

Milton Keynes Council

Income & Collection Policy

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Income and Collection Policy

1. Income

1.1. Introduction

The decision on whether to make a charge (and the amount to charge) is not always within the control of the Council, as some charges are set by central government. But where it is, it is important that the implications of the charging decisions being taken are fully understood and are being applied consistently.

The purpose of this Income Policy is to provide a framework for how Milton Keynes Council charges for its services. This will bring a clear and consistent approach to charging and the setting of fees and charges. This policy also sets out the Council's debt collection policy and supports the delivery of a consistent approach to the collection of overdue payments.

The policy relates to Milton Keynes Council; however schools have the authority to determine their own charging principles in accordance with the Local Management of Schools legislation.

The Council has a separate policy for rents, service charges and other income for Housing Revenue Account homes, garages and other assets.

1.2. Key aims and objectives for Income

A corporate policy and approach to fees and charges is vital to ensure that the Council maximises opportunities whilst also ensuring that income generation supports wider Council objectives and is used within the context of an agreed policy framework.

The key objectives in terms of income are:

- To create a corporate focus and approach to revenue generation and recovery to enhance consistency across the authority;
- To set a clear rationale for charging and trading that is aligned to the Council's priorities and customer outcomes;
- To set out clear principles that underpin all activity relating to fees and charges;
- To ensure consistency in the application of concessions and to ensure that any subsidy aligns with the Council's objectives and reflects ability to pay;

The policy applies solely to externally generated receipts from Council customers and service users.

1.3. Statutory background

Councils have powers to charge for a wide range of services. Section 93 of the Local Government Act 2003 enables local authorities to charge as they choose to for discretionary services provided they are not prohibited by other legislation and they do not make a profit.

In making a charge the Council must have the power to provide the service and the recipient of discretionary service must have agreed its provision and to pay for it. Charges may be set differentially so that different people are charged different amounts. However, the income from charges should not exceed the cost (including overheads) of the service provided.

Councils can also use charging to influence behaviour by targeting services towards specific user groups. Councils should use charging to support local policies and priorities and be responsive to local circumstances.

The legislative framework for charges is an important consideration in determining an Income Policy for the Council. The table below identifies the range of legislation that could apply to charges.

| | |
|--------------------------|---|
| Statutory Non-chargeable | <ul style="list-style-type: none"> • Legal requirement to provide the service without levying a charge on the citizen |
| Statutory Fixed Charge | <ul style="list-style-type: none"> • Statute dictates a fixed charge or a fixed charging methodology for the provision of the service |
| Statutory Cost Recovery | <ul style="list-style-type: none"> • Statute provides that a charge can be levied to recover the cost of providing the service |
| Statutory Chargeable | <ul style="list-style-type: none"> • Statute does not prevent charging for the service and does not outline specific charging requirements |
| Discretionary | <ul style="list-style-type: none"> • Council has powers to deliver services but not a duty. Typically includes certain legal requirements or guidance but with significant flexibility for the content/provision of service • Typically medium to lower Council service priority • Manageable impact from adopting market pricing (other than a nominal sum) |

1.4. Setting Charges

Milton Keynes Council will charge for services based on the following principles:

- The user should pay the full costs for all services which they benefit.
- If there is any subsidy from taxpayer to service user should be a conscious choice.
- The Council will use its fees and charges structures to incentivise and discourage behaviours so as to improve targeted policy outcomes; efficiently manage resources and allow the Council and partners to provide services in a more effective manner.
- Concessions will be provided on the basis of the ability to pay and clear public good benefits and will be applied consistently across the Council.
- Prices will be based on the full cost of providing the service.

- There should be a clear rationale for the charge including the scale for different levels of the same service and there should be consistency between charges for similar services.

1.5. Payment and Debt Collection

The following principles for payment and the collection of debt will apply:

- Payments will be required before the receipt of a service, or on making a booking for a service, unless this is legally not allowed or the charge is dependent on the time involved in providing the service.
- Where individuals or businesses are likely to incur more than one charge from the service then the most efficient method of billing should be used.
- All outstanding debts will be pursued vigorously and further discretionary services not provided until outstanding debts are paid.
- Refunds will be given at the discretion of individual services.

1.6. Updating Fees and Charges

The Council will produce, maintain and update on a regular basis a Fees and Charges Register which will constitute the official policy position.

