

## CABINET

18 OCTOBER 2011

<b>Title:</b> Debt Management Policy	
<b>REPORT OF THE CABINET MEMBER FOR FINANCE, REVENUES AND BENEFITS</b>	
Open Report	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> Yes
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<b>Accountable Divisional Director:</b> Sue Lees, Divisional Director of Assets and Commercial Services	
<b>Accountable Director:</b> Tracie Evans, Corporate Director of Finance and Resources	
<b>Summary:</b>  The attached report is the proposed new Debt Management Policy for the Council. 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 we will work to minimise debt and maximise rates of collection, be consistent in our approach to raising and recovering debt and ensure that we assist customers who experience financial difficulty and those in difficult circumstances. It also sets out a revised sign off procedure for dealing with write off's within Revenues and Benefits.	
<b>Recommendation</b>  The Cabinet is recommended to agree the new Debt Management Policy as set out at Appendix A to the report.	
<b>Reason</b>  To assist in the Council's Policy House aim of ensuring a well run organisation, delivering its statutory duties in the most practical and cost-effective way.	

### 1. Introduction and Background

- 1.1 The Corporate Director of Finance and Resources requested that a new Debt Management Policy was put in place to provide a framework to ensure improvement in debt management within the Council. This was to ensure a better approach to dealing with debt by reviewing and defining the total cycle of debt from charging policy to recovery methods. It was also to ensure that customers were assisted and clearly signposted in dealing with debt and treated fairly when experiencing difficult circumstances.

- 1.2 This was alongside the new partnership arrangement set up in the form of Elevate where one of the key priorities was to improve debt management and reduce costs. Key Performance Indicators within the contract measure this performance and quarterly reports to Cabinet will illustrate performance in detail.

## **2. Proposal and Issues**

- 2.1 Attached at Appendix A is the draft Debt Management Policy.
- 2.2 The new policy will ensure good financial practice and adherence to the Council's Financial Rules. It will also ensure that the Council's performance on debt management is effectively monitored.

## **3. Options Appraisal**

- 3.1 There was no option other than to ensure a new Policy was in place to assist in providing a robust framework for improved debt management within the Council.

## **4. Consultation**

- 4.1 The draft policy has been developed in conjunction with officers from Elevate. The document was also considered by the Public Accounts and Audit Select Committee on 28 September 2011.

## **5. Financial Implications**

Implications completed by: Jonathan Bunt, Divisional Director of Finance

- 5.1 It is essential to have a robust policy on debt management to maximise the income due to 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: Eldred Taylor-Camara, Legal Group Manager)

- 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.

6.3 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.

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 new policy will ensure a more robust framework for debt management.

### **7.2 Staffing Issues**

The new policy will provide clearer procedures for staff to follow.

### **7.3 Customer Impact**

The new policy will ensure customers are treated fairly with reference to their individual circumstances. The policy also contains provisions to assist customers in dealing with debts owed to the Council.

## **Background Papers Used in the Preparation of the Report:**

- Current Debt Management Procedures

## **List of appendices:**

- Draft Debt Management Policy