CPRC Committee Meeting

Monday 24th March 2025

Title	*Corporate Debt Policy Review*
Purpose of the report	To make a decision
Report Author	*Nina Diton Projects Officer* *Sandy Muirhead Group Head Commissioning and Transformation*
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	*N/A*
Corporate Priority	Service delivery Resilience
Recommendations	Committee is asked to: review and approve the proposed amendments to the Corporate Debt Policy.
Reason for Recommendation	The Corporate Debt Policy was last reviewed in April 2021. The proposed amendments aim to enhance the effectiveness of debt management and recovery processes, ensuring fairness and support for vulnerable customers. Balancing customer care with the responsibility of collecting debt efficiently is crucial for maintaining positive relationships while ensuring financial stability.

1. Summary of the report

What is the situation	Why we want to do something
The Corporate Debt Policy was last reviewed in April 2021 and required revision of current processes. This enables the Council to ensure the most current debt collection practices are in place to enhance cash flow, which is vital for the sustainability of our operations. This also helps in maintaining financial stability and improving customer relationships by addressing outstanding debts in a respectful and professional manner.	The review of the Corporate Debt Policy ensures the organisation remains resilient and responsive to both internal and external changes, maintains financial stability, complies with regulations, and protects sensitive information. Balancing customer care with the responsibility of collecting debt efficiently is crucial for maintaining positive relationships while ensuring financial stability.

This is what we want to do about it	These are the next steps
Proposed updates aim to implement efficient processing methods to maximise recovery from initial customer service phone calls to enforcement agents. The Council needs to use clear communication, flexible payment options, and advanced software to ensure our debt collection is effective, considerate, and aligned with our commitment to customer care and financial responsibility.	Consult stakeholders on changes. Obtain approvals for the amended policy from CPRC on 24th March.

2. Key issues

2.1 This report aims to present an update to the Corporate Debt Policy, incorporating recent feedback and addressing key issues to improve our debt management practices. Specifically, this update will explain the types of debt we manage, including Council Tax, Business Rates, and Sundry Debt. Council Tax refers to the local taxation on residential properties, Business Rates are taxes on non-domestic properties, and Sundry Debt includes various other debts owed to the Council, such as fees for services and penalties.

2.2 The existing policy from 2021 has become outdated and no longer aligned with current debt management practices, leading to inefficiencies and a lack of clear support for vulnerable customers. The proposed update provides greater clarity and addresses departmental processes and incorporates a Sundry Debt Process together with providing debt processes for each area of debt.

2.3 In dealing with any debt there is a clear graduated approach to recovery of debt with initial reminders and offers of assistance to customers before moving to more formal legal processes.

2.4 The main criteria for the decision to update include the need to bring the Corporate Debt Policy in line with current guidance on debt management practices and processes and to make it clearer the processes associated with different debt types. This ensures continued support for vulnerable customers, transparency, and fairness in the Council's debt recovery processes. Each department has reviewed the policy to ensure it accurately reflects current processes and procedures. The revised policy is provided in Appendix 1 with areas of major change to the previous policy highlighted.

2.5 **What's Different and Why to the previous policy:**

- We have revised and updated departmental processes and procedures. including Sundry Debt collection processes to improve operational efficiency.
- The new policy ensures all debt recovery actions are transparent and fair.
- Enhanced support measures for vulnerable customers have been added and existing measures updated.

- The processes around debt collection activity have been reviewed to ensure modern and efficient processing methods and tools are utilised. This will enhance the speed and accuracy of our collection methods.

2.6 **Improvements and Benefits:**

- The updated policy ensures fair treatment and better support, especially for vulnerable residents.
- Improved efficiency leads to increased financial stability and resource management for the Council.
- Fewer cases presented to Councillors protects sensitive information and ensures privacy.
- The policy will be updated more frequently (every two years) to stay current and effective.

2.7 By addressing these key issues and implementing the proposed updates, we aim to create a more efficient, transparent, and fair debt management system that benefits both residents and the Council.

3. Options analysis and proposal

3.1 **Option 1**: Maintain Current policy (no amendment)

3.2 **Pros:**

- Maintains current operational stability without disruptions.

