

Corporate Debt Policy



Contents

	Page
1. Introduction	2
2. Policy objectives	2
3. Structure of income collection and debt recovery	2
4. Function of the Corporate Debt Group	4
5. Scheme of delegation	6
6. Best practice debt collection	6
7. Training	8
8. Enforcement measurers	8
9. Fraud and evasion	9
10. Complaints and disputes	10
11. Use of data	10
12. Equalities Impact Assessment	10

1. Introduction

- 1.1 This policy details the council's corporate approach to income collection and debt recovery. The delivery of this policy is overseen by the Corporate Debt Group which is overseen by the s151 officer, which has representatives from all income and debt collection services across the council.
- 1.2 The policy is aimed primarily at individual/household debtors ('Personal Debt') but wherever possible and where legislation allows, the principles and objectives of this policy will also be applied to businesses from all sectors ('Business Debt').

2. Policy objectives

- 2.1 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.
- 2.2 The council must also meet legislative requirements in respect of income collection and has an obligation to collect on behalf of other organisations. This includes West Sussex County Council (WSCC), The Police and Crime Commissioner that have dependency upon Council Tax collection, and Central Government and WSCC retain a proportion of Business Rates income.
- 2.3 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.
- 2.4 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.

3. Structure of income collection and debt recovery

- 3.1 There are seven collection hubs in the council and Table A below shows those hubs and the legislation that determines their income collection, debt recovery and enforcement activities. The legislation listed is not necessarily exhaustive and the council will use any appropriate legal means to collect income or debt:

TABLE A : Collection hubs and legislation

Hub	Function	Type of debt	Main Legislation
Council Tax	Council Tax income collection and associated court costs	Personal	The Council Tax (Administration and Enforcement) Regulations (1992)
Business Rates	National Non-Domestic Rates collection and associated court costs	Business	The Local Government Finance Act (1988)
Benefits Overpayments	Housing Benefit Overpayments	Personal	Housing Benefit Regulations (2006) Social Security Administration Act (1992)

			Social Security (Overpayment and Recovery) Regulations (2013) Welfare Reform Act (2012)
Corporate Collection Team	<p>All service income and debt not collected by other hubs. Includes:</p> <p>Commercial property rents</p> <p>Miscellaneous debts</p> <p>Planning fees including CIL</p> <p>License fees / Taxi licencing</p> <p>Garage and other service charges</p> <p>Allotments</p> <p>Leasehold Service Charges</p> <p>BID admin</p> <p>Green waste</p> <p>Lifeline</p>	Personal and business	<p>Generally, recovery is determined by the Local Government (Miscellaneous Provisions) Act (1976). Some debt is also covered by specific legislation as stated below</p> <p>Commercial Rent and Arrears Recovery Act (2007)</p> <p>Licencing Gambling Act (2005)</p>
Housing Temporary Accommodation	Rental income collection and recharge debts	Personal	<p>Rent Collection - Landlord and Tenant Act (1985)/Protection of Eviction Act (1977)</p> <p>Removal & storage - Sections 211/212, Part VII of Housing Act (1996)</p>
Housing Income Management	Rental income, service charge collection and recharge debt	Personal	<p>Housing Act (1985)</p> <p>Arrears & Escalation - Housing Act (1985 & 1986) complemented by Ministry of Justice Pre-Action Protocol for Social Landlords</p>
Parking	Parking fine collection and associated costs	Personal and business	Traffic Management Act (2004)

3.2 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.

Table B below shows the debt escalated to the Corporate Debt Team:

TABLE B : Debt escalation to the Corporate Debt Team

Source	Escalated function	Type of debt
Council Tax	Where other debts exist as identified on Lateral, outstanding debt post liability order with no arrangement in place, or absconded debt at any stage of collection.	Personal
Business Rates	As above.	Business
Benefits Overpayments	Absconded debt at any stage of collection, fraudulent and/or large debt.	Personal
Corporate Collection Team	Absconded debt. Historical debt over 90 days.	Personal and business
Housing Temporary Accommodation	Selective former tenant debt.	Personal
Housing Management	Selective former tenant debt.	Personal
Parking	Selective in-area escalated debt.	Personal and business

The reference to debt in the above table is inclusive of any additional charges or court costs.

