

INCOME AND CREDIT MANAGEMENT POLICY



1. Purpose and Introduction

1.1 The purpose of Credit Management for the Council is:

“To maximise the amount of collectable debt, through the prudent extension of credit, the balancing of financial risk and the efficient collection of income, within a framework of customer care and client sensitivity.”

- 1.2 The Assistant Director for Finance (ADF) has responsibility, under Section 151 of the Local Government Act 1972, for the administration of the financial affairs of the Council, including the management of credit and the collection of debt. Financial regulations covering this area are to be found in Appendix D, Section 2 of those regulations.
- 1.3 This policy sets out to define the credit management function, stating the objectives and responsibilities, in order that the principles of operation of credit management are clearly recognised and understood.
- 1.4 Income is vital to the Council; the income generated by the Council in the form of Council Tax, Business Rates, rents, fees and charges constitutes a large proportion of the Council's overall resources. The Council relies on this income to fund the services it provides and any failure to collect income represents a risk to the sustainability of Council services.

2. Definitions

- 2.1 **Credit Management** is defined as the management of the risks and costs associated with allowing customers time to pay. The use of the word credit in the context of this policy relates to the provision of goods or services for payment at a later date.
- 2.2 **Prudent extension of credit** means supplying goods and services with payment due on receipt of invoice (i.e. a credit period is not offered). Payment periods (i.e. credit) may be offered where necessary to ensure that services remain accessible but these will vary from service to service. It should be noted that where possible payment for standard goods and services should be received in advance of service.
- 2.3 **Balancing of financial risk** means evaluating the financial risk of providing goods and services in advance of payment and the likely prospect of recovering sums due.

- 2.4 **Efficient collection of income** means encouraging people to pay on time by offering a wide variety of payment methods, including direct debit, e-payment, and using cost effective collection methods, such as automated reminder letters, telephone calls and personal visits. It also means making decisions on the advancing of credit and the collection of debt in an equitable manner. A manner, which considers financial status only (i.e. ability to pay) and not discriminating by age, gender, disability or ethnicity.
- 2.5 **Customer care and client sensitivity** means handling all customer enquiries with courtesy and sensitivity and meeting the needs and expectations of different client groups, including offering flexible payment options and a wide variety of payment methods.

3. Scope

- 3.1 This policy applies to all sources of income across the Council and applies to the provision of both statutory and non-statutory services.
- Essential & Non-essential Services (General Income)
 - Non Domestic Rates
 - Council Tax
 - Parking

4. Corporate Financial Systems

- 4.1 The following corporate systems are the primary systems for the collection of income due to the Council:

System	Type of debt
Civica Authority Financials	Sundry debt
Civica Authority Legal	Legal debt recovery, case management
Capita Academy	Council Tax National Non Domestic Rates (NNDR) Housing Benefit
Parking Gateway	Parking

- 4.2 To administer an efficient debt collection process with clearly defined roles and responsibilities and documented processes.
- 4.3 To maximise the amount of income collected using the most efficient methods of payment.

- 4.4 To ensure that the cost of providing goods or services on credit terms and the cost of recovery is kept to a minimum.
- 4.5 To minimise cost to the Authority by applying administration charges for extended credit arrangements and failed payments, where cost has been incurred.
- 4.6 To minimise cost to the Authority by applying interest and charges as appropriate in accordance with relevant contracts, legislation or Late Payment of Commercial Debt (Interest) Act, 1998
- 4.7 To minimise cost by receiving payment up front for non-essential services.
- 4.8 To minimise bad debt and provide adequate levels of provision for bad debt occurring.
- 4.9 To identify high risk customers, especially those likely to get into financial difficulties. Departments should make appropriate checks, to ensure affordability and safeguard the recovery of outstanding debt.
- 4.10 To maintain high quality and comprehensive accounts receivable information to provide easily accessible, robust management information as well as accurate customer accounts history.
- 4.11 To operate within an overall framework where core working practices are consistently applied across all services and best practice adhered to.
- 4.12 To adhere strictly to legislation, codes of conduct and professional guidelines, taking into account the Council's policies on equalities and considering diversity issues.

5. Responsibilities

Assistant Director for Finance (ADF)

- 5.1 The ADF has a statutory responsibility for the efficient administration of the Council's financial affairs and to protect the Council's financial position. Consequently responsibility for the implementation of this policy rests with the ADF. All officers must comply with this policy and the ADF must be consulted, and give approval, for any deviations to this policy.
- 5.2 The ADF will monitor the overall debt position of the Council and keep under review the arrangements for the effective and efficient collection of debt.
- 5.3 The ADF will report formally as part of the annual outturn report. Exceptions will be reported as required.

- 5.4 Income targets are set as part of the Finance Department Key Performance Indicators (KPI) scorecard and reviewed at monthly Finance Management Team (FMT)

Chief Officers

- 5.5 Chief Officers will be responsible for ensuring these arrangements are communicated, understood and applied by the staff involved in the income and credit management process.

Head of Transaction Centre

- 5.6 The Head of Transaction Centre is responsible for making all recommendations over changes to core working practices and procedures and implementing these changes as they relate to this policy, including any associated assessment of risk.

