

Cambridgeshire County Council

LGSS Collections Strategy

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1. Background

1.1 Basic Principles

The basic principles of debt collection are the same whatever the type of debt you are collecting or who you are collecting it from. A customer is a customer and a debt is a debt. The key variable for a public sector authority is to preserve its reputation (particularly in its treatment of vulnerable customers) and not leave itself open to unwanted scrutiny.

The structures we put in place, methods we employ, the sanctions we can (or choose) to impose and the culture that drives our processes are the only realistic variables. The vast majority of collections work is common sense but requires both sensitivity and firmness in equal measure. We must never lose sight of fairness, commerciality and the reputation of the Council when dealing with any customer.

An important point to note is the changing attitude of customers towards debt in recent years with many becoming somewhat ambivalent towards paying on time or indeed at all. The introduction of a formal Debt Policy and a revision to the Collections Process will allow us to reflect these changing attitudes whilst concurrently ensuring we maintain our principles of how we conduct our debt collection activities. It will also allow us to ensure we maximise our use of resources allocated to collection activity.

1.2 Policy

The full policy can be found in Appendix 1 and a summary of the key aspects are detailed below.

General Terms

These detail the general principle behind the policy and provide clarity on matters such as payment terms, late payment interest, credit terms, de-minimus levels, collection methods, payment methods and allocation of payments received.

Types of Debt and Debtor

This details who may raise a debt and who the Council class as debtors.

Definitions

This section details when a debt is deemed to no longer be recoverable.

Referral for Legal Action

This details the criteria for referring cases and the appeals process.

Write Offs

This details the limits and authority levels.

1.3 Process

The full process can be found in Appendix 2 and a summary of the key aspects are detailed below.

General Terms

These mirror, where appropriate, those detailed in the Policy and include details about Disputes & Resolution.

The Collections Process

This describes the collections process including the issuance of the pre-action letter of claim that is required if legal proceedings are to be instigated.

The Y Strategy

This is how we will determine the next steps if a customer has failed to settle the debt or not made arrangements to pay. Once the standard collections process has been exhausted we have two directions we can go – refer the debt for further collection or legal action or write it off – and the ‘Y’ strategy details the criteria and process for determining which one is most appropriate for the debt in question. It also includes details of how a referral will be made to Legal Services, how it will be monitored and the channels of communication between Legal Services, the raising department and the respective collections team.

Write Off

This documents the factors to be taken into account when considering if a debt should be written off and the process of informing a department of a write off (including the appeals process).

2. Context

The Policy and Processes detailed in the LGSS Collections Strategy is designed to improve the debt collection policy and process for Cambridgeshire County Council and to enable a coherent Collections Strategy to be implemented.

2.1 Debt Policy

The introduction of a formal Debt Policy for the Cambridgeshire County Council will be adhered to by all departments based on the document contained in Appendix 1. This will provide the foundations upon which the core Collections process is built and introduce a consistent approach to how Cambridgeshire County Council manages its debt. The policy will be owned and maintained by the Section 151 Officer in consultation with the appropriate business areas.

2.2 Collections Process

The introduction of a standardised Collections process for Cambridgeshire County Council will be adhered to by all departments based on the document contained in Appendix 2. This will ensure that a debt is pursued in a structured and consistent way and by adopting the 'Y' strategy only those debts that have a realistic prospect of success will be referred for further recovery and Legal Action, which can be both a timely and costly process.

All debt collection processes, whether centrally or locally managed, will be consistent with the standard Collections process, which will be owned and maintained by LGSS Head of Transactions in consultation with the appropriate business areas.

2.3 Using Outside Collection Agencies

Outside collection agencies will be engaged on a 'no win, no fee' basis as we would retain some control over the actions taken by the agencies on our behalf and it is considered that we would generate greater additional revenues through this approach.

It is anticipated that virtually all unsecured sundry debt where no assets are known would be referred to an outside Agency. Social Care debts generally will be the exception to this policy, although these would be managed on a 'case-by-case' basis and some referrals could be made.