4. Function of the Corporate Debt Group

4.1 The Corporate Debt Group consists of senior representatives from all of the collection hubs and ensures a consistent approach to debt collection across the council. It delivers in line with four key principles, namely to:

- establish a proportionate, fair and effective end-to-end approach to debt management;
- use analytics to understand the debt portfolio and drive best practice for debt management, this uses the Lateral Corporate Debt system;
- instil an ethos of fairness, built upon principles that recognise the impact debt collection has upon the vulnerable; and
- have a proportionate enforcement response to those who do not pay on time.

These principles are designed to ensure that while there is a financial imperative in debt collection, there is also a public sector responsibility to consider the whole picture and the potential impact of recovery and collection actions upon our citizens.

4.2 While the direct management of the hubs remains within services, the Corporate Debt Group has the primary requirement to:

- Use the Lateral Corporate Debt system when looking at debt within their own area and treat the debtor as a customer of the whole council and not just their service area;
- prioritise the work of the Corporate Debt Team;
- agree and support the service developments that align the council to best practice and the stated objectives of the Corporate Debt Policy;
- support services in restructuring to better deliver the objectives of the Corporate Debt Policy;
- **develop, deliver and monitor a corporate approach to income collection enforcement;**
- ensure a corporate training standard for staff undertaking debt recovery;
- oversee a cycle of continuous improvement reviews across debt recovery areas;
- ensure the development of a Lateral and other systems that facilitate the continued improvement of corporate debt collection.

4.3 Additionally, the Corporate Debt Group ensures:

- the Corporate Debt Team and the collection hubs' procedures and associated debtor engagement activities provide debtors with the maximum opportunity to repay debts affordably while avoiding punitive additional charges, such as court costs or enforcement charges;
- services are responsible for their own financial management and have procedures to minimise debt caused by administrative delays or error;
- collection hubs operate workflows and procedures that maximise collection with proportionate and appropriate consideration and adjustment to account for individual circumstances of hardship;
- **collection hubs work collaboratively in managing multiple debt; they have a holistic view of debt collection that considers the correct prioritisation of multiple debt, so that the council does not pursue collection to the detriment of its holistic aims in providing services to that household;***
- the Corporate Debt Team pursues evasion and avoidance of debt with appropriate but proportionate vigour and assists government initiatives to prevent fraud and error, for example, the National Fraud Initiative (NFI);
- debt recovery performance is under constant review to identify opportunities to achieve efficiencies through improvements, such as sharing best practice, policy changes, process improvement, digital development, training and consolidating debt recovery functions;
- the priorities of the Corporate Debt Team align to strategic priorities;
- adherence to the Data Protection Act requirements for data sharing and information security across all income collection and debt recovery functions;
- the Corporate Debt Team and collection hubs properly employ government initiatives, such as Breathing Space, to give debtors appropriate opportunity to rationalise their debt;
- the council's approach to debt recovery co-ordinates with its welfare response to support the council's strategic aims in helping Crawley rapidly recover from the COVID-19 pandemic;
- the council's approach to debt recovery co-ordinates with its welfare response to support the council's strategic aims in respect of the Cost of Living Crisis and delivery of the Household Support Fund which is administered by WSCC.
- all aspects of collection activity are compliant with the Equalities Act

4.4 The Corporate Debt Group will review the Corporate Debt Policy annually to ensure it remains aligned to strategic priorities.

5. Scheme of Delegation

5.1 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 and the Constitution .

5.1.1 All accounts that are written off will be written off against the income code against which they were raised. The VAT on written-off sundry debt accounts will only be recovered by the Council in accordance with the rules and procedures laid down by HM Customs and Excise. In practice this means that VAT on a written-off debt can only be reclaimed 6 months after the debt became due or the date of supply.

5.2.1 The Council recognise 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.

5.2.2 All debts will be subject to the full recovery, collection and legal procedures as outlined in this policy. Irrecoverable debts will be referred to the Council's Section 151 Officer (the Head of Finance) on a six monthly basis. The limits for writing off irrecoverable debts are:

- Up to £2,500 – Head of Finance
- £2,500 to £50,000 – Chair of Cabinet
- Over £50,000 - Cabinet

5.4.1 Debts may be referred to the Section 151 Officer for write-off in the following circumstances;

- Debt remitted by a Magistrate.
- The Council has evidence to confirm the claimant is suffering a severe physical or mental illness which renders enforcement action inappropriate.
- The Council is unable to trace the debtor.
- The debt is not cost-effective to pursue due to small balance.
- The debt is not cost-effective to pursue due to the likelihood of payment balanced against the cost of proceedings.
- The claimant has died and there are no or insufficient funds in the estate to settle the debt.
- The claimant is subject to formal insolvency proceedings and there is little likelihood of a dividend.
- Insufficient evidence

