

Scrutiny Committee

23 July 2019

Report of:

**Deputy Chief Executive and
Director for People and
Communities**

**Cabinet
Member**

**Portfolio Holder for Corporate
Resources**

CONSULTATION ON CORPORATE DEBT AND INCOME MAXIMISATION POLICY

1.0 Summary:

- 1.1 Scrutiny Committee are invited to provide comments as consultees on the Corporate Debt and Income Maximisation Policy attached at Appendix One.

2.0 Recommendations

- 2.1 **That the Committee provides comments on the proposed Corporate Debt and Income Maximisation Policy attached as Appendix One.**

3.0 Report Detail

- 3.1 On 9th July 2019, Cabinet approved commencement of an eight week consultation period for a Corporate Debt and Income Maximisation Policy attached as Appendix One.

3.2 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:

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.

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.

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.

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

3.3 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.

3.4 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 the Councils' current performance.

3.5 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.

3.6 **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.

3.7 **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.

4.0 Consultation and Feedback

- 4.1 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.
- 4.2 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.

5.0 Next Steps

- 5.1 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 taking back to Cabinet for formal approval.

6.0 Financial Implications

- 6.1 There are no implications associated with receiving comments from Scrutiny Committee.

7.0 Legal and Governance Implications:

- 7.1 It is a function of Scrutiny Committee to act as a consultative body.
- 7.2 There are no implications associated with receiving comments from Scrutiny Committee.

8.0 Equality and Safeguarding Implications:

- 8.1 There are no implications associated with receiving comments from Scrutiny Committee.
- 8.2 A full Equalities Impact Assessment will be undertaken before the consultation period ends, and will be included before approval of the Policy.

9.0	Community Safety Implications:
9.1	There are no implications associated with receiving comments from Scrutiny Committee.


10.0	Other Implications
10.1	There are no implications associated with receiving comments from Scrutiny Committee.

11.0	Risk & Mitigation:
11.1	There are no implications associated with receiving comments from Scrutiny Committee.

Background Papers:
Cabinet Report

Appendices
Appendix A - Corporate Debt and Income Maximisation Policy

Report Timeline:	
Equalities Check & Challenge	N/A
SLT Sign off	N/A
Previously Considered by Cabinet	9 th July 2019
Director Approval	
Chief Finance Officer Sign Off	11 th July 2019
Monitoring Officer Sign Off	

Report Author & Job Title
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