

South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 27 September 2012

10.00 a.m.

**Council Chamber B,
Council Offices,
Brympton Way,
Yeovil,
Somerset BA20 2HT**

The public and press are welcome to attend.

Disabled Access is available at this meeting venue.



If you would like any further information on the items to be discussed, please ring the Agenda Co-ordinator, **Anne Herridge** on Yeovil (01935) 462570
Email: anne.herridge@southsomerset.gov.uk

This Agenda was issued on Tuesday 18 September 2012

Ian Clarke, Assistant Director (Legal & Corporate Services)



2007-2008
Neighbourhood and
Community Champions:
The Role of Elected Members
2006-2007
Improving Rural Services
Empowering Communities
2005-2006
Getting Closer to Communities

**This information is also available on our
website: www.southsomerset.gov.uk**



INVESTOR IN PEOPLE

Audit Committee Membership

Chairman	Derek Yeomans
Vice-Chairman	Ian Martin
John Calvert	Roy Mills
John Dyke	Terry Mounter
Marcus Fysh	John Richardson
Tony Lock	Colin Winder

South Somerset District Council – Corporate Aims

Our key aims are: (all equal)

- Jobs – We want a strong economy which has low unemployment and thriving businesses
- Environment – We want an attractive environment to live in with increased recycling and lower energy use
- Homes – We want decent housing for our residents that matches their income
- Health and Communities – We want communities that are healthy, self-reliant and have individuals who are willing to help each other

Members’ Questions on Reports prior to the Meeting

Members of the Committee are requested to contact report authors on points of clarification prior to the Committee meeting.

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Information for the Public

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Audit Committee should review the Code of Corporate Governance seeking assurance where appropriate from the Executive or referring matters to management on the scrutiny function.

The terms of reference of the Audit Committee are:

Internal Audit Activity

1. To approve the Internal Audit Charter and annual Internal Audit Plan;
2. To receive quarterly summaries of Internal Audit reports and seek assurance from management that action has been taken;
3. To receive an annual summary report and opinion, and consider the level of assurance it provides on the council's governance arrangements;
4. To monitor the action plans for Internal Audit reports assessed as "partial" or "no assurance;"
5. To consider specific internal audit reports as requested by the Head of Internal Audit, and monitor the implementation of agreed management actions;
6. To receive an annual report to review the effectiveness of internal audit to ensure compliance with statutory requirements and the level of assurance it provides on the council's governance arrangements;

External Audit Activity

7. To consider and note the annual external Audit Plan and Fees;
8. To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken;

Regulatory Framework

9. To consider the effectiveness of SSDC's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken;
10. To review the Annual Governance Statement (AGS) and monitor associated action plans;
11. To review the Local Code of Corporate Governance and ensure it reflects best governance practice. This will include regular reviews of part of the Council's Constitution and an overview of risk management;
12. To receive reports from management on the promotion of good corporate governance;

Financial Management and Accounts

13. To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised;
14. To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council;
15. To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules;

Overall Governance

16. The Audit Committee can request of the Assistant Director – Finance and Corporate Services (S151 Officer), the Assistant Director – Legal and Corporate Services (the Monitoring Officer), or the Chief Executive (Head of Paid Services) a report (including an independent review) on any matter covered within these Terms of Reference;
17. The Audit Committee will request action through District Executive if any issue remains unresolved;
18. The Audit Committee will report to each full Council a summary of its activities.

Meetings of the Audit Committee are held monthly including at least one meeting with the Council's external auditor, although in practice the external auditor attends more frequently.

Agendas and minutes of this committee are published on the Council's website at www.southsomerset.gov.uk

The Council's Constitution is also on the web site and available for inspection in council offices.

Further information can be obtained by contacting the agenda co-ordinator named on the front page.

Audit Committee

Thursday 27 September 2012

Agenda

Preliminary Items

1. **To approve as a correct record the Minutes of the previous meeting held on 23 August 2012.**
2. **Apologies for Absence**
3. **Declarations of Interest**

In accordance with the Council's current Code of Conduct (adopted July 2012), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the agenda for this meeting. A DPI is defined in The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 (SI 2012 No. 1464) and Appendix 3 of the Council's Code of Conduct. A personal interest is defined in paragraph 2.8 of the Code and a prejudicial interest is defined in paragraph 2.9.

4. **Public Question Time**

Items for Discussion

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PLEASE NOTE

There will be no training session at the end of the Audit Committee meeting this month due to the length of the agenda.

Audit Committee 27 September 2012

5. 2011/12 Annual Governance Report

Strategic Director: Mark Williams, Chief Executive
Assistant Director: Donna Parham, Finance and Corporate Services
Lead Officer: Donna Parham, Finance and Corporate Services
Contact Details: donna.parham@southsomerset.gov.uk or (01935) 462225

Purpose of the Report

This report introduces the Audit Commission's Annual Governance Report for 2011/12.

Recommendations

1. That the Audit Committee considers the matters raised in the report;
2. Approve that the Assistant Director – Finance and Corporate Services signs the representation letter outlined in Appendix 3 on behalf of SSDC;
3. Note the draft Auditor's report as outlined in Appendix 1 and one uncorrected error within the Statement of Accounts in Appendix 2;
4. Note the Value for Money criteria has been met;
5. Agree the recommended actions in Appendix 5 and note that it has been actioned.

Background

The Audit Commission as part of their work report on the overall financial statements and governance of South Somerset District Council. The review of these reports is included within the remit of the Audit Committee under its terms of reference as follows:

"To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken"

"To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised"

The Report

The report summarises the findings from the 2011/12 work of the Audit Commission relating to governance. It covers the following areas:

The Statement of Accounts/Annual Governance Statement

The Audit Commission report gives an unqualified opinion on the financial statements for 2011/12. It also outlines that in all material respects the Council has complied with the requirements of IFRS (International Financial Reporting Standards), which were introduced for the 2010/11 accounts.

The report outlines one error in Appendix 2 that has not been corrected within the Statement of Accounts. This does not materially affect the statements and will be

corrected within this financial year.

The action plan outlines:

- That SSSC seeks assurances annually from the Yarrington Group for assurances on the capital receipts due to the authority;
- That SSSC review the method of calculating the impairment of debtors taking into account the age of the debt and recover rates;
- That SSSC revise the method of calculating the default percentage of customer debts.

We have agreed to complete all of the recommended actions.

Value for Money

The Audit Commission is required to make a statement on whether the authority has made arrangements for securing economy, efficiency and effectiveness in its use of resources. This is now measured by two criteria as follows:

- Financial resilience;
- Securing economy efficiency and effectiveness.

The Audit Commission has assessed arrangements at SSSC meet the criteria.

Peter Lappin, the Audit Manager from the Audit Commission will be attending the meeting.

Financial Implications

There are no financial implications associated with these recommendations.

Annual governance report

South Somerset District Council

Audit 2011/12



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Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

At 27 September 2012 I expect to issue an unqualified audit opinion.

- I received the draft financial statements on 18 June, well before the deadline of 30 June. The draft statements were of a good standard and although the Authority had to amend its cash flow statement and enhance disclosures there were no significant amendments that I need to report to you.
- There is only one non-trivial unadjusted item of £21K which I need to bring to your attention.
- The Authority is awaiting assurance from the auditors of Yarlinton regarding right to buy sales.

Value for money (VFM)

I conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2010/12.

I ask the Audit Committee to:

- take note of the adjustments to the financial statements included in this report (appendix 2);
- approve the letter of representation (appendix 3), on behalf of the Authority before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 5).

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Uncorrected errors

There is only one non-trivial uncorrected error of £21K, where the Authority had not capitalised the purchase of a woodchipper. It intends to capitalise (bring the asset onto the balance sheet) in the following financial year 2012/13, thereby reducing revenue expenditure by the same amount.

Corrected errors

The Authority provided me with its draft financial statements on 18 June, ahead of the statutory deadline of 30 June, and has implemented the amendments that I have requested. These amendments did not affect the overall financial position of the Authority and principally concerned movements in the cashflow and disclosure notes.

Significant risks and my findings

In February 2012 I reported to you my Audit Plan, in which I did not report any significant risks relevant to my audit of your financial statements. However, I identified one specific risk related to the change in CIPFA's Code regarding the accounting for heritage assets. In Table 2 I report to you my findings against this risk.

Table 1: **Opinion risk and finding**

Risk identified at the planning stage	Finding
<p>The Code of Practice on Local Authority Accounting 2011/12 adopts the requirements of FRS 30, Heritage Assets. The Authority needed to identify and account for all heritage assets using the most appropriate valuation method. The Code does not require valuations to be undertaken by external valuers.</p> <p>A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.</p>	<p>I have evaluated the management controls you have in place to recognise and value heritage assets. I have also reviewed how the Authority has accounted for heritage assets in accordance with FRS 30 and the disclosures required by the Code. My testing has not identified any significant issues to bring to your attention.</p>

Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

I reported to the Audit Committee in July my findings from my audit of financial controls. There are no further matters to bring to your attention regarding internal control.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices. These include accounting policies, accounting estimates and financial statement disclosures.

- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

I have the following matters I wish to report.

Table 2: **Other matters**

Issue	Finding
Right to buy income from Yarlington Homes.	<p>Included in the Authority's accounts is £751K of capital receipts which is South Somerset's share of sales of former Authority houses in 2011/12, which were transferred to Yarlington Homes in the 1990's. The Authority relies upon Yarlington to notify it of such sales. There is no other mechanism for the Authority to check whether receipts are due.</p> <p>The Authority has contacted Yarlington for a statement from its auditors to confirm that all receipts due to South Somerset have been notified.</p>
Calculation of the impairment of debtors (or provision for bad debts)	<p>I have reviewed the Authority's method of calculating the impairment of debtors. Although there is no issue for my opinion on the financial statements, the Authority does not sufficiently consider the age of the debt when calculating the impairment. For example the Authority provides for 59% housing benefit overpayments whether they are one year old or 6 years old.</p> <p>The Authority should take into account the collection performance by age of debt when calculating the impairment.</p>
Financial instruments – note 31 – credit risk	<p>The Authority is showing in the table on page 59 of its financial statements that the historical experience of default of customer debts at 41%. This has increased from 33% from the previous year. The high percentage is a quirk of how the Authority calculates this figure (provision for bad debts divided by outstanding debt) rather than actual default. For example, if the Council simply wrote down this debt (i.e. used the provision without any further charge to revenue) then the default figure would be calculated at zero. The calculation does not reflect the actual collection rates of customer debt.</p>

Recommendation

R1 Seek written assurances on the capital receipts due to the Authority from the sales of former council dwellings.

R2 Review the method of calculating the impairment of debtors taking into account the aged of the debt and recovery rates.

R3 Revise the method of calculating the default percentage of customer debts.

Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report were specified by the National Audit Office. I have no matters to report.

Value for money

I am required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission.

- The organisation has proper arrangements in place to secure financial resilience. The focus for 2011/12 is that the organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- :
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The focus for 2011/12 is that the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Fees

In February I reported my planned audit fee in my Audit Plan.

I will complete the audit within the planned fee.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF SOUTH SOMERSET DISTRICT COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of South Somerset District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of South Somerset District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Assistant Director (Finance and Corporate Services) and auditor

As explained more fully in the Statement of the Assistant Director – Finance and Corporate Services’ Responsibilities, the Assistant Director – Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of

significant accounting estimates made by the Assistant Director – Finance and Corporate Services and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of South Somerset District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, South Somerset District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of South Somerset District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature]

Martin Robinson

District Auditor

Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SR

27 September 2012

Appendix 2 – Uncorrected errors

I identified the following errors during the audit which management have not addressed in the revised financial statements.

Item of account	Nature of error	Statement of comprehensive income and expenditure		Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Statement of Comprehensive Income and Expenditure Note 12 – Property, Plant and Equipment	The Authority has not capitalised the purchase of a woodchipper. It plans to capitalise in 2012/13 and this would have the effect of reducing revenue expenditure and increasing Property Plant and Equipment.		21	21	

Appendix 3 – Draft letter of management representation

To:

Martin Robinson
District Auditor

Audit Commission

Westward House

Lime Kiln Close

Stoke Gifford

Bristol

BS34 8SR

South Somerset District Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other assistant directors and directors of South Somerset District Council the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of

the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of the uncorrected misstatement in the financial statements summarised in the attached schedule is not material to the financial statements.

The Authority will correct the accounts in 2012/13 to bring in this asset into the balance sheet but to do so for 2011/12 would require a number of time-consuming adjustments. This approach has been discussed and agreed with the Audit Committee.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of South Somerset District Council

I confirm that the this letter has been discussed and agreed by the Audit Committee on 27 September 2012.

Signed

Name

Position

Date

Appendix 4 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement

within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 5 – Action plan

Recommendations

Recommendation 1

Seek written assurances on the capital receipts due to the Authority from the sales of former council dwellings.

Responsibility

Priority

Date

Comments

Recommendation 2

Review the method of calculating the impairment of debtors taking into account the aged of the debt and recovery rates.

Responsibility

Priority

Date

Comments

Recommendation 3

Revise the method of calculating the default percentage of customer debts.

Responsibility

Priority

Date

Comments

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



Audit Committee – 27th September 2012

6. 2011/12 Annual Statement of Accounts

Strategic Director: Mark Williams, Chief Executive
Assistant Director Donna Parham (Finance and Corporate Services)
Service Manager Amanda Card, Finance Manager
Lead Officer: Amanda Card, Finance Manager
Contact Details: amanda.card@southsomerset.gov.uk or (01935) 462542

1. Purpose of the Report

To present the 2011/12 Annual Statement of Accounts to the Audit Committee for approval.

2. Recommendations

- (a) To approve the 2011/12 Statement of Accounts. A copy of the Statement of Accounts has been circulated separately with this agenda;
- (b) To note the unqualified opinion on the financial statements;
- (c) To authorise that the Assistant Director (Finance and Corporate Services) sign the Letter or Representation.

3. Background

- 3.1 As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance. It is a statutory requirement for all local authorities to produce financial statements.
- 3.2 The Accounts and Audit Regulations (England) 2011 came into force on 1 April 2011. This revised procedures for the approval and publication of the annual Statement of Accounts. The Responsible Financial Officer must now confirm and sign that the accounts presents a true and fair view of the authority's financial position by 30th June of the following year and Members are required to formally approve the audited and amended annual Statement of Accounts by the 30th September of the following year. The Statement of Accounts must be approved and signed by the Chair of this committee. **Please contact Amanda Card before the meeting on 01935 462542 with any questions on the information presented.**
- 3.3 The Statement of Accounts for 2011/12 have been prepared following International Financial Reporting Standards (IFRS).
- 3.4 This report:
 - Outlines the key features of the 2011/12 revenue outturn position;
 - Summarises the 2011/12 capital outturn position;
 - Presents the 2011/12 Statement of Accounts and explains the key features and reasons for variations within those accounts.

- Explains the reasons why misstatements to the financial statements will not be adjusted.

4. Key Features of the 2011/12 Outturn Reports

4.1 Revenue Outturn

4.1.1 The figures that were presented to District Executive on 7th June 2012 represent the “Above the Line” budgets that are monitored by the Executive on a quarterly basis. Members of the Audit Committee will find that the figures presented to them in the Statement of Accounts differ from those reported to District Executive as they represent both “Above” and “Below the Line” as a total cost. The “Below the Line” figures are distinguished from the “Above the Line” costs as they are outside the control of the delegated budget holder, being capital charges and recharges from support services such as Human Resources, Legal and Financial Services.

4.1.2 The overall outturn for SSDC Services, excluding the LSP, in 2011/12 was £722,000 underspent. Outlined below is the summary of the figures presented to the District Executive on 7th June 2012;

Service	Original Budget £'000	Movement During the Year £'000	Outturn Budget £'000	Actual Spend £'000	Variation £'000	
SSDC Services	17,297,400	397,380	17,694,780	16,801,794	(892,986)	F
LSP	48,000	40,510	88,510	49,367	(39,143)	F
All Spend	17,345,400	437,890	17,783,290	16,851,161	(932,129)	F

(Note that all figures in brackets are underspends).

4.1.3 The comparative position over the last two years was 5.2% underspent in 2011/12 and 3.7% underspent in 2010/11.

4.2 Carry Forwards

4.2.1 The District Executive was asked to approve £479,520 of specific carry forwards to 2011/12. This includes £39,140 for the LSP and £458,380 for SSDC services.

4.3 Revenue Balances and Reserves

4.3.1 Unallocated general fund balances totalled £3,948,000 at the end of the 2011/12 financial year. Regular reviews of balances were carried out during 2011/12 and the required levels were met throughout the year. The review carried out in May 2012 has set a level of £3,717,000 for the 2012/13 year, an increase due to the risks of the economic downturn on the Medium Term Financial Plan, the raised risks within the banking sector, and possible greater litigation risks but as members can see the levels of balances are still sufficient for the new financial year.

4.3.2 Specific Reserves totalled £5,552,000 at the end of the financial year. These reserves are actual cash sums set-aside for specific purposes.

4.4 Capital Outturn Report

The capital programme spend for 2011/12 was £2,564,377, which equates to a 33.1% underspend. This compares to a 40.1% underspend in 2010/11.

5. Loans

5.1 SSDC has a loans policy where loans may be given at PWLB (Public Works Loans Board) rates to local voluntary and charitable organisations. The maximum outstanding sum of those loans must not exceed £1,000,000 at any time. At the end of 2011/12 the amount of loans outstanding under this policy was £292,839 (£406,876 in 2010/11).

