

# Corporate Debt Management Policy

**Our corporate debt management policy sets out the council's ethical approach to effectively collecting income and the recovery of outstanding amounts due to the organisation.**

## **1. Purpose**

### **1.1**

The council has a legal duty and responsibility to the people of Brighton and Hove to ensure that it collects income and recovers debt efficiently and effectively to fulfil financial responsibilities to citizens and maximise its capacity to provide local services.

### **1.2**

This Corporate Debt Policy aims to promote and support best practice debt management processes across all the council's main income collection hubs to ensure the council minimises debt and maximises rates of collection. The council will ensure that all collection processes are compliant with legislation (see appendix a) and, additionally, for all stages of collection the council will ensure that the approach will be fair and ethical, with a consistent approach to assisting customers who are experiencing financial difficulty.

## **2. Policy Objectives**

### **2.1**

Ethical debt collection best practices advocates the principle of early intervention where customers are fully informed and supported in the early stages of debt collection to make sustainable, affordable payments. Where possible, the council aims to proactively prevent debt arising or escalating and will seek to keep citizens informed, and regularly reminded, so that they are fully aware of their obligations to the council and are able to make good decisions that avoid additional costs and pressures.

### **2.2**

However, ultimately the council will, where appropriate, escalate recovery actions to recover hard to collect debt. When it does so, it will maintain its fairness principles while applying the correct legal options and ensure any agency acting on its behalf applies the same principles and consideration.

### **2.3**

The Council will maximise the level of income collected, through accurate and timely billing with effective recovery processes offering multiple, accessible ways to pay. It will further commit to continuously explore new payment methods introduced to the industry, analysing their relevance and ability to meet customer demand, instigating implementation where appropriate. Similarly, the Council will monitor new ways of regularly engaging customers and instigate implementation when it can offer enhanced services via digital contact or access to digital services.

### **2.4**

The Council will work to deliver a single view of debt solution that enables the council and customer to understand the cumulative debt any household or business with the council. This will enable:

- Analysis of cross-organisation debt
- Specific collection campaigns based on statuses of debt (e.g. location, debt types, debt size)
- Consistent customer experience, ensuring conversations with customers are co-ordinated and informed
- Minimising the escalation of commercial debts, where appropriate, not entering further commercial arrangements with existing debtors where there is a likelihood of further debts arising.
- Standardising financial assessments and co-ordinated payment arrangements
- Consistent, fair and ethical approaches to recovery escalations.
- Reconciliation of credits and debits and outstanding debt balances relating to the same customer, identifying potential conflicted transactions e.g. refunding a customer from one council service while there is outstanding debt with another
- Potential single payment arrangements for multiple debts with different council services

## **2.5**

The council will meet legislative requirements in respect of income collection and has an obligation to collect on behalf of other organisations. The Police and Fire Authorities have dependency upon Council Tax collection, and Central Government and the Fire Authority retain a proportion of Business Rates income.

## **3 Debts applicable to this Policy & Debt Hierarchy**

This policy is aimed primarily at individual/household debtors (Personal Debt) but wherever possible and where legislation allows, the principles and objectives of this policy will also be applied to businesses/organisations from all sectors (Business Debt).

### **3.1**

Debts applicable are all debts and income due to the Council, including but not limited to:

- Business Rates
- Council Tax
- Housing Benefit Overpayments
- Sundry Debts
- Adult Social Care
- Housing Rents (*including garages and former tenant arrears*)
- Temporary Accommodation
- Leaseholders
- Parking Penalty Charge Notices (PCNs))

*See Appendix A for more detail, including relevant legislation*

### **3.2**

The Council will work towards a coordinated approach when dealing with multiple debts and will consider the person's circumstances, legislation, the level and priority of debt and the potential for financial hardship.

Where the council or its collection agent is pursuing multiple debts, unless the customer advises to the contrary, priority is given to debts where non-payment could lead to loss of the customer's home or have direct implications upon an individual's health and wellbeing.

***Future State:*** the Corporate Debt board to define the priority debts based on the above approach and a debt hierarchy to be followed when recovering multiple debts.

## **4. Governance**

The delivery of this policy is overseen and maintained by the Corporate Debt Board, which has senior management representatives from all income and debt collection services across the council and from IT & Digital, Legal & Democratic Services, and Financial as key support services. The board has assigned responsibility for all decision making regarding the management of corporate debt across the organisation, with escalations referred to the Director Property & Finance (Section 151).

Application of the Corporate Debt Policy will be in line with the delegated functions set out in the council's Scheme of Delegation to Officers.

