

CABINET

25 April 2017

Title: Debt Management Policy	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
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Accountable Director: Kathy Freeman, Finance Director	
Accountable Strategic Director: Claire Symonds, Chief Operating Officer	
Summary <p>This report contains the proposed revised Debt Management Policy for the Council. This is the result of a routine, periodic review of the Policy to ensure its ongoing fitness for purpose.</p> <p>The Council has a duty to recover outstanding debts and in doing so ensure that its processes are fair to everyone, particularly in the current economic climate. The attached Policy sets out how the Council will work to minimise debt, seek to prevent debt and maximise rates of collection, be consistent in the approach to raising and recovering debt and ensure that customers who experience financial difficulty and those in difficult circumstances are supported.</p> <p>The revised policy changes are not significant. The policy attached at Appendix A now has more emphasis on prevention in section 10 and the policy has generally been updated, e.g. references to bailiffs have been replaced with references to enforcement agents.</p>	
Recommendation(s) <p>The Cabinet is asked to agree the revised Debt Management Policy as set out at Appendix A to the report.</p>	
Reason(s) <p>Assisting in the Council's Policy aim of ensuring an efficient organisation delivering its statutory duties in the most practical and cost-effective way. This policy ensures good financial practice and adherence to the Council's Financial Rules on the management of debt including its write-off.</p>	

1. Introduction and Background

- 1.1 The Finance Director requested that the Debt Management Policy originally agreed in October 2011 be reviewed in line with an audit recommendation.
- 1.2 The review was designed to make sure the policy remained up to date and that the approach to dealing with debt by reviewing and defining the total cycle of debt from Charging Policy to Recovery methods continued. It was also to ensure that customers continued to be assisted and clearly signposted to help deal with debt and were treated fairly when experiencing difficult circumstances. There was also a focus on debt prevention.

2. Proposal and Issues

- 2.1 The policy was previously approved in October 2011 and a review was required. The revised policy changes are not significant. The policy attached at Appendix A now has more emphasis on prevention in section 10 and the policy has generally been updated, e.g. references to bailiffs have been replaced with references to enforcement agents.

3. Options Appraisal

- 3.1 As the policy had been agreed in 2011 a review was required.

4. Consultation

- 4.1 Consultation has taken place with relevant Members and officers across the Council and with appropriate representatives within the Council's joint venture partner, Elevate.

5. Financial Implications

Implications completed by: Stephen Hinds, Chief Accountant

- 5.1 It is essential to have a robust policy on debt management to maximise the income collected by the Council. The primary aim should always be to avoid a debt being created to improve both the Council's cash flow and to avoid the cost of managing any debts. Where debt is created, all steps should be taken to ensure that debt is as easy to collect as possible and the policy specifies steps to enable that.
- 5.2 In line with required accounting policies, the Council makes provision within its accounts each year for bad and doubtful debts. Improving the collection performance and minimising debts written off will enable the Council to potentially reduce the bad debt provision and make a saving in the annual budget.
- 5.3 It is important that the management information is accurate, timely and of sufficient detail to monitor the effectiveness of each type/stage of the debt management process so officers can make an assessment of the value for money offered.

6. Legal Implications

Implications completed by: Dr. Paul Feild, Senior Corporate Governance Lawyer

- 6.1 This Report is seeking Cabinet's approval of a proposed new corporate debt management policy as set out in the Appendices to this report.
- 6.2 The Council, as a custodian of public money, has a duty to recover outstanding debts. Monies owed to the Council in the form of debts are a form of asset that is the prospect of a payment sometime in the future. The decision not to pursue a debt carries a cost and so a decision not to pursue a debt is not taken lightly.
- 6.3 The Council holds a fiduciary duty to the ratepayers and the government to make sure money is spent wisely and to recover debts owed to it. If requests for payment are not complied with then the Council seeks to recover money owed to it by way of court action once all other options are exhausted. While a consistent message that the Council is not a soft touch is sent out with Court actions there can come a time where a pragmatic approach has to be taken with debts as on occasion they are uneconomical to recover in terms of the cost of process and the means of the debtor to pay. The maxim no good throwing good money after bad applies. The report states that the proposed debt management policy (including a write-off policy) will assist the Council to achieve its objectives of minimising debt and maximising rates of debt collection, whilst taking the circumstances of those debtors who are genuinely experiencing difficulty in maintaining their payments into consideration and maintain a managed approach to debt control.
- 6.4 The report confirms that the proposed debt management policy and write-off policy comply with the provisions of the Council's Financial Rules as set out in Part D of the Council's Constitution.

7. Other Implications

- 7.1 **Risk Management** – The policy will continue to ensure a robust framework for debt management
- 7.2 **Corporate Policy and Customer Impact** – An Equalities Impact Assessment has been undertaken and is set out at Appendix B. Key aims within the policy include:
 - **Those that struggle to pay** will receive appropriate assistance and support through debt management and benefit advice, helped to make and adhere to payment arrangements and understand options to minimise costs in the future.
 - **Those identified as 'Won't Pay'** will have the appropriate tools of recovery focused on them depending on individual's circumstances and the assets or income they have.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

Appendix A Revised draft policy

Appendix B Equality Impact Assessment