



# **CORPORATE DEBT MANAGEMENT STRATEGY**

## **1. Purpose of Strategy**

Stoke on Trent City 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 income collection is vital for ensuring the authority has the resources it needs to deliver its services. The council therefore has a responsibility to ensure that appropriate mechanisms are applied to enable the collection of debt that is legally due.

The council aims to achieve a high and prompt income collection rate. It endeavours to keep outstanding debt at the lowest possible level by instigating a payment culture which minimises bad debts and prevents the accumulation of debt over a period of time.

## **2. Scope of Strategy**

This Strategy covers all debts owed to the council including:

- Council Tax
- National Non Domestic Rates (NDR, also known as Business Rates)
- Council House Rent
- Sundry Debt (general day to day business income including housing benefits overpayments and former tenant arrears).

Whilst different recovery mechanisms may be used for different debt types all debt is recovered using the objectives below.

## **3. Objectives of Strategy**

The objectives of the Strategy are to:

- Maximise income and collection performance for the council
- Be firm but fair in applying this Strategy and take the earliest possible decisive and appropriate action
- Be courteous, helpful, open and honest at all times in all our dealings with customers
- Accommodate any special needs that our customers may have
- Work with debt advice agencies and signpost customers to seek additional advice where this is considered to be helpful and appropriate
- Consider the circumstances of individual customers based on the information provided or information we have been able to collect
- Aim to continue to develop and improve our services
- Share knowledge, information and expertise across the council and other agencies whilst striving to comply with legislation such as the DPA (Data Protection Act)
- Apply best practise in relation to debt collection

- Understand customers circumstances and ability to pay to distinguish between a customer who won't pay from a customer who can't pay
- Look at each case on its own merits

#### **4. Understanding and Contacting Our Customers**

We will endeavour to improve contact with customers by:

1. Encouraging early contact in respect of debt related matters
2. Using plain English and explain complex terminology when required
3. Promoting advice and support

The Council will work in partnership to assist both the council in its debt recovery and the customer in obtaining the correct benefit and debt management advice to enable them to pay their bills. The council also offers customers the ability to pay in instalments where customers have difficulty in making a single full payment. All documents will be issued in a timely manner in accordance with statutory deadlines where appropriate and will explain the legal options open to the council to collect debts in a factual manner, taking into account the stage of recovery achieved. The Strategy will also take account of customers numeracy and literacy skills. We will assist customers with language and communication difficulties by offering translation, interpreting and other services wherever possible.

The council will ensure that all of our customers are treated in a fair and equitable manner. This includes complying with the Human Rights Act, Race Relations Act and any other legislation or policies which may have an impact.

#### **5. Raising of Invoices**

The council will send annual Council Tax and Business Rates bills in mid-March each year and send amended bills on a daily basis for accounts where amendments have been made, for example a change of address or benefit/relief award has been granted.

For general income (Sundry Debt) wherever possible the council will take payment before or at the point of providing a service. This is the most cost effective way for the council to collect income and prevents a debt being raised and requiring collection, regular monitoring of Invoice requests will take place and fed back to Directorates if it is identified that payment could have been taken up front. Where it is not reasonable to take payment before the service is provided the council's aim is to raise and invoice with all the relevant details to enable the customer to pay either before the service is provided or as soon as possible after the service date. The minimum amount the authority will raise an Invoice for is £10 (unless it is a legal requirement for a specific service).

For Housing Rent a weekly amount of rent will be added to the rent account every Monday.

The council will wherever possible provide information to meet specific communication needs in the following formats:

- Braille
- Large Print
- Audio Tape/Disc
- Translated into a different language

## **6. Customer disputes**

Where a customer disputes an invoice the council will aim to resolve the query as soon as possible. If a credit note or revised invoice is required this will be raised as soon as the dispute is resolved.

## **7. Payment Methods**

The council offers a number of different payment methods and dates for the customer to pay their account. Details of these are shown on customer's correspondence and on the Stoke on Trent City Council website. The council promotes direct debit as it is the most efficient method of payment and also helps the customer to avoid missing instalments and being subjected to recovery action. It is appreciated that Direct Debit payments do not suit every individual therefore the council offers a wide range of alternative ways to pay. These can be found in the Directorate Responsibilities for Income Collection.

## **8. 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. An example of this is the Citizens Advice Bureau hold a Council Tax arrears advice clinic at Stoke One Stop Shop to assist any customers with Council Tax arrears. This may then lead to full debt advice being given by the Citizens Advice Bureau if the customer has arrears with more than one creditor.

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.

## **9. Instalment Arrangements**

For Council Tax and Business Rates a variety of instalment options are available which include weekly or monthly by cash, standing order or direct debit, housing rent can also be paid at a frequency of the customer's choice. For those Sundry Debt services that do not require payment up front or on delivery of the service/goods the option to pay by instalments will be offered. The debt will need to clear as soon as is practicable and that indebtedness to the council does not deteriorate. Ability to pay will be based upon disposable income (after priority debts) in proportion to the level of debt owed. The extent of debts owing to the Council given that Council Tax and Housing Rents are treated as equal priority debts is a key consideration.

