

**To:** Cabinet  
**Date:** 13<sup>th</sup> November 2024  
**Report of:** Nigel Kennedy  
**Title of Report:** Debt Management Report

Summary and recommendations	
<b>Purpose of report:</b>	To seek the approval and formal adoption of the revised Oxford City Corporate Debt Management Policy.
<b>Key decision:</b>	No
<b>Cabinet Member:</b>	Councillors Chapman and Turner
<b>Corporate Priority:</b>	Relevant Corporate Plan priorities or state 'none'.
<b>Policy Framework:</b>	Efficient and Effective Council

Recommendation(s): That Cabinet resolves to:	
1.	Approve the Debt Management Policy, as set out in Appendix A attached.
2.	
3.	
4.	
5.	

Appendices	
Appendix 1	Revised Corporate Debt Policy
Appendix 2	EqlA Document - Corporate Debt Policy

## 1. Introduction and background

1.1. 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.

1.2. 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 Finance as contained in the Cost Centre Managers Manual and within the Guidance on Debt Collection on the intranet.

1.3. In total it is estimated that the Council raises invoices for over £287 millions of income per annum using several systems depending on the category of debt including

- Civica Open Revenues
- Civica Pay/Paris
- Agresso Purchasing System
- QL Housing Management System
- 3 Sixty Citizen Parking System.
- Civica Collect.

1.4. As of 31st March 2024, arrears stood at around £37 million shown in the table below together with an analysis of provisions held against each debt type:

Arrears as of 31 <sup>st</sup> March 2024		
	Arrears	Provision for bad debts
	£000's	£000's
Business Rates	7,652	(3,471)
Council Tax	11,021	(5,654)
Overpaid Housing Benefits	6,426	(4,615)
Rents (including Former Tenant Arrears)	2,235	(2,282)
Commercial Rent	3,915	(727)
Miscellaneous debts	5,933	(3,780)
Excess charges notices	31	(22)
<b>Total</b>	<b>37,213</b>	<b>(20,551)</b>

1.5. In 2023/24 the collection rate for business rates was 96.62% compared to a target of 98.00%. On council tax the collection rate was 95.56% compared to a target of 97.50% On rent arrears the collection rate was 98.6% compared to a target of 98%.

- The covid-19 pandemic and resulting lockdowns followed closely by the economic crisis pushed many households in England into council tax debt for the first time. It also resulted in a corresponding rise in the overall level of in-year council tax and rent arrears, highlighting local government's ever-growing reliance on council tax revenue.

1.6. Reduced Government grants and our increased dependence on income from business rates and trading, along with pressures on tenants and Council Taxpayer's incomes due to the economic downturn and welfare changes means effective debt collection is more important than ever.

## **2. Financial implications**

2.1. 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, increased pressure will be felt by many tenants and homeowners on their own budgets, and this will impact on their ability to pay their bills promptly.

2.2. The reduction in household's disposable income will obviously also have a detrimental effect to businesses in the city, with lower turnover, resulting in higher cases of closure, and those businesses which continue to trade, will do so with the prospect of lower income levels. Small businesses are also currently encountering difficulty in securing affordable funding from the banking sector, which may result in poor cash flow, and therefore will find it more difficult to pay Council invoices promptly.

2.3. Effective billing, payment methods, income management and debt collection are essential for conducting the business of the Council.

2.4. It follows that even a small reduction in our collection rates of, say, 1% would have a significant impact on the Council's overall financial position. This could have cashflow implications for the organisation, even if the money is collected, as well as increasing the risk of unmanageable debt.

2.5. It is therefore crucial the Corporate Debt Policy helps to strike the right balance between the Council's role as a Local Authority interested in the wider economic and social needs of the City, especially vulnerable citizens, and the need to provide an efficient organisation looking to reduce overall costs in an increasingly challenging financial environment.

## **3. Legal issues**

3.1. Local authorities are required to collect monies from both residents and business for a variety of reasons such as Council Tax (Local Government Finance Act 1992) and Business Rates (Local Government Finance Act 1988).

3.2. Local authorities also have various legal powers to pursue other types of debts. These depend on the nature of the debt involved and are specific to certain services such as off-street parking charges (Road Traffic Regulation Act 1984) and care and support needs (Care Act 2014).

3.3. Where no specific power exists, the Council could rely on Section 1 of the Localism Act 2011. This provides local authorities with a “general power of competence” and allows them to “do anything that individuals generally may do.”

3.4. Where legal proceedings are used to recover a debt, the Council must have regard to the requirements of the Pre-Action Protocol for Possession Claims by Social Landlords, the Pre-Action Protocol for Revenues Collection.

3.5. On priority of debt, this area of the policy was approached by looking at how the courts would consider this issue. The priority of debt is based on welfare and protecting human rights. Broadly, paying off debts in the suggested order to minimise the impact on the individual.

**4. Level of risk**

4.1. The Corporate Debt Policy captures and builds on best practice already conducted at service levels. The policy clearly states that the Council will operate in accordance with all relevant legal, financial, and regulatory requirements, including the Public Sector Equality Duty.

4.2. A key focus of the policy is making clear we must appropriately treat potentially vulnerable groups, where vulnerability may arise due to age, disability, health issues or those experiencing poverty or financial hardship. It also identifies best practice principles for charging our customers and the methods of payment we will use.

4.3. Such approaches help avoid customers falling into debt in the first place and fits in with the Council's ongoing wider agenda to provide excellent quality, modern public services. Clarity over how to manage customers with multiple Council debts will help minimise the impact of being in debt. Overall, approval of the Corporate Debt Policy should therefore have a positive impact.

**5. Equalities impact**

5.1. 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.

<b>Risks</b>	<b>Mitigations</b>
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,</p>

	and proportionality of these.
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 will not pay and the debtor that cannot.</p> <p>Where appropriate, to encourage the debtor to contact 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>

## Conclusion

6.1. In simple terms a Debt Management Policy should:

- Set out policies and procedures that the Council will adhere to in the collection of the debt.
- Ensure that debt is collected cost effectively and at acceptable target levels.
- Have recognition of the personal financial circumstances of debtors.

6.2. The revised Debt Management Policy seeks to lay down a policy to which the principles in paragraph 6.1 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.

6.3. It is proposed that the Corporate Debt Policy is reviewed again in 2026, once further feedback is available following the completion of the various operational service reviews.

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