

# Corporate Debt & Income Maximisation Policy



Melton  
Borough  
Council

## Document Control

### Author

Jim McCafferty

jmccafferty@melton.gov.uk

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## **Introduction**

Melton Borough Council has a significant income base and is dependent on it to fund the delivery of a wide range of services to the community. The council is committed to maximising the collection of income for the benefit of all citizens within the community, while providing a joined up and early interventionist approach to customers.

The approach means the gathering together of all debts owed to the council to ensure a joined up approach to recovery that is fair and equitable for the customer.

This policy document, supported by internal processes and procedures, relates to the collection of Council Tax, Housing Rent, Former Tenants Arrears, Business Rates, Sundry Debt, Commercial Rents and Housing Benefit Overpayments and any other debts as appropriate. The corporate debt procedure sets out the way in which the council will address debts owed by customers.

The policy complements the wider strategies of the council in relation to financial/social inclusion and customer service.

The policy will be reviewed on a regular basis to ensure it is up to date with the latest legislation and best practice.

## **Aims and Objectives**

The objective is to ensure that support is in place for vulnerable persons and those experiencing financial hardship and that the collection and recovery of council charges is managed efficiently and that collection rates are maximised.

The key aims and objectives of this policy are to:

- Provide a joined up approach to customers to enable all council debts to be addressed when customers engage with us

- Set realistic and sustainable repayment arrangements at all stages of recovery for those customers or their representatives who engage with us
- Provide all reasonable assistance to those customers who have difficulty in paying so they can pay what they are due
- Prevent the spiral of debt at an early stage by dealing effectively with small debts
- Provide appropriate advice and assistance to customers to maximise their income
- Treat all customers as individuals and consider, wherever possible, individual circumstances when taking action to recover
- To collect outstanding debts in all cases where it is appropriate to do so.
- Make effective use of all recovery measures available to the council
- Make best use of all the resources available in the collection and recovery of debts

The Policy provides the overarching framework for the recovery of debt owed to the Council. Detailed collection procedures are outlined in individual revenues collection policies.

### **The Council's Legislative Obligations**

The council is required to make arrangements for the proper administration of its financial affairs and the effective administration and collection of council debts forms part of this requirement.

The provisions of this policy are not intended to take precedence over any legislative requirements relating to specific types of debt.

### **Key Principles**

#### Legal duty to collect and recover

Melton Borough Council has a legal duty to ensure cost-effective billing, collection and recovery of all sums due to the Council. The Council must also demonstrate good management of public funds.

This Policy aims to strike a fair balance between the financial needs of the council and the social needs of our customers. The Council will follow a number of key principles when implementing debt collection and recovery procedures:

- Wherever possible and appropriate to avoid debt arising in the first instance by seeking payment in advance of a service being provided
- In all cases raise invoices accurately and in a timely manner
- Proportionate: establishing an appropriate balance between meeting any legal requirements, the potential loss of income to the council, recovery costs and any emerging council or third party costs relating to welfare or housing support
- Consistent: the council aims to achieve consistency in the advice it gives, the use of its powers and the recovery procedures adopted. Council officers will take account of the social circumstances of the debtor, the debtor's payment history and their ability to pay.
- Transparent: ensuring people understand what is expected of them and what they should expect from the council, including explaining clearly the reasons for taking debt recovery action. The council aims to take early recovery action before debts become unmanageable for the customer.
- Offset: where a customer owes money to the council but this is less than any funds due from the council, with their agreement, this will be offset against what is owed and the net balance settled. Where a customer owes money to the council that is greater than any funds due to them by the council, with their agreement, these funds will be used to reduce the amount owed and the customer contacted about arrangements to repay the outstanding balance. Any such arrangements will be undertaken in a fair and legal manner.
- Appropriate Costs/Fees: where legislation permits, the council will seek to apply and recover from the debtor any costs/fees that are legitimately due to the council or its agents. Only in exceptional cases, where it would not be in the public interest to pursue such costs/fees, will these be waived.
- Direct Debit: the council will encourage and promote direct debit as its preferred method of payment, (though not necessarily with sundry debt accounts) the Council will offer various method of payment as outlined in Appendix B (page 22)

- Multiple Debts: The council will work towards adopting a coordinated approach with regard to tackling multiple debts
- Complaints: will be dealt with through the council's corporate complaints policy.
- Staff: will be trained to provide effective support for customers who have special needs when contacting the service. Assistance can be provided for translation and communication problems.
- Reminders: The council will look to develop more 'personal' means of reminding customers that they are in arrears to the council. These could include telephone calls, SMS, e-mail. This would be carried out as a means of helping and supporting customers and promoting means of reducing their debts if possible.