6. Statement of Accounts

6.1 The District Auditor will review the annual Statement of Accounts and supporting working papers and will issue his opinion as to present a true and fair view of the state of South Somerset District Council's affairs as at 31 March 2012 and of income and expenditure for the year. It will also give the District Auditor's opinion as to whether the accounts have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

6.2 A copy of the Statement of Accounts has been circulated separately with this agenda. In addition to this, a summary of the statements will be prepared in leaflet format to make them more accessible to the end user.

7. Key Features from the Statement of Accounts

7.1 The Statement of Accounts contains four core statements reflecting the financial position of SSDC as at 31st March 2012. These are;

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement.

7.2 There are additional statements relating to the Collection Fund (which accounts for the collection and distribution of Council Tax and Business Rates).

7.3 It is a statutory requirement for all local authority financial statements to be IFRS compliant.

7.4 The Code of Practice on Local Authority Accounting 2011/12 introduced one key Accounting Policy which related to Heritage Assets.

7.4.1 A Heritage Asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Council's Heritage Assets are predominately the museum stock that is held at the Community Heritage Access Centre. There is now a requirement to disclose Heritage Assets separately on the Balance Sheet where valuations are known.

7.4.2 There is no requirement for valuations for Heritage Assets to be verified by external valuers. Where the cost of obtaining valuation information is not

commensurate with the benefits, the Council will not recognise these assets in the Balance Sheet.

- 7.4.3 As a result of this new Accounting Policy, the 2010/11 statements have been restated.

8. The Comprehensive Income and Expenditure Statement

- 8.1 This account gives detailed information about the total expenditure on the services we provide. It also shows the council tax and government grants received to help pay for those services. The net operating expenditure figure is reconciled to the outturn spend position outlined to District Executive in the following way:

	£'000
Total Spend (as Paragraph 4.1.2)	16,851
Adjustments:	
Items subsequently reversed in the Statement of Movement in Reserves Statement – General Fund Balance (page 32 of the financial statements)	4,459
Items reported beneath the Net Cost of Services on the Comprehensive Income and Expenditure Statement	315
Net Cost of Services (taken from the Comprehensive Income and Expenditure Statement, page 33 of the financial statements)	21,625

- 8.2 The major year on year variations (over £1 million) and explanations for those variances are outlined below:

Services	Previous Year 2010/11 £'000	Current Year 2011/12 £'000	Variance £'000	Reason for Variance
Cultural and Related Services	4,838	3,734	1,104	2010/11 included impairment charges for Goldenstones and other play areas.
Highways and Transport	1,593	(219)	1,812	2010/11 included Concessionary fares which have since been transferred to Somerset County Council.
Exceptional Items of Income and Expenditure	(10,019)	0	10,019	In the 2010/11 budget, the coalition government announced that the pension increase order applied to pensions in payment will be linked to the Consumer Price Index rather than the Retail Price Index. This gave rise to a one-off exceptional item of income.

9. The Balance Sheet

- 9.1 The Balance Sheet provides the Council with a snapshot of our financial position overall as at the 31st March 2012. At 31 March 2012 the authority's net assets amounted to £30.54 million (£52.25 million at 31 March 2011).
- 9.2 The authority's net assets are significantly reduced by the inclusion of the pension scheme liability of £65.53 million (compared to £44.78 million at 31 March 2011). The present value of the pension scheme liability has increased to £128.67 million (from £108.25 million at 31 March 2011) and the fair value of the scheme assets have decreased to £63.15 million (£63.48 million at 31 March 2011).
- 9.3 In practice, the amount of net worth that can be used is £47.31 million (Usable Capital Receipts £37.30 million, Capital Grants Unapplied £0.29 million, Earmarked Reserves £5.55 million and Balances £4.17 million). The remaining - £16.77 million is held in technical reserves which are not available for use.
- 9.4 In addition, Members will note the Contingent liabilities disclosed in **note 49**. Contingent liabilities are possible future obligations; they are not accounted for within the balance sheet, as the obligation will only be confirmed if uncertain events happen in the future. Any claims would need to be funded from SSDC balances.

10. Cash Flow Statement

- 10.1 This statement outlines the changes in cash and cash equivalent of the authority during 2011/12.
- 10.2 There has been a net increase in cash and cash equivalents of £1.08m.
- 10.3 Cash Equivalents are short-term highly liquid investments that are readily convertible within 24 hours to known amounts of cash and which are subject to an insignificant risk of changes in value.

11. Collection Fund

- 11.1 The Collection Fund shows the total SSDC has collected on behalf of all of the precepting authorities (e.g. Somerset County Council, Avon & Somerset Police Authority, Devon & Somerset Fire & Rescue Authority and town/parish councils). It also shows the amounts distributed to those authorities. The major variations (over £1 million) are shown below:

Heading	Previous Year 2010/11 £'000	Current Year 2011/12 £'000	Variance £'000	Reason for Variance
Income Collectable from Business Ratepayers	(35,789)	(38,637)	(2,848)	The rate in the £ (or multiplier) set by the Government has increased.
Business Rates - Payment to National Pool	35,562	38,410	(2,848)	The increases mentioned above have been paid over to the National pool.

Note that figures in brackets in the first two columns represent income, and in the last column represent an increase in income or a reduction in expenditure.

12. Auditor's Opinion

12.1 An unqualified opinion has been issued on the financial statements.

13. Financial Implications

13.1 There are no financial implications associated with these recommendations.

Background Papers: *Revenue outturn 2011/12*
Capital outturn 2011/12
Accounting Policies 2011/12

Audit Committee – 27th September 2012

7. Summary Statement of Accounts

Strategic Director: Mark Williams, Chief Executive
Assistant Director Donna Parham, Finance and Corporate Services
Service Manager Amanda Card, Finance Manager
Lead Officer: Amanda Card, Finance Manager
Contact Details: amanda.card@southsomerset.gov.uk or (01935) 462542

Purpose of the Report

To ask Members of the Audit Committee to comment on the 2011/12 Summary of Accounts before publication.

Recommendation

To comment on the 2011/12 Summary of Accounts.

Summary Accounts

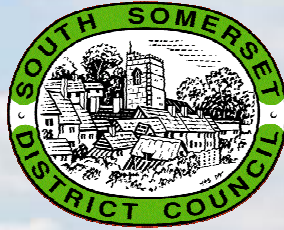
The first Summary of Accounts was produced in 2004/05 and we have continued to simplify the summary. Although it is no longer a requirement for the Use of Resources judgement given by the Audit Commission, it is believed that having such a document would still be of benefit.

The key comments sought are in the following areas:

- Will members of the public understand the summary;
- Are the terms and wording easy to interpret;
- Are the areas of key financial performance outlined;
- General feedback on how it could be made more user friendly.

Financial Implications

The production of the summary of accounts can be financed within existing budgets. The Summary of Accounts will not be printed and distributed but will be a document accessible via the Council's website.



South Somerset District Council

Summary of Accounts 2011/12

A simplified picture of the Council's
2011/12 Statement of Accounts



2007-2008
*Neighbourhood and
Community Champions:
The Role of Elected Members*

2006-2007
*Improving Rural Services
Empowering Communities*

2005-2006
Getting Closer to Communities

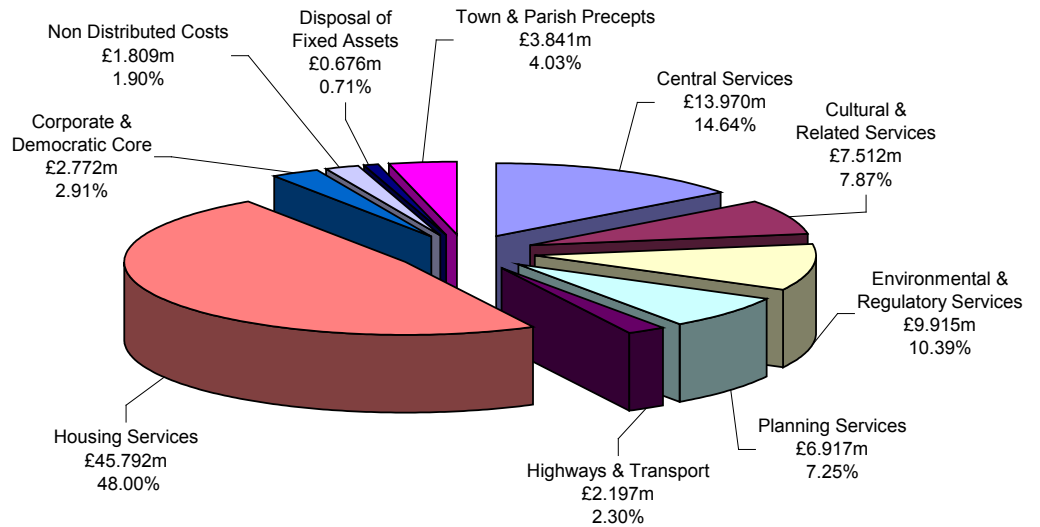
We would welcome any comments you have on the
Summary of Accounts. Please call the number below
or email accountancy@southsomerset.gov.uk