2.4 Management Reporting

Key Performance Indicators for Collections will be set annually by the Section 151 Officer and the LGSS Head of Transactions.

Monthly reporting will be provided or available via self-service as follows:

- **Total Debt** – this will be reported based upon the CiPFA standards of 0-30, 30-60, 60-90, 90-180, 180-360 and 360+ at organisation level by Directorate with access to the detailed data that sits behind each number
- **Turnover** – this will measure the value of invoices raised against the amount of debt outstanding in percentage terms displayed by Directorate to give an indication of the overall performance
- **Big Ticket Items** – this will be a collation of all individual invoices greater than £10, 000 in value that are more than 30 days old so Directors, Service Heads and Budget Managers can pro-actively assist the LGSS Collections Team to manage and recover the overdue amounts

3. Appendix 1 – Debt Policy

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Section 1- Introduction

This policy is issued by the Section 151 Officer for Cambridgeshire County Council in accordance with the Council's Constitution. They are corporate procedures and will be followed by all parties involved in the recovery of monies owed to the County Council.

Variations and exceptions to this policy can only be approved by the Section 151 Officer. Where leasehold or tenancy agreements prescribe, alternative debt recovery arrangements are in place and are managed by the Property Service Area.

Departments must use upfront payments in all appropriate circumstances for all services provided before issuing invoices to minimise the potential for debts to occur.

All invoices issued by departments must be raised in the Oracle Financials System (Oracle ERP) either directly or via an interface feed from a line of business system within a maximum period of 14 days from the date the service commenced / was delivered. Invoice raising should be in accordance with the prescribed procedure ensuring that where appropriate customer purchase order numbers are shown. Once the invoice is recorded in Oracle the credit will be posted to General Ledger (GL). The management information produced from GL will, therefore, reflect the Council's accounting policy.

The Section 151 Officer will arrange for the debt to be collected through the LGSS Transactions Collections Team (hereafter referred to as 'the collections team'). Raising an invoice should lead to payment being received, however the relevant collections team will chase all unpaid invoices in line with the approved Debt Policy and Collections Process.

Section 2 - Payment and Credit Terms

Payment terms for accounts raised are either immediate or 28 days. If any other payment terms are required these must be presented to the Section 151 Officer, with a business case, to seek agreement prior to the issuance of an invoice.

If Cambridgeshire County Council have had no dealings with a customer before or if the customer has a record of poor payment then consideration should be given to requesting payment before the goods or service are supplied. A paid invoice can be supplied after the event, if required.

This section will not apply to debts accrued as a result of community care services provided as a result of an Adult Social Care Community Care assessment.

Late Payment Interest

Under the "Late Payment of Commercial Debts (Interest) Act 1998" Cambridgeshire County Council is entitled to claim statutory interest for the late payment of commercial debts and reasonable debt recovery costs. At present, Cambridgeshire County Council has not invoked this legislation but any such costs, which may be recovered in the future, will be credited against corporate debt recovery costs and loss of interest and will not be credited to departmental budgets.

In certain circumstances, Adult Social Care may authorise a deferred payments scheme. If, on the cessation of the scheme, payments are not been made by 56 days, Cambridgeshire County Council will charge 1% above the Barclays Bank base rate on the debt either from the date the resident passed away or the due date of the final invoice if the resident has left the home or if the property has been sold.

Section 3 - Invoicing

Customer Addresses

The Oracle Financials Accounts Receivable system contains customer name and address information for raising invoices, however, it is the responsibility of departments to ensure that the information is correct and up to date before raising an invoice.

If an original invoice over £100 is returned due to an incorrect address the Data Management Team will instigate a customer trace with any costs incurred charged to the originating department.

If the invoice is under £100 it will be cancelled and the department informed. When a new address is known and confirmed with the Data Management Team a new invoice will need to be raised by the department. Details on Customer set up and maintenance and how to raise an invoice can be found on the LGSS Intranet site.

Timeliness

It is important that invoices are raised in respect of all debts as soon as the service has been provided or any liability incurred in accordance with the Council's SORP 3 standard. Invoices must be accurate and they must not be speculative. They must be entered into Oracle without delay.

