

To: City Executive Board
Date: 13 March 2019
Report of: Head of Financial Services
Title of Report: Corporate Debt Management Policy

Summary and recommendations	
Purpose of report:	To seek the approval and formal adoption of the revised Oxford City Council Corporate Debt Management Policy
Key decision:	Yes
Executive Board Member:	Councillor Nigel Chapman, Customer Focussed Services
Corporate Priority:	Efficient and Effective Council
Policy Framework:	None
Recommendation: That the City Executive Board resolves to:	
1. Approve the proposed Corporate Debt Management Policy as set out in Appendix 1 attached	

Appendices	
Appendix 1	Corporate Debt Management Policy
Appendix 2	Risk Register

Introduction and background

1. The Council receives income from a number of sources ranging from the repayment of low value debts for one-off items, to significant value debts for potentially re-occurring items such as Overpaid Housing Benefits, Business Rates, Council Tax and Council Rents.
2. The Council's Finance Rules as contained in the Council's Constitution state that Heads of Service must have robust processes in place for dealing with income collection in their service area where required and must ensure that :
 - They raise invoices as soon as reasonably practical for all goods and services provided on credit; and

- They follow 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 Academy	Business Rates, Council Tax and overpaid Housing Benefits
Northgate (Aareon from 2019)	Council House Rents
Unit4 Business World On! (Agresso)	General Debtors
Uniform	Licences
Imperial Civil Enforcement	Excess charge notices

4. As at 31st March 2018 arrears owed to the Council stood at around £23.353 million as set out in the table below together with an analysis of provisions held against each debt type. These provisions are reviewed prior to the start of a financial year.

Cumulative arrears as at 31 st March 2018		
	Arrears	Provision for bad debts
	£000's	£000's
Business Rates	4,834	1,604
Council Tax	5,366	3,198
Overpaid Housing Benefits	7,624	5,455
Rents (including Former Tenant Arrears)	1,614	939
Miscellaneous debts	3,872	273
Excess charges notices	43	30
Total	23,353	11,499

Write-offs 2017/18 and 18/19 to date

	2017/18	2018/19 to date
	£000's	£000's
Business Rates	400	630
Council Tax	432	585
Overpaid Housing Benefits	491	715
Rents, Garages and Leaseholders	210	221
Miscellaneous debt	204	77
Excess charges notices	37	45
Total	1,774	2,273

5. If we were to assume that the majority of the outstanding debt is up to ten years of cumulative debt, then based on the amount of debit raised over the ten years, the % of debt outstanding is approximately 1% overall.

6. The oldest and highest debt for each debt type are:
 - For Council Tax the oldest debt is 1995 (at Enforcement Agent stage) and the highest debt outstanding is £17k. We have a number of high value cases where we are working with the Legal Team to progress further action.
 - For Business Rates the oldest debt is 1996 (payment arrangement) and the highest debt outstanding is £74k. An example of why these debts could be high is where the Valuation Office Agency has delayed rating a property, resulting in a large backdated bill
 - For Housing Benefit Overpayments there are a handful of cases dating back between 2005/2008. From 2009/2010 (the time of the last major economic downturn) the numbers significantly increase. The largest debt is a fraud case of £53k. As an example of how these can be large debts, the DWP are currently prioritising self-employed and employed claims and we are reviewing these claims and raising large debts due to the failure to notify changes in income. We have been cleansing this data and now have more officers working on this debt type, hence the increase in write-offs.
 - For Rents the highest debt outstanding is £12k, which is being repaid monthly, and for Leaseholders the highest debt is £5k (the leaseholder is abroad and the case is with Legal). It is difficult to ascertain the date of the oldest debt because an account can fall in and out of debt at various times in the lifetime of a tenancy/leasehold
 - For Miscellaneous debts these will normally be quite small. For commercial property the oldest debt is 2015 and the highest debt is £54k, being paid on a monthly arrangement
 - For Excess charge notices, the cycle of the debt is around 6 months and £100 is the maximum amount for each case.
7. Reductions in the Government grant and the Council's increased dependence on income from business rates and trading, along with pressures on tenants and council tax payers' incomes due to the economic downturn and welfare reforms mean that effective debt collection is more important than ever.
8. The Council uses two Enforcement Agent (EA) companies to recover debts. The current contracts have been in place since 2016 for a term of 4 years. To date this year we have received 4 complaints regarding the use of the Enforcement Agents, 3 relating to Council Tax debts were unfounded, and 1 relating to a Business Rates debt was partly founded.
9. The Revenues Service holds regular quarterly liaison meetings with both companies. Senior Revenues Team officers review their performance closely including cases where there are any allegations of inappropriate action. Thankfully, complaints are rare and even fewer are upheld.
10. The EA's have spoken to our Contact Centre staff to give them an understanding of their role. They have also undertaken training for our recovery officers around regulation changes, and what an Enforcement Agent can and can't do. The EA's both have their own Welfare Teams and customers identified as being vulnerable are dealt with sensitively by this team.