A full copy of the Council's 2011/12 accounts is available on request
or from the Council's website - www.southsomerset.gov.uk Please
telephone 01935 462462 if you wish to be sent a copy

Where the money goes:

We spent £95.401 million on running services. These costs are included in our revenue account, which shows the costs incurred between 1st April 2011 and 31st March 2012. This is summarised in the pie chart below:

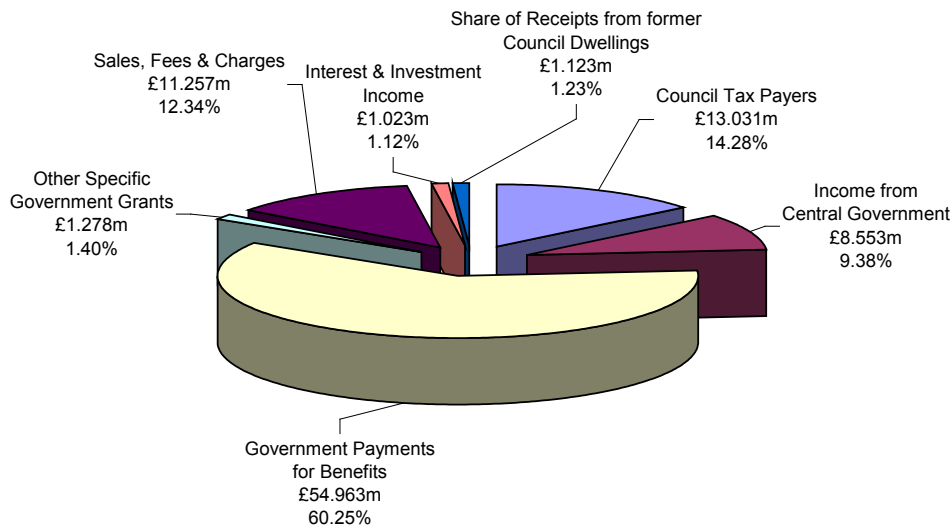
The revenue costs are those associated with the day-to-day spending of the Council eg. staff salaries, building maintenance and electricity. This is different to capital costs, which are detailed on the next page



Notes: Corporate & Democratic Core include the costs of the activities of Members in their democratic role and of providing the infrastructure to provide Council services. Non distributed costs includes costs that are unique to a local authority such as accumulated absences, and those costs not directly associated to a particular service eg. pension costs

Where the money comes from:

The chart below shows where South Somerset District Council obtained its gross income of £91.228 million from during 2011/12.



The Government payments for Benefits are ringfenced for Benefit Payments. This leaves £36.265million available for expenditure on council services.

Deducting the income of £91.228 million from the expenditure of £95.401 million leaves a net deficit of £4.173 million.

The rate of Business Rates per property is set by Central Government. SSDC collect this from local businesses on the Government's behalf and pay it over to them. It is then redistributed by the Government across the country based on the adult population

Day to day spending

Capital Expenditure:

Capital Expenditure is long term investments made by the council on upgrading and improving assets such as buildings and purchasing vehicles. The following table outlines the capital expenditure incurred during 2011/12:

Type	Description	2011/12 Actual £'000
Finance & Corporate Services	Information technology systems	356
	Other council-wide projects*	183
	Total Finance and Corporate Services	539
Place & Performance	Economic development project	8
	Total Place & Performance	8
Economy	Affordable housing	247
	Refurbishment of Barnabus House	114
	Business Innovation Centre, Yeovil	69
	Ropewalk, West Coker	1
	Total Economy	431
Communities	Reckleford Gyrotory, Yeovil	194
	Area Committee projects*	127
	Foundry House, Yeovil	99
	Other communities projects*	58
	Market House, Castle Cary	47
	Birchfield Park, Yeovil - Paths & Lighting	35
	Total Economy	560
Environment	Disabled Facilities Grants	743
	Installation of photovoltaic panels	237
	Replacement Streetscene vehicles	161
	Enhancements to Council buildings	108
	Empty property grants & home repairs assistance	106
	Burial projects*	76
	Other environmental projects	57
	HMO grants	44
	Birchfield sewer pollution	35
	Torbay Road, Castle Cary - Upgrading pumping station	30
	Contaminated Land Whatley Gasworks	29
	Car park resurfacing and enhancements	24
	Total Environment	1,650
Health & Well-being	Infrastructure & Park Homes at gypsy sites (funded by Central Government)	262
	Goldenstones	191
	Grants for parishes with play areas	67
	Sports grants and projects*	54
	Multi Use Games Area	35
	Community play schemes	20
	Octagon Theatre	20
	Total Health & Well-being	649
	Note: * Explanation of projects available if required	
	Total Capital spend in 2011/12	3,837

Capital spending

What are we worth:

What the Council owns and is owed:

Net Assets	31 March 2012 £'000
Buildings, Land and Equipment owned by the Council	57,779
Stock	146
Cash in Bank and Investments	38,817
Money owed to the Council (Long and Short-term Debtors)	5,753
Money owed by the Council (Creditors, Provisions, Finance Leases and Developers Contributions)	(6,429)
Money owed by the Council relating to the Pension Scheme	(65,527)
Total Assets less total Liabilities	30,539

At the end of the year we draw up a balance sheet that shows how much SSDC's land and buildings are worth, what is owed to others, what others owe us and how much cash we have.

Usable Reserves are those that can be applied to fund expenditure or reduce local taxation. Unusable Reserves are for technical adjustments for non-current assets, financial instruments, retirement and employee benefits.

What SSDC is Worth:	31 March 2012 £'000
Usable Reserves	47,303
Unusable Reserves	48,763
Pensions Reserve	(65,527)
Total Reserves and Balances	30,539

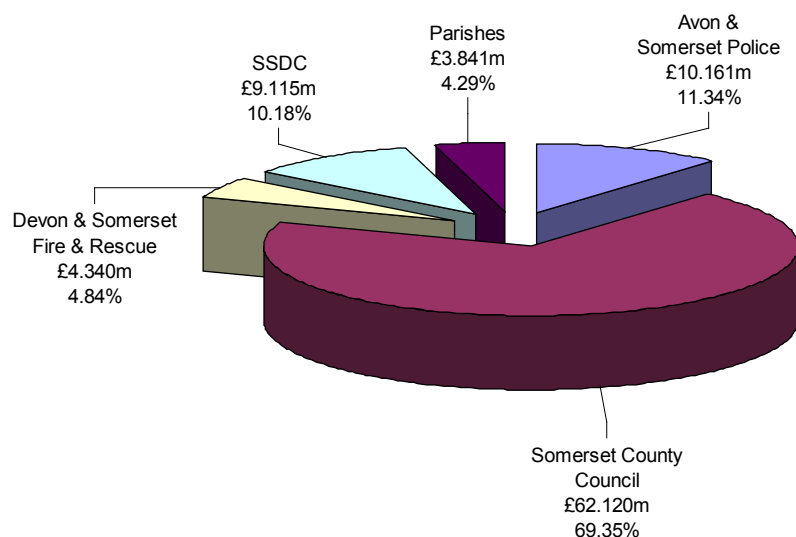
(items in brackets represent council liabilities)

Council Tax facts and figures:

Description	2010/11	2011/12
Population of South Somerset	158,600	161,300
Collection of Council Tax in year	97.84%	95.59%
Value of Direct Debits	£61.028m	£61.953m
% Collected by Direct Debit	76.39%	76.58%

Who we collect Council Tax on behalf of:

As a precepting (billing) authority we have to collect Council Tax on behalf of Somerset County Council, Avon & Somerset Police, Devon & Somerset Fire & Rescue and the Parish Councils within our district (we have no control over these authorities' expenditure). The most economical way of collecting this is by Direct Debit.



Statement from Assistant Director, Finance & Corporate Services

The council's Statement of Accounts has been prepared in accordance with the Accounting Code of Practice and has received an unqualified opinion. The figures in this summary were compiled having regard to proper accounting practices

Audit Committee – 27 September 2012

8. Debt Recovery Policy

Strategic Director: Mark Williams, Chief Executive
Assistant Director: Donna Parham (Finance and Corporate Services)
Service Manager: Amanda Card, Finance Manager
Lead Officer: Karen Gubbins, Principal Accountant - Exchequer
Contact Details: karen.gubbins@southsomerset.gov.uk or (01935) 462456

Purpose of the Report

This report requests that members of the Audit Committee recommend the Debt Recovery Policy to District Executive for approval and adoption.