Where the County Council is in a contractual situation and stage payments are made a request for payment should be issued in the first instance. An invoice should only be raised once agreement has been reached on the amount to be paid. If an order has been part completed, consider raising an invoice for this part of the work, particularly if there will be a delay before completing the order **and/or** the order is large.

Despatch

Invoices produced by LGSS will not be returned to departments upon printing, nor will attachments be sent out with invoices. The most practical approach is to send correspondence or attachments under separate cover and say that an invoice will follow.

De-minimis Level

Departments are advised not to raise official invoices for amounts below £50 as the cost of collection will outweigh the income being collected. In these circumstances departments should collect payment before goods/services are delivered.

N.B. Where the supply is liable to VAT the debtor has a right to request either a VAT invoice or a VAT receipt. This right will normally only be taken up by a VAT registered trader.

Overpayments by Cambridgeshire County Council

If a debt has arisen as the result of an overpayment to a creditor, the first consideration should be given to deducting monies from further payments due, however if this is not possible then an invoice should be raised without delay.

Section 4 - Allocation of Payments

Unless a customer specifies that a payment made is for a specific invoice any monies received will be allocated firstly against fees, costs and interest and then against the oldest debt but excluding disputed items.

Unidentified Cash

Where departments are asked for assistance in identifying unidentified cash they should respond within 10 working days.

Any unidentified cash, unapplied after six months, will be transferred into central funds. If this is subsequently identified prior to year-end closure, then a transfer to the departmental budget may be effected.

Section 5 - Debt Collection Timetable

The collection process will commence on or around 14 days after the date upon which an invoice was issued, although telephone calls will be made, subject to available resources, where significant debts are raised. The timetable below may alter depending on the individual circumstances of specific cases and if the customer makes / is in contact with the relevant collections team (or department). The full process is documented in the Collection Process.

Day 14 – if no payment or contact received the customer is issued with the first letter requesting payment within 7 days

Day 34 - if no response or payment has been received the customer is issued with the second and final letter requesting payment known as the 'pre action letter of claim' stating we will look to commence legal proceedings if payment is not forthcoming within a final period of 10 days.

During the above stages, efforts will be made to contact customers by telephone if the raising department has provided these to the relevant collections team. At all times, the collections team will adopt a fair and reasonable approach towards the customer taking account of their circumstances and ability to pay. Any disputes with customers and / or departments that cannot be resolved by the collections team will be escalated initially to the LGSS Revenues and Assessment Manager for a decision. If agreement cannot be reached then a referral to the LGSS Head of Transactions and Head of Finance Professional will be made whose decisions will be final.

Often the threat of action plus the formal nature of the request is sufficient to at least prompt a response from the customer.

Day 44 - The debt will be assessed using the 'Y' strategy to determine what options will be taken including if external collection or legal action is viable or whether write off appears to be the only remaining option.

Section 6 - Securing Debt Arrangements

Instalments

Any request to pay by instalments must be referred to the collections team who will contact the debtor to obtain details of their income/expenses and offer. The collections team alone will have the delegated powers to accept or reject any offer made. If the offer is not considered reasonable then they will inform the debtor and try to negotiate a better offer, however they may refer the debt for legal action if no better offer is forthcoming.

If a debtor fails to honour an instalment payment they will be contacted and reminded that a missed payment means that the whole of the debt becomes immediately due and normal recovery procedures will be applied.

Deferred (or Secured) Debts

If a debt is secured by property then the collections team will not chase the debt, subject to sufficient equity being proven. All debts that are deferred must be registered in Oracle and it is the Departments responsibility to ensure this happens.

We must ensure that we have a legal charge over the property and not just a promise of payment against a future sale as without a legal charge we are powerless to enforce payment. The collections team will make the necessary enquiries in conjunction with LGSS Legal will ensure any security held is valid.

