

Chichester District Council

CABINET

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Corporate Debt Recovery Policy

1. Contacts

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2. Recommendation

2.1. That the Cabinet approves the new Corporate Debt Recovery Policy.

2.2. That the Cabinet notes the Council's response to the recommendations from the Money Advice Service.

3. Background

- 3.1. In response to the Taking Control of Goods (Fees) Regulations 2014 which came into force on 6 April 2014, Cabinet approved the Council's Corporate Debt Recovery Policy in October 2014. The aim of this Government legislation was to clarify the law, introduce a transparent fee structure and regulate the enforcement industry.
- 3.2. As a result of the legislation, debtors (who owe money to a third party) and creditors (who are owed money) should now easily understand their rights and be assured that there is no scope for unlawful force when enforcing debts. Standards of behaviour are guaranteed by a mandatory training regime and there are now appropriate standards for entering the enforcement profession (previously known as the bailiff profession). The public now get better information and guidance, so that they know where to go for help when in financial difficulties, and what their rights are when something goes wrong.
- 3.3. The Council's policy was last refreshed in September 2017, and a new Write off Policy was established with the aim of clearly setting out under what circumstances a debt is deemed to be irrecoverable, so that the Revenue Recovery Team (at that time) could submit the debt for write off approval by the Section 151 Officer (formerly known as the Head of Finance & Governance Services), or other specific officers authorised to approve the write off of smaller debts under the approved policy.
- 3.4. In view of the legislation, the Corporate Debt Recovery Policy was developed to promote a co-ordinated approach in the Council at an early stage in the recovery process so that debtors are better able to manage multiple debts to the Council,

and it also acknowledged that vulnerable people may need extra assistance in dealing with their financial affairs.

- 3.5. Also to ensure a consistent approach one team was given the responsibility to manage the recovery and enforcement of all unpaid corporate debts with the exception of parking fines, which are subject to the Civil Enforcement of Parking legislation and managed by the Car Parking Service. The parking fines are normally due for payment within 28 days of being issued, but the service operate a payment plan policy for individuals where exceptional circumstances apply, which is consistent with the Council's Corporate Debt Recovery Policy.
- 3.6. The Council's Constitution states, (under Part 3, Item 24 Page 67), that the Director of Corporate Services has the delegated authority to "Write-off of outstanding accounts, which are considered to be irrecoverable, subject to members being informed of the total amount of such write-offs". The debts written off between 1 April 2018 and 31 March 2019 were published on Modern.gov for members in September 2019 and are a background paper for this report.

4. Outcomes to be achieved

- 4.1. That a new Corporate Debt Recovery Policy is approved which updates the Council's approach to debt management including roles and responsibilities, and incorporates the Council's write off arrangements. Thereby ensuring that the policy remains up to date, relevant and is clear and transparent about its approach for debt management, recovery action and the write off of debt where it is deemed to be uncollectable.
- 4.2. To seek to achieve the 6 steps of good practice for local authorities as advocated by the Money Advice Service to improve the Council's collection practices.

5. Proposal

- 5.1. The Corporate Debt recovery and Write off Policies have remained unchanged since they were last approved in 2017, and officers felt that the 2 policies should be amalgamated and a complete refresh undertaken. This was also an opportunity to take account of changes to the Council's management structure and the Corporate Debt Recovery Team, after the Revenues & Benefits service review, which has made changes to those undertaking recovery actions within the Council.
- 5.2. The new policy in appendix 1 is an overarching generic approach for income collection and debt management, with greater detail for those income streams where different legislation needs to be taken into account for debt recovery actions, and where the service has responsibility for recovery action rather than the corporate Taxation Team.
- 5.3. It also states when the council will charge interest for late payment, which has not been expressed anywhere before or advocated, even for corporate/commercial debtors.

- 5.4. It expands on the fair debt collection approach, the use of enforcement agents, and sets out the roles and responsibilities of officers under the policy, including the delegation of write offs for lesser sums, which reflects better the accountability and knowledge of such cases.
- 5.5. The policy sets out the reporting of write offs for lesser amounts to the Director of Corporate Services, along with the quarterly write off approval procedures. These reporting requirements are to aid the annual write offs report to members as prepared by the Revenues Operations Manager.
- 5.6. It also sets out a new regular reporting requirement to the Strategic Leadership Team (SLT) so senior managers are aware of the financial risk of non-collection and the service areas impacted.
- 5.7. Also in response to the Money Advice Service and their “Stop the Knock” research campaign which sets out 6 recommendations for local authorities to consider to improve their collection process; the Council’s response to those recommendations are set out:

(i) **Make a clear statement to reduce the Council’s use of enforcement agents (formerly known as bailiffs) over time.**

Council’s response: Any use of enforcement agents is usually a last resort in the debt recovery process, which is not evoked without considering the type of debtor involved in accordance with the Council’s debt recovery policy.

