



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Corporate Debt Policy</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting date:</b>	17/05/2010
<b>Policy Document:</b>	Yes
<b>Directorate:</b>	Finance and Support
<b>Accountable Cabinet Member:</b>	Councillor David Perkins

### 1. Purpose

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1.1 This policy has been created in order to formalise statutory requirements and best practice currently in operation across the Council.

### 2. Recommendations

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2.1 That the audit committee review the corporate debt policy at **appendix A** prior to its inclusion at the cabinet meeting of the 19<sup>th</sup> May 2010.

2.2 A set of fair debt principles and an initial equality impact assessment can also be found at **appendix B** for review.

### 3 Issues and Choices

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#### 3.1 Report Background

3.1.1 In order to reduce debt levels at the end of July 2009 a new corporate debt team was formed from members of the old cashiers and income team. The purpose of the new team is to actively seek recovery of overdue debts owed to the Council. The team is part of the revenues and benefits department, who have extensive experience of the collection and recovery of debts owed to the Council. The revenues team have responsibility for recovery of overdue debt as follows:

- Council Tax
- Business Rates (NNDR)
- Business improvement district levy (NNDR)
- Council Tenants
- Former Council Tenants
- Service Charges for leaseholders
- Rent in respect of temporary and bed and breakfast accommodation
- Re-chargeable repairs – current tenants
- Re-chargeable repairs – former tenants
- Housing benefit overpayments
- Sundry debts (i.e. Council services)

3.1.2 Liaison and data cleansing have been a priority during 2009/10. Work completed has identified key actions to improve the financial management of debts across the Council and a corporate debt policy and subsequent procedural revision around debt management will ensure that we improve our performance in this area.

3.1.3 Fair debt practices accompany this policy in the form of a set of principles we will work towards over the coming year and beyond **APPENDIX C**. These ensure we treat the total indebtedness of our residents alongside setting up frameworks aimed to provide first class advice and the prevention of overdue debt occurring in the first place.

3.1.4 As part of the development of this policy welfare advice agencies have provided insight and suggestions based on customer insight they have gained through working with those in debt and vulnerable groups within the community.

3.1.5 An equalities impact assessment, initial screening has been completed and a subsequent action plan will be created prior to a full assessment being completed. The actions identified will provide for ongoing assessment of equality factors and not the policy itself.

3.1.6 An exercise that overlays actual overdue debt information onto a map of Northampton, will also be completed and form part of a full equalities impact assessment. This exercise gives us a view of debt across the Northampton area and is intended as an ongoing activity to help spot areas of high indebtedness alongside early identification of new areas. This in turn will assist in targeting areas for benefit take up and debt advice.

3.1.7 The new team and corporate debt policy will facilitate the processes that will ensure we proactively manage debt. This will utilise statutory duties and powers to recover and include performing means assessments where required, making arrangements and writing off debt.

3.1.8 A new corporate measure will be introduced in 2010 / 11 that aims to ensure all debt is managed proactively. Analysis completed at the end of December 2009 showed that 21% of debt across the Council is currently classed as inactive. Some of this will be down to factors below:

- Awaiting write off (minimal levels),
- Returned from bailiff or collection agencies,
- Awaiting host system to move debt onto next stage i.e. reminder, final notice etc. (there are system issues being resolved with computer systems preventing debt moving to the next stage)
- Identification that a debt is being recovered elsewhere i.e. if we prioritise Council Tax and rent arrears we need to identify where a HB debt will not then be recovered until other debts have been settled.
- In order to do this we have completed an exercise that takes extract information from all back office systems and merges them into a single record. This then allows us to identify the single indebtedness of a customer and take appropriate action / hold recovery action.
- As a result debt classified as inactive will be able to be re – classified as in progress as result of reviewing multiple debts as one single debt across the Council.

## **3.2 Issues**

3.2.1 As detailed above extensive data cleansing has been undertaken to ascertain the stage historic and current debt has reached in the recovery process. This involves development of existing systems to enable accurate and timely system generated reports. This particularly relates to the IRAS (sundry debtors) and IBS system in housing.

3.2.2 Alongside the management reporting aspects, service re – design and consultation across Departments continues and 17 separate individual departments are being consulted on plans for income and debt management. This is in order to address specific requirements moving forward around:

- Minimising debt occurring in the first place, particularly through the timely assessment of benefits,
- Ensuring that services by the Council are paid up front where possible i.e. housing repairs, rental of meeting rooms etc.
- Ensuring the completion of housing benefit forms IRO temporary accommodation,
- Maximising benefit through prompt completion of benefit forms at tenancy sign-ups,
- Completion of processes and procedures between Departments and debt recovery team to ensure all debt referred / showing as overdue is accurate i.e. all appropriate reminders, efforts to ensure prompt payment, reconciliation of actual payments have been completed prior to referral / when picked up as overdue by the debt recovery team.

## **3.3 Choices (Options)**

3.3.1 Best practice information has been reviewed as part of developing a corporate debt policy. Best practice in the collection of rent and rent arrears and collection of housing benefit overpayments indicates that a corporate debt policy should be in place.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

- 4.1.1 Corporate Debt Policy as detailed to be agreed at cabinet meeting on the 28<sup>th</sup> July 2010,
- 4.1.2 Write off financial instruction reviewed as part of review process,

### **4.2 Resources and Risk**

- 4.2.1 Existing corporate debt team and managers within the revenues department will continue to work towards the effective management of debt within the Council
- 4.2.2 Current processes, statutory and best practice used across the Council will be formalised in a policy. Regard to single indebtedness and the equitable collection of debts will enhance existing procedures in place. Therefore the risk level in creating the policy is seen a minimal.

### **4.3 Legal**

- 4.3.1 Policies and procedures are constantly reviewed in order to ensure they meet statutory frameworks.

### **4.4 Equality**

- 4.4.1 All policies will require a full equalities impact assessment.

### **4.5 Consultees (Internal and External)**

- 4.5.1 Consultation with Welfare agencies, housing associations and external bailiff and collection organisations have and will continue to be undertaken as part of policy creation and monitoring.

### **4.6 Other Implications**

- 4.6.1 N/A

## **5. Background Papers**

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- 5.1 N/A

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