Customers in Receivership/Liquidation/Bankruptcy

If notification of a firm / individual going into receivership / liquidation / bankruptcy is received, it should be forwarded to LGSS Collections Team who will check for outstanding debts. If there are any and they have already been referred to Legal Services then the LGSS Collections Team will call these cases /debts back together with any correspondence from the receivers / liquidators for them to manage appropriately and deal with the receivers / liquidators. If there are outstanding debts that have not been referred to Legal Services the LGSS Collections Team will deal with the receivers / liquidators.

Section 7 - Debts Referred to External Collection Agents and Legal

Only debts that have been identified via the 'Y' strategy as viable will be referred to External Collection Agents or Legal Services to commence action. The collections team will contact the issuing department, if required, for any documentation necessary to complete the submission pack to these Agents and Legal Services.

If a department wishes to refer a debt that failed the viability test under the 'Y' strategy then it can submit a request detailing the reasons why legal action should be taken to the LGSS Collections Manager for consideration. The LGSS Collections Manager will consult with Legal Services and if the conclusion is that legal action is not appropriate then he will refer the debt back to the originating department. Appeals on decisions will be considered by the LGSS Head of Transactions.

Once the debt has been referred to Legal Services, the collections team will monitor progress and costs on a monthly basis. Legal Services will refer general queries to the collections team except where authority to incur additional costs over those anticipated in obtaining judgement is required, in which case they will contact the invoice-issuing department direct.

If at any stage in the process Legal Services consider there is no prospect of recovery or that it is not cost-effective to continue the action they will notify the department and return the debt to the relevant collections team for referral to an outside collection agency or write off.

If Legal Services agrees an instalment plan with a debtor, then once one payment has been received the debt will be passed back to the relevant collections team to monitor receipt of future agreed instalments.

Costs

Legal proceedings result in the Council incurring additional costs. The Council's policy is that the legal costs should be included in the claim against the customer. Any legal costs that are not recovered from the customer will be charged back to the department who originated the invoice.

Any commission costs accrued for recovering debt through the External Collection Agent will be charged back to the department who originated the invoice on a monthly basis.

Section 8 - Enquiries from Customers

If a customer queries the validity of an invoice with the LGSS Collections Team then the invoice will be placed on hold and the query referred back to the originating department. If a debtor raises the same type of query directly with the originating department, the department must immediately notify the relevant collections team so that the invoice may be placed on hold.

Once a query has been raised the originating department must reply to the customer within 5 working days.

Copies of all correspondence (and details of telephone conversations) must be sent to the collections team weekly as they are responsible for maintaining the debt history and will need to pass all relevant papers, including copies of correspondence, to Legal Services if the debt is referred.

Section 9 - Disputes - Invoices Placed 'On Hold'

Where an invoice has been queried and placed on hold the originating department must keep the collections team informed of progress. If the query cannot be answered within the 5 day limit then the originating department must give the relevant collections team an indication of when the query will be settled. The originating department has a maximum of 15 working days from the date of query to resolve the matter.

If the originating department cannot resolve the query within this extended period they must request the invoice remain on hold for a further specified period of time. If no extension has been requested the invoice will be taken off hold and normal debt collection activity will re-commence.

The LGSS Collections Manager can decide to cancel any invoice that is on hold where queries are not being progressed as follows:-

- Debts below £1,000 will be cancelled back to the originating department
- Debts above £1,000 or over will be reported monthly to the LGSS Head of Transactions and Head of Professional Finance for advice / action

Section 10 - Cancelling an Invoice

Once an invoice has been printed it must not be changed or cancelled. If it is subsequently found to be incorrect a credit note must be raised in Oracle to either cancel the complete invoice or part thereof. These should be generated by the invoice originating department via a request to the LGSS Data Management Team.

It should be noted that this relates only to those circumstances where the debt, as raised, is incorrect. If cancellation is required in other circumstances the invoice must be written off (see the Write Off section for further details). Care should be taken in raising invoices to ensure that the need for cancellations is kept to a minimum

Section 11- Write Off

An invoice that remains outstanding after Collection Action will be subject to a write off process. Authority to write off the debt rests with the collections team subject to the delegated limits details below.

Delegation for Write Off

Debts over £25,000

Debts over £25,000 will be reported to the General Purposes Committee. The LGSS Head of Transactions will prepare details of any such debts for the Section 151 Officer to seek authority of the General Purposes Committee to Write Off.

