

## CABINET

<b>Date of Meeting</b>	Tuesday, 18 <sup>th</sup> June 2019
<b>Report Subject</b>	Review of the Corporate Debt Recovery Policy
<b>Cabinet Member</b>	Cabinet Member for Corporate Management & Assets Cabinet Member for Housing
<b>Report Authors</b>	Chief Officer (Housing & Assets) Chief Officer (Governance)
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

In 2012, Cabinet approved the introduction of a new Corporate Debt Recovery Policy that formalised into a single policy document, well established procedures and regulations for the collection of Council Tax, Business Rates, Sundry Debt, Housing Rents and overpayments of Housing Benefit.

There is now a need to re-fresh and re-approve the Policy to take account of changes in regulations since 2012 and to incorporate the latest working practices associated with the collection of debt owed to the Council. The revised policy takes into account changes mainly associated with:

- Bailiff reform and the introduction of new Regulations
- The removal of committal as a sanction for the non-payment of Council Tax.
- Revised internal working practices for the collection of sundry debt involving the development of a more robust escalation process for disputed invoices.
- Changes to the minimum monetary threshold when taking Bankruptcy action
- Revised working practices for the recovery of unpaid housing rent

### RECOMMENDATIONS

1	To re-approve the Corporate Debt Recovery Policy, as amended, for the collection of Sundry Debt, Council Tax, Business Rates, Housing Rents and overpayments of Housing Benefit.
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## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE CORPORATE DEBT RECOVERY POLICY</b>
1.01	The Council is required to collect all income that is due and ensure that debts owed to the Council are kept to a minimum.
1.02	Having an agreed and transparent policy of how the Council manages and collect debts owed to it, is an important document to deliver a consistency of approach and ensure best practice is being followed.
1.03	The revised policy as set out, builds upon a policy that was first adopted by cabinet in 2012. It provides services with a clear set of latest standards that must be maintained and which follow the latest regulations when officers recover income that is due to the Council. Underpinning this policy are processes critical to the Medium Term Financial Strategy, as every pound of income that is not collected or takes extra effort to collect, ultimately leads to additional financial pressures on the Councils budget or the budget for the Housing Revenue Account.
1.04	<p>Since the introduction in 2012, the policy has really helped speed-up the collection of all debt, especially in the area of Sundry Debt collection by ensuring:</p> <ul style="list-style-type: none"> <li>• A cultural shift to ensure payments are made up-front where possible</li> <li>• Invoices are issued quickly and more accurately</li> <li>• Debts are collected more quickly</li> <li>• Invoice disputes are resolved</li> <li>• Accurate records are retained by portfolios to aid the recovery of debt</li> </ul>
1.05	As an example of this, the debt levels of aged corporate debts of 60+ days which are owed to the Council, reduced by 12.4% during 2018/19, equating to a reduction in debt levels of £323k
1.06	In the area of Council Tax collection, the latest audited figures published by the Welsh Government for 2017/18 and 2018/19, it shows the Council, with the support of local residents, collected 98.2% of Council Tax in the year it fell due. This is well above the national average of 97.4% and continues to place Flintshire as one of the highest performing Councils in Wales. Although the 0.8% difference in collections between Flintshire and the Welsh average during 2017/18 might appear to be insignificant in percentage terms in monetary terms it equates to the recovery of an additional £700k of critical income.
1.07	In the area of Business Rates collection, the Council collected 99.2% 'in-year' during 2017/18 and 2018/19 and collections are considerably higher compared to other local authorities in Wales.
1.08	In the area of Rent Collection, the year-end position for 2018/19 is reflective of yet another difficult year for the collection of rent in the context of an

	<p>increasing number of tenants migrating from Housing Benefit to Universal Credit. However, the early intervention measures and investment in additional resources that were implemented in mid 2018/19 are now helping to stabilise collections. Total Accumulated Rent Arrears of £1.88m were recorded at year-end for all years but measures are in place to recover most of this debt through ongoing payment agreements, court orders or DWP managed payments.</p>
1.09	<p>The revised policy that is set out within section 5 of this report contains a number of key changes mainly associated with:</p> <ul style="list-style-type: none"> <li>• Bailiff reform and the introduction of new Regulations</li> <li>• The removal of committal as a sanction for the non-payment of Council Tax.</li> <li>• Revised internal working practices for the collection of sundry debt involving the development of a more robust escalation process for disputed invoices and better corporate monitoring of debt levels</li> <li>• Changes to the minimum monetary threshold when taking Bankruptcy action</li> <li>• Revised working practices for the recovery of unpaid housing rent</li> </ul>
1.10	<p><b>Bailiff reform and the introduction of new Regulations</b></p> <p>Reform of the bailiff regulations was introduced in 2014 through the abolition of previous regulation and the re-introduction of a new set of regulations as set out in the Taking Control of Goods Regulations 2014.</p> <p>The 2014 reforms introduced a revised set of rules which set-out what goods an enforcement agent can and cannot take, how and when they can enter premises and what fees they can charge. The Government also introduced mandatory training and an enhanced court-based certification process for enforcement agents. The new Regulations also provided safeguards for vulnerable people so that they are able to get assistance and advice, and requiring enforcement agents be trained to recognise vulnerable people.</p>
1.11	<p><b>The removal of committal for the non-payment of Council Tax</b></p> <p>Welsh Government issued a consultation document in June 2018 on proposals to remove the sanction of imprisonment for the non-payment of council tax. Following the consultation and despite a submission from the Council raising concerns about the withdrawal of committal as a recovery tool, Welsh Government introduced new legislation from April 2019.</p> <p>This means that from 2019/20, local authorities in Wales are no longer permitted to start proceedings in the Magistrates Court which could ultimately result in a period of imprisonment for those taxpayers who ‘wilfully refuse’ or ‘culpably neglect’ to pay council tax, even though the Council only sought to use such measures after all reasonable efforts had been exhausted to recover the unpaid sums that are due following the issue of a Liability Order.</p> <p>The Corporate Debt Recovery Policy has been updated to reflect these changes.</p>