Fees and charges should be reviewed and increased:

- Annually as part of the budget setting process including reporting to and approval by Members
- At least in line with corporate inflation on an annual basis. (The Consumer Price Index (CPI) as published by the Office for National Statistics will be the basis for the calculation of inflationary increases.)
- To incorporate any changes in VAT (increases or decreases)
- Where increases in fee amounts result in odd amounts that are difficult to collect and the fee is collected in cash the fee should be rounded up to the nearest convenient amount, and held at that amount until such a time as further annual increases on the 'odd' amount surpass the convenient amount.

Any exceptions to these principles must be approved by the Cabinet.

1.7. Concessions

Concessions cannot be offered for any services where legislative charging frameworks apply and where a user is assessed as being able to contribute to the cost of services. This policy therefore only applies to discretionary services within the control of the Council.

A concession is defined as any service for which a local authority has discretion to make a charge and in doing so sets that charge below the cost of service provision.

The Council will apply a standardised approach to eligibility criteria for concessions; the starting point is that all users will be required to pay full cost. As a Council charges will be applied for all services based on the ability of service users to pay for services. In order

to protect the most vulnerable, concessions will be offered for those who cannot afford to pay on an individual service basis.

The assessment of ability to pay will be based on passported benefits. This includes those people and their dependents living at the same address, receiving Income Support, Pensions Credit Guaranteed Credit, Job Seekers Allowance (Income based) or Employment Support Allowance (Income related).

Service users will need to verify they are entitled to a concession by showing proof of their benefits entitlement or where specific concession cards exist, by providing these.

In some circumstances it may be appropriate to offer additional concessions to users of a particular service, where this is consistent with achieving the Council's priorities. Where Service Groups wish to offer additional concessions these should be explicitly approved as part of the annual setting of fees and charges. Any recommended additional concessions need to take into account relevant equalities and discrimination legislation.

1.8. Commissioning

In Milton Keynes, a large share of public services are provided by commissioned bodies or arm's length bodies.

The Council expects that all commissioned services and those provided by community bodies should adhere to a similar Income policy, where applicable. The Council will make policy and financial decisions on the basis of other bodies charging for their services, consistently with the principles set out in this policy.

2. Collection

2.1. Introduction

This section of the policy sets out our approach for billing and collecting debt owed to us by individual and business customers.

We are required to collect money from residents and businesses for a variety of reasons. We are fully committed to ensuring that all aspects of the income, collection and recovery processes are delivered in the most efficient and effective ways, to the highest standards of customer care and having regard to the individual needs of customers and the interests of taxpayers.

This document (supported by Income & Collection Debt Stream Guidance) sets out the policy guidelines we will follow, in our billing and collection of income due to us in respect of:

- Council Tax
- Non-Domestic Rates (Business Rates / NNDR)
- Housing Benefit Overpayments
- Housing Rent
- Other sundry debts (including Commercial Property, Penalty Charge Notices, Former Tenant Arrears and Adult Social Care)

2.2. Statement of principles

Our approach to income and collection hinges on the following guiding principles:

- Where appropriate, we will obtain payment ahead of service delivery to reduce potential debt.
- Will take a holistic view of customers' total debt, combining balances due to any and all of our service areas.
- We will issue a prompt, correct bill / invoice that is understandable and easy to pay.
- We will collect monies outstanding quickly and efficiently.
- We will make it as easy as possible for customers to pay without making it easy to avoid payment.
- We will treat all customers fairly - with courtesy, respect and sensitivity.
- We will provide clear advice at every stage of recovery including customers' rights and responsibilities and also, for individuals, sources of independent advice.
- We will ensure any customer experiencing legitimate difficulty in paying has the opportunity to agree flexible payment arrangements.
- We will attempt to contact the customer as early as possible after payment default occurs to avoid formal recovery action where possible.
- Where appropriate, we will attempt to contact the customer to arrange mutually acceptable payment arrangements.
- We will ensure those customers who attempt to avoid paying without legitimate reason will be pursued using all legal means.
- Where appropriate, we will recover all costs incurred in recovery action from the relevant customer.
- We will promote regular Direct Debit payments and other regular payment schemes that ensure all amounts due are collected in the year due.
- Our approach to collections will be consistent and our actions proportionate and transparent.