Debts £5,000 to £25,000

Each month the LGSS Collections Manager will prepare schedules by department of debt recommended for write off for authorisation by the Section 151 Officer. The schedules will include the reason for requesting a write off and confirmation that the collections process has been exhausted and confirmation from a departmental senior officer from the service area to the write off.

Debts £2000 to under £5000

Each month the LGSS Collections Manager will prepare schedules by department of debt recommended for write off for authorisation by the LGSS Head of Transactions. The schedules will include the reason for requesting a write off and confirmation that the collections process has been exhausted and confirmation from a departmental senior officer from the service area to the write off.

Debts £500 to under £2000

Each month the LGSS Collections Team will prepare schedules by department of debt recommended for write off for authorisation by the LGSS Revenues and Assessment Manager. The schedules will include the reason for requesting a write off and confirmation that the collections process has been exhausted.

Debts below £500

Each month the LGSS Collections Team will prepare schedules by department of debt recommended for write off for authorisation by the LGSS Collections Manager. The schedules will include the reason for requesting a write off and confirmation that the collections process has been exhausted.

The Finance Business Partners in each department will be provided a copy of the appropriate schedules for information, of those debts to be written off.

Write Offs will be charged in accordance with the Write Off Accounting Policy as determined by the Section 151 Officer. The current policy will be to write off back to the original invoice or equivalent codes irrespective of the financial year the invoice was raised in.

Payments Received Post Write Off

If payment is received after an account is written off the write off will be reversed (up to the value of the receipt) and the cash applied to the original account within Oracle providing this occurs within the same financial year. If this occurs in a subsequent financial year the payment will be considered a fortuitous gain and no reversing entries will be undertaken in Oracle.

4. *Appendix 2*

Collections Process

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7. The Collections Process
8. The Y Strategy
9. Disputes & Resolution
10. Write Off

Section 1 - Overview

The basic principles of debt collection are the same whatever the type of debt you are collecting or who you are collecting it from. A customer is a customer and a debt is a debt. The key variable for a public sector authority is to preserve its reputation (particularly in its treatment of vulnerable customers) and not leave itself open to unwanted scrutiny.

The structures put in place, methods employed, the sanctions we can (or choose) to impose and the culture that drives our processes are the only realistic variables. The vast majority of collections work is common sense but requires both sensitivity and firmness in equal measure. We must never lose sight of fairness, commerciality and the reputation of the Authority when dealing with any customer. Every effort will be made to assist those debtors who fall into the category of “can’t pay” rather than “won’t pay”. This will be achieved through debt recovery action, referral to counselling agencies or advocacy services.

The purpose of this document is to detail the collections process to be followed including clarification of any definitions or terminology used to ensure a structured and consistent approach is taken to maximise chances of recovery.

Section 2 - Roles & Responsibilities

The tables below provides an overview of the responsibilities under each key area of the process detailing the business area that has primary ownership and where it is optional for another area to be involved or engaged as a debt moves through that stage of the process. It should be noted that interaction between the LGSS Collections Team and other business areas throughout the collections process will be ongoing and not all of this will be captured in the table below.

<u>All Debts</u>	<u>Business Area Responsible</u>		
	Dept.	LGSS	Legal Services
Accurate raising/cancelling of debt in line with established policy and procedures	P		
Retention of appropriate documentation to support validity of debt	P		
Collection of debt < 30 days old	O	P	
Collection of debt > 30 days old	O	P	
Standard collections process		P	
Application of the 'Y' strategy		P	
Undertaking legal proceedings	O		P
Maintenance and monitoring of instalment arrangements		P	
Management of debt referred to outside agencies		P	
Decision to write off	O	P	O

P = the business area primarily responsible

O = the business area may choose to be involved but is not the primary owner; any involvement must be communicated to the business area who is primarily responsible

Section 3 - Types of Debt & Customers

By way of definition, all debts are invoiced debts for services provided by the various departments within Cambridgeshire County Council: There are two main categories for debt – Care Debt and Sundry Debt

Each department has numerous establishments that raise invoices for specific business areas and each is allocated a salesperson reference to identify them.