### Supporting the customer

- The council encourages customers to contact us at the earliest possible point when they first realise that they may be facing difficulties in settling their debts to the council.
- The council understands the impact that financial difficulties can have on a customer and the stress that it can cause. The council believes it is also in the customer's interest for a debt to be recovered to help break the cycle of social exclusion.
- The council believes that customers have a responsibility to pay any monies due to the Council and in particular those affect their home, personal liberty and livelihood (i.e. Rent, Council Tax, Business Rates and Sundry Debts). The council will encourage a payment culture and support customers to help themselves.
- The council will take a proactive and preventative approach, encouraging customers to contact the council as soon as they have a difficulty in meeting their payments, to resolve issues and stop problems escalating
- The council will treat each customer as an individual and will take account of the circumstances of the customer while recognising the need for monies outstanding to be paid.
- The council understands the customers obligation to their close dependants
- The council will ensure our customer service staff remains trained to support the customer as much as possible, taking a proactive and preventative approach to

explore the possibility of advising the customer of any benefits, reliefs or discounts to which they may be entitled, which will help to maximise their income

- Where appropriate, customers will also be advised where to get help and advice about debt problems. This will normally include information about the Citizens Advice Bureau, Credit Union and other sources of support and advice.
- When dealing with multiple debts, the council will try and reach agreement with the customer on how payments are to be allocated. This will usually be in accordance with paying off priority debts first and advising customers of the consequences of taking, or not taking, certain courses of action. See Appendix A (page 21) for further information on priority debts.
- The council will ensure that customers are aware of recovery action that could be taken against them if they fail to make payments or agree a suitable payment arrangement
- The council will seek to develop strategies in the future to start profiling customers and using information across a range of agencies to identify trends with a view to interacting with customers at an earlier stage to try and prevent them from accumulating debts.
- Pending the formal introduction of the Government's "Breathing Space" scheme, the council will, where appropriate, adopt the principles of the initiative. Breathing Space gives someone in problem debt the right to legal protections from creditor action while they receive debt advice and enter an appropriate debt solution. The scheme is scheduled to be introduced as from 2021. For further details see <https://www.gov.uk/government/consultations/breathing-space-scheme-consultation-on-a-policy-proposal>

### Working with partners

- The council will continue to work with welfare agencies and partner organisations in connection to debts owed to the council and on the provision of financial inclusion support throughout local communities.
- Improving individual financial well-being is a key theme of the council's corporate aims. Under this theme, activity is ongoing to develop and deliver improved access to financial services and improve financial literacy and education where it is required throughout the Borough.

- The Housing and Communities service has a good working relationship with the Melton Citizens Advice Bureau, Melton Credit Union and the local Money Advice Service and will continue to foster and grow these relationships.

## **Links with Corporate Aims and Priorities**

Customers, citizens and businesses within the Melton Borough area have a responsibility to pay for the services they receive and the charges they are liable for. In some instances customers will owe more than one debt to the council. Collection of essential revenues will be undertaken in line with the following corporate priorities:

### Our Place Priorities:

- Promoting aspiration and growth in a vibrant economy, attracting quality jobs.
- Developing a thriving town centre and rural offer; recognised as a great place to invest, live and visit.
- Increasing the availability of good quality homes which meet local needs.
- Working with our partners to improve physical and digital infrastructure.

### Our People Priorities:

- Helping people fulfil their potential and achieve their ambitions.
- Work with our partners to address vulnerability and tackle the root causes of social problems, building safe, happy and healthy communities.
- Focussing on our priority neighbourhoods, support people to overcome disadvantage and live well independently.

### Our Organisational Priorities:

- Delivering quality services to business and residents; understanding what really matters to our customers.
- Maintaining a personal approach, but harnessing appropriate technology to make our services more accessible and fit for the digital economy.
- Becoming a more agile and commercial council; securing our financial future.
- Being a great place to work and build a career.