Departmental

- 5.7 In order to ensure affordability the Department will undertake relevant credit checks prior to entering into contract with customers.
- 5.8 Credit arrangements outside of standard payment terms should not be offered to new customers.
- 5.9 The Department will ensure relevant legal documentation (leases and contracts) are signed by officer and customer and retained.
- 5.10 Departments should give consideration to including a contract clause which allows for the offsetting of payments against outstanding invoices when entering into contract with new customers.
- 5.11 It is the Departments responsibility to provide relevant information enabling accurate customer accounts and invoices to be raised at the appropriate time.
- 5.12 Departments should inform the Transaction Centre of changes to contact and billing details as soon as they occur. Transaction Centre will undertake all amendments in accordance with the procedures for the maintenance of customer account data on the relevant systems.
- 5.13 It is the Departments responsibility to resolve disputes promptly.

6. Policy Alignment

6.1 The Income and Credit Management Policy is designed to be consistent with the following strategies and policies of the Council:

- Medium Term Financial Strategy
- Sustainable Community Strategy
- Financial Regulations.
- Fairer Charging Policy

Medium Term Financial Strategy

- 6.2 The Medium Term Financial Strategy (MTFS) is aimed at providing the financial capacity to deliver the Council's priorities on a sustainable, medium term basis. It recognises the cost pressures faced by the Council over the medium term and matches this against the resources that the Council is likely to achieve. A key strand of the MTFS is driving efficiency and value for money. Minimising the amount of non-collectable debt helps to achieve the aim of protecting and increasing income.
- 6.3 Efficient credit management and income collection also assists in the aim of reducing expenditure.

Sustainable Community Strategy

- 6.4 The Sustainable Community Strategy promotes "Access for all Plymouth's residents to the city's cultural, economic and social life". By maximising the amount of income collected, services enjoyed by those that would otherwise be financially excluded can be maintained. The Income and Credit Management Policy allows for waivers to be granted in exceptional circumstances, taking full account of the diversity of each individual's circumstances.
- 6.5 This policy is consistent with these strategies and aims to recover only that which is due under other approved policies of the Council.

Financial Regulations

- 6.6 The Financial Regulations provide the framework for managing the Council's financial affairs, ensuring that best practice and legal responsibilities are adhered to at all times.

- 6.7 They apply to every member, committee, school governing body, department, officer, partner, employee of the Council, and anyone acting on behalf of the Council, unless otherwise minuted by the Council. Breaches will be reported to the Audit Committee, if the Responsible Finance Officer and the chair of the Audit Committee deem that it is appropriate.

Fairer Charging Policy

- 6.8 Section 17 of the Health and Social Services and Social Security Adjudications Act 1983 (HASSASSA Act 1983) gives local authorities a discretionary power to charge adult recipients of non-residential and some respite services such amounts as they consider reasonable.
- 6.9 Like most local authorities, Plymouth City Council is reliant on the income raised from charging for such services to fund a proportion of the costs. Without this income, service levels would be significantly reduced. Central government assumes that councils will partly fund services from client charges when allocating funding each year. Plymouth City Council has developed this charging policy on the basis of equity, need and a duty to provide care.
- 6.10 The policy meets the statutory guidelines as set out in “Fairer Charging Policies for Home Care and other non-residential Social Services: Guidance for Councils with Social Services Responsibilities”, Department of Health 2003 and Non-Residential Social Services” and Fairer Contributions Guidance issued in November 2010 under section 7 of the Local Authority Social Services Act 1970.

7. Principles of Operation

- 7.1 The Policy Principles set out below represent the standards and procedures that shall apply to all income collections systems throughout the Council. Any deviation from these principles will require the explicit approval of the ADF. Dispensations are only likely to be given in circumstances where they further the greater economic interests of the Council, avoid undesirable social or economic consequences or where the processes in this policy are incompatible with the currently employed technology.
- 7.2 It should be recognised that income derived from the supply of goods and/or services is reduced by the following:
- The cost of allowing credit terms by way of lost interest or interest costs incurred during the credit period
 - The cost of collecting outstanding debts

- 7.3 It should also be recognised that allowing credit presents the risk of losses due to bad debt, which results in total loss of income in addition to the incurred costs of collection.

Payment Terms

- 7.4 All opportunities to take payment in advance will be taken.
- 7.5 Where payment in advance is not possible, standard terms will be for payment to be made on receipt of invoice. Any deviation from the standard terms must be made with prior agreement from the Transaction Centre.
- 7.6 Flexible payment terms should be considered for continuous services only, such as commercial rents, as a means of maximising the collection of revenue. These payment terms should not exceed a six month period.
- 7.7 Discounts will not be offered unless previously agreed by ADF.
- 7.8 Failure to pay on time, or poor payment history, may result in the withdrawal of non-statutory services. Interest may also be applied, either under contracted terms or the Late Payment of Commercial Debt (interest) Act 1998.

Raising of Invoices

- 7.9 Responsibility for the accuracy of invoicing remains with the originating department.
- 7.10 All invoices will be generated promptly and as close to the point of provision as possible, and in any event within five working days of that provision.
- 7.11 All invoices should be raised with the correct income detail code(s) for the goods or services supplied. The four digit detail code will always start with an '8'.
- 7.12 It is essential for recovery purposes that the correct and accurate name and title of the customer are shown on the invoice. If the customer is a business the following information is required:
- Full trading title
 - Whether it is a partnership/sole owner/limited company/PLC
 - The registered office
 - Directors' or partners' names
 - Company Registration number
 - VAT number
 - VAT rate
 - Full address, main telephone number(s) and email address.
 - Date of invoice
 - Name and telephone number of Customer Payment Manager/Team

- 7.13 Invoices must only be raised to the person or organisation ultimately responsible for paying the account. Litigation cannot be successful if the debtor details are not accurate, which will result in departments losing their income.
- 7.14 A clear description of the goods or services provided will be contained in every invoice to assist the customer and to facilitate prompt payment. Specific details must be given, 'See attached' is not acceptable.
- Correct customer details
 - No abbreviations
 - Clarity of content
 - Quantity of charge
 - Date/Time of service / provision
 - Purchase order number
 - VAT if applicable
- 7.15 Invoices should not be manually amended following print.
- 7.16 Internal billing should be used for all inter-departmental debt by journal transfer in the General Ledger. Please speak to your Service Accountant for further advice.
- 7.17 In general, the principle to be applied is not to raise invoices for less than the value of £30.00. Charges below this amount should be collected in advance or aggregated billing raised.