## **10. Reminder Letters/Visits**

If the customer does not pay an instalment the council will send the customer a reminder letter which encourages them to contact the council to discuss their circumstances. The reminder gives the customer the opportunity to bring the account up to day by paying the overdue instalment and prevent further action. The recovery methods for Council Tax, Business Rates and Sundry Debt differ but in most cases a reminder will only be sent after the first missed payment, if a further payment is missed the debt will then proceed through the standard recovery process.

For Housing Rent a housing officer will contact the tenant by visit or telephone call when the first and second payments are missed. If the tenant does not enter into an arrangement or bring payments up to date a notice is served to terminate the tenancy or seek possession of the property.

## **11.Options for Recovery**

Where payment is not received the council will take further action which may be through the courts and has various options to recover debt. The council will take into account the

customer's circumstances (if known), such as earnings, and personal circumstances before deciding on which of these courses of action is the most appropriate. If it is deemed that there is a prospect of a payment or payment arrangement and contact details are available a telephone call will be made to the customer before one of the actions below are considered.

Recovery options include:-

#### **A. Attachment of Earnings**

For all debt types excluding business rates and housing rents the council can issue an attachment of earnings order to instruct employers to make deductions directly from the customer's earnings to pay their debt. The amount of deduction depends on how much the customer earns. If the customer has historical arrears the council can make a maximum of two deductions.

#### **B. Deductions from Benefits**

For Council Tax, Housing Rent and overpaid Housing Benefit the council can ask the Department for Work and Pensions to make deductions directly from the customer's state benefits to pay their debt.

#### **C. Enforcement Agents (formerly Bailiffs)**

For all unpaid Council Tax and Business Rates after a Liability Order has been granted at Magistrates court the council can instruct Enforcement Agents to collect the outstanding debt from a customer. Enforcement Agents are certified through the County Court and abide by a clear ethical Code of Practice which stipulates timescales and agreed procedures. On the 6 April 2014 Bailiffs became known as Enforcement Agents and legislation known as TCOG (Taking Control of Goods) regulations 2013 came into force. In addition to abiding by the TCOG regulations Enforcement Agents also have clear guidance and procedures regarding attendance at a property where children are present. If children are in the property alone Enforcement Agents will not engage in conversation and will leave a sealed letter for the debtor. If children are present with the debtor when the Enforcement Agent attends they will carry out the visit with caution and sensitivity, this could mean enquiring whether there was a private area available for a discussion, the Enforcements Agents aim to minimise the impact and exposure on children. Enforcement agents can also be used for a trace and collect service for Sundry Debt.

#### **D. Insolvency/Bankruptcy**

For all debt types the council may decide to take the insolvency/bankruptcy action against the customer if the total debt the customer owes to the council is more than a set amount. If the court declares the customer bankrupt the customer could lose their home and possessions to pay the debts and have to pay significant additional costs on top of the debt

that is owed to the council. Such proceedings will only be taken following consultation with the Section 151 Officer and the Portfolio Holder for Finance. Various checks will be carried out before proceeding with this recovery option including the council's vulnerability register. The council will use their appointed Insolvency Practitioner to proceed with the bankruptcy through the court.

#### **E. Charging Orders**

For all debt types, if the customer owns a property the council may decide to apply for a Charging Order to be placed on it. This means the council can recover the outstanding debt from the proceeds of the sale of the property if the property is sold at a later date. Once the Charging Order has been granted against a property, the council can ask the court for an order to enforce the sale of the property to recover the money owed.

#### **F. Committal Proceedings**

For Council Tax and Business Rates, if Enforcement agents have been unable to remove goods to pay for the debt and other recovery options are inappropriate the council may take committal proceedings against the customer if the customer does not try to co-operate and clear their debt. This means the customer could go to prison for the non-payment of Council Tax or Business Rates. Such proceedings will only be taken following consultation with the Section 151 Officer and the Portfolio Holder for Finance.

The Magistrates Court will decide whether the customer has failed to pay due to wilful refusal or culpable neglect. There are several decisions the Magistrates Court can make including sentencing the customer to a term of imprisonment or ordering the customer to pay a set amount.

### **12. 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 the 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 us are required to follow our policies and procedures at all times.

### **13. Withdrawal of Service**

For some services the council will consider not continuing to provide a service in future to those customers who already owe the council money or have been identified as persistent bad of late payers.

For housing rent, if a tenant does not respond to the attempted contacts of correspondence, or continues to breach court orders and arrangements to pay, the final

stage would be to evict the tenant. At this stage the housing officer will send an eviction warning letter to the tenant which advises that an eviction is being arranged.

#### **14.Responsibilities**

The responsibilities for debt recovery are as follows:

<b>Debt Type</b>	<b>Responsibility of</b>
Council Tax	Revenue Services
Business Rates	Revenue Services
Sundry Debt	Revenue Services and Directorates
Housing Benefit Overpayments	Revenues and Benefits
Housing Rents	Landlord Services
Car Parking	Car Parking Operational Services

#### **15.Bad Debt Provision and Write Off Strategy**

Where all of the above recovery options have been exhausted the council will take steps to write debt off as irrecoverable. The council's bad debt provision and write off Strategy covers this process.