

# Cabinet

Date 9 July 2019

<b>Report of:</b>	<b>Portfolio Holder for Corporate Finance and Resources</b>
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## Debt Recovery Action Plan

1.0 Corporate Priority:	Decision Type:
1.1 OG1 Customer Focus	Non Key Decision
1.2 OG3 Becoming a more agile and commercial Council; securing our financial future	
1.3 PL1 Promoting Aspiration	
1.4 PP2 Tackling Vulnerability	

2.0 Summary:
2.1 The Report seeks Cabinet's approval to consult stakeholders on a draft Corporate Debt and Income Maximisation Policy.
2.2 The report outlines the current debt management situation and ways the Council can seek to maximise income whilst ensuring residents' vulnerabilities and ability to pay are accounted for in any action. It also sets out the additional resources required to support an increased focus in this area.

3.0 Recommendations
<b>3.1 That Cabinet consider the contents of the draft Corporate Debt and Income Maximisation Policy and approve the commencement of consultation</b>
<b>3.2 That Cabinet approve the recruitment and future establishment of a Sundry Debt Officer and that 2019/20 resources should be redirected to support the permanent establishment of the post and to recommend that the costs associated with it are built into the base budget for 2020/21.</b>

4.0 Reason for Recommendation:
4.1 The Policy will assist officers in ensuring income is maximised and that residents and businesses are sufficiently safeguarded with regard to collection action. Consultation will allow the Council to make an informed decision on whether to approve the draft Policy in its current form or if changes are required. The establishment of a Sundry Debt Officer post will help to safeguard and improve both the Council's financial position regarding sundry debt, and the ability to identify and act upon vulnerability.

## 5.0 **Alternate Options Considered**

- 5.1 To continue to operate income recovery without an overarching policy. This may lead to lower collection rates and inconsistent application of procedures.
- 5.2 To not create a post for a Sundry Debt Officer. A temporary post has been in place for a period of 2 years and the evidence shows that this has had a positive impact on collection. An internal audit report in 2018 highlighted the levels of historic aged debt which had built up prior to the temporary position being created in 2017.
- 5.3 To not enter into a consultation period. This could lead to frustration amongst key stakeholders who are dealing with debt and would want to influence policy.

## 6.0 **Report Detail**

- 6.1 The adoption of a Corporate Debt and Income Maximisation Policy will assist officers to support the Council's aims to:
- Ensure collection rates of Council Tax, Business Rates and Sundry Debt are maximised
  - Ensure any collection enforcement is carried out in an appropriate and sustainable way
  - Become more commercially aware, with opportunities to maximise income identified and enacted upon

The policy will also address issues highlighted by recent audit reports, specifically the management and identification of bad debt.

The full draft policy can be seen in Appendix 1.

- 6.2 Collection rates of both Council Tax and Business rates are currently high, with 98.2% of Council Tax and 98.6% of business rates collected in 2018/19. Sundry debt collection rates are currently at 86.5%, however the council is experiencing high levels of historic sundry debt.

It is recognised that without a coherent Debt and Income Maximisation Policy, collection across the three streams of debt and the way officers manage individuals on a day to day basis can fluctuate, resulting in an inconsistent approach to debt management and enforcement.

- 6.3 The Policy seeks to ensure consistency of approach and management of cases where residents or businesses fail to make payments when expected. It also sets out the responsibilities of individual services to ensure service is withdrawn or altered in cases of non payment, with payment obtained up front where possible.

In summary, the Policy seeks 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, including the withdrawal of service where applicable.
- Make best use of all the resources available in the collection and recovery of debts

#### 6.4 **Proportionality of action**

It is important that collection and recovery action is not seen as a 'one size fits all' solution. The policy will therefore provide procedures to ensure any action is proportionate and takes the individual's payment history and general circumstance into consideration. These actions will include:

- Encouraging customers to contact us at the earliest possible point when they first realise that they may be facing difficulties.
- Recognising the impact that financial difficulties can have on a customer and the stress that it can cause.
- Recognising that customers have a responsibility to pay any monies due to the Council and in particular those affect their home, personal liberty and livelihood.
- Taking a proactive and preventative approach, encouraging customers to engage with support where necessary
- Treating 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.
- Understanding the customers obligation to their close dependents
- Ensuring our staff remains trained to support the customer as much as possible.
- Ensuring 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
- Allowing "Breathing Space" to customers which gives someone in problem debt the right to legal protections from creditor action while they receive debt advice and enter an appropriate debt solution.