In the majority of cases debts are unsecured and would be treated as such in any court action we may take. In certain instances it may be possible to secure debts by either taking or obtaining via the courts a Legal Charge against a property in which the customer has an interest.

Customers can be either:

- Private individuals (who freely purchase services from us)
- Private Individuals (who receive Care services and have restricted choice as to whether services are purchased)
- Companies / Businesses
- Tenants
- Other local authorities
- Colleges, Academies and Schools
- NHS Bodies

Section 4 - Definitions of Irrecoverable Debt

A. Irrecoverable Debt Prior to Legal Action

A debt will be deemed irrecoverable once the following steps have been taken or considered and resulted in neither resolution nor payment of the debt:

1. Staged collection letters sent (minimum 2 letters)
2. Phone calls made to the debtor (where applicable)
3. Copy invoices sent (where applicable)
4. Trace actions instigated (where applicable)
5. Referral to external collection agencies (primarily for sundry debt)
6. Legal or further action for recovery deemed uneconomical
7. Legal action not deemed appropriate as customer not working or company in liquidation
8. Legal action impossible as we have no proof of debt or enforceable documentation
9. Insolvency or bankruptcy confirmed
10. Customer refuses to pay and has no income to do so
11. Customer refuses to provide income & expenditure details and has no known assets
12. Customer gone away and cannot be traced
13. Customer will not make a payment offer satisfactory to both parties and does not have the means to do so

B. Irrecoverable Debt Following Legal Action

1. Judgement has been gained in The County Court but the customer has disappeared and cannot be traced
2. Judgement has been obtained and invoice raising department will not sanction the cost of enforcement
3. The amounts recovered by enforcement are insufficient to clear the invoice in full
4. Court action has failed and we were unsuccessful in obtaining judgement
5. Payments under Judgement have stopped and the cost of re-commencing legal action is deemed prohibitive
6. Action is defended and the cost of pursuing is prohibitive

Write Off

Write off is the process of removing a debt from the debtor ledger on Oracle since the monies due will never be recovered. As soon as a debt is deemed as irrecoverable it should be written off.

Write off schedules will be produced each month for authorisation in accordance with the Write Off Policy

The Finance Business Partners in each department will be provided with the appropriate schedules each month of those debts to be written off.

Section 5 - Collection / Payment Methods

The main collection methods are as follows:

1. Telephone call to home or mobile for individuals (if provided by the raising department or identified by the LGSS Collections Team)
2. Telephone call to company or business office for companies or schools (if provided by the raising department or identified by the LGSS Collections Team)
3. System generated reminder letters (also referred to as Dunning)
4. Self generated / ad-hoc bespoke collection letters issued by LGSS Investigation and Recovery Officers
5. E mail
6. Scheduled Payment arrangements (instalments)
7. Trace action
8. Legal Action
9. Collection Agent and Bailiffs (after court action)
10. Warrants (after court action)
11. Attachment of earnings (after court action)

The different payment methods available are:

1. Cash
2. Cheque
3. Direct Debit
4. Recurring Payments
5. Payroll deductions (employees only)
6. BACS
7. Phone/Internet banking
8. Payzone (to be determined)
9. Girobank (under review)
10. Debit Card
11. Credit Card

Section 6 - Collection Tools

The collection tools used by LGSS Collections Team in the broadest sense, encompass using outside agencies and other local authorities to obtain information on a customer to assist us in the recovery process and the following list details those to be used.

- Experian for business searches
- Section 35 requests to other local authorities for address confirmation
- Birth, marriage and deaths records
- Google/ Bing etc
- Social networking sites
- Tracing Agents

Section 7 - The Collections Process

The collection process will commence on or around 14 days after the date upon which an invoice was issued, although telephone calls will be made, subject to available resources, where significant debts are raised. The timetable below may alter depending on the individual circumstances of specific cases and if the customer makes / is in contact with the relevant collections team (or department). The full process is documented in the Collection Process.