This approach is also illustrated by the data from the Money Advice Service, which stated that “Chichester District Council is amongst the 51% of councils in England and Wales that have reduced its use of bailiffs over the last two years - in 2018/19, Chichester District Council passed 1,174 council tax debts, 738 parking debts and 65 other debts to bailiffs - a total of 1,977 debts, representing an overall decrease of 32% since 2016/17”.

(ii) **Review the Council’s signposting to free debt advice, including phone/online channels**

Council’s response: This information was already contained within the 2017 policy, and is in the new policy being considered by the committee. The Council’s website will be reviewed to make any further improvements to aid sign posting as necessary.

(iii) **Adopt the Standard Financial Statement (SFS) to objectively assess affordability**

Council’s response: Officers are currently assessing the use of this statement in its debt management processes and procedures in the relevant service areas.

(iv) Put in place a formal vulnerability policy covering residents in vulnerable circumstances

Council's response: This information was already contained within the 2017 policy and is in the new policy being considered by the committee.

(v) Exempt Council Tax Support recipients from enforcement action

Council's response: The Council continues to give a high level of support to those claimants that are financially vulnerable in its communities since the introduction of local Council Tax Reduction schemes, by maintaining levels of support to claimants in comparison with the National means tested Council Tax Benefit scheme that it replaced. There may be claimants where 100% level of support is not given, but the use of enforcement agents for this type debt would only be used as a last resort.

(vi) Sign the Council Tax Protocol and review the Council's current practices against the 'Supportive Council Tax Recovery' Toolkit

Council's response: Officers are currently considering this toolkit and its use by those involved in Council Tax recovery action, and if appropriate, it will be incorporated into the procedures used by the service.

6. Alternatives that have been considered

- 6.1. It is considered that a corporate wide policy for the recovery process of money owed to the Council, and the write off of irrecoverable debts ensures that there is a transparent and clear process for debtors to understand. This ensures that the approach is consistent for all income streams as debtors may have arrears with more than one service department of the Council.

7. Resource and legal implications

- 7.1. The adoption of the new policy, does not in itself have any resource implications, but aids transparency and understanding about the procedures and processes relating to debt recovery and write off protocols within the Council. This is because, as part of the Council's budget process the bad debt provision is reviewed for all its aged debt and the provision is adjusted as necessary. Provisions are also reviewed during the production of its statutory final accounts, to consider the debts written off during the year and whether the bad debts provisions remain sufficient or not.
- 7.2. The policy continues the promotion of good practice and a consistent approach in the recovery of debts, and the recommendation to write off any debts that are considered to be irrecoverable, after any necessary consultation with the relevant service and Legal Service's advice.

8. Consultation

- 8.1. In developing the policy consultation has been carried out with a number of services across the Council of the new Corporate Debt Recovery Policy

incorporating the write off arrangements. These included the Income and Payments team, Revenues and Benefits Service, Estates, Housing and Legal Services, plus the Divisional Manager for Community Services from a financial inclusion viewpoint; before consulting with the Strategic Leadership Team.

- 8.2. The Corporate Debt Recovery Policy was considered by the Corporate Governance and Audit Committee on 23 January and a verbal update will be provided on any comments.

9. Community impact and corporate risks

- 9.1. Lack of timely and appropriate debt recovery action may result in the loss of income due, higher levels of write offs and increasing bad debt provision requirements.
- 9.2. Reputational risk and not adhering to the Council's corporate priorities where the service user pays, increasing the risk to its financial resilience.
- 9.3. The Corporate Debt Recovery Policy has provided debtors with the assurance that the Council recognises that some individuals and commercial organisations can have problems paying and that the Council aims to provide assistance to help them meet their obligations.
- 9.4. The equality impact assessment has been reviewed to take account of the new policy being proposed, and no changes were required.
- 9.5. This policy in no way promotes a two tier system, as there will always be customers who pay their bills on time and those who don't. The policy was established to support individuals and commercial organisations to deal with their debts, as they would still be expected to pay what is due.
- 9.6. The policy also sets out clearly when the Council will consider writing off debts that it considers to be irrecoverable. However, should a debt need to be reinstated because the reason for write-off is no longer valid e.g. absconded and the debtor is subsequently found or assets identified, then the Council will reinstate the debt if appropriate to do so and within any time limitations.

10. Other Implications

	Yes	No
Crime & Disorder:		X
Climate Change and Biodiversity:		X
Human Rights and Equality Impact: An updated Equalities Impact Assessment has been carried out and has concluded that these policies will have a positive impact on some individuals with protected characteristics and a neutral effect on other groups.	X	
Safeguarding and Early Help:		X
General Data Protection Regulations (GDPR)		X
Health and Wellbeing		X

11. Appendices

11.1. Appendix 1 – New Corporate Debt Recovery Policy

12. Background Papers

12.1. Equalities Impact Assessment

12.2. Debt Write Offs between 1 April 2018 and 31 March 2019