#### 6.5 **Payment up front and withdrawal of service**

Where possible, payments will be requested before the service is provided, requiring a change in process involving services such as Melton Lifeline. This will also require services to manage debtors effectively, ensuring services are withheld until payment has been made, or to withdraw services for non payment where up front payment is not possible.

Instances of withdrawing a service in the case of non payment may include:

1. Works requested by a customer
2. Renting of Allotments

### 3. Lifeline Telephones

Payment up front and the withdrawal of service options have been fully set out in the policy document.

#### 6.6 **Debt Hierarchy.**

Melton Borough Council's retention of income depends on the type of debt concerned. To ensure collection resource is utilised effectively, the policy provides guidance regarding a 'debt hierarchy', where collection of one debt type is prioritised above others where a debtor has multiple debts with the Council. Consideration has been given to the following issues regarding each debt:

1. Council Tax. Melton Borough Council retention – 12.5% of total collection.  
Collection rates are currently high in comparison with other Leicestershire authorities and a recent Council Tax recovery review identified a number of ways to improve performance, including increased use of Direct Debit (MBC DD take up is 78%), standardising recovery processes across the County and increased communication with debtors at the preventative stage. The current collection work would not be affected by any prioritisation, however increasing collection from 98.2% would be resource intensive. Leicestershire County Council is, however, asking collection authorities to maximise collection and enforcement action where applicable.
2. Sundry Debt – Melton Borough Council retention – 100% of total collection.  
There is currently £1.2m outstanding sundry debt, relating to services including Wheels2Work, Melton Lifeline, housing repairs, licensing etc. The implementation of structural collection changes and prioritisation would lead to an improved picture over the coming years.
3. Business Rates – Melton Borough Council retention – Currently 50% of total collection with local trial taking this to 75%.  
With the local authority funding model moving towards 100% rate retention in this area, there will be a focus upon collection and related enforcement where necessary to ensure the financial stability of the Council in future years.
4. Housing rent – Melton Borough Council retention – 100% of total collection (HRA).  
Again, a vital element of the Council's income, from which Melton Borough Council is the only financial beneficiary. This does not, however, impact upon the general fund and spend is restricted to the housing service and related services

It should be noted that any additional action taken as a result of the hierarchy would be on top of the existing protocols in place for the recovery of each debt, which are currently robust. There would be no change to the overall resource being put into the collection of Council Tax or Business Rates.

Additionally, it is acknowledged that performance monitoring for Council Tax and Business Rates is reported on a national basis. Subsequent prioritisation of debt would not seek to disrupt MBC's current performance.

In the case of multiple debts relating to one individual, officers will seek to prioritise the recovery of debts which relate solely to Melton Borough Council and this is reflected in the policy.

#### 6.7 **Resource**

Officer resource to maximise collection and income is currently managed within the Revenues and Benefits team, which in turn is part of the People and Communities Directorate. Although adequately resourced for the collection of Council Tax and Business Rates, for Sundry Debt, there has been no dedicated resource. The existing Sundry Debt Officer role has been a temporary post since 2017 but is not on the permanent establishment or part of the core budget. Since 2018, this post has been filled on a secondment basis by a member of the Customer Services team. This post is shortly to be filled.

Over the past year, the seconded Sundry Debt Officer post has assisted in reducing the outstanding sundry debt from £1.5m to £1.24m (January 2017 to January 2018), and this is expected to continue to improve through the implementation of the Corporate Debt and Income Maximisation Policy and improved collection procedures. The evidence shows that there is a need for this role to be created as a permanent post.

Additionally, new sundry debt is being managed more effectively as a result of the temporary post. A permanent resource would be able to further solidify processes and procedures regarding newly raised debt, whilst also being able to focus upon historic sundry debt which constitutes the majority of outstanding debt.

## 7.0 Consultation and Feedback (including Scrutiny Committee)

7.1 Following Cabinet authorisation, the draft Policy will be shared with stakeholders, with feedback assessed and built into the Policy where appropriate. The proposed consultation length is 8 weeks, and this will begin once Cabinet approval has been received.