Payment Methods

- 7.18 Various methods of payment shall be available to all customers for the benefit of both the Council and the customer. These will include BACS, standing order, direct debit, debit and credit card payment in person, by telephone, payment kiosks and via the internet, PayPoint and PayPal. The preferred method of payment for continuous services is direct debit. The Council will encourage and promote this method of payment at every opportunity and Service Departments should assist in moving customers to direct debit.
- 7.19 Methods of payment will be reviewed regularly to take advantage of technological advances to ensure the most efficient methods of collecting income are used.

Customer Service

- 7.20 Customers will be provided with the contact details of the originating department on any invoices issued in order that they have access to officers with detailed and specific knowledge of the goods and/or services provided at all times.

- 7.21 All customers will be encouraged to take ownership of their financial affairs. Whilst it is not the role of the Council to provide a debt counselling service, where customers are facing clear financial hardship they will be made aware of external debt counselling services, such as the Debt Helpline, Citizens Advice Bureau and Credit Unions.

Collection of Non Domestic Rates

- 7.23 The Non-Domestic Rating (collection and enforcement) Regulations 1989, outlines the recovery details. This policy must follow the guidelines in the Act. The flow chart at Appendix 1 indicates the process of statutory recovery.

Collection of Income – Council Tax

- 7.24 The Council Tax (Administration & Enforcement) Regulations 1992 outlines the recovery details. This policy must follow the guidelines in the Act. The flow chart at Appendix 2 indicates the process of statutory recovery.

Collection of General Income

- 7.25 Recovery of debt is the responsibility of the Transaction Centre. Responsibility commences from the point the invoice is created on the Debtors.
- 7.26 The flow chart at Appendix 3 indicates the Central Recovery Process and Appendix 4 indicates the Continuous Service Recovery Process for General Income.
- 7.27 Automated reminder letters will be generated when invoices remain unpaid beyond the agreed terms.
- 7.28 Where automated reminders do not elicit a response, pro-active recovery is undertaken. The preferred method for making contact with customers is by telephone.
- 7.29 Where it has been established that a customer is experiencing difficulty in paying outstanding amounts, the Transaction Centre may arrange collection by instalment. The instalment plan should not exceed a period of six months. Where this is not possible the Transaction Centre will work with the customer to agree a mutually acceptable plan.
- 7.30 It is the responsibility of the Transaction Centre to ensure that all sundry debt outstanding to the Council from one debtor is pursued on a consolidated basis.
- 7.31 Where it has been agreed with the customer, outgoing Creditor payments will be offset against outstanding invoices.

- 7.32 All debts that remain outstanding after the normal recovery process has been exhausted will be considered for legal action or referral to the Council's approved external collection agent or enforcement agent.
- 7.33 All outstanding debt is to be pursued until such time as it becomes uneconomic or disproportionate to the administrative effort required. In determining "uneconomic", account must be taken of the overall impact on the Council of non-pursuit of that debt including the impact on the Council's reputation.

Collection of unpaid Penalty Charge Notices

- 7.34 The Traffic Management Act 2004, outlines the recovery process for Regulation 9 and 10 Penalty Charge Notices and the Transport Act 2000, outlines the recovery process for Bus Lane Penalty Charge Notice's. The flow chart at Appendix 6 indicates the process of statutory recovery.

The use of Third Parties and Legal Action – General Income

- 7.35 Legal action will be taken on debts >£500 with the exception of Environmental Health and Adult Social Care debt. Legal action on these debts can be taken on amounts <£500.
- 7.36 Legal action will be instigated on behalf of the authority by the Transaction Centre or Legal Services, following consultation with the department that originated the debt. Where the recovery process is the responsibility of the originating department, that department will instigate legal action.
- 7.37 For debts considered uneconomical to refer for legal action, the use of tracing and collection agents will be considered prior to any decision to write off the debt.
- 7.38 Where the council incurs additional costs as a result of non-payment e.g. court costs, these will be added to the outstanding debt and (where allowed under statute) recovered from the customer.

Collection of Income – Adult Social Care

- 7.39 Within the Care Act 2014, recovery details are outlined. This policy must follow the guidelines in the Act. For information about the collection of Income within Adult Social Care, please refer to Appendix 5.

Use of External Collection and Enforcement Agents

- 7.40 The Council has a contract with approved external collection and enforcement agents and these should be used in all cases.

