

Report of:	<i>Director of Finance – Ian Wright Executive Member Environment and Finance and Governance – Cllr Barrie Cooper</i>
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Submitted to:	<i>Executive Member for Environment and Finance and Governance - Single Executive – 10 August 2021</i>
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Subject:	<i>Corporate Debt Management Policy</i>
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Summary

Proposed decision(s)
That Single Executive approve the following : a) The Corporate Debt Management Policy

Report for:	Key decision:	Confidential:	Is the report urgent?¹
<i>Approval</i>	<i>Yes</i>	<i>No</i>	<i>No</i>

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
<i>The purpose of this policy is to provide clear guidance for the recording, reporting, recovery and monitoring of the Council’s debt and income. It also supports the Council’s direction in dealing with vulnerable groups and those with multiple debts.</i>	<i>NA</i>	<i>To improve the financial performance of the Council with regards to collecting income and debt.</i>

Ward(s) affected
<i>All wards are affected by the decision to introduce a corporate debt policy.</i>

What is the purpose of this report?

1. The purpose of this new policy is to provide clear guidance on the recording, reporting, recovering and monitoring of the Council's debt and income.
2. All service areas must follow this policy to allow the Council to maximise the collection of debts and income by using a co-ordinated approach but having due regard to the customer's ability to pay.
3. Whilst some parts of income recovery are governed by particular legislative requirements such as Council Tax, Business Rates, Adult Social Care Debt, etc, wherever possible the overall principle of recovering debt / income should be efficient and effective, always giving consideration to the financial impact on the Council when debt and income is not recovered.
4. This policy will underpin any specific recovery strategies and will be applied across all directorates.
5. This new policy will also support cross directorate cash collection / payment problem solutions where a shared customer base exists. It is envisaged that the approach will support residents and businesses that have multiple debts, and should be considered at a corporate level to reduce multiple officer engagements across directorates with the same resident and or business base.

Why does this report require a Member decision?

6. The introduction of a Corporate Debt Management policy is part of the Council's strategic direction, and as such requires single executive approval.

Report Background

7. The Council has a statutory duty to collect outstanding debt and does so in accordance with the Local Government Finance Act 1992 and the Council's Financial Procedure rules. The introduction of this policy is to support this duty but also to provide that collection approach / methods are consistent, fair and efficient across all of its services.
8. This policy is the 2nd of 4 policies being developed which bring together a significant number of supporting arrangements which will not only compliment but enhance the Council's social regeneration plans.
 - Vulnerability Policy (Executive Approval on 16.6.2020)
 - Corporate Debt Management Policy – (Seeking Approval)
 - Corporate Welfare Policy – (In Design)
 - Corporate Write Off Policy – (In Design).
9. This policy also links to the Council's Stop the Knock approach, where the aim is to reduce the number of cases sent to the external enforcement agent by improving debt collection practices.
10. This policy also seeks to address other matters such as credits and how these will be offset with other debts across the Council, pre contractual checks to ensure any monies owed to the Council are addressed, and the insertion of a new contractual provision which allows sums owed to the Council to be offset.

Debt Management Policy

11. This policy applies to all debts and income owed / due to the Council.

12. The general principles of the policy are to:

- Ensure a professional, consistent and timely approach to debt recovery action across all of the Council's functions
- Where Data Protection legislation provides, promote a coordinated approach towards sharing debtor information internally and managing multiple debts owed to the Council.
- Where multiple debts are owed to the Council, where possible, interaction should be kept to a single point, to avoid multiple officer engagement with the same customer / business / resident.

13. This policy links into the Council's Vulnerability Policy and the Stop the Knock approach and looks to ensure that supporting arrangements are in place for debtors where their vulnerability affects their ability to pay a debt owed to the Council.