## **Debts Covered by the Policy**

The main debts covered by this policy are:

- Housing Rents

- Former Tenant Arrears
- Council Tax
- Business Rates (National Non-Domestic Rates)
- Housing Benefit Overpayments
- Sundry Debts – examples: service charges, building control fees etc.

The principles within this policy apply to all debts with the council, irrespective of their source or reason. In this way, the council can ensure that debts are dealt with in a consistent manner.

However, it is important to note that for certain types of debt, there are specific rules and legislation which govern their collection and enforcement.

### **Legal and Policy Framework for Recovery**

The Council has a legal duty to ensure cost effective billing, collection and recovery of all sums due to the Council. This policy is in addition to existing legislation and will enhance the procedures already in place to collect debt. This policy will work within and takes account of relevant legislation, for example, on Data Protection and Human Rights etc....

#### Local Taxation – Council Tax and National Non-Domestic Rates

Council Tax recovery procedures are laid down by statute in the Council Tax (Administration & Enforcement) Regulations 1992 and subsequent amendments. NNDR recovery procedures are laid down by statute in the Local Government Finance Act 1988 and subsequent regulations and amendments. External enforcement agents are used for the recovery of local taxation, in accordance with our legislative powers.

#### Housing Rents

Housing rents and former tenants' arrears are recovered in accordance with the council's Housing Rents Arrears procedures.

#### Sundry Debts and Other Incomes

Housing Benefit Overpayments are reclaimed in accordance with the Housing Benefits Regulations 2006 and the Housing Benefit (persons who have attained the qualifying age for state pension credit) Regulations (as amended). Our Overpayments policy is attached at Appendix C (page 22)

## Write-off Policy

The council recognises that a small proportion of its overall income may not be collectable due to matters outwith its control. Where a debt is deemed to be irrecoverable it will be subject to a write-off process that is consistent with recognised accounting practices. Writing off debt has financial implications for the council, and in the case of council tax in particular, implications for all council taxpayers. Before the council does this every conceivable effort has to be made to recover money owed. The council will seek to minimise the cost of write-offs by taking all appropriate action to recover what is due including the use, where appropriate, of charging orders.

The council recognises that under certain situations, it may be necessary to write-off a debt because it has become irrecoverable, or it is not cost-effective to recover.

Debts will be written-off for one or more of the following reasons:

- The debtor cannot be traced
- The debt is not cost-effective to recover due to the small balance outstanding
- The debt is not cost-effective to recover due to the additional costs the council would incur in collecting the debt based on the likelihood of recovering that debt
- The council has evidence that taking further recovery action is not appropriate due to the physical or mental condition of the debtor
- The customer has died and there are no or insufficient funds in the estate to settle the debt
- The customer/body is subject to bankruptcy or insolvency proceedings and it is unlikely that a dividend would be paid

Writing off a debt is not the same as cancelling an invoice. If an invoice needs to be cancelled, a cancellation request to allow a credit note to be raised will need to be submitted to Financial Services.

**The limits for writing off of debts are contained within the Council's constitution:**

The Director for Corporate Services has delegated authority:  
*To remit charges or write-off irrecoverable debts up to a limit of £2,500 in respect of each individual debt in consultation with the relevant Portfolio Holder. Debts over £2500 will be reported to Cabinet for information.*

All debts remitted by a magistrate will be written off.

The following information, dependant on the level of debt, will be provided for each debt case put forward to be written-off:

- Account details
- Level of debt / amount to be written-off
- The year the debt relates to
- The reason for write-off
- Account history – detail of actions undertaken to recover debt

### **General Code of Conduct**

Full names, contact address and a phone number will be established wherever possible prior to service provision or invoicing / billing.

All council bills and invoices will be raised as soon as practicable (as close to service provision as possible) on a daily basis and will include clear, relevant and full information as to:

- What the bill is for
- When payment is due
- How to pay
- How to contact the council if there is a query in relation to the bill or in relation to making payment

All letters and reminders will:

- Be written in plain English
- Explain fully what has been agreed and the consequences if non-payment
- Include appropriate contact details

Where appropriate, documentation will advise customers where to get help and advice about benefits and debt problems. This will normally include information about the Citizens Advice Bureau, Credit Union, as well as information about claiming Housing Benefit and Council Tax Support.