- 7.41 The services of enforcement agents will be used in their official capacity for the collection of Council tax, NNDR Parking and Commercial Rents.
- 7.42 The services of external collection agents will be used for the collection of sundry debts <£500, with the exception of Adult Social Care debt. These debts may be referred for legal action.
- 7.43 The external collection and enforcement agents will make personal visits to customers when the normal reminder procedures have been exhausted.
- 7.44 In these situations the external collection and enforcement agent will be acting in the capacity of representative of the Council, and due consideration will be given to the individual circumstances of the customer.
- 7.45 All external collection and enforcement agents shall be required to adhere to a Code of Conduct, which complies with and extends beyond any statutory requirements. The Code of Conduct shall be determined in the Corporate Contract for Bailiff Services.
- 7.46 Where the council employs third party collection agencies, these agencies may apply their own costs to the amount to the recovered.

Other Legal and Enforcement Action

- 7.47 Other forms of recovery action that may be used in order to secure a debt are:
- County Court Judgements
 - Third Party Debt Order
 - Attachment of Earnings Order
 - Attachment of Benefits
 - Charging Order
 - Order of Sale (Assets)
 - Filing for Bankruptcies & Liquidations
 - Serving Statutory Demands
 - Levying Distress (i.e. taking possession or seizing goods)
 - Committal to prison
 - Deferred Payments

Bad Debts and Bad Debt Write Offs

- 7.48 Full details of the correct procedures for the write off of bad debt can be found in the Bad Debt Write off Policy.
- 7.49 If the invoice is valid, the charges are due and all viable means of collection have been exhausted, the debt should be written off. Invoices that have been incorrectly raised must be credited and not written off.

- 7.50 Departmental provisions for bad debts shall be reviewed on a periodic basis. Sufficiency of provisions will be amended annually.
- 7.51 ADF, or any officer delegated by him/her, must approve the write off of any debt in accordance with the Bad Debt Write off Policy and Financial Regulations.

Insolvency / Bankruptcy / Receivership / Ceased Trading

- 7.52 Such debt should be written off as soon as a proof of debt has been lodged. Any subsequent income collected should then be written back to the relevant bad debt provision.
- 7.53 Responsibility for the monitoring of insolvencies, completion of documentation shall rest with the Transaction Centre (General Income, NDR, and Adult Social Care) and Customer Services (Council Tax). Representation at creditors' meetings should be the responsibility of Legal Services.

Dispute Management and Credit Notes

- 7.54 Responsibility for the management and resolution of all disputes, regarding service delivery and amount of invoice, remains with the originating department. Every endeavour should be made to ensure disputes are resolved within two months.
- 7.55 All disputes regarding invoiced charges and fees shall be recorded, monitored and reported on via the relevant debt recovery system (currently the Civica system).
- 7.56 Where an invoice is in dispute the recovery process should be 'delayed' on the relevant system pending resolution. In the case of sundry debts the delay should be reviewed at least every two weeks and should be resolved within two months, except where prior agreement has been obtained from the Transaction Centre. If the delay period is not managed promptly, recovery will recommence at the point recovery had reached previously.
- 7.57 If the dispute is not resolved within two months this could result in the debt being cancelled, resulting in a reduction of service income.
- 7.58 Credit notes will only be raised to reduce or cancel charges where an error has occurred and must be properly authorised and documented.

- 7.59 Credit notes must be raised and authorised immediately to correct the error, or as soon as the mistake is realised.

Suspending Recovery

- 7.60 'Suspending' (stopping) recovery action on the sundry debt system should only occur in the event of the death of a customer and on receipt of the appropriate confirmation.

Management Reporting

- 7.61 Levels of debt will be monitored on a regular basis using system generated reports by appropriate officers.

8. Policy Review

- 8.1 This policy shall be reviewed annually by the ADF and approved through the relevant decision making process.

9. Useful Contacts & Links

General Income (Transaction Centre)

Tel: (30)4443 E-mail: incomes@plymouth.gov.uk

NDR (Transaction Centre)

Tel: (30)4966 E-mail: businessrates@plymouth.gov.uk

Client Financial Services (Transaction Centre)

Tel: (39)8155 E-mail: CFServices@plymouth.gov.uk

Council Tax Helpdesk (Customer Services)

Tel: (30)4924 E-mail: revenues@plymouth.gov.uk

Legal Department (Debt Recovery)