6. Best practice debt collection

6.1 This policy aims to adopt fair debt collection and recovery practices, including the aspirations to:

- ensure each stage of debt collection or intervention is delivered at the earliest point to prevent the accumulation of arrears and added costs;
- ensure customers receive reminders and messages to keep them informed of their current debt status, and that these interventions are as effective as digital development allows;
- ensure that all debt is valid, accurate and only generated where due;
- ensure that bills are accurate, timely and clear, indicating available payment methods and customer support;
- provide appropriate and easy payment methods with good customer access and services to help prevent the incidence of arrears;

- provide access to contextual information so customers are clear on their responsibilities to make payment, the required timeframes to make payment, the consequences of not making a payment within the timeframe and what action to take, or advice to seek, if they have a difficulty in making a payment or dispute the amount being requested;
- make it easy for households or businesses who do fall into arrears to contact the council and agree to payment arrangements appropriate to their circumstances;
- Use the Lateral Corporate Debt system when looking at debt within their own area and treat the debtor as a customer of the whole council and not just their service area
- *The Corporate debt team must be made aware of any change of address or other changes (e.g.name) material to collection of a customer's debts if they have other debts on Lateral*
- *When making payment arrangements with the debtor other sections must be informed if the debtor appears in Lateral. The use of a corporate income and expenditure form should be used.*
- **build in mechanisms within debt collection workflows to ensure that hardship or vulnerability is identified at the earliest possible stage and as a consequence, the customer has access to appropriate support and advice regarding benefit entitlement, budget management, Breathing Space provisions and welfare/health support, this includes directing them to the Household support fund administered by WSCC;**
- filter, segment and prioritise escalated debt so appropriate action or support is put in place;
- No refunds are to be made without checking Lateral if there are debts outstanding in other areas
- have a programme of training for all staff dealing with debt and income collection to ensure they understand the council's strategic approach, its fairness principles, have the skills to negotiate debt recovery, the understanding to recognise vulnerability and the knowledge to provide appropriate support or signpost for appropriate support;
- oversee the whole debt portfolio to ensure that residual debt is actively managed, actions are proportionate and cost effective, and where appropriate, uncollectable debt is written off;
- Discretionary services can be refused if there is debt outstanding or there has been a previous bad payment history
- ensure any agencies acting on the council's behalf commit and adhere to the council's debt collection principles;
- where specific and specialised legal action is required (bankruptcy, charging orders), there is a structured approach to risk-manage individual cases within a recognised framework of legal support and for this legal support to be developed in-house to minimise costs; and
- where appropriate, commit the council to national standards of best practice.

6.2 The council is committed to maintaining best practice. To this end, the Corporate Debt Group will monitor the development of good practice in the field of income collection and debt recovery, and incorporate improvements into its strategies and procedures.

6.3 The council will seek to comply with all nationally approved debt recovery pre-action protocols and where complementary to this policy, also seek to comply with best practice protocols. This will include the following (the list is not exhaustive):

- 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); and
- the Debt Respite Scheme (Breathing Space) Guidance for Creditors
- Comply to the Pre-action Protocol of Debt Claims ([Debt Pre-Action Protocol](#)).

7. Training

- 7.1 The council is committed to training staff with the necessary skills to deliver this policy.
- 7.2 The council will seek to adopt or incorporate any programme of training that reflects any nationally approved debt recovery pre-action protocol or recognised best practice protocols, particularly in relation to the application of fairness and the recognition of vulnerability and hardship.
- 7.3 The Corporate Debt Group will set the programme of training.
- 7.4 The training programme will include cyclical refresher training to ensure standards are maintained.
- 7.5 The programme will include training in:
- negotiation;
 - recognition of vulnerability and mental health issues;
 - customer service;
 - equalities;
 - best practice;
 - personal resilience; and