Debtors will be encouraged to make prompt contact if they disagree with a bill or have difficulty in making payment on time.

Problems and invoice discrepancies that are raised will be resolved as quickly as possible to prevent unnecessary delays in payments and incorrect charges being levied.

## Debts that are not cleared within the Required Timescale

All debtors will be advised of the consequences of non-payment and the courses of action that could result from non-payment. This includes:

Type of debt	Possible Action	Final Sanction
Rent arrears	Notice seeking possession; Direct deductions from benefit; court action	Possession order – eviction
Former tenant arrears	Referral to debt collection agency; court action	County court judgement; attachment of earnings order; charging order or removal of goods through County court enforcement action.
Housing Benefit Overpayments	Direct deductions	County court judgement; attachment of earnings order; charging order or removal of goods through county court enforcement action.
Sundry Debts	Discontinuation of the service; Court action	County court judgement; attachment of earnings order; charging order or removal of goods through county court enforcement action.
Council Tax / NNDR	Summons, referral to debt collection agency, court action	Liability order giving powers to seek a charging order, removal of goods, attach earnings/benefits. To committal to Prison; seek bankruptcy; charging order

## Dealing with Multiple Debts

The Council has a legal duty to seek to recover all outstanding debts. Paying debts owed to the council on time helps us to keep the amount that is required to be paid as low as possible. Any possible debts not collected, can potentially put Council services at risk.

The Council will seek to deal with all debt outstanding at the same time so that a holistic approach is adopted. If we are aware, through discussions with the customer or systems matching, that the customer has multiple debts with the Council we will review those debts in total and try to agree a special payment arrangement.

The arrangement will attempt to maintain ongoing payments and reduce arrears for all debts owed to the Council

Where it is known that a person has more than one debt with the Authority, officers will liaise with relevant sections of the council to:

- Identify the action being taken by other sections against the debtor;
- Establish which debt should have the greatest priority for repayment;
- Ensure that repayment plans are realistic, in light of debts owed to the Authority

The order in which debts should be repaid will depend upon the amount involved and the length of time that they have been outstanding. Each case will be assessed according to its individual circumstances.

Priority should be given to debts where there is a court order in place to enforce the debt and debts that directly affect the security of tenure of the customer's home.

It is also recognised that many customers who get into debt with the Council are also in debt with a wide range of other, external creditors and when negotiating debt repayments, the Council will take into account the debtor's responsibilities to other creditors.

### **Payment Allocation**

Melton Borough Council follows principles established by the courts regarding payment allocation.

In summary the principles established by the Courts are:

- if the amount of the payment identifies the debt, a specific instalment etc., then it must be allocated accordingly
- where the debtor states or implies that the payment should be allocated to a specific debt, then the creditor must abide by that statement

– where the debtor does not make any reference as to where the payment should be allocated then it is up to the creditor to make the choice

Payments received that do not identify the debt and where the debtor does not make reference as to where the payment should be allocated are put towards the debt regarded by the council as the most appropriate.

## **Enforcement Action**

When considering enforcement action, officers should adhere to the following principles:

- Our action will be PROPORTIONATE
- Our action will be CONSISTENT
- Our action will be TRANSPARENT

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. This relates to:

- The advice given by officers
- The use of powers
- The recovery procedures used

The Council recognises that consistency does not mean the exact same approach being taken with every case. Officers will need to take into account factors 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 being able to clearly explain and justify the reasons for taking any recovery / enforcement action.

## **Withdrawing a Service**

It is the responsibility of the service department to determine how to supply services to a nonpayer who is already in arrears. However, prior to a council service being withdrawn completely from a nonpayer, the service department must identify if the service can be

legally stopped and then contact the nonpayer to explain the action to be taken and the reasons behind it.

Instances of withdrawing a service may include

- Works requested by a customer
- Renting of Allotments
- Lifeline Telephones

### **Limitations on Debt Recovery**

Where genuine hardship exists, the Council's officers will adopt a sympathetic and reasonable approach. It is the Council's policy both to ensure that money owed to the Council is recovered in the best manner possible and to ensure that people receive benefits and other reliefs to which they are properly entitled.