Recommendations

That the:

1. Audit Committee are asked to support the attached Debt Recovery Policy;
2. Audit Committee are asked to recommend to District Executive the attached Debt Recovery Policy.

Background

South Somerset District Council has a duty to ensure cost effective billing, collection and recovery of all sums due to the Council.

Effective debt management is crucial to the success of any organisation. The Council needs an effective policy to support the maximisation of debt collection in an efficient, consistent and sensitive manner.

The Debt Recovery Policy sets out the general principles South Somerset District Council will apply to debt management across all services we provide.

Below is a table showing that the value of short-term debtors has remained consistently high over the last three years.

	2009/10 £'000	2010/11 £'000	2011/12 £'000
Short term debtors	6,856	6,180	5,122

The Debt Recovery Policy

This policy is intended to provide a framework to manage departmental debts and implement effective processes to recover outstanding debts in a consistent manner across the authority.

Prior to this policy there has been no explicit instructions on the recovery of debt apart from minimal reference within the financial procedure rules. This policy will enable managers and officers to comply further.

Debt recovery must be made a priority by all Managers/Officers in order to reduce the level of debt within the authority. Managers need to be aware that this may require a reshuffle of resources in order for them to take responsibility of debt within their services.

This policy has been put together in consultation with the highest system users and services with the most debt to ensure the policy is workable from the outset. There will be some training required in order to implement the policy.

Policy Aims

The key aims of this policy are as follows:

- To ensure a professional and timely approach to recovery action;
- To consider fully the debtors circumstances and ability to pay and so distinguish between the debtor who won't pay and the debtor who genuinely can't pay;
- To treat individuals consistently and fairly regardless of age, gender, disability and sexual orientation;
- To promote a coordinated approach towards sharing debtor information and managing multiple debts owed to the Council;
- To improve the levels of income collected by the Authority;
- To balance the potential loss of income to South Somerset District Council against the costs of compliance.

Financial Implications

There are no direct financial implications in approving this policy but once implemented the level of short term debtors should reduce thus improving cashflow.

Background Paper: *Debt Recovery Policy*
Financial Procedure Rules



Debt Recovery Policy

Draft Copy

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1. Introduction

- 1.1 South Somerset District Council has a duty to ensure cost effective billing, collection and recovery of all sums due to the Council.
- 1.2 Effective debt management is crucial to the success of any organisation. The Council needs an effective policy to support the maximisation of debt collection in an efficient, consistent and sensitive manner.
- 1.3 This document sets out the general principles South Somerset District Council will apply to debt management across all services we provide.

2. Policy Aims

2.1 The key aims of this policy are as follows:

- To ensure a professional and timely approach to recovery action.
- To consider fully the debtors circumstances and ability to pay and so distinguish between the debtor who won't pay and the debtor who genuinely can't pay.
- To treat individuals consistently and fairly regardless of age, gender, disability and sexual orientation.
- To promote a coordinated approach towards sharing debtor information and managing multiple debts owed to the Council.
- To improve the levels of income collected by the Authority.
- To balance the potential loss of income to South Somerset District Council against the costs of compliance.

3. How These Link to Our Corporate Aims

“Providing well managed, cost effective services valued by our residents”

We will continue our drive to minimise costs and make sure we give the best possible value for money, through a planned programme of streamlining services and improving efficiency. Importantly, this plan is not about new money for new projects. It is about preserving the services that are essential to our residents.

4. Policies Common to All Types of Debt

- 4.1 Service providers must endeavour to obtain payment in advance or at the time of service delivery wherever permissible. Invoices should only be raised where payment in advance for a service is inappropriate.
- 4.2 Every demand for money will be correctly addressed to the person who is liable to pay it. The name on the demand will be that of a person or body possessing “legal personality” as far as possible based on the information available.
- 4.3 If a c/o address is used for an individual for the purpose of receiving/collecting post only or the debtor is of no fixed abode legal action cannot be taken. For legal action to be taken the debtor must reside at the address we hold at the time legal proceedings commence. For this reason c/o addresses should not be used unless there are exceptional circumstances which must be agreed by the Manager of the Service. The owner/occupier of the address must give their permission for the address to be used.
- 4.4 Demands will, wherever possible, be issued on the day of production.
- 4.5 Where possible all documentation relating to a demand will be kept either in paper or scanned image format until at least six years after the demand is raised. If at the end of that six-year period the demand still remains unpaid, the supporting documentation may be retained until either the bill is paid or the debt written off.
- 4.6 The Council will attempt at all times to use the most appropriate and effective method of debt recovery in order to maximise income.
- 4.7 The Council will encourage the most cost effective payment methods with the emphasis being on unmediated electronic means where possible. “Unmediated” in the context of electronic payment methods means a method of payment that requires no human intervention by officers of the Council to achieve its crediting to the account in question.
- 4.8 All invoices, reminders and final notices shall be issued immediately.

- 4.9 Officers, will be able to intervene in the recovery cycle in appropriate circumstances to deal with hardship/dispute situations or where they are dealing with a vulnerable person. This includes the ability to make deferred payment arrangements where immediate payment is impossible due to lack of means.
- 4.10 Where the potential for a statutory benefit or discount exists in relation to the debt, efforts will be made to make the debtor aware of such opportunities and they will be assisted and encouraged to apply for these.
- 4.11 All notices issued by the Council will comply with the corporate style guidance and be readily identifiable as being from the Council.
- 4.12 The Council welcome the involvement of welfare agencies in connection with debts due to the Council and recognise the benefits that these organizations can offer both the debtor and the Council in prioritising repayments to creditors and in maximising income available to the debtor.
- 4.13 The Council recognises that prompt recovery action is key in managing its debt and maximising income. The Council therefore aims to:
- Regularly monitor the level and age of debt.
 - Have clear written recovery procedures.
 - Assess recovery methods to ensure maximum recovery.
 - Regularly review irrecoverable debts (and those where recovery is not economic) for write-off.
- 4.14 All accounts that are written off will be written off against the income code against which they are raised. The VAT on written-off sundry debtor accounts will only be recovered by the Authority in accordance with the rules and procedures laid down by HM Customs and Excise. In practice this means that VAT on a written-off debt can only be reclaimed 6 months after the debt became due or the date of supply.
- 4.15 Where an external agency is procured to assist with the delivery of a service the flow of information between the Council and the agency should, wherever possible, be in an electronic format.
- 4.16 Where legislation permits, the Council will seek to levy and recover from the debtor any and all costs/fees that are legitimately due from the debtor to the Authority or its agents.
- 4.17 Only in exceptional cases, where it would not be in the public interest to pursue costs/fees will they be waived.

5. Principles of Enforcement (all debts)

- 5.1 The Council will follow the principles outlined below.
- Our action will be proportional
 - Our approach will be consistent
 - Our actions will be transparent
- 5.2 Additionally our intention will be to be firm and fair and our manner will be courteous.
- 5.3 Proportionality - Proportionality allows for a balance to be struck between the potential loss of income to the Council, the costs of compliance and the circumstances of the debtor.
- 5.4 Consistency - Consistency means taking a similar approach in similar circumstances to achieve similar ends. The Council aim to achieve consistency in:
- The advice the Council gives.
 - The use of our powers.
 - The recovery procedures used.
- 5.5 The Council recognise that consistency does not mean simple uniformity. Officers need to take account of many variables such as:
- The social circumstances of the debtor.
 - The debtors payment history.
 - The debtors ability to pay.
- 5.6 Transparency -Transparency is important in maintaining public confidence. It means helping people to understand what is expected of them and what they should expect from the Council. It also means explaining clearly the reasons for taking any recovery/enforcement action.
- 5.7 If action is required:
- the reasons why must be clearly explained, in writing;
 - time scales must be clearly stated; and
 - a distinction must be made between advice and legal requirements.
- 5.8 Appropriate support such as the use of the Language Line facility is to be made available as an aid to improving verbal communications with those customers for whom English is not their first language.

- 5.9 An opportunity must be given to discuss what is required to comply with the law before formal enforcement action is taken. A written explanation must be given of any rights of appeal against formal enforcement action either before or at the time the action is taken.

6. Legal and Policy Framework for Recovery

6.1 Council Tax

Council Tax recovery procedures are laid down by statute in The Council Tax (Administration and Enforcement) Regulations 1992 and subsequent amendments.

South Somerset District Council appoints bailiffs to recover council tax arrears when the debt has reached a certain point within the recovery process. Only certificated bailiffs can levy distress for council tax and fees charged to the debtor are governed by legislation.

6.2 National Non-Domestic Rates

National Non-Domestic Rates recovery procedures are laid down by statute in the Local Government Finance Act 1988 and subsequent regulations and amendments.

South Somerset District Council appoints bailiffs to recover business rates arrears when the debt has reached a certain point within the recovery process. Only certificated bailiffs can levy distress for business rates and fees charged to the debtor are governed by legislation.