Debt Management Policy

11. A debt management policy should

- a) Set out policies and procedures that the Council will adhere to in the collection of debt
- b) Ensure that debt is collected cost effectively
- c) Have a mechanism for recognition of the personal circumstances of individual debtors.

12. The revised Debt Management Policy (at Appendix 1) seeks to adhere to those principles. There are no substantial changes from the policy approved by the City Executive Board previously, except in strengthening it in relations to dealing with vulnerable customers of council services. Members should note that in future consideration will be given to writing off debt in cases of vulnerability and/or illness as in section 13 of the revised policy.

13. This policy is intended for internal use. Customers are able to refer to our debt recovery procedures for different types of debt on our website. These are regularly reviewed and updated.

Financial Implications

14. The draft corporate Debt Management Policy has been 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 already implemented, increased pressure will be felt by a large number of customers on their own budgets, and this will ultimately impact on their ability to pay their bills promptly.

15. The reduction in households' disposable income is also likely to have a detrimental effect on businesses in the city, with lower turnover, resulting in higher cases of closure. Those businesses which do survive will do so with lower income levels. Small businesses report suffering from the effects of increases in internet shopping, which in turn results in poor cash flow, and those small businesses therefore will find it more difficult to pay any Council invoices promptly.

16. The bad debt provision for each debt type is reviewed annually prior to the start of each financial year, and adjustments made to increase or decrease the provision based on the current level of debt.

Legal Implications

17. Many of the discretionary Council services are provided on a contractual basis to customers. All contracts and invoices or demands for payment must 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 a debt.

18. The Council is obliged to follow the Pre-Action Protocol for Debt Claims which forms part of the Civil Procedure Rules and describes the way in which the Council and any debtors should conduct themselves before any legal action is started. Debtors will always receive a letter before proceedings are issued by the Council in the hope that the issuing of proceedings may be avoided. The powers under which the Council collects a debt will be derived either from the legislation under which the sum due has arisen, for example The Council Tax (Administration and Enforcement) Regulations 1992 or under the terms of the contract between the Council and the customer.
19. There are a range of enforcement options available to the Council, including Court action such as instructing enforcement agents, attachment of earnings orders, charging orders, committal to prison and bankruptcy. The Council 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 as allowed.

Risk Implications

20. The existing policy has been operating for 3 years. It introduced strengthened collection processes but there is a risk to the Council's reputation in implementing more stringent processes if the Council's customers are looking for more flexibility, rather than less. As the revised policy is rolled out the Council will ensure that all officers are aware that there is a need to provide all customers, who are struggling to fulfil their obligations in relation to debts, with details of organisations that can provide them with help and advice.
21. The Council takes its obligations to its customers seriously. All officers dealing with debtors receive training regarding our approach to debt recovery. This includes Safeguarding, Identifying Vulnerability, Debt Recovery Procedures and Holding Difficult Conversations. Refresher training is provided in a timely fashion.
22. A risk register is attached at Appendix 2.

Equalities Impact Assessment

23. 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.
24. 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.
25. This policy will not discriminate against any individual with a protected characteristic. Each individual case will be treated on its own merit, and therefore a generic Impact Assessment has not been completed, as it has limited value.

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Background Papers: None