8. Enforcement measures

- 8.1 Best practice in collection emphasises the value of pre-enforcement actions and the diminishing use of invasive or punitive collection methods. This best practice is based upon better overall outcomes in terms of debt ultimately collected, and the impact of such measures in terms of stress and the longer-term welfare objectives of supporting households to have a platform of financial stability.
- 8.2 Therefore, the council's debt collection emphasis is moving to ensuring it exercises a full range of pre-enforcement engagement with debtors to establish affordable, sustainable repayment arrangements and avoids further escalation.
- 8.3 The Corporate Debt Group oversees the council's activities in pursuing hard to collect debt. The Corporate Debt Team manages the portfolio of debt and is responsible for ensuring the portfolio is managed in accordance with the requirements of this policy. This could include discussing individual complex cases in the group.
- 8.4 When no other possible enforcement routes are available, the council will ensure that any enforcement agent activity meets the highest recognised industry standards of best practice. All service level agreements / contracts for enforcement agent services will reflect those standards. All enforcement agent services will be required to adhere to the standards of this policy. To ensure that the required standards are maintained, all agents/agencies will be required to:
- Adhere to the CIVEA Code of Practice and Ministry of Justice National Standards;
 - have the appropriate certification under the Taking Control of Goods Regulations (2014);
 - use body worn cameras in accordance with CIVEA code of practice;
 - be trained to recognise vulnerability, ensuring that appropriate support is provided to vulnerable residents where identified and that the council is made aware of the

circumstances.

- 8.5 The Council will only begin committal proceedings against any resident for Council Tax debt in the most exceptional of circumstances when all other enforcement options have been exhausted. Any actions of this nature would have to be authorised by the Head of Corporate Finance.
- 8.6 Prior to statutory methods of enforcement being taken, officers may use, where cost effective to do so, external collection agents, visits to the debtor's home by designated Council officers and telephone contact with the debtor as an alternative means of recovering sundry debts

Principles of Enforcement (all debts)

The Council will follow the principles outlined below. These principles are derived from the Government's Enforcement Concordat, to which the Council is fully committed:

- Our action will be **proportional**
- Our approach will be **consistent**
- Our actions will be **transparent**

Additionally our intention will be to be firm and fair and our manner will be courteous.

Proportionality allows for a balance to be struck between the potential loss of income to the Council and the costs of compliance.

Consistency means taking a similar approach in similar circumstances to achieve similar ends. The Council aim to achieve consistency in:

- . The advice the Council gives.
- . The use of our powers.
- . The recovery procedures used.

The Council recognise that consistency does not mean simple uniformity. Officers need to take account of many variables such as:

- The social circumstances of the debtor.
- The debtor's payment history.
- The debtor's ability to pay.

Transparency is important in maintaining public confidence. It means helping people to understand what is expected of them and what they should expect from the Council. It also means explaining clearly the reasons for taking any recovery/enforcement action.

9. Fraud and evasion

- 9.1 The unlawful evasion of charges, taxation or fines reduces the financial resources available to the council and has a direct impact upon all residents, businesses and other organisations that rely upon council services.
- 9.2 Unlawful evasion or fraud to avoid payment will not be tolerated and where this is identified, the council will, in addition to taking action to enforce payment, seek to impose further penalties or sanctions. This may include prosecution for such offences.
- 9.3 Where this activity impacts upon other public bodies, such as HM Revenues & Customs and other authorities, the council will work with those organisations to seek legal remedy.

- 9.4 Where debts arise through evasion or fraud, the council will seek to recover payment in full as quickly as the law regarding the nature of the debt allows.
- 9.5 Where appropriate, the council will refer matters to the Police for criminal investigation. The council is also committed to fully supporting any investigation initiated by the Police, either in response to a referral or independently.
- 9.6 The council is fully committed to support the National Fraud Initiative (NFI) which uses data matching to identify potential fraud and error with referral to the Police or other crime investigation branches as appropriate.

10. Complaints and disputes

- 10.1 Any disputes raised regarding the application of this policy should, in the first instance, be raised with the relevant council service. If the dispute cannot be resolved, then it shall be dealt with in accordance with the council's Complaints Procedure.
- 10.2 Any dispute regarding an individual debt will be dealt with in compliance to the legal requirement of the collection of that individual debt. Any such dispute will only stop the continuation of the recovery process or legal mechanism if it is appropriate in the context of the specific legislation.

11. Use of data

- 11.1 The council will collect and store personal data for the purposes of the effective billing, collection and recovery of sums due. Data retained for this purpose will be processed in accordance with the Data Protection Act 2018 and stored securely at all times. Data will be shared with agents or contractors appointed by the council for the purposes of the billing, collection and recovery of sums due. Data may also be shared within the council or with external organisations where the law allows and in particular, where it is in the interests of the debtor or where it will prevent fraud or the unlawful evasion of payment of sums due. Further details can be found on the [council's website](#).

12. Equality Impact Assessment

- 12.1 The council has conducted an Equality Impact Assessment (EIA) in relation to the Corporate Debt Policy.
- 12.2 The EIA will be refreshed as part of the annual review of the Corporate Debt Policy.