6.3 Housing Benefits

Housing Benefit overpayments are recovered in accordance with Regulations 99-107 of The Housing Benefit Regulations 2006 (working Age) (as amended) and also with Regulations 80-88 of The Housing benefit Regulations 2006 (Pension Age) (as amended). In addition there are Debt Recovery Procedures' in place where Housing Benefit has been overpaid and is no longer in payment.

6.4 Parking Enforcement

Parking Enforcement debts are recovered in accordance with The Road Traffic Act 1984; The Traffic Management Act 2004 s.78; Civil Enforcement of Parking Regulations (England) General Regulations 2007; and Civil Enforcement of Parking Contraventions (England) Representations and Appeals Regulations 2007.

6.5 Miscellaneous Income (Sundry Debtors)

Sundry debtors are collected within the relevant framework (e.g building control fees, licensing fees, rent due under commercial leases etc), up to the point that legal action is required, at that point the debt is passed to the Council's Legal Services for further recovery action.

7. Write Off Policy (all debts)

- 7.1 The Council recognise that where a debt is irrecoverable, prompt and regular write off of such debts is good practice.
- 7.2 The Council will seek to minimise the cost of write-offs to the local Council Tax payers by having adequate controls in place to limit the amount of debt that arises and taking all necessary action to recover sums that become due. All debts will be subject to the full recovery, collection and legal procedures as outlined in this policy.
- 7.3 Irrecoverable debts will be referred to the Councils Section 151 Officer (The Assistant Director Finance & Corporate Services) on a monthly basis.
- 7.4 The limitations for writing off irrecoverable debts are those contained within the Councils Financial Procedure Rules and are listed at Appendix A.
- 7.5 Debts may be referred to the Section 151 Officer for write-off in the following circumstances;
- Debt remitted by a Magistrate.
 - The Council has evidence to confirm the claimant is suffering a severe physical or mental illness which renders enforcement action inappropriate.
 - The Council is unable to trace the debtor.
 - The debt is not cost-effective to pursue due to small balance.
 - The debt is not cost-effective to pursue due to the likelihood of payment balanced against the cost of proceedings.
 - The claimant has died and there are no or insufficient funds in the estate to settle the debt.
 - The claimant is subject to formal insolvency proceedings and there is little likelihood of a dividend.

8. Procedure for raising an invoice

- 8.1 Full names, contact addresses and telephone numbers will be established wherever possible prior to a service provision or invoicing/billing. When dealing with companies, local authorities etc, it is important to obtain the contact details of the person/department who will be arranging payment of the invoice, this information will not be held on CedAr , but should be held by the service and given to Legal Services on request of information. Legal proceedings cannot be issued on 'care of' addresses, and so should be avoided wherever possible.
- 8.2 All Council bills and invoices will be raised as soon as possible, but no later than 5 working days from the delivery of the goods supplied or the services provided, unless specific terms have been agreed by the Assistant Director Finance & Corporate Services. The invoices will include clear, relevant and full information as to:
- What the invoice is for, including any period(s) applicable
 - When payment is due
 - How to pay
 - How to contact us if there is a query in relation to the invoice or on relation to making a payment.
- 8.3 All letters and reminders will:
- Be written in plain English
 - Explain what has been agreed and the consequences of non-payment
 - Include appropriate contact details
- 8.4 Debtors will be encouraged to make prompt contact if they disagree with an invoice or have difficulty in making payment. Contact can be made by:
- Telephone
 - Letter
 - Email
 - In person at any Council Office
- 8.5 Any problems and invoice discrepancies will be resolved or responded to within 2 working days to prevent unnecessary delays in payment. From time to time sundry debtor invoices are disputed and if this occurs they will be referred back to the originating department for resolution. It is not an effective use of the Exchequer team's time to act as go-between. However, Exchequer Team may need to ensure disputes are resolved.
- 8.6 If it is found that the debtor has the ability to pay, but refuses to pay, then recovery action will continue promptly.

9. Council Tax Policy

Issue of Reminder/Final Notice

Where payment has not been received on an instalment date then a reminder notice is issued.

The amount demanded must then be paid within 7 days of the date of the reminder notice.

After a further 7 days if no payment or only part payment is received then an application for a Liability Order to be granted for the total remaining balance and associated costs can be made.

After two reminders and in the event that a third final reminder is due the customer will lose their right to pay by instalments and the full amount for that financial year will become payable.

In each case 7 days is given before application is made to the Magistrates for a Liability Order.

All notices will:

- Be written in plain English
- Explain what is owed and the consequences of non-payment
- Include appropriate contact details
- Include how to pay

Customers will be encouraged to make prompt contact if they disagree with the amount owed or have difficulty in making payment. Contact can be made by:

- Telephone
- Letter
- Email
- In person at any Council Office

Issue of Summons

If the debt is not paid or a satisfactory arrangement made then a summons is issued to the taxpayer advising them of an application to the Magistrates Court for a liability order. A court hearing date is given when the liability order will be applied for at the Magistrates Court. The issue of the summons incurs additional costs and these are determined by the Council in agreement with the magistrates' court annually.

Taxpayer's are encouraged to contact the Council to make arrangements for repaying the amount owed.

Granting of Liability Order

If full payment is not received prior to the court hearing the Council will continue to apply to the Magistrates to issue a liability order.

The Liability Order will include the amount outstanding plus reasonable costs which are agreed between the Council and the Magistrates Court annually.

Once a liability order is obtained the recovery options available to the Council are as follows:

Agreements

If the customer has entered into an arrangement to repay the debt with the Council then no further action will be taken unless they default on the agreement. If an arrangement is defaulted on then the debt will be passed directly to the Councils appointed bailiffs.

Appointed Bailiffs

After the liability court hearing if a suitable arrangement has not been entered into then the debt will be passed to the Councils appointed bailiffs. The bailiff will add additional costs according to the schedule of charges agreed between the Council and bailiff company.

On receipt of the case the Councils appointed bailiff will issue a letter giving the taxpayers 14 days to contact them. All contact regarding the debt should now be directly between the taxpayer and the bailiff. Where a taxpayer makes contact with the council within the 14-day period, there is discretion to accept payment in full including all costs incurred and to recall the liability order from the bailiff.

On contact from the customer the bailiff is able to make an arrangement to:

- Receive payment in full
- Receive payment in full within 3 months, backed by a Walking Possession (WP) agreement
- Receive payment in full within the existing financial year, backed by a WP agreement
- In cases where there are extenuating circumstances to make an arrangement for an extended period of time at the Company's discretion (backed by a WP agreement).

After the 14 days has elapsed, and no payments have been received or an arrangement made, the bailiff will carry out a visit.

The bailiff is then able to levy distress which is the seizure of goods and chattels of the debtor in order to settle outstanding debt plus costs incurred.

Attachment to Earnings

Action may be taken by means of an Attachment to Earnings where the debtor is in employment.

A copy of the order is sent to the debtor and his /her employer and the employer must comply with the order by making deductions in accordance within the percentages laid down in tables within the schedule to the regulations

Where a deduction is made the employer may deduct an additional £1 per deduction in respect of an administration fee this will be met from the debtor's wages/salary.

Attachment to Benefit

Where a liability order has been obtained and a debtor receives Income Support / Job Seekers Allowance /Pension Credit or Employment & Support Allowance the Council may apply to the Secretary of State for deductions to be made to secure payment.

Deductions are requested for the whole amount outstanding including costs incurred in obtaining the Liability Order. If there is sufficient benefit then 5% of personal allowance is deducted.

Attachment to Members Allowances

The Council can apply for an attachment to a member's allowance. The application is made to the Authority to which the debtor is an elected member. The order shall remain in force until the debt is discharged. The deduction rate is 40%.

Write Off

If all recovery possibilities have been attempted and the Council is unable to recover the debt it will follow the write off policy as detailed in this document.

10. National Non-Domestic Rate Policy

Issue of Reminder/Final Notice

Where payment has not been received on an instalment date then a reminder notice is issued to the ratepayer.

All unpaid instalments must then be paid within 7 days of the date of issue

If no payment is received then an application for a Liability Order for the total remaining balance can be made.

There is no legal requirement to serve a further reminder notice. If more payments are missed a final notice is served cancelling the remaining instalments to be paid. The full amount for the remainder of the year is due-

In each case 7 days is given before application is made to the Magistrates for a liability order.

All notices will:

- Be written in plain English
- Explain what is owed and the consequences of non-payment
- Include appropriate contact details
- Include how to pay

Customers will be encouraged to make prompt contact if they disagree with the amount owed or have difficulty in making payment. Contact can be made by:

- Telephone
- Letter
- Email
- In person at any Council Office

Issue of Summons

If the debt is not paid or a satisfactory arrangement made then a summons is issued to the ratepayer advising them of an application to the Magistrates Court for a liability order. A court hearing date is given when the liability order will be applied for at the Magistrates Court. The issue of the summons incurs additional costs and these are determined by the Council in agreement with the magistrates' court annually.