Day 14 – if no payment or contact received the customer is issued with the first letter requesting payment within 7 days

Day 34 - if no response or payment has been received the customer is issued with the third and final letter requesting payment known as the 'pre action letter of claim' stating we will look to commence legal proceedings if payment is not forthcoming within a final period of 10 days.

During the above stages, efforts will be made to contact customers by telephone if the raising department has provided these to the relevant collections team. At all times, the collections team will adopt a fair and reasonable approach towards the customer taking account of their circumstances and ability to pay. Any disputes with customers and / or departments that cannot be resolved by the collections team will be escalated initially to the LGSS Revenues and Assessment Manager for a decision. If agreement cannot be reached then a referral to the LGSS Head of Transactions and Head of Finance Professional will be made whose decisions will be final.

Often the threat of action plus the formal nature of the request is sufficient to at least prompt a response from the customer.

Day 44 - The debt will be assessed using the 'Y' strategy to determine what options will be taken including if external collection or legal action is viable or whether write off appears to be the only remaining option.

During the above stages, efforts will be made to contact customers by telephone as this is proven to be the most effective method of extracting a positive outcome. The main reason for this is that any confusion is dealt with immediately and a commitment to pay is gained. If clarification is required by the customer we deal with this immediately, for example, investigating the whereabouts of payments the customer claims to have made or providing a copy of the invoice as proof the debt is valid. It should be noted that due to the sheer volume of invoices raised it will not always be possible to chase every one by phone and where there is a need to prioritise higher value debts will be targeted first.

At all times, the collections team will adopt a fair and reasonable approach towards the customer taking account of their circumstances and ability to pay. Any disputes with customers and / or departments that cannot be resolved by the collections team will be escalated initially to the LGSS Revenues and Assessment Manager. If agreement cannot be reached then a referral to the LGSS Head of Transactions and Head of Professional Finance be made whose decisions will be final.

Section 8 - The 'Y' Strategy

The 'Y' strategy looks at the process as representative of following the collections phases until we reach a 'fork in the road'.

At this stage the debt will be reviewed by the LGSS Collections team to ensure that the collections process has been correctly followed, and if not take appropriate corrective action.

Where the collection process has been followed, the Collections Team will use the Y strategy contained within the Collections Process as the basis for determining the next action with the value and type of debt being the determining factors in the decision making process Oracle will be updated to show which path / action is followed.

At this point there are four primary options:

- | | |
|----------|---|
| Option 1 | Care Debt – refer to In house Investigation and Recovery Officers |
| Option 2 | Sundry Debt – refer to External Collection Agent for Recovery |
| Option 3 | Refer for Legal Action |
| Option 4 | Prepare for Write-Off. |

Option One - Care Debt

For outstanding Care cases, the debt will be referred to the Investigation and Recovery Officers. The collections officer will flag the debt in Oracle as 'referred to investigation and recovery officer (IRO)"

The IRO will:-

- Review Financial Assessment and Care information to gain background and understanding of the case
- Contact Social Care Officers / Workers should further information be required
- Contact the individual or their authorised representatives by phone, email, letter or visit to determine reasons for non payment
- Seek to resolve any disputes, misunderstandings surrounding the debt
- Agree payment plans, or seek to secure payment of the debt through other arrangements
- Make recommendations for further action, legal action or write off of debt

Option Two – Sundry Debt

Outstanding Sundry Debt and Care Debt by exception (determined on a case by case basis, where legal action is not considered viable) will be referred to an External Collection Agency for recovery. The collections officer will flag the debt in Oracle as 'referred to collection agent" and gather the core details and copy documentation for submission to the appointed collection agency(s). The Collections Agency will have the case for 60 days and the Collections Team will be in regular contact with them, to ensure debts are being managed appropriately and reporting on performance and collection rates is being received.