2.3. Background

The money that we collect enables us to provide important public services. Income that is not collected or that takes additional effort to collect means fewer resources are available to provide our services. We will try to recover all debts owed to us. This is a fair approach to people who use services and to the majority who pay their liabilities to us on time. We will follow enforcement protocols and procedures to recover monies owed to us and signpost those people genuinely experiencing financial hardship to appropriate advice and support teams in the council or voluntary and community sector.

In undertaking income and debt recovery it is inevitable that we will be required to pursue the recovery of arrears from residents and businesses that may experience difficulty in paying. It is therefore important that we set out how we manage and collect debts to ensure consistency and best practice in such situations.

Our policy identifies where responsibility for collection of different debts lie and sets out the principles and standards in relation to customer contact, recovery processes, repayments and benefit, money and debt advice. It also explains how we and our partners can offer help, advice and support in the management of debt for our customers.

Our policy sets the framework for a consistent and sensitive approach to collecting debt whilst at the same time ensuring that we continue to maximise income collection.

2.4. Policies common to all types of debt

2.4.1. Minimising indebtedness

Prevention of arrears is the first essential step in a cost effective recovery process. Where possible our preference is to charge for services through prepayment. A number of payment methods, including on-line payments, are available to make it easy for customers to pay for services.

There are a number of measures that can be taken to minimise indebtedness at an early stage which reduce the necessity for costly enforcement action which not only reduces costs and 'failure demand', but works towards avoiding potential hardship for taxpayers. Our main priority is to make early contact with customers to establish the correct amount that is payable and make a mutually acceptable arrangement to pay, which does not increase indebtedness. We will take a robust stance to recovery with a view to ensuring future indebtedness is minimised.

2.4.2. Bills and invoices

We will issue demands (bills or revised bills), invoices and credit notes as early as possible. Where practicable, we will promote and encourage Direct Debit as the easiest, most effective method of payment but all other methods will be made freely available.

2.4.3. Collecting the money due to us

We will distinguish between those who have genuine difficulty in paying their debts and those who are deliberately withholding, delaying or giving false evidence in respect of payment of debt. All individual customers will be given the opportunity to make arrangements to pay and any sanctions will only be taken after attempts to make satisfactory arrangements have failed.

We will ensure that those individual taxpayers and businesses who have the means to pay are required to do so on the due date specified on their bill / invoice and procedures will be in place to ensure that recovery action is taken uniformly and without favour to everyone who fails to pay for no good reason, thereby ensuring that all taxpayers are treated equitably.

We will establish payment default as early as possible and will then contact the customer in order to attempt to make arrangements to pay.

We will ensure that all accompanying documentation is clear and easy to understand, and that appropriate publicity is undertaken to encourage people to pay early or to contact us promptly in order to avoid their debt building up.

We will fully consider individual customers' financial and personal circumstances at every stage of contact, in particular as early as possible after the debt is established to allow reasonable timescales in which to settle the outstanding debt.

At each stage of collection or recovery, we will make all appropriate attempts to contact the customer as soon as possible to make arrangements to pay. The overall policy is to make early contact to prevent accumulation of debts, which if neglected can become unmanageable. When making an arrangement to pay, consideration will be given to all outstanding debts owed to us by the customer.

We will monitor outstanding debts monthly and take appropriate recovery action. Where there is default in an arrangement we will attempt to contact the customer in order to either review the arrangement or to take further recovery action.

Where third party agents have been instructed, except in exceptional circumstances, we will not interfere in their collection process.

2.4.4. Statutory debts

The administration and enforcement procedure for collecting certain types of (so called 'statutory' debt (e.g. Council Tax, National Non Domestic Rates and Housing Benefit Overpayment) is prescribed in law.

It is important that customers are made aware of their rights and responsibilities and the legal provisions that they may become subject to. This information will be made available at reception points, collection points, advice centres and any other groups that are established to help or advise people in financial difficulties. Guidance is also available on our web site.

Particular attention will be given to explain the simple and often overlooked details of methods of payment available, where and how bills can be paid and the availability of allowances, discounts, benefits and reliefs.

All statutory notices will be issued as early as possible within the legal framework to ensure maximum cash flow and to avoid accruing debt.

The specific operational procedures for collection of Council Tax and National Non-Domestic Rates (Business Rates) and Housing Benefit Overpayments are set out in the Income & Collection Debt Stream Guidance.