E-mail: debtrec@plymouth.gov.uk

Civica Authority Financials – Debtors User Manual

Document Library/All/Training Manuals-ICT/Debtors

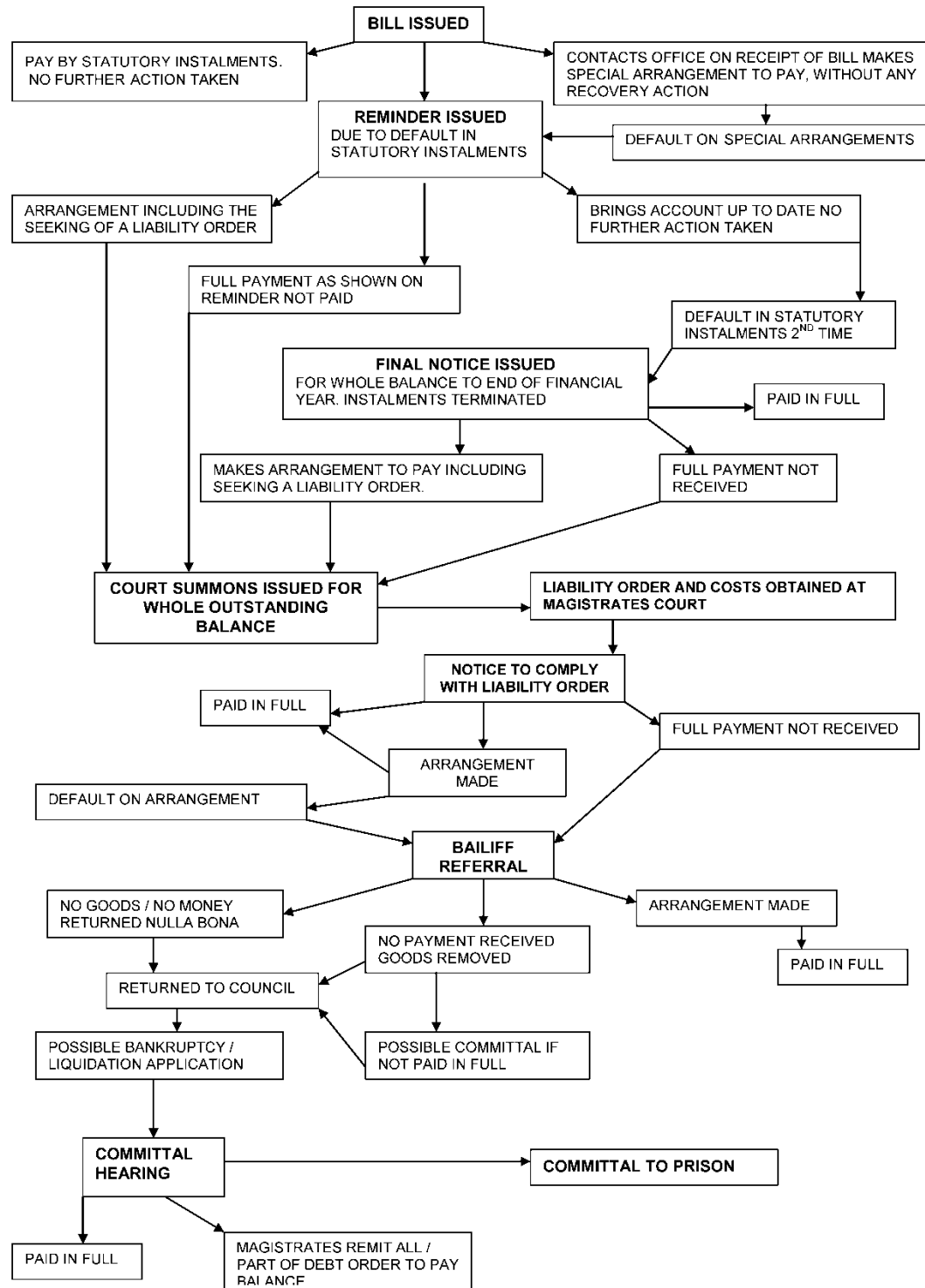
Financial Management webpages on Staffroom<http://www.plymouth.gov.uk/homepage/staffroom/finmgt.htm>Online payments<http://www.plymouth.gov.uk/homepage/general/onlinepayments.htm>**10. Glossary of Terms**

Term	Description
Financial regulations	A number of rules that must be followed in order to ensure that public accountability and high standards of financial integrity are exercised in the use of public funds.
ADF	Assistant Director for Finance (S151 Officer)
CMT	Corporate Management Team
MTFS	Medium Term Financial Strategy
NDR	Non Domestic Rates (more commonly known as Business Rates)
Statutory services	Services that the Council is required to provide by statute (written law)
ECA	External collection agent
Delay recovery	Process by which the invoice is manipulated to delay production of notices/reminders.
Suspend recovery	Process by which the invoice is manipulated to stop production of notices/reminders.
Pro-active recovery	Targeting specific debtors or types of debt for more robust recovery action e.g. telephoning the customer to obtain payment.

Recovery process	A chain of events taken to ensure payment of outstanding invoices.
Income	Money due to the authority for services provided.
Credit	Payment not being made by the invoice due date.
Payment terms	Agreed terms for payment of an invoice.
Bad debt	Non-payment of income that is due to the Council, resulting in the debt being written off.

