

**To:** City Executive Board  
**Date:** 9 July 2015  
**Report of:** Head of Financial Services  
**Title of Report:** Debt Management Policy

### Summary and Recommendations

**Purpose of report:** To seek the approval and formal adoption of the Oxford City Council Debt Management Policy.

**Key Decision:** No

**Executive lead member:** Councillor Ed Turner, Executive Board Member for Finance, Asset Management and Public Health

**Policy Framework:** Efficient and Effective Council

**Recommendations:** That the City Executive Board:  
  
Approve the Debt Management Policy, as set out in Appendix A attached.

## APPENDICES TO REPORT

APPENDIX A: Debt Management Policy

## BACKGROUND

- 1 The Council's income is diverse in nature ranging from low value debts for one-off items, significant value debts for potentially re-occurring items such as overpaid housing benefits, to business rates, council tax and council house rents.
- 2 In respect of income collection the Council's Financial Rules state that Heads of Service are responsible for :

- raising invoices as soon as reasonably practical for all goods and services provided on credit; and
  - following the systems and procedures laid out by the Head of Financial Services as contained in the Cost Centre Managers Manual and within the Guidance on Debt Collection on the intranet
- 3 In total it is estimated that the Council raises invoices for over £200 million of income per annum using a number of systems depending on the category of debt including
- |         |   |
|---------|---|
| Capita  | - Business Rates, Council Tax and overpaid Housing Benefits |
| Iworld  | - Council House Rents                                       |
| Agresso | - General Debtors   |
| Uniform | - Licences  |
| Civica  | - Excess charge notices                                     |
- 4 As at 31<sup>st</sup> March 2015 arrears for all types of debt stood at around £18.111 million with provisions for bad debt of around £8.878 million
- 5 In 2014/15 the collection rate for business rates was 98.8% compared to a target of 99%. On council tax the collection rate was 97.67% compared to a target of 97.4%. On rent arrears the collection rate was 97.79% compared to a target of 97.5%.
- 6 Reduced Government grant and our increased dependence on income from business rates and trading, along with pressures on tenants and Council Tax payer's incomes due to the economic downturn and welfare changes means effective debt collection is more important than ever.

## FINDINGS

- 7 In simplistic terms a Debt Management Policy should
- a) Set out policies and procedures that the Council will adhere to in the collection of the debt
  - b) Ensure that debt is collected cost effectively and at acceptable target levels
  - c) Have recognition of the personal financial circumstances of debtors.
- 7 The revised Debt Management Policy to that approved at City Executive Board on 12 June 2013 attached at Appendix A seeks to outline a policy to which the principles in paragraph 1.7 above can be applied. There are no substantial changes from the policy approved by Members previously although Members should note the intention of officers to undertake more work around those debtors owing the Council multiple debts. Software to undertake such work is currently being evaluated with procedures and processes looking to be introduced later in the year.

## **Financial Implications**

- 8 The Corporate Debt Management policy is designed to standardise processes for the granting of credit, the recognition of revenues, and the collection of debt. However, given the current economic outlook, and the welfare reforms being implemented from this financial year onwards, increased pressure will be felt by a large number of tenants and homeowners on their own budgets, and this will ultimately impact on their ability to pay their bills promptly.
- 9 There are a number of actions to ensure the embedding of the Debt Management Policy and establishing the processes and procedures to analyse information produced on multiple debts owed by debtors, the so called 'single view of debt' which will be led by the Head of Financial Services.

## **Legal Implications**

- 10 Many discretionary Council services are provided on a contractual basis. All contracts and invoices or demands for payment should contain a clear explanation of the terms upon which the services are provided including terms as to payment. It is the breach of those terms which would entitle the Council to pursue, if necessary through legal proceedings, the recovery of the debt. Debtors will always receive a letter before action before proceedings are issued by the Council in the hope that the issuing of proceedings may be avoided.
- 11 There are a range of enforcement options available to the Council, including Court action such as instructing bailiffs, attachment of earning orders, charging orders upon property, committal to prison, bankruptcy. Officers will use the most appropriate method of debt collection depending on the circumstances of the case and this may include a combination of a number of enforcement options.

## **Risk Implications**

- 12 By introducing this policy, there is reputation risk to the Council, as we are introducing stronger collections processes at a time when our customers are looking for more flexibility, rather than less. However, as part of the policy we are ensuring that all officers will be aware that there is a need to ensure that all customers who are struggling to fulfil their obligations in relation to debts with the council are provided details of organisations which can provide help and advice with regard to debt.
- 13 With the current economic climate, there is an increased risk of homelessness within the city, reducing incomes to the council, whilst increasing costs in re-housing homeless individuals and families.
- 14 Further deterioration of the economy may result in larger than expected cuts to local authority funding, adding pressure to an already reduced budget.

## Equalities Impact Assessment

- 15 The Public Sector Equality Duty requires public bodies to consider how the decisions that they make, and the services they deliver, affect people who share different protected characteristics which are; age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, marriage and civil partnership.
- 16 The main potential impact with this policy arises from the debts accrued through Council Tax and Housing rent arrears and can be associated with the socio-disadvantaged residents and low earners where there will inevitably be groups with protected characteristics. The following table identifies potential risks and factors that may mitigate this

Risks	Mitigations
Seeking to eradicate payment by cash or cheque could adversely affect those in this category as they will be less likely to have access to the alternative forms of payment	<p>Work with relevant groups to educate and raise capability to manage finances through electronic methods. Ensure collection staff are aware of the need to support this</p> <p>To consider the impact on the debtor of the consequences of any recovery options pursued, and proportionality of these.</p>
Inability to pay off debts or the negative impact of being unable to meet repayment agreements.	<p>Individual case review and realistic repayment plans. Recognise the difference between the debtor who won't pay and the debtor that can't.</p> <p>Where appropriate, to encourage the debtor to make contact with relevant organisations for debt management advice.</p> <p>Ability to pay is a paramount concern when considering debt recovery. Discounts against Council Tax, and statutory benefits against Council house rents are provided on application, which are designed to offset the effects of low income and the ability to pay.</p>

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