2.4.5. Non-statutory debts

Payments due for non-statutory debts (e.g. housing rent and other sundry forms of income) must be made in accordance with the terms agreed in each case. Typically these will be set out in a tenancy agreement, contract or other legal agreement and will be displayed clearly on the bills / invoices and statements issued by us.

A specific policy for Sundry income and collection (including Commercial Property, Penalty Charge Notices (for parking), Former Tenant Arrears and Adult Social Care) is set out in the Income & Collection Debt Stream Guidance.

2.4.6. Accessing advice and support

We are committed to ensuring that where appropriate, liability is reduced by the correct award of reductions and discounts etc. For individual customers we will ensure that all available allowances, discounts, rebates and reliefs are granted in appropriate cases at the earliest possible time in order to ensure the liability is correct.

We will make all reasonable attempts at all stages of recovery to identify taxpayers who may be entitled to claim benefit or other reductions. Customers will be encouraged and assisted to make appropriate applications.

Where appropriate we will recommend to customers that they should contact independent advisors (such as the CAB, if the customer is an individual) where it is believed that advice in debt management is appropriate. Only in exceptional cases will we commit to suspend action whilst such advice is sought.

Where joint and several liability exists, we will make all reasonable attempts to identify and bill all liable parties. We will undertake recovery action against all liable parties with a view to recovering from any liable party which has the greatest ability to pay.

2.4.7. Prioritising payment of debt

Some customers will owe more than one debt to us, and may be on a low income or experiencing financial hardship. In such cases, it needs to be clear which debts we consider a priority.

Priority will be given to debts where non-payment could lead to loss of the customer's home or imprisonment and to ones that involve an accruing liability. These relate to Council Tax and Housing Rents, which are most commonly enforced through the courts as per statutory requirements.

Other debts owed to us may, depending on the circumstances, be considered to be of lower priority.

2.4.8. Write off policy

We normally consider debt owed to us as being collectable. We will seek to minimise the costs of bad debts by ensuring that all debts are subject to robust collection processes.

Where all means of recovery have been exhausted there will be circumstances when it will be appropriate to consider writing off debts as irrecoverable.

We recognise that where a debt is irrecoverable, prompt and regular write off of such debts is good accounting practice and will make an adequate bad debt provision for all types of income.

Our write off policy is set out in its Financial Regulations and Financial Procedure Rules which are available on our web site.

In summary all write offs (whether 'discretionary' or 'standard') will be subject to the same controls. They are as follows:

- All write offs will be scheduled in a spreadsheet, along with actions taken to recover the debt, and emailed to the appropriate Budget Manager/Assistant Director/ Service Director for their consideration and review;
- The email will give due assurance that every effort has been made to recover the debt and that the debt is now considered to be unrecoverable;
- Budget Managers/Assistant Directors/ Service Directors will be given 28 days to review and comment on the debt identified for write off, allowing them the chance

to suggest alternative methods for recovery. Where no acknowledgement of receipt and review is received, the write off will be made without recourse;

- After 28 days, the debt will be scheduled and attached to a Debt Write Off Control Sheet, along with any supporting evidence available and reviewed by the Service Finance Manager to ensure adequate provision exists;
- Where the debt totals less than £20,000, the Debt Write Off Sheet will be authorised by the Section 151 Officer or a nominated deputy, and the write off actioned immediately;
- Any write offs over £20,000 will be referred to the Council's Cabinet for final approval.

2.4.9. Confidential information

We will ensure that all computer systems used to bill, recover and enforce debt meet statutory requirements.

Staff involved in the recovery and enforcement of debt will have received appropriate training in the handling of personal information.

To be successful and ensure consistency, subject to any limitations imposed by legislation, it will be necessary to establish good working practices and develop information sharing protocols. This means that access to customers' information contained on different systems will be made available to key staff in order that a customer's total debt can be established and properly dealt with.

2.4.10. Monitoring Performance

We will monitor, the effectiveness of our policy and approaches, and introduce measures that will give us useful information about our customers and debts, in order to continuously improve our collection rates, for the benefit of all of the taxpayers of Milton Keynes.

2.4.11. External Agents

Periodically it is necessary to employ the services of external agents to collect and enforce debts. The specific requirements are based on the relevant legislation or policy governing each debt type.

The Council will undertake a single procurement exercise; the successful contractors will then be used to enforce all debt. The tender will be led by the Revenues & Benefits Service, which will then performance manage the contract.

Only those Agents specifically appointed to such a contract shall be instructed by any Department of the Council.