**Scrutiny Committee shall be consulted on the Policy during the consultation period. Other key organisations working with people in debt, such as CAB, MADMAC, Latham House and DWP will also be consulted during this period as well.**

## 8.0 Next Steps

8.1 The next steps will be to start an 8 week consultation with key stakeholders, recruit to a full time permanent position of Sundry Debt Officer and to make any consequential amendments to the Draft Policy as a result of the consultation prior to bringing back to Cabinet for formal approval.

## 9.0 Financial Implications

9.1 The full year cost of a permanent full time post is expected to be in the region of £30k. It is suggested that a permanent post be created from 1 August 2019, creating a cost of £20,000 for the remaining 8 months of this financial year.

9.2 The strategic leadership team has identified budget underspends in 2019/20 to cover the filling of a band 7 Sundry Debt Officer post within the current financial year. Subject to Cabinet agreement it is then proposed that the substantive costs of this post are built into the base budget from 2020/21 onwards.

## 10.0 Legal and Governance Implications:

10.1 Council will approve the budget for 2020/21 following a recommendation from Cabinet. If Council do not approve that the budget for the permanent post be

added to the base budget then the post would not be funded and may be subject to redundancy. This is a very minimal risk however because it has been shown during the last two years that the post does pay for itself and has a sound business case.

**11.0 Equality and Safeguarding Implications:**

11.1 A full Equalities Impact Assessment will be undertaken before the consultation period ends, and will be included before approval of the Policy.

**12.0 Community Safety Implications:**

12.1 Debt is closely connected to vulnerability, and the ability for residents and business owners to manage their situation effectively. Inevitably, higher personal debt, and the support available to individuals to manage their finances, impacts upon other facets of their lives.

12.2 The policy seeks to identify an individual's ability to manage their finances, and assist where possible, and to make the necessary arrangements to identify and support individuals who require assistance.

**13.0 Other Implications (HR, Data Protection, Climate Change, etc)**

13.1 None

**14.0 Risk & Mitigation:**

14.1

<b>L I K E L I H O O D</b>	<b>A</b>	<b>Very High</b>				
	<b>B</b>	<b>High</b>				
	<b>C</b>	<b>Significant</b>		4,5,6		
	<b>D</b>	<b>Low</b>		1,2,3		
	<b>E</b>	<b>Very Low</b>				
	<b>F</b>	<b>Almost Impossible</b>				
			<b>Negligible 1</b>	<b>Marginal 2</b>	<b>Critical 3</b>	<b>Catastrophic 4</b>

**IMPACT**

Risk 1: The Council collects debt that is not due.

Mitigation: The policy sets out factors to be taken into account when assessing an individual's debt. This includes an appraisal of all related debt and an assessment of whether it is financially prudent for the Council to collect the debt.

Risk 2: Individuals with multiple debts are chased separately for each debt

Mitigation: Each debtor will be appraised regarding additional debts before chasing action is initiated. Multiple debts will then be prioritised. Throughout the collection process, officers will adhere to industry best practice.

Risk 3: Individuals vulnerabilities are not taken into account when chasing debt  
Mitigation: The policy recognises the need to assess the individual's wider circumstance before enforcement action is initiated. This included engaging relevant services and support, and the potential to cease any action should vulnerabilities necessitate this.

Risk 4: Increases in mental health issues as a result of increasing debt within Melton communities

Mitigation: Officers will ensure any vulnerable residents are safeguarded through referral to the relevant agencies and support before any collection action is undertaken, including health services.

Risk 5: Insufficient resource to maintain collection rates, resulting in reduced income for the Council.

Mitigation. The report sets out the current position regarding collection of income, and the necessary resource levels to improve this position. The recruitment of a Sundry Debt officer will reduce this risk.

Risk 6: The withdrawal of services, e.g. Melton Lifeline, from vulnerable people.

Mitigation: Services will only be withdrawn where the necessary safeguarding actions and referrals have been actioned. Withdrawal of sensitive or high risk services, such as Melton Lifeline, will be assessed on a case by case basis.

### **Background Papers:**

No background papers are included with this report.

### **Appendices**

Appendix 1 – Corporate Debt and Income Maximisation policy

### **Report Author**

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