1.12	The decision of Welsh Government to remove of committal action, could lead to increased losses in Council Tax in the future. As justification for the removal of committal, Welsh Government also referenced that the Scottish Government had removed committal and despite this the collection rates in Scotland were still 'similar' to those in Wales. The average Council Tax collection rates in Scotland for 2017/18 were 96.0%, compared to an average of 97.4% for Wales and 98.2% for Flintshire
1.13	The financial implications for the Council are significant. If, for example, Flintshire's 98.23% 'in-year' collection level fell to the Welsh average of 97.4% the annual loss of income would be £700k. If Flintshire's collection levels fell to the 96.0% Scottish average (i.e. a reduction of 2.2%), the annual loss of income would be £1.8m.
1.14	Collection rates will continue to be closely monitored by senior managers and Chief Officers to identify any trends in non-payment, especially as a direct result of the withdrawal of committal as a recovery tool for Council Tax.
1.15	<p><b>Development of revised processes for the collection of sundry debt</b></p> <p>The development of more robust operating procedures for the collection of sundry debt were introduced in 2012 and the new procedures are working well and helping to reduce debt levels.</p> <p>To ensure those procedures are refined even further, the revised policy now incorporates an escalation process for disputed invoices. This includes escalation to the corporate debt team manager and any disputes that remain unresolved by portfolios are now escalated to the relevant Chief Officer.</p> <p>Monthly statistical reporting to Chief Officers has also been introduced to provide each Chief Officer with a statistical analysis of outstanding aged debts within their area to ensure appropriate monitoring of debt levels is carried out by senior managers.</p>
1.16	<p><b>Bankruptcy thresholds</b></p> <p>In 2015, the UK Government made the decision to amend the minimum monetary threshold for bankruptcy proceedings.</p> <p>Previously, if an individual or organisation was owed more than £750, they could apply to make that person bankrupt using a bankruptcy petition. The minimum threshold for bankruptcy has now increased to £5,000. In other words, from October 2015, the Council cannot consider undertaking bankruptcy action unless an individual owes £5,001 or more.</p>
1.17	<p><b>Revised working practices for the recovery of unpaid housing rent</b></p> <p>To mitigate the increase in rent arrears as a direct result of welfare reform and the introduction of Universal Credit (UC), senior managers across the Housing service have been working together to tackle the increase in rent arrears since in the introduction of UC full service.</p> <p>New working procedures have been piloted and introduced to deal with the</p>

	<p>challenges of increased caseloads and numbers of tenants who fall into arrears when they migrate to UC from the Housing Benefit system.</p> <p>The changes in working practices are reflected in the revised policy and these primarily focus on early intervention and detection of lower levels of debt to ensure preventative action and support is taken quickly to prevent arrear levels escalating.</p> <p>Other key changes include contacting tenants by telephone where possible, as opposed to posting out rent reminders, to discuss arrears and also identify the reasons for non-payment. Early support is then quickly provided to those tenants that are in need of help, even if the arrears are at low levels. Decisions are also taken quickly to fast track cases to court when a tenant is refusing to pay or engage with the Council.</p>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Taking a pro-active approach to the collection of debt ensures that income due to the Council is maximised and bad debt is minimised.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Officers continue to develop the latest best practice and working techniques into the revised policy attached to this report to ensure collections across all areas are maximised and which take account of the latest regulations.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Taking a commercial and pro-active approach to the collection of all debts owed to the Council ensures that income is maximised and bad debt is minimised.
4.02	The policy will continue to ensure that recovery action is taken against those non-payers that deliberately set out to withhold or delay payment without genuine reason. At the same time, the policy promotes early intervention and encourages customers, tenants and taxpayers who fall into arrears to get in touch with the Council at an early stage.
4.03	In circumstances where people have fallen or are likely to fall into arrears, the Council provides a commitment to work with them, and their representatives, to set reasonable and affordable repayments, ensuring that payment agreements strike the right balance of the ability to pay as well as the level of debt owed to the Council.

<b>5.00</b>	<b>APPENDICES</b>
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5.01	The revised Corporate Debt Recovery policy that requires cabinet to re-endorse is attached.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
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6.01	<ul style="list-style-type: none"> <li>• Financial Procedure Rules</li> <li>• Local Government Finance Acts 1988 and 1992</li> <li>• Housing (Wales) Act 2014</li> </ul> <p><b>Contact Officer:</b> David Barnes, Revenues Manager  <b>Telephone:</b> 01352 703652  <b>E-mail:</b> <a href="mailto:david.barnes@flintshire.gov.uk">david.barnes@flintshire.gov.uk</a></p>
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<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
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7.01	<p><b>‘in-year’ collection rates:</b> The in-year collection rate is the amount of council tax or business rates due for the financial year that was received by 31 March of the year in question shown as a percentage of the net collectable debit in respect of that year's council tax. In other words it is how much the local authority collected by 31 March as a percentage of the amount they would have collected if everyone liable had paid what council tax or business rates they were supposed to.</p> <p><b>Liability Order:</b> is a decision by the Magistrates court against any council tax payer who has failed to pay their council tax liability in full after prescribed recovery steps have been taken to recover the sums due.</p>
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