

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Cabinet

Date: 29 June 2020

Reporting officers: Income Manager
Principal Accountant (General Fund)
Director (Corporate Services)

Subject: Corporate Debt Strategy

Purpose and summary of report:

To present the Corporate Debt Strategy for adoption across the Council.

Recommendations:

- Cabinet are requested to endorse the principles of the Corporate Debt Strategy across the Council (appendix 2).
- Cabinet are requested to note the Vulnerable Persons Policy and Vulnerable Persons Assistance Groups documents that accompany the strategy (appendices 3 & 4).

1. INTRODUCTION

1.1. A recent report presented to the Performance and Administration Committee outlined the draft Corporate Debt Strategy providing a consistent and sensitive approach to collecting debt whilst at the same time ensuring the council continues to maximise collection performance. The Corporate Debt Strategy is now at the final stage for presentation for Cabinet to consider on 29 June 2020.

1.2. At 31 March 2020, the amount of outstanding debt owed to the Council across the various services and functions totalled £15,529,897. This is an increase from the previous year and is broken down as follows: -

Date of Debt	Debt Type - Amount due to the Council £							
	Council Tax	NNDR	Housing Rents	Former Tenant Accounts	Housing Benefit Overpayments	Sundry Debtors	Parking	Total
31.03.2019	4,910,355	610,191	544,903	1,119,951	5,217,825	1,305,381	497,604	14,206,210
30.03.2020	5,697,401	719,913	579,394	1,118,167	5,081,375	1,704,496	629,151	15,529,897

1.3 It is important that there is a consistent approach to debt recovery across the council to ensure officers act fairly and equally with all council customers to maximise collection rates and reduce bad debts where possible. The Corporate Debt Strategy provides structure and expected behaviour through its principles and guidelines to ensure we achieve this outcome.

- 1.4 Communication between the council and the customer is key to a positive customer interaction and a successful debt recovery process. The council will endeavour to keep the customer informed during this process.
- 1.5 Following the outbreak of Covid-19, the council made the decision to halt active recovery action in respect of debt in all areas of council services. From the February magistrate court hearing for unpaid council tax, no cases were passed to enforcement agents. The March magistrate court hearing was subsequently cancelled and there have been no further hearings. This has resulted in a higher level of council tax debt carried forward to 2020/2021. Other service areas have also ceased active recovery action in respect of debt owed to the council with the exception of current housing rents as regular automated letters were sent, but no court cases or evictions have been carried out, instead arrangements have been sought for these cases.

2. Impact of Covid-19

- 2.1. As part of year-end financial arrangements, routine processes are in place to ensure adequate debt impairment provisions are set aside to safeguard the council's finances in the event of non-payment of outstanding debt. This is typically done on an aged debt profile analysis basis, and covers each of the services described within the table at section 1.2.
- 2.2. Given the unique circumstances arising from the Covid-19 pandemic, officers have also been assessing the potential impact and wider economic considerations there may be on debt collection. Although it is difficult to quantify exactly what the effect will be, it is likely that there will be an adverse impact on debt recovery and thus the council's wider finances, as both businesses and individuals find themselves in greater financial difficulty. This includes more current debts, which generally would not be thought of as at risk from non-payment, and thus in the interests of budgetary prudence and recognising these unique circumstances, a further provision has been set aside.
- 2.3. It should also be noted that reduced income receipts across services, have a wider impact on the Council's finances in terms of cash flow and treasury management projections. Officers continue to monitor this situation closely with appropriate action taken and reported within Finance and Treasury updates.
- 2.4. In light of the above, investigation is underway to establish the most effective way forward to commence active debt recovery and put in place a fair and consistent approach across all services. Departments will work together to approach the recovery action at the same pace. Information will be sought from other local authorities for comparison purposes, together with compliance to the council's own internal policies ensuring a consistent approach.
- 2.5. Members of the Corporate Debt Working Group are working to establish a corporate recovery plan by taking individual services recovery processes and moving forward with a consistent approach. At the meeting of the group on Monday 1 June 2020, it was agreed that the process should commence with a "soft" reminder, and build the recovery process back up to normal recovery at a gentle pace.

3. Principles of the Corporate Debt Strategy

- 3.1 Maximise income collection for the Council across all services and functions.

- 3.2 Distinguish between those customers who cannot pay and those who choose not to pay.
- 3.3 Prevent the accumulation of customer arrears by sign-posting to support agencies, and provide payment arrangements where appropriate.
- 3.4 Being firm and fair and ensuring consistency when dealing with customers.
- 3.5 Individual departments have responsibility to ensure the data held within their systems is up to date, accurate and complete.
- 3.6 Apply best practice methods to maximise collection of debt across council services.
- 3.7 Ensure appropriate methods of payment are available and provide advice on these.
- 3.8 Eligible cases must be referred to the Corporate Debt Team to be considered under the council's corporate debt approach.
- 3.9 Bad and doubtful debts should be written off in accordance with the Council's Financial Procedure Rules.
- 3.10 There is a clear prioritisation of debts owed to the council when considering cases and allocation of payments.
- 3.11 The council will make use of enforcement agents and high court enforcement agents where and when it is deemed appropriate.
- 3.12 Credit balances remaining on an account in excess of 13 months will be considered for removal from the account.

4. Conclusion and Recommendations

- 4.1 Fair, efficient and effective debt recovery is essential to maintaining high collection rates and drive debt levels down, however it is simultaneously important to treat customers fairly and consistently across all council functions. The principles of the Corporate Debt Strategy aim to achieve this.
- 4.2 It is therefore recommended that Cabinet adopt the Corporate Debt Strategy as set out in appendix 2, and note the wider information on Vulnerable Persons as set out in appendices 3 & 4.

IMPLICATIONS	APPENDIX 1
Legal	There are no specific legal matters arising from this report.
Finance and Value for Money	This report is for information only – there are no direct financial implications. Adopting a corporate debt strategy will contribute to healthy collection rates with corresponding budgetary and cash-flow benefits.
Risk Assessment	The purpose of this report is to establish a core set of principles for corporate debt within an established strategy,
Data Protection Impact Assessment	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data?</p> <p>A definition of each type of data can be found on the Information Commissioner’s Office website via the above links.</p> <p>N/A</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</p> <p>N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk.</p> <p>N/A</p>
Equality Impact Assessment	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p>No decision – paper is for information only.</p> <p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>N/A</p> <p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
Corporate Plan	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks

Crime and Disorder	No direct implications.
Digital and website implications	No direct implications.
Safeguarding children and vulnerable adults	No direct implications.