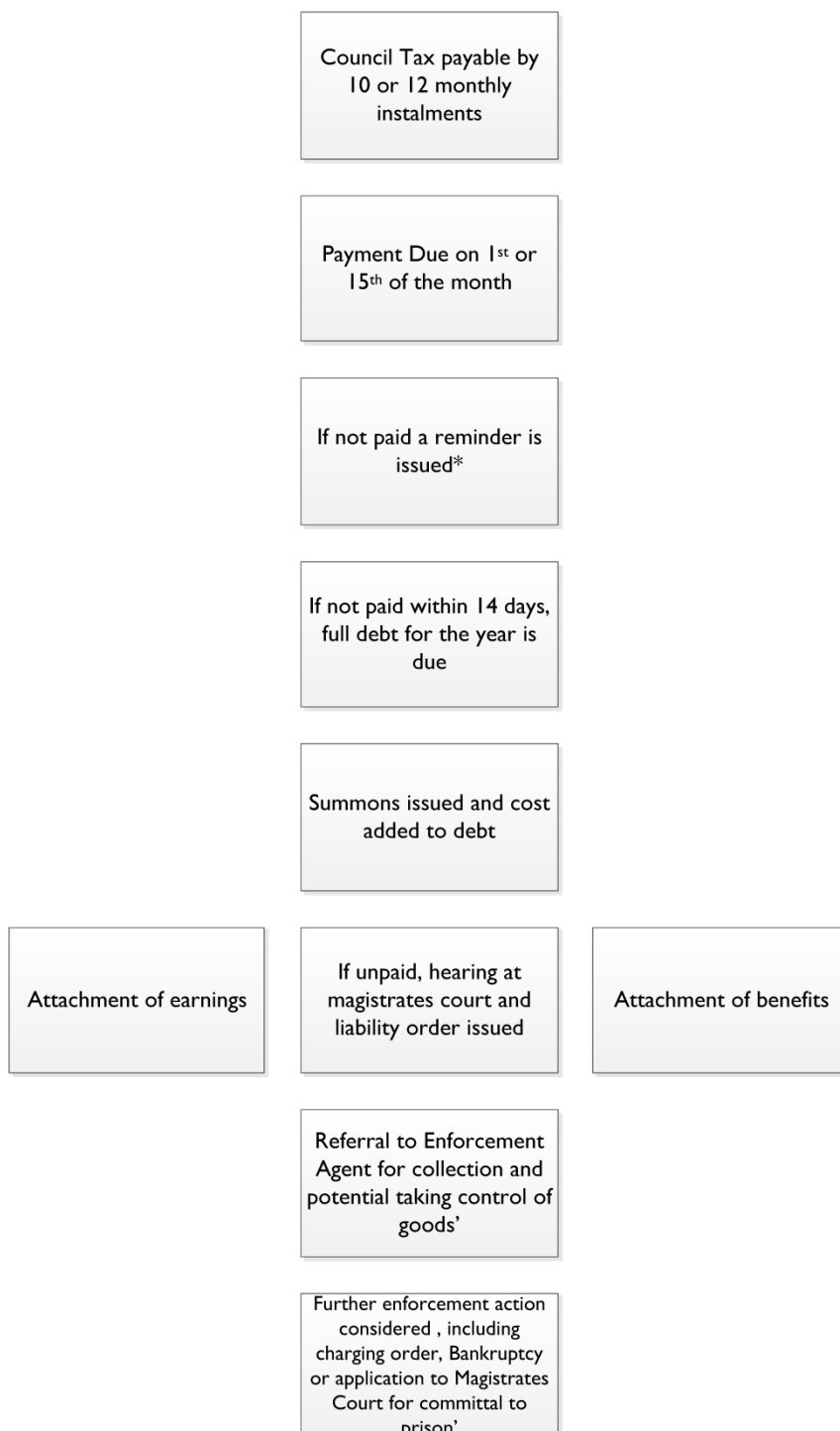
APPENDIX I

NDR FLOWCHART



APPENDIX 2

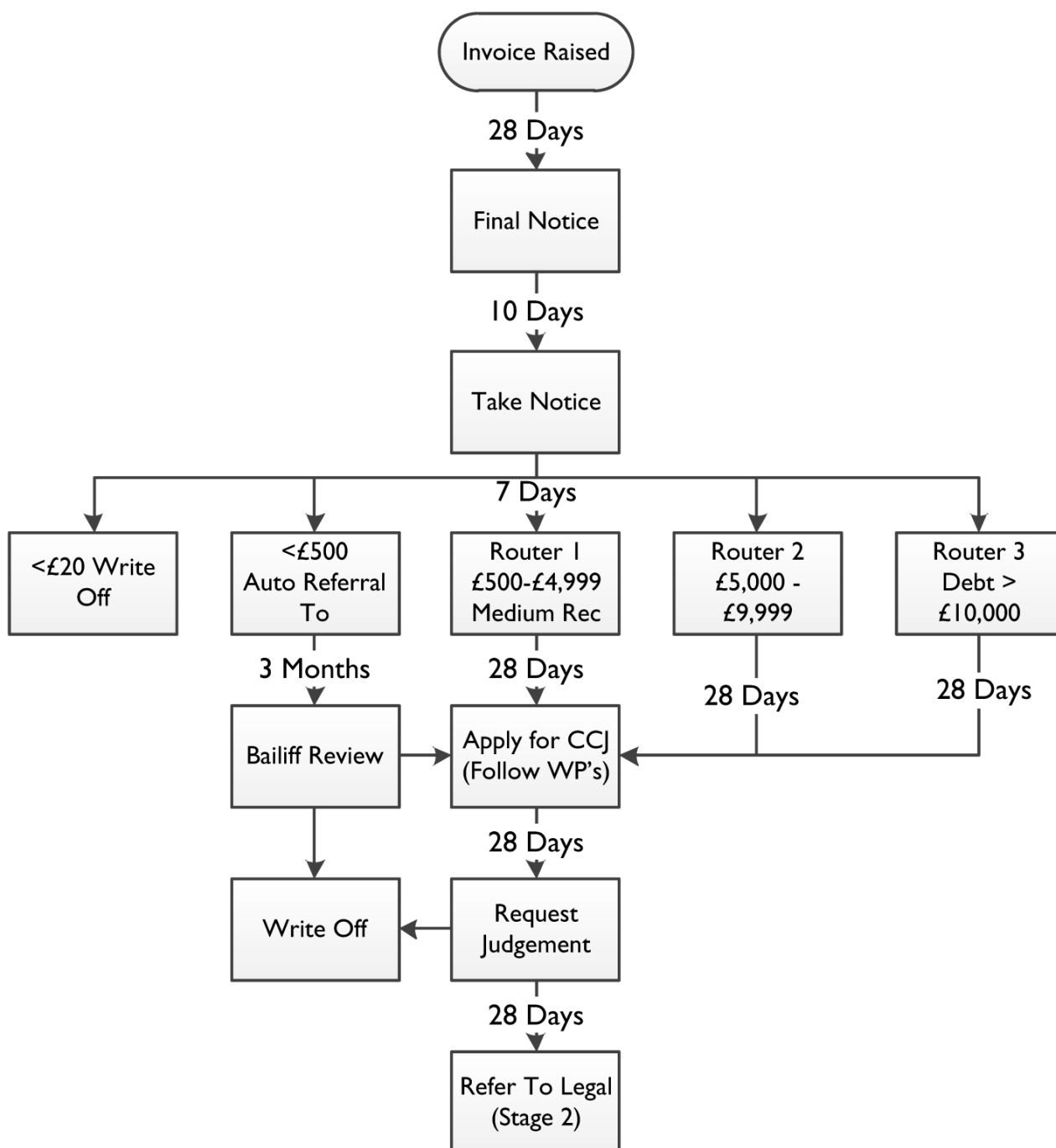
COUNCIL TAX RECOVERY



***If a customer fails to pay on three occasions, the full year's debt will fall due and a final notice will be issued prior to a summons**