The use of external enforcement agents requires those companies to adhere to a code of conduct requiring them to refer to the council, before proceeding to take action, in the following circumstances. In these circumstances, each case will be looked at on its individual merits. The use of enforcement agents does not apply to the recovery in the following instances:

- The debtor appears to be over 70 years old
- The debtor is severely ill or disabled
- The debtor has young children and severe deprivation is evident
- The debtor is currently consulting their Councillor or MP

It should be noted that it is current practice to not forward any cases to external enforcement agents where the information stated above is already known. The above approach does not relate to the recovery of Sundry Debts.

### **Procedures and Training**

Each Director of Service in the sections that raise charges and pursue debts will be responsible for ensuring that this policy is adhered to fully. This will include ensuring that existing and new staff have appropriate training and are fully aware of the content of the policy.

Although there are variations in the procedures relating to different debt streams, they must reflect the council's requirement for the corporate approach to recovering debt set out in this policy.

This policy will be made available to all staff dealing with income collection and recovery (it will be included as part of the induction process for new staff). This will be reinforced with training and management supervision of all staff involved in collecting debt.

### **Performance Monitoring**

The council recognises that prompt recovery action is essential for effective debt management and will:

- regularly monitor the level and age of its debt
- set clear targets for the recovery of debt
- have written recovery procedures
- assess recovery methods to ensure maximum returns; and
- regularly review irrecoverable debts for write-off

To ensure this Policy achieves its objectives a range of indicators are in place to monitor performance against annual targets. Key indicators include:

- nationally recognised indicators for council tax and NNDR
- nationally recognised indicators for rent collection
- average debtor days (sundry debtors)
- aged debt profile (30, 60, 90, 180 and 365 days plus – proportion and value – sundry debtors)
- value of debt more than 90 days old (sundry debts)
- sundry debt invoices outstanding (value/number)
- in year collection targets
- long term collection – rolling trend
- outstanding charging orders
- in year write off as proportion of total debt
- summoned accounts on hold/suspense (proportion and value)

The council recognises that failure to achieve income and collection targets will have financial and service consequences. Performance will be reviewed on a monthly basis by operational managers and this information will be reported as part of the council's wider performance updates.

Where an external agency assists the council's collection and recovery process it will also be required to produce detailed performance and management information.

Revenues collection will be measured using the following local indicators:

<b>Debt Type</b>	<b>Local Indicator</b>	<b>Frequency</b>
Council Tax	% of Council Tax collected	Monthly
NNDR	% of NNDR collected	Monthly
Housing Rent	% Rent Collected	Monthly
	Rent of 7 weeks or more	Quarterly
	No. of Notices for Possession served	Quarterly
	No. of evictions	Quarterly
Former Tenants' Arrears	% of FTA collected	Quarterly
Sundry Debts	% of debt collected	Monthly

Annual targets for collection will be identified in the Performance Management Framework. Where appropriate 'stretch targets' will be set to improve performance, although this will be balanced against potential increased costs of recovery.

The Council will benchmark its collection performance against other local authorities in the Leicestershire Revenues Groups, to understand how its performance compares and where further improvements can be made.

Monitoring and performance management of all revenues collection will also be undertaken as highlighted below to ensure an efficient and effective service is provided.

#### Local Taxation (Council Tax and NNDR)

Arrears performance information will be produced on a monthly basis to be used by the Communities and Neighbourhoods Management team to help monitor and review collection progress. The information reported will include:

- Age and number of outstanding arrears balances
- Number / value of write offs
- Number / value of accounts provided relief, discount or exemption

Any serious performance issues will be referred to the Making Progress Group.

#### Housing Rents

Monthly monitoring reports providing an analysis of arrears by age, type and value will be provided to the Communities and Neighbourhoods Management team to help monitor and review collection progress.

#### Sundry Debts

Relevant monitoring information on Sundry Debts collection will be provided to all budget holders to enable them to ascertain significant delinquent debtors, manage subsequent provision of services and track appropriate recovery action. Monthly monitoring reports will be provided to the Communities and Neighbourhoods Management team to help monitor and review collection progress.

Where audits and reviews of work and processes are undertaken by Internal Audit, relating to payments and collection of income, they will test to check on compliance with this policy.

