

Crawley Borough Council

Report to Overview & Scrutiny Commission 30 January 2023

Report to Cabinet 1 February 2023

Corporate Debt Policy

Report of the Chief Executive and Chief Accountant (s151 officer) – **FIN/610**

1. Purpose

- 1.1 To request approval for the adoption of the Corporate Debt Policy in Appendix A

2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

That the Commission considers the report and decides what comments, if any, it wishes to submit to the Cabinet.

- 2.2 To the Cabinet

The Cabinet is recommended to:

- a) Approve the Corporate Debt Policy (Appendix A) for adoption and subsequent publication.
- b) Delegate authority to the Head of Corporate Finance, in consultation with the Leader, to review and make amendments to the Corporate Debt Policy as further changes to legislation and statutory guidance are introduced. (*Generic Delegation 7 will be used to enact this recommendation*).

3. Reasons for the Recommendations

- 3.1 The council has a duty to ensure that it collects income and recovers debt efficiently and effectively to ensure it fulfils its financial responsibilities to its citizens and maximises its capacity to provide local services.
- 3.2 The Council must meet legislative requirements in respect of income collection and has an obligation to collect on behalf of other organisations.

4. Background

- 4.1 The Council takes its responsibilities to protect the public purse very seriously and is committed to the highest standards of accountability in order to ensure the proper use of its approach to income collection and debt recovery.
- 4.2 In collecting income and recovering debt, the council is committed to adhering to good practice. Good practice includes the recognition of fairness principles and that collection arrangements should be manageable and sustainable in the context of both the council's duty to collect and a household's individual circumstances.

5. Description of Issue to be Resolved and Supporting Recommendation

- 5.1 A review of Council's processes was carried out in 2022 and a Corporate Debt Policy has been compiled to meet the Council's requirements. The Council recently rolled out "Lateral" software to enable it to have a shared view of debt across the Council. This system identifies people that are vulnerable and be able to point them to get debt advice to help avoid them getting into further debt.
- 5.2 The Policy has been produced to ensure compliance with the main legislation that determines income collection, debt recovery and enforcement activities (see section 7).
- 5.3 Where possible, the Council aims to proactively prevent debt arising or escalating and will seek to keep citizens informed so that they are fully aware of their obligations to the council and are in a position to make good decisions that avoid additional costs and pressures. However, ultimately the council will, where appropriate, escalate recovery actions to recover hard to collect debt. When it does so, it will maintain its fairness principles while applying the correct legal options.
- 5.4 The Council has established seven collection hubs in the council based on service and the legislation that determines their income collection, debt recovery and enforcement activities.
- 5.5 Positioned over these hubs is a Corporate Debt Team. The function of this team is to provide the analysis and support to the 7 hubs to enable them to deliver optimum performance and best practice, using the Council's Corporate Debt system Lateral. It oversees the management of hard to collect debt, and co-ordinates the management of the debt portfolio and relationships with outside agencies and legal advisory services. Additionally, it is resourced to provide in-house debt collection campaigns to improve collection of escalated debt. Work prioritisation is overseen by the Corporate Debt Group.
- 5.6 Application of the Corporate Debt Policy will be in line with the delegated functions set out in the Council's Scheme of Delegation to Officers. The Council recognises that where a debt is irrecoverable, prompt and regular write-off of such debts is good practice. The Council will seek to minimise the cost of write-offs to the local Council Tax and Housing Rent payers by taking all necessary action to recover what is due.
- 5.7 The Council is committed to training staff with the necessary skills to deliver this policy and the training programme will include refresher training on a regular basis to ensure standards are maintained.

6. Implications

- 6.1 Staffing – There are no direct staffing implications associated with implementing the Corporate Debt Policy as the resources are already in place within the Corporate Debt Group, collection hubs to ensure a consistent approach to debt collection across the Council.
- 6.2 Financial – The financial implications are documented within the report and policy.
- 6.3 Legal - There would be legal costs associated with any collection or enforcement work related prosecutions although full costs would be sought from the courts in the case of a successful outcome. However, all debts will be subject to the full recovery, collection and legal procedures as outlined in the policy. Irrecoverable debts will be referred to the Council's Section 151 Officer (the Head of Corporate Finance) on a six-monthly basis. The limits for writing off irrecoverable debts are documented in the Council's Constitution and Scheme of Delegation to Officers.

- 6.4 Under the current scheme of delegation within the Council's Constitution, the Leader of the Council is delegated with the function of approving the writing-off of irrecoverable debts up to £50,000 and the Head of Corporate Finance is delegated with the function of writing off debts not exceeding £2,500. All other debts require write-off approval by the Cabinet.
- 6.5 In accordance with the Council's Financial Procedure rules, legal constraints and Audit Commission guidelines, Councils are required to regularly review any outstanding debts and write off irrecoverable balances. The Council has been encouraged to avoid keeping debts 'on the books' without a realistic prospect of recovery.
- 6.6 Equalities Impact Assessment - An Equality Impact Assessment (EIA) has been conducted in relation to the Corporate Debt Policy and will be refreshed as part of the annual review of the Corporate Debt Policy. This is attached as Appendix B.

7. Background Papers

The Council Tax (Administration and Enforcement) Regulations (1992)
The Local Government Finance Act (1988)
Housing Benefit Regulations (2006) Social Security Administration Act (1992)
Social Security (Overpayment and Recovery) Regulations (2013) Welfare Reform Act (2012)
Local Government (Miscellaneous Provisions) Act (1976).
Commercial Rent and Arrears Recovery Act (2007)
Licencing Gambling Act (2005)
Rent Collection - Landlord and Tenant Act (1985)/Protection of Eviction Act (1977)
Removal & storage - Sections 211/212, Part VII of Housing Act (1996)
Housing Act (1985)
Arrears & Escalation - Housing Act (1985 & 1986) complemented by Ministry of Justice Pre-Action Protocol for Social Landlords
Traffic Management Act (2004)
Collection of Council Tax Arrears Good Practice Protocol (Published by Citizens Advice, June 2017)
Stop the Knock (Published by the Money Advice Trust, September 2019)
National Standards for Enforcement Agents (Published by the Ministry of Justice, April 2014)
Code of Conduct and Good Practice Guide (Civil Enforcement Association (CIVEA), 2019)
Guidance for Firms on Fair Treatment of Vulnerable Customers (Financial Conduct Authority, July 2020)
Taking Control of Goods Regulations (2014)
Debt Respite Scheme (Breathing Space) Guidance for Creditors
Pre-action Protocol of Debt Claims (Debt Pre-Action Protocol)
Employee Handbook
Constitution of Crawley Borough Council

Report author and contact:
Karen Hayes
Head of Corporate Finance
karen.hayes@crawley.gov.uk