APPENDIX 3

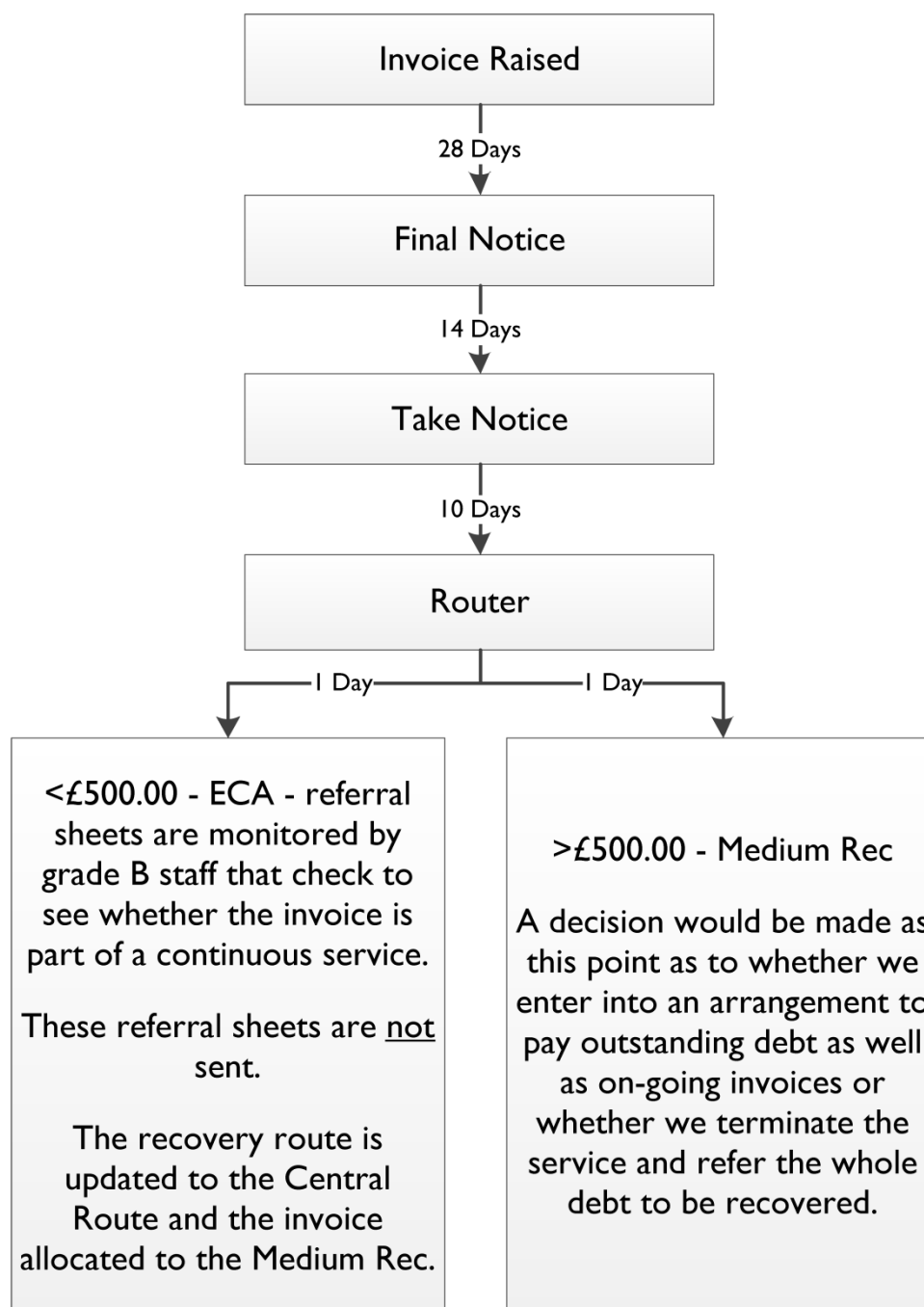
CENTRAL RECOVERY ROUTE



APPENDIX 4

CONTINUOUS SERVICE

- Trade Waste
- Licencing



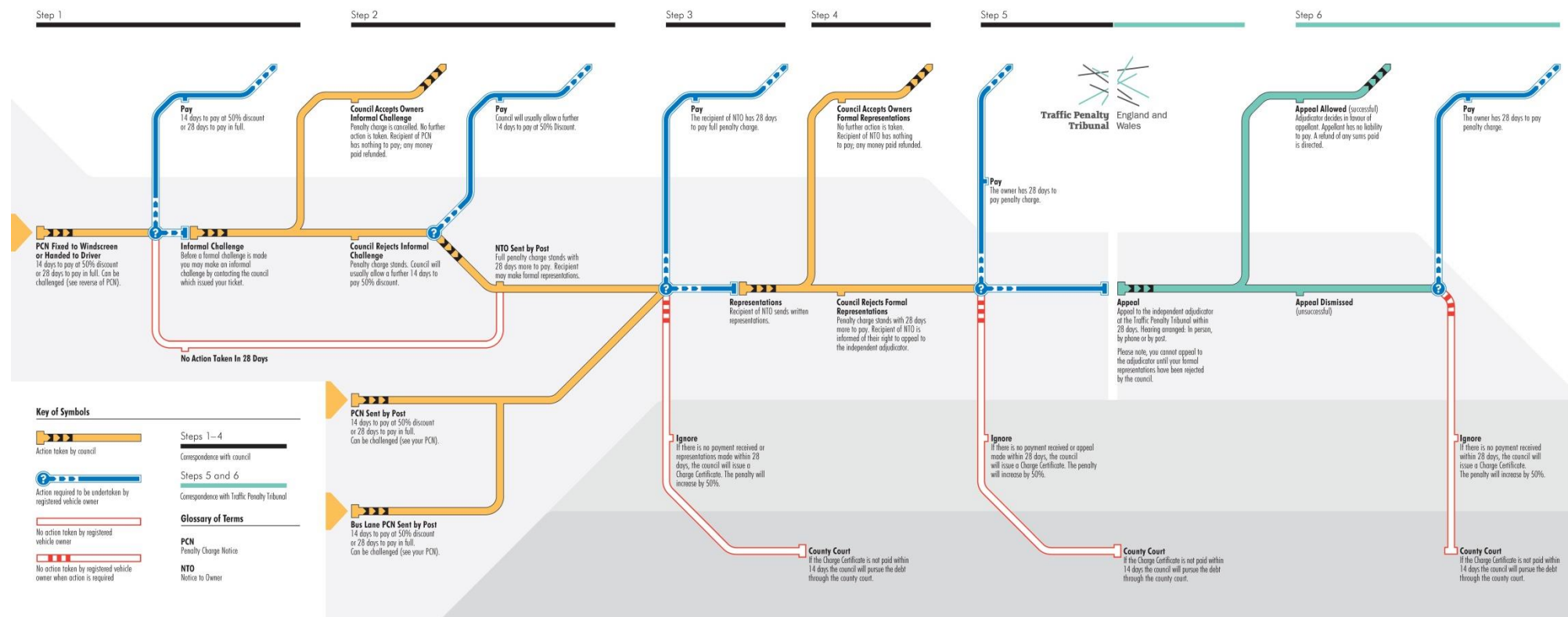
APPENDIX 5

COLLECTION OF INCOME – ADULT SOCIAL CARE

- The Care Act 2014 enables the local authority to make a claim to the County Court for a judgment in order to recover the debt. Plymouth City Council will consider the full range of alternative options before proceeding to a County Court judgment in the case of debt attributable to care and support costs.
- A deferred payment agreement must be offered in the first instance where this is applicable, if the person is receiving care in a care home or are renting an extra care property. If a Deferred payment agreement is not applicable or is refused then this needs to be recorded.
- Plymouth City Council will explore other suitable options with the person where a deferred payment is not applicable or is refused. These will include negotiation, using an advocate, supporting the family to gain a power of attorney or deputyship, the local authority applying to be a deputy and mediation.
- Consideration to how different approaches will impact on someone's wellbeing will be taken at all times and effort should be made to resolve the issue positively through the use of effective social work skills.
- Mental capacity will need to be considered and social workers should be asked to carry out a decision specific capacity assessment where required.
- Where the person is deemed to have capacity then negotiating an agreement, mediation and arbitration options should be considered before a County Court judgment.