Ratepayers are encouraged to contact the Council to make arrangements for repaying the amount owed.

Granting of Liability Order

If full payment is not received prior to the court hearing the Council will continue to apply to the Magistrates to issue a liability order.

The Liability Order will include the amount outstanding plus reasonable costs which are agreed between the Council and the Magistrates Court annually.

Once a liability order is obtained the recovery options available to the Council are as follows:

Agreements

If the customer has entered into an arrangement to repay the debt with the Council then no further action will be taken unless they default on the agreement. If an arrangement is defaulted on then the debt will be passed directly to the Councils appointed bailiffs.

Appointed Bailiffs

After the Liability Order Court Hearing, if a suitable arrangement has not been entered into then the debt will be passed to the Councils appointed bailiffs. The bailiff is able to add additional costs according to the schedule of charges agreed between the Council and appointed bailiff company.

All contact regarding the debt should now be directly between the ratepayer and the bailiff.

The bailiff is able to make an arrangement to:

- Receive payment in full
- Receive payment in full within 3 months, backed by a Walking Possession (WP) agreement
- Receive payment in full within the existing financial year, backed by a WP agreement
- In cases where there are extenuating circumstances to make an arrangement for an extended period of time at the Company's discretion (backed by a WP agreement).

Write Off

If all recovery possibilities have been tried and the Council are unable to recover the debt it will follow the write off policy as detailed in this document.

11. Housing Benefits Policy

Where an Overpayment is created the claimant will be advised by a decision notice and/or summary of overpayment letter via SSDC's Northgate/Comino system.

If the debtor is still in receipt of Housing Benefit payments, the Overpayment will be recovered direct from Housing Benefit by making weekly deductions direct from ongoing entitlement.

The DWP standard rate for deductions will be deducted on a weekly basis. These rates are reviewed annually by the DWP and updated on the Northgate System.

Recovery rates that are less than the standard rate are reviewed by the Overpayments Officer on a 6 monthly basis.

Sundry Debtor invoices are raised when Housing Benefit is no longer in payment and overpayments are still outstanding.

Sundry Debtor invoices are monitored by the Overpayments Officer as per the Sundry Debtor Recovery Process. Exchequer Services provide a Weekly Recovery Report detailing the reminders issued on accounts.

The Overpayments Officer also reviews plans agreed below £20.00 per month or that will take in excess of 12 months to repay.

Recovery of an invoice can also be referred to the DWP or another Local Authority for recovery on our behalf from other benefits.

Referral to DWP

This can be done at any time if requested by the claimant but will be referred prior to legal action being taken if able to do so.

Not all welfare benefits can be used for recovery.

The DWP will advise SSDC and the claimant if they are able to recover, the value of the recovery and the date the deductions will start

Payments are transferred monthly from the DWP to SSDC – monitored by the Overpayments Officer

If the DWP are no longer able to recover the invoice goes back into the normal recovery process or may be considered for write off.

Referral to other LAs

This can be done at any time but will be referred prior to legal action being taken under the following regulation. Housing Benefit Regulation 102 for recovery from Social Security Benefits subject to the provisions of Housing Benefit Regulation 105.

Payments will then be transferred to SSSC when full recovery of the overpayment has been made or monitored by the Overpayments Officer to request transfer of funds 6 monthly.

If the other Local Authority is no longer able to recover the Overpayment, the invoice will follow the Sundry Debtor recovery process or may be considered for write off

12. Parking Enforcement Policy

The statutory recovery process a Penalty Charge Notice must follow:

A Penalty Charge Notice is issued by a Civil Enforcement Officer and either affixed to the windscreen or handed to the driver. If this is not possible because the vehicle drove away or the Civil Enforcement Officer was threatened, then the Penalty Charge Notice may be sent by post.

The charge must be paid within 28 days from the date of issue of the Penalty Charge Notice. If the charge is paid within 14 days, a discount of 50% is offered and the case closed.

Drivers who receive a Penalty Charge Notice and wish to query the issue with the Council may write in to the address shown on the back of the Penalty Charge Notice. If a driver does so, no further action will be taken until the matter has been considered and a reply sent. If the driver writes within the 14 day period allowed for payment of the discount, and the Penalty Charge Notice is not cancelled, a further 14 days will be allowed for payment of the discounted amount.

If the charge is not paid within the 28 day period a Notice to Owner is issued to the registered keeper of the vehicle. This gives the keeper the opportunity to either pay the charge, or make formal representations.

The Council will consider all representations received and issue either a Notice of Acceptance or Rejection of Representations. If representations are rejected, the vehicle owner will be allowed to appeal to the Traffic Penalty Tribunal, an independent appeals body. An adjudicator will consider the case and make a decision that is binding on both the Council and the appellant.

If no representations are made, or representations are made and rejected by the Council, or an appeal is made subsequently to rejected representations and refused by the Traffic Penalty Tribunal and no payment is then received within 28 working days, a Charge Certificate is issued. This increases the charge by 50%.

If payment is not made within 14 working days of receipt of the Charge Certificate, the Council will apply to the Traffic Enforcement Court to register the charge as a civil debt. The Traffic Enforcement Court is a special court which only deals with civil traffic contraventions.

The Traffic Enforcement Court will then authorise the Council to issue a Notice of Unpaid Penalty Charge, which increases the outstanding charge by £7.00 (as Court fees are added to the amount payable). On receipt of the Notice of Unpaid Penalty Charge, either payment of the full amount due must

be made, or a Witness Statement may be submitted to the Court on certain grounds (this is explained in the Notice of Unpaid Penalty Charge),

If payment is not made within 21 days of the receipt of this Notice an application is made to the Traffic Enforcement Court for a Warrant to be issued to recover the debt.

The Traffic Enforcement Court then authorise the Council to issue a Warrant of Execution. This is valid for one year and a day and is passed to a Certified Enforcement Agent (Bailiff). The bailiff is appointed by a Court and will add his charges to the outstanding debt. These are strictly controlled by the Department for Justice as are the actions he can take to recover the debt. After the Warrant of Execution is issued, no correspondence or communication will be dealt with by the Council. These can only be directed to the bailiff.

13. Sundry Debtor Policy

- 13.1 Service providers must endeavour to obtain payment in advance or at the time of service delivery wherever permissible, and must ensure that they have adequate controls in place to limit the amount of debt that arises. Sundry Debtor invoices should only be raised where payment in advance for a service is inappropriate.
- 13.2 When a service is provided, goods delivered or other debts to South Somerset District Council are identified, an invoice will be produced via the Councils financial system.
- 13.3 A Debtor Invoice Request form, which is held on the intranet, will need to be completed in full. This can be either e-mailed or printed out and given to an Officer who can input the information onto the Financial System. If there is not an officer within the appropriate service/group it can be e-mailed to exchequerservices@southsomerset.gov.uk.
- 13.4 The request will be processed to ensure that the invoice has been raised within 5 days of the goods or services being provided.
All invoices are printed overnight and posted when produced.
- 13.5 Reminders will be issued **21** days after the invoice was raised if any of the debt remains, unless a payment plan has been agreed. During the period of the first reminder and the second reminder being issued, a member of the service team, will contact the debtor by phone to seek payment of the outstanding debt or to establish if the debtor is experiencing difficulty paying the invoice.
- 13.6 After **35** days, should any of the debt remain then a second reminder is produced.

Aged Debt Report

- 13.7 The Aged Debt report is produced on 1st of each month and is sent to the relevant Service Managers. It is the responsibility of Service Managers to ensure that sundry debtor accounts for their service are monitored correctly and to ensure that overdue accounts are pursued directly with the debtor. As the debtor will have already had an invoice, a 1st reminder and possibly the 2nd written reminder, the Service must try and contact the debtor by telephone.

- 13.8 Where outstanding accounts relate to the supply of goods/services, no further goods/services should be supplied until the overdue account is cleared.
- 13.9 Should there be a valid reason why a debt will not be paid immediately, Exchequer Services should be notified to prevent further reminders being sent to the debtor and/or legal action being taken.
- 13.10 If it is found that the debtor has the ability to pay, but refuses to pay, then recovery action will continue promptly.
- 13.11 If the Debt remains unpaid after 49 days it will appear on a Stage 3 Recovery Report. This will be the last point at which Service Teams will try to contact the debtor to arrange payment of the debt either in full or by a payment plan. At this point, service teams should also check that the information held in relation to the debt is up to date and accurate to ensure the file is ready to be passed to legal should recovery be unsuccessful.
- 13.12 Whilst recovery of an outstanding balance is ongoing, officers must ensure notes are entered on the Financial System against the relevant invoice regarding what action has been taken to recover the debt.
- 13.13 Where a debtor has multiple debts across various Council Services the Exchequer Team will liaise with the relevant Service Teams and recover the monies centrally.
- 13.14 If the debt remains outstanding after 56 days it will appear on the Stage 4 Recovery Report. At this point debts over £100 will be referred to Legal Services for action.
- 13.15 Once the debt has been passed to the Legal Services for action, all queries/agreements and correspondence relating to the debt, should only be dealt with by the Legal Services Team.