#### **Annual Review**

This policy will be reviewed on an annual basis to ensure that it is up to date with the latest legislation, service improvements, regulations and wider policy initiatives.

#### **Cost Effectiveness of Recovery**

It is important that the council takes a cost effective approach towards debt recovery, and that this cost-effectiveness underpins all elements of recovery work:

#### Preventing arrears

Proactive and preventative financial inclusion activity can be used as a tool to reduce financial liabilities. A greater degree of proactive activity and contact with customers before they get into debt, or as soon as they experience difficulties, for example, could greatly reduce time and costs expended later in the process trying to recover debts. Further detail on the benefits of delivering Financial Inclusion activity is outlined in Appendix D (page 23).

#### Reduce collection costs

The council will look to reduce collection costs at all opportunities. This will include promoting and increasing the take-up of cost-effective methods of payment, e.g. Direct Debit, and in relation to Sundry Debts collection, service providers across the council will be encouraged to obtain payment in advance of the service delivery wherever possible, which would reduce the level of debt the council has to collect.

#### Taking cost effective action

The council will ensure that cost-effective recovery action is undertaken. For example: Debtor invoices will be raised in line with the Financial Procedure rules ensuring that invoices are only raised for amounts that it is considered economical to collect, whilst effective write-off action will be undertaken where debt is considered irrecoverable and uneconomical to collect (see Write-Off Policy, page 10). The cost of recovery action, for example via the Courts or tenant eviction, will be looked at on an individual case by case basis so a proportionate approach can be taken between any income lost and the cost of taking this action. With regard to council tax and business rates, in the first instance it would not be the council's intention to take enforcement action where the costs levied exceed the debt itself. External good practice and current advice is that it is not worth pursuing debts through the County Court which have a value of less than £150. Again, there will be exceptions but actions to pursue small debts through the courts will be justified on a case by case basis.

### Measuring cost effectiveness

In 2019/20 the council will look at measuring the cost effectiveness of its debt recovery services and how any improvements may be made to reduce the cost of this service whilst collection levels are maintained and improved.

### Debt hierarchy

The council's retention of income depends on the type of debt. Introducing a 'debt hierarchy', where collection of one debt type is prioritised above others where a debtor has multiple debts with the Council provides clarity when determining which debt to prioritise.

The council will, in these cases, seek to prioritise the recovery of debts which relate solely to Melton Borough Council

### External Enforcement Agents and Sundry Debts

The council uses external enforcement agents for the collection of Council Tax, Business Rates and Housing Benefit Overpayments. For Sundry Debts the advanced recovery stages are carried out following action at the County Court. In 2019 the council completed a joint procurement exercise with other Leicestershire councils for enforcement agent services.

### **Confidentiality**

The council will ensure that all information about a customer's personal and/or financial circumstances is dealt with in the strictest confidence meeting the requirements of the Data Protection Act which is the law that covers the processing of personal data. It includes how

the data is obtained, how it is stored, how it can be used and what can be disclosed. It also gives certain rights to people whose personal data is being processed.

The Data Protection Act 2018 works with the General Data Protection Regulation (GDPR). The Council is a Data Controller. This means we hold personal information about people for the purpose of administering and providing appropriate services.

The Freedom of Information Act entitles anybody to ask a public sector organisation for recorded information that they keep. Anyone can make a request for information. Your request will be dealt with in line with the regulations depending on what you are requesting: For personal information – this will be dealt with under the Data Protection Act and GDPR.

### **Segregation of Duties**

The council will ensure that income and debt recovery transactions are governed by robust controls, with clear segregation of duties. Financial decisions will be made by identified officers and reviewed by appropriate managers.

## **APPENDIX A – PRIORITY DEBTS**

Priority debts are debts owed to creditors who can take the strongest legal actions against someone if they do not pay. It is not the size of the debt that makes it a priority, but what the creditors can do to recover their money.