3.3 **Cons:**

- **Outdated Policies:** Risk of operating with outdated policies that may not align with current financial regulations or best practices.
- **Missed Opportunities:** Potential missed opportunities for improving financial management and debt servicing.
- **High Risk:** Continuing without a review could lead to non-compliance with new regulations and inefficient debt management practices.
- **Increased Non-Recoverable Debt:** Higher likelihood of debts becoming non-recoverable, increasing financial risks.
- **Increased Financial Risks:** Potential for escalated financial risks due to outdated and inefficient debt management practices.

3.4 **Option 2: Approve reviewed Corporate Debt Policy (Recommended)**

3.5 **Pros:**

- **Regulatory Compliance:** Ensures adherence to current laws and regulations, avoiding potential legal issues.
- **Efficiency:** Streamlines debt management processes, thus increasing collections and providing better value for money to residents.
- **Risk Reduction:** Identifies and mitigates financial risks, protecting the authority's assets.
- **Transparency:** Clear guidelines improve transparency and accountability in financial operations.
- **Stakeholder Trust:** Enhances trust and confidence among stakeholders, improving the authority's reputation.

- Increases ability to recover all debts more effectively and in a timely manner.

3.6 **Cons**

- The integration of Sundry Debt modernisation efforts may necessitate some adjustments. This could result in temporary disruptions potentially slowing the seamless implementation of the new policy.

4. Financial management comments

4.1 The review of the Corporate Debt Policy ensures alignment with current external financial regulations, promoting robust and efficient debt collection practices. There are no specific financial implications of the policy itself

4.2 Sundry Debt collection rates have shown a declining trend over the last few years, as shown in the below table.

Year	Balance Paid %
2020/21	93%
2021/22	92%
2022/23	92%
2023/24	89%

4.3 This was likely driven initially by the pandemic, followed by the recovery from the pandemic and now by the cost-of-living crisis, all of which are fully outside of the Councils control or influence.

4.4 This policy aims to stabilise the decline by adapting to the current climate and prevent further reductions in collection rates.

5. Risk management comments

5.1 The risk of not updating the policy and associated processes is that less debt will be recovered and with the cost-of-living increase impacting on the Council, there is a need to maximise our collection efficiency.

5.2 The risk to Council of not collecting monies owed to it is that the Council has to find monies from elsewhere to fund services thus causing additional budget pressures.

5.3 **Additional Areas of Risk**

(a) Economic Factors: Economic downturns or recessions can lead to increased nonpayment rates as individuals and businesses face financial difficulties.

(b) Legislative Changes: Changes in laws or regulations can impact the Council's ability to recover debts effectively.

(c) Operational Risks: Inefficiencies or errors in the debt recovery process can lead to delays and reduced recovery rates.

(d) Technological Risks: Reliance on outdated or malfunctioning systems can hinder the debt recovery process.

(e) Social Factors: Increased financial hardship among residents due to rising living costs or unemployment can affect recovery rates.

6. Procurement comments

6.1 *N/A*

7. Legal comments

7.1 The Council is required to collect monies owed from residents and businesses under various statutory provisions and has legal powers to pursue debts.

7.2 The Council must be aware of and give regard to all relevant pre-action protocols and guidance when relying on enforcement methods to recover outstanding debt.

7.3 An agreed Corporate Debt Policy which clearly sets out how the Council collects debts ensures lawful process and provides consistency and fair treatment of debtors.

8. Other considerations

8.1 The review of the Corporate Debt Policy ensures alignment with current external financial regulations, promoting robust and efficient debt collection practices. Our goal is to balance customer care with the responsibility of collecting debt efficiently, a theme that runs throughout this report. The proposed amendments consider the need for a fair and transparent debt recovery process, particularly for vulnerable customers, ensuring value for money for residents by enhancing transparency, accountability, and responsiveness in our debt recovery processes.

8.2 Two roles within the Customer Services & Revenues team have been amended to be recovery/collection focused and individuals with experience in this area have been appointed to these roles. This will allow the team to accommodate the changes in the policy and dedicate resources to the more pro-active approach required without impacting other operations and activities within the service.

9. Equality and Diversity

9.1 The recommended proposals aim to support vulnerable customers and ensure that debt recovery processes are considerate of individual circumstances.

10. Sustainability/Climate Change Implications

10.1 *N/A*

11. Timetable for implementation

12. The proposed amendments will be implemented following approval by the Council, with an expected completion date by April 2025.

13. Contact

For queries relating to this paper, please contact the Projects Officer at services.officer@Council.gov.uk.

Background papers: There are none.

Appendix 1 Corporate Debt Policy (highlighted grey areas show significant

additions to previous policy)