### **4.1**

#### **The Corporate Debt Board**

The Corporate Debt Board delivers in line with five key principles that are intrinsic to the delivery of an ethical policy, namely to:

- ensure a one council approach to income collection and debt collection
- establish a proportionate, fair and effective end-to-end approach to debt management.
- use analytics to understand the debt portfolio and drive best practice for debt management;
- instil an ethos of fairness, built upon principles that recognise the impact debt collection has upon the vulnerable; and
- have a proportionate enforcement response to those who do not pay on time.

These principles are designed to ensure that while there is a financial imperative in debt collection, there is also a public sector responsibility to consider the whole picture and the potential impact of recovery and collection actions upon our citizens.

The Corporate Debt Board also has the primary requirement to:

- Set priorities for Corporate Debt Operational Group to consider legislation changes, appraise development options, recommend operational improvements, and ensure effective communication to the service hubs.
- prioritise the work of the Corporate Debt Team within the Welfare Revenues & Business Support Service, which directly provides the corporate support for the delivery of the policy
- agree the financial recharging principles to support the investment in continuous improvements to work prioritisation

- agree, instigate and support the system and digital developments that deliver the stated ambitions of the Corporate Debt Policy
- Support service operational and structural changes designed to deliver the stated ambitions of the Corporate Debt Policy
- Ensuring all staff working within debt collection for the Council have access to up-to-date training materials to ensure best working practices.
- Define, monitor and review debt classed a priority and the debt hierarchy in instances of multiple debt

## **4.2**

### **The Corporate Debt Operational Group**

The Corporate Debt Operational Group is a sub-group of the Corporate Debt board, where debt hub managers meet to collaborate, share knowledge, discuss processes, and best practice. This group make recommendations to the Corporate Debt Board regarding strategic decisions or policy changes.

## **4.3**

### **The Corporate Debt Team**

This function operates to corporately provide the analysis and support to the debt hubs to enable them to deliver optimum performance and best practice. It oversees the management of hard to collect debt, and co-ordinates the management of the debt portfolio and relationships with outside agencies and legal advisory services.

## **4.4**

The Corporate Debt Board will review the Corporate Debt Policy annually to ensure it remains aligned to strategic priorities and if changes are required, will report to cabinet seeking approval for a revised policy.

## **4.5**

This policy underpins our processes and procedures and officers are expected to apply these principles as business as usual. Breaches and non-compliance of the policy will be reported accordingly, firstly by notifying the board, secondly referring to the Chief Finance Officer/S151 where deemed significant and/or recurring.

## **5 Delivery**

The delivery of this policy ensures:

- the Corporate Debt Team and the collection hubs' procedures and associated debtor engagement activities provide debtors with the maximum opportunity to repay debts affordably while avoiding punitive additional charges, such as court costs or enforcement charges
- services are responsible for their own financial management and have procedures to minimise debt caused by administrative delays or error

- collection hubs operate workflows and procedures that maximise collection with proportionate and appropriate consideration and adjustment to account for individual circumstances of hardship

***Future State:*** *research and analyse the potential usage of new products and techniques enabling early engagement and potential debt prevention*

- collection hubs offer multiple payment methods, in line with industry standards and customer expectations

***Future State:*** *Assess the viability of new payment methods, analysis of relevance and requirement, deliver implementation projects. Aim to define a list of corporate payment methods, consistently offered across the debt hubs.*

- collection hubs work collaboratively as one council in managing multiple debt; they have a holistic view of debt, that considers the correct prioritisation of multiple debt, so that the council does not pursue collection to the detriment of its holistic aims in providing services to that household\*

***Future State:*** *Optimise the value of the single view of debt software to engage with consolidated ethical campaigns and referrals.*

- the Corporate Debt Team pursues evasion and avoidance of debt with appropriate but proportionate vigour and assists government initiatives to prevent fraud and error, for example, the National Fraud Initiative (NFI);
- debt recovery performance is under constant review to identify opportunities to achieve efficiencies and refine the sensitivity of systems to household vulnerability through improvements, such as sharing best practice, policy changes, process improvement, digital development, training and consolidating debt recovery functions
- the priorities of the Corporate Debt Team align to the corporate plan and strategic priorities
- adherence to the Data Protection Act requirements for data sharing and information security across all income collection and debt recovery functions, however data will be shared across the debt streams where appropriate to enable consolidated communications
- the Corporate Debt Team and collection hubs properly employ government initiatives, such as Breathing Space, to give debtors appropriate access and opportunity to rationalise their debt, maximise their income and incorporate affordable repayments in their household budgets as part of their pathway to a stable financial position.
- the council's approach to debt recovery co-ordinates with the strategic aims defined by the council's Poverty Reduction Steering Group to support the city's welfare response to the Cost-of-Living Crisis.
- all aspects of collection activity are compliant with the Equality Act 2010 and the council's fair and inclusive policy.
- The Corporate Debt Board is supportive of the Parking initiative to address repeat and persistent violations by the same party.

