

## **Report to Cabinet**

**Report reference: C-102-2009/10**

**Date of meeting: 19 April 2010**



**Epping Forest  
District Council**

**Portfolio: Finance and Economic Development.**

**Subject: Sundry Income and Debt Policy.**

**Responsible Officer: Edward Higgins (01992 564606).**

**Democratic Services: Gary Woodhall (01992 564470).**

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### **Recommendation/Decisions Required:**

**To consider and adopt the updated Sundry Income and Debt Policy.**

### **Executive Summary:**

The Finance and Performance Cabinet Committee previously reviewed the Sundry Income and Debt Policy on 5 October 2009. Members suggested that refinement of the policy was required and requested officers to review and report to Cabinet.

### **Reason for Proposed Decision:**

It is considered that the introduction of Direct Debits to the Sundry Debtor system will improve the collection rate. Monitoring of performance will also be improved by upgrading to the latest version of the Sundry Debtor system software. Both these enhancements can be implemented without the need for additional resources.

### **Other Options for Action:**

To commission interest calculating upgrade to the Sundry Debtor system which will require £10,000 to £15,000 of resources.

### **Report:**

1. Following Member instruction a review of the Council's Sundry Income and Debt policy has been carried out. As part of the review a number of other authorities were contacted regarding their Sundry Debt Policy and others were gathered using the internet. It was discovered that a number of authorities have yet to formalise a Sundry Debt Policy. Where a debt policy was available it was found that Epping Forest District Council policy was in line with the vast majority.
2. It must be brought to the attention of Members that Sundry Debt collection is not assisted by a benefit system which enhances the collection rate for other debts such as benefit overpayments and Housing rents.
3. Legal Services do not have a dedicated computerised debt collection system but utilise the Case Management system to produce standard letters, documents and reports. The Court Service Money On Line service is also used for the issuing of non commercial debt cases.
4. It is suggested that the time line for recovery of debt (illustrated in the Recovery Flow Chart – Appendix B) remain in place. The nature of the majority of sundry debts is that the debt will be paid approximately one month after the invoice is issued. For individuals this generally allows for one

salary cycle to identify funds and for commercial debtors it would remain in line with the Council's own 30 day standard payment terms for creditors.

5. It is unlikely that the court would criticise the Recovery Flow Chart for being too onerous as the Court will only require that at least one reminder has been sent and that a pre action protocol letter with the evidence attached has been served prior to proceedings being issued. Accordingly, whilst it would not be unreasonable to remove stages from the recovery process only 2 Legal Officers deal with collection of sundry debts, together with other civil litigation matters. It is an inappropriate use of a Legal Officers time to sort out enquiries on unpaid invoices, which are best dealt with by the officers in the originating service. A consequence of sending the instructions too early might be that Legal officer time is diverted away from undertaking legal proceedings to deal with the enquiries that would have been previously dealt with by the originating service. Instructions should really only be sent to Legal where it is clear that there is no reason for non payment other than the debtor either cannot or will not pay.

6. In addition to debts referred via the sundry debtor system, Legal also deals with the recovery of Former Tenancy Arrears, the enforcement of Housing Benefit County Court awards and the enforcement of Council Tax Liability Orders by obtaining Charging Orders.

7. If instructions reach Legal quicker it is unlikely that they will be turned around in the same time frame so in reality there is unlikely to be any beneficial gain by altering stages in the Recovery Flow Chart.

8. Members also requested that officers investigate the feasibility of charging interest on Sundry Debts. The Sundry Debtor computer system (AIMS) used by the Council does not offer interest calculating functionality. As no other AIMS user has expressed an interest in this functionality Epping Forest District Council would have to pay for the development, testing and implementing of the system. An approximate costing has been received from the system provider of £10,000 to £15,000.

9. However, when legal proceedings are issued interest can be charged in respect of any debt at the rate of 8% from the date the debt arose until judgement is entered. (S69 County Court Act 1984). In order not to make the financial position of the debtor worse interest is not usually added to debts relating to Bed & Breakfast or Former Tenancy Arrears or where it is known that the debtor is on benefits. The debt will already have increased in any event by the addition of costs.

10. Officers are implementing the introduction of Direct Debits to the Sundry Debt system. It is expected that the addition of this method of payment will have a positive and continued effect on the collection rate.

11. With the introduction of Direct Debits comes an upgrade to the latest version of the Sundry Debtor system software. An element of the upgrade is a new suite of reporting tools which allow data to be exported to Microsoft Excel. As a result of this it is hoped that both Members and Officers will benefit from improved and comprehensive reporting on performance.

12. Performance monitoring for the financial year 2009/2010 has been performed. The chart below shows the Aged debt analysis by value as at 31/12/2009 compared to Aged debt at 31 March 2009.

**2008/09**

0-30 Days	31-60 Days	61-180 Days	181-365 Days	366-1825 Days	Over 1825 Days	Total
£	£	£	£	£	£	£
1,041,363.15	192,845.62	295,124.51	217,667.67	683,715.72	236,255.26	2,666,971.93

**2009/10**

0-30 Days	31-60 Days	61-180 Days	181-365 Days	366-1825 Days	Over 1825 Days	Total
£	£	£	£	£	£	£
837,136.50	66,208.31	151,337.86	108,587.04	743,537.34	265,845.49	2,172,652.54

The percentage of debts paid within 42 days by value was 62.55% - (08/09 58.77%)

The percentage of debts paid within 60 days by value was 75.55% - (08/09 68.55%)

As illustrated by the statistics above performance appears to have been improving. A like for like report based on year end figures will be presented to a subsequent meeting.

**Resource implications:**

Additional resources of £10,000 - £15,000 would be required to implement interest charging.

**Legal and Governance Implications:**

As stated in the report the recovery process is compliant with the Courts expectations and the pre action protocol. The Credit Terms with in the Policy can only be seen as guidance. Any instalment arrangement made under a court order will be made on the basis of the financial position of the debtor. If an arrangement is not accepted by officers as it does not comply with the Policy and the matter is litigated with a lower instalment arrangement being ordered by the Court, the Council is likely to be penalised in costs.

**Safer, Cleaner, Greener Implications:**

None.

**Consultation undertaken:**

Accountancy, ESS, Housing and Legal services have been involved in this process.

**Background papers:**

None

**Impact Assessments:**Risk Management

If the Sundry Income and Debt Policy was not reviewed and updated a risk that threatened the performance of the Policy may not be identified.

Equality and Diversity:

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* N/A

*What equality implications were identified through the Equality Impact Assessment process?* N/A

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?* N/A