- Where the person is deemed not to have capacity, safeguarding teams may need to be involved. Where a person has an attorney for property and financial affairs or a deputy, these roles give the attorney or the deputy the legal authority to make the financial decisions on the persons behalf. Plymouth City Council will then need to consider the options of negotiation, mediation and arbitration with the attorney or deputy.
- If the person is deemed to lack capacity and has no power of attorney or deputy then an application for a deputy is required. Plymouth City Council will ask the family to apply for a deputyship. Where there is no family or they chose not to, Plymouth City Council will apply for one before they proceed to the County Court, bearing in mind the risks of a conflict of interest.
- Any debts occurring after the Care Act 2014 came into effect (01 April 2015) must be recovered within six years of the monies becoming due otherwise the debt will be written off. For any debts that have accrued prior to this date, the time period for recovering that debt continues to be three years as previously set out under Section 56 of the National Assistance Act 1948.

APPENDIX 6

THE PARKING PENALTY ENFORCEMENT PROCESS



APPENDIX 7**WRITE OFF DEBT**

The Rules for writing off debt are as follows:

Value of Debt	Who can approve it?
Up to £40	Nominated recovery officers
Up to £200	Nominated recovery officers (Grade E and above)
Up to £1,000	Nominated Officers (Grade H and above)
Up to £10,000	Heads of Service and other nominated officers of the Strategic Director of Corporate Services.
Up to £100,000	Responsible Finance Officer (Section 151 Officer)
Up to £200,000	Cabinet Member
All debt over £200,000 unless covered by below exception.	Cabinet
Unlimited in the case of bankruptcy or liquidation/CVA/death/no assets/no trace	Responsible Finance Officer or other senior finance officer nominated by him.