### **Priority debts**

Priority debts are:

- Mortgage arrears
- Rent arrears
- Income Tax and VAT
- Fines

- Maintenance and Child Support
- Council Tax and Business Rates
- Fuel Debts
- Hire purchase for essential goods (e.g. car needed for work)

### Non-Priority Debts

Examples of non-priority debts include:

- Credit Card and Store Card arrears
- Catalogue arrears
- Bank overdrafts and loans
- Hire purchase for non-essential goods (e.g. TV)
- Money borrowed from family and friends

You cannot be imprisoned where you have failed to pay non-priority debts. You are unlikely to lose your home or your essential goods. However, if you make no offers to pay, without explaining why, the creditors will take you to court. If you still fail to pay when the court has ordered it, the creditors can take further action – e.g. they can get another court order allowing them to engage enforcement agents.

## **APPENDIX B – METHODS OF PAYMENT**

The Council offers a number of payment methods including:

- Allpay card
- Cheque
- Debit Card
- Via the Internet
- 24hr automated phone line
- Via the bank, by Direct Debit
- You may also set up your own Standing Order with your bank provided it meets the payment requirements necessary to settle your debt.

## **APPENDIX C- OVERPAYMENT POLICY**

Attached

## **APPENDIX D- FINANCIAL INCLUSION**

### **Introduction**

Promoting financial inclusion encompasses efforts to reduce poverty and reduce financial stress by: increasing benefit income; reducing levels of debt; providing better access to financial products; and increasing financial capability, i.e. the skills, knowledge, confidence and motivation to manage finances in the short and long term.

Historically, Local Authority engagement with poverty and financial exclusion issues tended to focus on the provision of, or referral to, welfare rights and money advice services.

Melton Borough Council works with private and third sector providers of financial services. For example, affordable contents insurance to tenants, Credit Unions and Community Development Finance Initiatives (CDFIs) develop new loan and savings products.

At Melton Borough Council we work to build financial capability amongst tenants, both with basic financial tasks, such as budgeting, and helping them make the right financial decisions in the longer term. This choice reflects both our commitment to improve the lives of our tenants and communities and a commitment to greater organisational cost efficiency and effectiveness.

## **Background**

Prior to 2012 nearly one in six social-rented tenants had no bank account, twice as high a proportion as the rest of the population.

81% have no savings account.

91% have no insurance cover.

The cumulative impact of exclusion is that the communities we serve are losing thousands of pounds through high loan interest charges and under claiming of benefits. Lower levels of money circulating around a community reduce the quality of local private sector services and levels of employment as well as exacerbating the social stresses resulting from poverty.

At Melton Borough Council we are in a position to make a major contribution to the promotion of financial inclusion. As 'trusted intermediaries' we can make the link to financial inclusion for those that others find hard to reach.

### **Financial inclusion work can help us become more cost efficient:**

- Rent arrears are often associated with a household having wider debts.
- Court actions and evictions, the vast majority of which are on the grounds of rent arrears, are expensive.
- Tenancy abandonment is often associated with financial stress, and abandoning tenants often leave behind arrears that risk turning into un-collectable debt.
- Dealing with tenants in crisis is much more time consuming than investing in early intervention.

## **Financial inclusion work can assist our organisational effectiveness:**

- Local Authorities constantly deal with the wider consequences of poverty.
- Frontline staff can be demoralised by conflict with tenants, and constantly dealing with them in crisis.
- Financial inclusion interventions can increase the skills and motivation of staff, improving recruitment and retention.
- Developing financial inclusion work can improve responses to arrears, evictions and tenancy turnover.
- It can support the delivery of related initiatives to increase employability, enterprise development and tenant participation.

## **Potential costs to Melton Borough Council of not investing in Financial Inclusion**

### Rent Arrears:

- Reduced cash flow.
- Lost income due to write off of former tenant arrears.

### Evictions/ court actions/ abandonment:

- Court fees.
- Use of enforcement agents to carry out enforcement actions and evictions.
- Cleansing and repair of properties in preparation for new lets.
- Securing properties.
- Lost rental income due to void properties.

### Staff time:

- Diversion of staff to deal with arrears and actions for repossession.

- Diversion of staff time to deal with repairing and securing void properties.
- Diversion of staff to re-let properties.

Neighbourhood management:

- Increased anti-social behaviour, noise nuisance, vandalism due to financial pressures.
- Tenancy instability.

Staff retention:

- Reduced staff retention due to frustration at inability to offer financial inclusion support to tenants.

Broader social costs:

- Increase in poverty, social exclusion and homelessness.