Summary of Sundry Debtor Recovery Process

No. of days	Recovery Action	Action to be taken by
Within 5 working days of delivery of goods/service, unless specific terms have been agreed by the Assistant Director Finance & Corporate services	Sundry debtor Invoice to be raised.	Service Team
21 days after invoice has been produced	Automatic Reminder to be issued.	Exchequer Team
21 days	Contact made with Debtor by phone chasing payment.	Service Team
35 days	2 nd Automatic Reminder to be issued.	Exchequer Team
49 days	Debt will appear on Stage 3 Recovery Report – Last point in which the service team will try and contact the debtor. Service Teams to check information held in relation to the debt is accurate and up to date.	Service Team
56 days	Debts over £100 will be referred to Legal Services and files will be requested from Service Teams.	Exchequer Team/Service Team
56 days +	Legal Services Team to recover debts over £100 according to procedures.	Legal Services Team

14. Sundry Debtor Payment Plan Policy

- 14.1 All invoices are payable immediately, however we do recognise that sometimes a debtor's circumstances are such that they cannot afford to repay the debt in one instalment. We then offer the opportunity to pay by agreed instalments to clear the debt.
- 14.3 When an instalment plan is agreed, it is preferable for the outstanding amount to be settled within the current financial year. If this is not possible, then try to arrange the debt to be paid off within 12 months (it is appreciated that sometimes this cannot be accommodated due to affordability issues).
- 14.4 The standard procedure will be for a financial "means test" to be undertaken and assessed for all instalment arrangements lasting longer than 12 months or where repayments are less than £20 per calendar month. The assessment must be carried out before a instalment plan is agreed. It is important when carrying out the financial 'means test' that all income and expenditure information is obtained such as income, regular outgoings, employment status and details, up to date address and phone no (s). If the officer is unable to reach a suitable repayment agreement within these criteria, the case should be escalated to a higher level for a decision by an appropriate officer with delegated responsibility.
- 14.5 Debtors with instalment arrangements lasting longer than 12 months or where repayments are less than £20 per calendar month should be reviewed annually. The Exchequer Team will forward an annual report to Services detailing payment plans, which need to be reviewed.
- 14.6 On occasions debtors do not adhere to the agreed payment plan. Where an instalment is missed a letter is written to ask the debtor to bring their account up-to-date. They are also asked to contact us should they be unable to keep to the original payment plan, so a new plan can be negotiated.
- 14.7 Should a second instalment be missed, the account not be brought up-to-date, or no new plan negotiated after the first missed instalment letter, the plan will be cancelled to allow the normal recovery process to take place.
- 14.8 If after the two letters the payment plan is still in arrears then normal recovery action will be taken.

Summary of Sundry Debtor Payment Plan Recovery Process

No. of days	Recovery Action for unpaid instalments	Action to be taken by
3 days	Automatic reminder sent	Exchequer Team
Days will be variable dependant on instalment plans – outstanding instalments will be detailed on a weekly report.	1 st Instalment – Letter sent requesting payment to bring account up to date	Exchequer Team
	Should a second instalment be missed, the account not be brought up-to-date, or no new plan negotiated after the first missed instalment letter, the plan will be cancelled to allow the normal recovery action to be taken.	Exchequer Team

15. Legal Process

- 15.1 The success of the legal process is heavily reliant on originating departments providing Legal Services with a file of relevant and complete evidence, a current address and being up-dated with any change of address and relevant information.
- 15.2 Only outstanding debts greater than £100 are passed to Legal Services.
- 15.3 A letter is sent to the debtor, on Legal Services headed paper asking them to pay the debt within 14 days. After receiving this letter the debtor can do one of four things:
- Pay the debt
 - Question the debt
 - Arrange an instalment plan
 - Ignore the letter

15.4 Questioning the debt:

Legal Services will ask the relevant department for their file providing evidence that the debt is owed and that there are signed agreements and/or relevant legislation allowing the Council to recover the debt. Once this is received a reply to the question is sent or a telephone call made. The debt is either confirmed as being correct and payment is requested in full or an instalment plan arranged. A letter is sent to the debtor advising of the agreed plan and an email sent to the Finance Team to set up the plan on CedAr. Legal Services then update their database and the debt remains on the database until paid. If a debtor still disputes the debt, they will be advised that the matter will be resolved by the court.

15.5 Arrange an instalment plan:

Once full 'Income and Expenditure' information has been received the Legal Services Team arranges a suitable instalment plan with the debtor, which is set up on CedAr and monitored by the Legal Services and the Finance team. Should the debtor default on this plan then a letter is written asking for full payment or for the debtor to contact South Somerset District Council. If no payment or contact is made then legal proceedings will commence.

15.6 Ignore the letter:

If the first letter from the Legal Services receives no response, or a payment plan fails, then the details of the debt are either

passed to a collecting agent or court proceedings are commenced.

- 15.7 The debtor can chose to defend the matter at court, but if no defence is made or is unsuccessful then the court issues a County Court Judgement (CCJ), which can be enforced. If the court proceedings are unsuccessful, the debt will have to be written off.
- 15.8 Any write off's are referred back to the relevant department advising why the invoice should be written off and informing them that the Legal File is closed.
- 15.9 Reason for write off's include:
 1. There is not sufficient evidence to prove the case.
 2. It is not cost effective to pursue which includes:
 - The debtor has no prospect of paying
 - The invoice is not economical to pursue
 - All avenues exhausted
- 15.10 A letter is issued by Legal Services advising the debtor to make payment or make contact other wise further legal proceedings will be taken to enforce the judgement.
- 15.11 Enforcement of the Judgment include:
 - Debtor to Attend Court for Questioning
 - Bailiff Warrant
 - Attachment of Earnings Order
 - Charging Order
 - Third Party Debtor Order
 - Bankruptcy
- 15.12 If payment agreements are made then the process continues until the invoice is paid in full or the issuing department agrees a write off.
- 15.13 No further action should be taken after Legal has closed the file – if new information has come to light the file should be passed back to Legal Services to pursue.
- 15.14 Debts should be written off within 1 month of the legal file being closed.

Appendix A

8.3 Writing Off of Debts

- a. Any debts written off shall be in accordance with procedures approved by District Executive. Debts of less than £100 can be written off with the approval of the Finance Manager (Deputy S151 Officer). Debts over £100 (including cumulative invoices) but less than £20,000 can be written off with the approval of the Assistant Director Finance & Corporate Services; Write off of debts over £20,000 shall require approval of the Portfolio Holder- Finance & Support Services after liaising with the relevant Ward Member. The Assistant Director Finance & Corporate Services is responsible for reviewing these procedures annually with the Portfolio Holder- Finance and Support Services and advising District Executive of any recommended amendments.

Audit Committee – 27 September 2012

9. Audit Forward Plan

Assistant Director: Donna Parham – Finance and Corporate Services
Lead Officer Anne Herridge Committee Administrator
Contact Details: Anne.herridge@southsomerset.gov.uk or (01935462570)

Purpose of the Report

This report informs Members of the agreed Audit Committee Forward Plan.

Recommendation

Members are asked to:-

Comment upon and note the proposed Audit Committee Forward Plan as attached at Appendix A.

Audit Committee Forward Plan

The forward plan sets out items and issues to be discussed over the coming few months and is reviewed annually.

Background Papers: *None*

Audit Committee – 27 September 2012

Audit Committee Forward Plan

Appendix A

25 Oct 12	<i>Update on the proposed changes to Governance Arrangements</i>	<i>Ian Baker</i>
	Wincanton Community Sports Centre Audit Action plan	Steve Joel
	Approve Treasury Management Practices	Karen Gubbins
	Treasury Management – second Quarterly Monitoring report and mid year Review of Strategy	Karen Gubbins
	Annual/Audit Letter	Donna Parham
	Audit Commission Annual Governance Report	Donna Parham
	Interim report of review of internal audit – to bring members up to date against the agreed actions and target dates.	Ian Baker/Donna
22 Nov 12	Internal Audit – second quarter and Half Year update	Ian Baker/Andrew Ellins
	<i>Risk management update including partnering (Suppliers, other agencies etc)</i>	<i>Gary Russ</i>
Dec 12	No reports to date	
January 13	Health, Safety & Welfare – Annual report	Pam Harvey

Audit Committee – 27 September 2012

10. Date of Next Meeting

The next scheduled meeting of the Audit Committee will be held on Thursday, 25 October 2012 at 10.00 a.m. in the Council Chamber B, Council Offices, Brympton Way, Yeovil.