Once the use of the outside agency has been concluded the following will happen:

- If full payment has been forthcoming, Oracle will be marked accordingly and the case closed
- The External collection Agency's recovery commission fees will be charged back to the department who raised the invoice on a monthly basis
- If partial or no payment has been received, Oracle will be marked accordingly and the relevant collections team will arrange for the debt to be flagged as 'pending write off' and for it to be added to the current write off schedule for approval. The schedule will then be provided to the department concerned on a monthly basis to notify them the debt is to be written off

Option Three - Legal Action

The relevant collections officer will review the case to determine whether Legal action is viable. The collections officer will flag the debt in Oracle as 'referred to Legal" A legal case submission template will be completed and checked prior to submission to Legal to ensure that all required actions and documents are in place.

This preliminary process ensures that:-

1. Only debts that are deemed collectible would be sent to Legal Services ensuring effective use of their time and resources and that solicitors / court costs are not unnecessarily incurred
2. All preliminary letters have been sent so court papers can be issued immediately
3. Success rates through the court should be higher
4. Recourse direct to departments from Legal Services saving time and resources
5. Where court action fails Legal Services can advise the department direct and return the debt to the relevant collections team to refer to an outside collections agency or write off
6. Legal expertise is not misdirected by the pre-action process

The LGSS Collections Team will on a monthly basis monitor progress and cost performance of each case to determine the cost effectiveness of action taken.

Option Four – Write Off

At any stage during the recovery process a debt can be referred for write off, although this must be as a last resort when all other actions have failed to collect the debt. The Collections Policy determines where debt is deemed to be irrecoverable and Section 10 of the Collections Process outlines items to be considered when determining write off. The cost effectiveness of further debt recovery action should also be considered and therefore single non recurring debt of less than £50 may be deemed as uneconomical to recover following the issue of dunning letters.

Write off schedules will be produced each month by the LGSS Collections Team for authorisation in accordance with the Write Off Policy.

The Finance Business Partners in each department will be provided with the appropriate schedules for information each month of those debts to be written off.

Section 9 - Disputes & Resolution

It is quite common during any phase of the debt collection process to find that the invoice being chased for payment is disputed. This is not necessarily an indication that we will not be paid but more likely a request for more information. Nonetheless, this is quite often a delaying tactic and if not dealt with in a timely manner can lead to protracted non-payment.

Usually the dispute will relate to one of the following:

1. Customer claims the invoice was never received
2. Customer disputes the amount of the invoice
3. Customer claims to have paid it already
4. Customer maintains some or all of the invoiced services have not been provided
5. The customer will not pay anything until ALL the items invoiced have been either done or received

Items 1 and 3 are easily resolved either by sending a replacement invoice or tracing the payment via the Oracle system.

Item 2 needs to be queried with the invoice-raising department to ensure that the figures were indeed correct and if not, for an additional invoice or the appropriate credit note to be issued.

Item 4 also requires clarification from the invoice-raising department but also some negotiation by the Collections Team for part payment against the completed services provided.

Item 5 unfortunately is extremely common and likely to take time to resolve. In this scenario, the customer is adopting an all or nothing approach, which requires more in depth research and most likely co-operation from the invoice-raising department to fully resolve.

Section 10 - Write Off

The definition for write off is provided in the Policy for Debt Recovery and has been mentioned earlier in this process guide; however it should be made clear that it is, and must always be, the last resort.

It is recognition that nothing further can be done to collect payment of the debt and that no further action for recovery will be made. In this context, the reasons that a debt should, or could be, considered for write off, are as follows:

1. All efforts to collect the debt have been exhausted and failed
2. The Customer should be sued but is not working or the company is in liquidation and so there is no value in doing so
3. The Customer refuses to pay but legal action would not succeed as we have no proof of debt
4. The Customer has been sued but enforcement has failed
5. The Customer cannot be traced
6. Court Judgement has been obtained but the order granted will not liquidate the debt within 60 months (i.e. nominal payments of say £1 per month)
7. Enforcement has succeeded but goods to levy against have no value
8. Debt is over 24 months old with no likely resolution
9. Debt has been passed to a external collections agency and they have failed to recover any monies.

There is, of course, no reason why a customer could not be pursued for a debt that has been written off if we become aware that their circumstances have changed for the better. In such instances, any monies recovered would be treated as a fortuitous gain.