14. The policy applies to debts and income due to the Council for the following, however this list is not exhaustive:

- Council Tax
- Business Rates
- Overpaid Housing Benefit
- Rents, service charge and insurance
- Sundry Debts (incl. licensing, statutory notices, subscriptions, etc.)
- Car parking
- Recovery of enforcement costs
- Adult Social Care
- Charging for discretionary services or any money due to the Council under terms of an agreement to pay for goods, services or property.

15. This policy provides a comprehensive approach that allows for flexibility based on the customer needs rather than applying a standardised offering that prevents effective collection methods.

16. Should a coordinated debt recovery approach be applied, this policy provides an order of priority for the distribution of payment of debts based on the Council's financial position, the size of the debt and the impact of non-payment on the customer.

17. This policy also extends to support the recent Debt Respite Scheme (Breathing Space) legislation.

18. The following proposed changes are included in the policy and will be implemented once the policy is approved:

- Credits within different funding streams will be transferred where another debt exists. After offsetting, only the remainder will be refunded.
- That the following contractual provision is included in all new contracts with effective from 1 August 2021:
 - ***Monies owed to the Council / Authority***
 - *The Council / Authority may retain or set off any sums owed to it by any company/organisation which have fallen due and payable against any sums due to the company/organisation under any agreement pursuant to which the company*

/organisation or any associated company /organisation provides goods or services to the Council / Authority, or vice-versa.

- New contracts should not be entered into with companies/organisations (excluding public sector bodies) where it is known that they owe sums to the Council, (unless exceptional circumstances apply, or procurement rules require entering into such contract) until such debt is settled.
- Before providing requested goods or services to a company / organisation which amount to more than £50,000 for which payment will be invoiced, officers must carry out internal checks to ensure that no other monies are outstanding to the Council, and where they are they should be settled in advance of the provision.

19. In addition, a credit check and/or company search to establish the financial standing of the organisation (excluding public sector bodies), and if concerns are raised a payment in advance should be sought

What decision(s) are being asked for?

20. That Single Executive approve the Corporate Debt Management Policy.

Why is this being recommended?

21. This policy will allow Middlesbrough Council to provide a comprehensive approach that provides for flexibility based on the customer needs rather than applying a standardised offering that prevents effective collection methods.

22. It also highlights the Council's commitment to supporting the Town's most vulnerable when collecting debt / income.

Other potential decisions and why these have not been recommended

Impact(s) of recommended decision(s)

23. An impact assessment has been completed and is attached at Appendix B. It found that there were no concerns that the policy could have a disproportionate impact on individuals or groups because they hold one or more protected characteristics. The policy sets out how it will be adjusted for those identified as being vulnerable.

Legal

24. The following contractual provision is to be included in all new contracts with effective from 1 August 2021 if this is agreed:

- *The Council / Authority may retain or set off any sums owed to it by any company/organisation which have fallen due and payable against any sums due to the company/organisation under any agreement pursuant to which the company /organisation or any associated company /organisation provides goods or services to the Council / Authority, or vice-versa.*

Financial

25. The proposal is cost neutral; however it is hoped that this will lead to an increase in cash collection across the organisation.

Policy Framework

26. The proposed policy will not vary the current policy framework.

Equality and Diversity

27. The corporate debt management policy should be read in conjunction with any equality and diversity policies.

Risk

28. This policy will impact positively on the following risks.

- 08-059 Incorrect assumptions in the MTFP;
- 08-075 Reduction in Council Tax Collection;

Actions to be taken to implement the decision(s)

29. That Single Executive approve the policy and associated recommendations.

- The Council will publish the policy on its website by 01 August 2021,
- A contractual provision will be inserted on all new contracts from 1 August 2021 (see point 24 above)
- As part of the Council's combined approach to Debt Collection, briefing will be given to the managers of all teams affected by this policy (who will subsequently brief their staff) to ensure a consistent and coordinated approach to the collection of debt and income.

Appendices

- Corporate Debt Management Policy Appendix A
- Impact Assessment Appendix B

Background papers

30. There are no background papers associated with this report

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