges on back.
2	21	Issue Reminder1 (TR1)	Informing debtor that a £25 charge, for instigating recovery action against them, will be added to their account should a second reminder need be sent.
3	35	Issue Reminder 2 (TR2)	A charge of £25.00 is added to the account and the debtor is informed of this charge on the second reminder. The second reminder also advises that if full settlement is not received within 7 days from the date of the letter, the collections will be stopped.
4	49	Stop list provided to Trade Dept	Attempts should be made to make telephone contact at this stage, in order to make an arrangement. Collection are stopped.

5. Management of Recovery

5.1 It is essential that the whole recovery process is managed effectively.

- Recovery targets should be set and met
- these targets should be monitored
- the cost of recovery and alternative methods should be measured and monitored
- results of monitoring should inform future recovery policy and procedures
- realistic arrangements to pay debts should be made
- there should be sufficient provision for bad debts and write-offs

5.2 The Sundry Debtors Service should aim to recover (15/16) 98% of debts raised on the Efin Accounts Receivable module.

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- 5.3 This target will be monitored by the use of management information from BM2 system. This will show the value debt raised in the period, debt paid in the period, and debt outstanding at the end of the period.
- 5.4 The cost of the adopted recovery methods will all be recorded and monitored by the budget holder. The results of such monitoring will be evaluated and will inform future policy relating to recovery methods and policy.
- 5.5 The Efin AR system manages debtors as customers with debts rather than debts with customers. This means that no matter how many debts a customer has, they should only appear once in the Efin database. This helps to ensure that the customer's debts are dealt with as a whole, and not separately.
- 5.6 Suitable arrangements to repay debts will take the following into account:
- the customer's other debts to the Council
 - the customer's income and expenditure
 - the value of the debt
- 5.7 The Council's write-off policy for sundry debts is outlined at section 7, below.
- 5.8 In order to ensure that debts are managed in the most effective manner, it is important to control the lead-time of invoice production (as well as the rest of the recovery process). The Income target for Debit Note (or Invoice request) receipt to invoice production and issue is 5 working days..
6. Tracing Action
- 6.1 If invoices or reminders are returned "Not known at this address" this should be verified to ensure that this is not an administrative error. Attempts should be made to contact the debtor by phone at the address the correspondence was issued to (unless an alternative verifiable address is known at this stage).
- 6.2 If the above steps lead to the conclusion that the debtor is not at the address, and all other possibilities are exhausted, consideration will be given for the debt to be written off providing Service agrees.
7. Write-off Policy
- 7.1 The Council's Financial Regulations govern the main aspects of Write-offs. These Regulations can be accessed via Finance's page on the intranet. There are several instances where it is appropriate to write-off a debt. These are listed below:
- 7.2 The debt should be written off when it is irrecoverable owing to the insolvency of the debtor.

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- 7.3 The debt should be written off when it is irrecoverable owing to insufficient proof being available to substantiate the claim against the alleged debtor. In-House Law may indicate this following referral to them.
- 7.4 The debt should be written off when it is irrecoverable due to the effluxion of time. The Limitations Act (1980) states that debts cannot be pursued through the County following the passing of 6 years. The 6 year time limit (statute barred) runs from the date the invoice is issued, but starts again from the last point in time that the debtor acknowledges the debt in writing. For example, if an invoice was issued 10 years ago but the debtor has written to confirm an agreement to repay 5 years ago, the Council would have 1 year left to pursue the debtor for repayment through the Courts.
- 7.5 The debt should be written off when it is irrecoverable due to the debtor being deceased, where there are no assets in the estate. Debtors should seek to contact the executor of the estate in order to recover the debt owed. The debt is only suitable for write-off if the Council receives written confirmation from the executor stating that the debt cannot be paid due to insufficient assets.
- 7.6 The debt should be written off when the debtor cannot be traced. All reasonable and legal tracing methods should be used.
- 7.7 Debtors Officers should seek approval for Write-off:
- If the individual debt is below £500, the write off must be authorised by the HORB.
 - If the individual debt is between £500-£3000.00, the write off must be authorised by the Section 151 Officer. Each case must have relevant documentation to support the write off.
 - The process of writing off debts of below £3000 will be done at least every quarter. The relevant paperwork is given to the Head of Revenues and Benefits who will liaise with the S151 Officer.
 - Debts of £3000 or over need Cabinet approval. The Head of Revenues and Benefits will prepare a report for Cabinet. If Councillors approve, the debt can then be written off the system.
 - If the debt is to be written off due to insolvency/or debtor deceased with no assets then these can be approved by Section 151 Officer with no limit to the amount. No Legal Recourse.

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Appendix 1

Once Judgement has been obtained from the County Court against the debtor, it is possible to seek enforcement of the debt (again, via the Court). Enforcement action should be sought if the debt is not repaid, or if no agreement to repay the debt has been made, 30 days from the date of Judgement.

Types of Enforcement

Type	Description
Warrant of Execution	Council requests Court bailiffs to seize possessions of debtor for sale to recoup debt.
Charging Order	Council registers a Charge against the property with Land Registry via the Court.
Oral Examination	Not really enforcement action. Debtor is summonsed to Court to formally state his/her income and expenditure to enable a determination of how debt is to be recovered.
Statutory Demand in Bankruptcy/Winding Up	Notice served on an individual or company threatening bankruptcy or winding up procedures. Should only be used when willing to carry out threat if debtor fails to comply. Only for debts above £750.
Bankruptcy/Winding Up Petition	Actual petition for bankruptcy or winding up is relatively expensive. Debtor's bank account normally frozen. Unlikely to achieve debt repayment if no, or limited, assets.
Warrant of Possession	More common where Council is landlord (Commercial Rents). Council seeks Court order of possession of premises. Tenant/debtor is evicted.
Attachment of Earnings Order	Requires debtor's employer to make regular payments on earnings. May take a long time to pay off debt, and debtor may change jobs.
Garnishee Order	Order requiring the debtor's bank to pay money from his/her account. In most cases freezes debtor's account. Only of use if the debtor actually has money saved in an account. Also relatively expensive enforcement route.

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