*\*Parking debt/fixed penalty notices/debt incurred by way of fine is normally collected outside of this consideration where it relates to a legal penalty.*

## **6. Best practice debt collection**

### **6.1**

This policy aims to adopt fair, ethical, debt collection and recovery practices, including the aspirations to:

- ensure each stage of debt collection or intervention is delivered at the earliest point to prevent the accumulation of arrears and added costs
- ensure customers receive reminders and messages to keep them informed of their current debt status, and that these interventions are as effective as digital development allows
- ensure that all debt is valid, accurate and only generated where due
- ensure that bills are accurate, timely and clear, indicating available payment methods and customer support
- provide appropriate and easy payment methods with good customer access and services to help prevent the incidence of arrears
- provide access to contextual information so customers are clear on their responsibilities to make payment, the required timeframes to make payment, the consequences of not making a payment within the timeframe and what action to take, or advice to seek, if they have a difficulty in making a payment or dispute the amount being requested
- make it easy for households or businesses who do fall into arrears to contact the council and agree to payment arrangements appropriate to their circumstances
- build in mechanisms within debt collection workflows to ensure that hardship or vulnerability is identified at the earliest possible stage and consequently, the customer has access to appropriate support and advice regarding benefit entitlement, budget management, Breathing Space provisions and welfare/health support
- filter, segment and prioritise escalated debt so appropriate action or support is put in place;
- have a corporate debt e-learning that will be mandatory for all recovery/income collection staff, advising on the various income streams and their recovery processes, enabled informed customer interaction with a wider understanding of corporate debt
- oversee the whole debt portfolio to ensure that residual debt is actively managed, actions are proportionate and cost effective, and where appropriate, uncollectable debt is written off in a timely manner;
- ensure any agencies acting on the council's behalf commit and adhere to the council's debt collection principles
- where specific and specialised legal action is required (bankruptcy, charging orders), there is a structured approach to risk-manage individual cases within a recognised

framework of legal support and for this legal support to be developed in-house to minimise cost

- where appropriate, commit the council to national standards of best practice
- ensure that corporate write off policies and procedures are followed (*see appendix b*)

## **6.2**

The council commits to working with central government initiatives. By aligning with a universal approach to public sector debt, the council will be providing a consistent approach to residents and businesses and operating in a manner that is commensurate with an expansive model of debt collection, if that opportunity arises in the future.

## **6.3**

The council will seek to comply with all nationally approved debt recovery pre-action protocols and where complementary to this policy, also seek to comply with best practice protocols. This will include the following (the list is not exhaustive):

- Collection of Council Tax Arrears Good Practice Protocol (Published by Citizens Advice, June 2017)
- Stop the Knock (Published by the Money Advice Trust, September 2019)
- National Standards for Enforcement Agents (Published by the Ministry of Justice, April 2014)
- Code of Conduct and Good Practice Guide (Civil Enforcement Association (CIVEA), 2019)
- Guidance for Firms on Fair Treatment of Vulnerable Customers (Financial Conduct Authority, July 2020)
- Taking Control of Goods Regulations (2014)
- the Debt Respite Scheme (Breathing Space) Guidance for Creditors
- the Pre Action Protocol for Possession Claims for Social Landlords
- Universal Credit and rented housing: guide for landlords
- Alternative Payment Arrangement guide
- Universal Credit: Third party payments creditor and supplier handbook
- Rent Standard and guidance

## **7 Enforcement measures**

Effective use of enforcement agents can also be an important way of recovering debt where the Council is satisfied that there are no other appropriate mechanisms for recovering that debt, and enforcement agents can also play an important role in identifying potential vulnerabilities. We will use enforcement agents to collect debts only where there has been no engagement from the customer or where alternative recovery options have not been successful or are not appropriate. The Council will monitor their practice closely to ensure compliance with our standards and agents should be able to quickly identify vulnerability,

referring these cases back to the Council and provide the Council with information that can be used to tailor subsequent action.

**The following enforcement measures are applicable to:**

**Council Tax**  
**Business Rates**  
**Sundry Debts**  
**Parking PCNs**

## **7.1**

The council will not refer council tax debt to enforcement agencies where the debtor is currently in receipt of council tax deduction unless there are exceptional, individual, circumstances identified by the Corporate Debt board.

## **7.2**

When no other possible collection routes are available, the council will ensure that any enforcement agent activity meets the highest recognised industry standards of best practice. All service level agreements / contracts for enforcement agent services will reflect those standards. All enforcement agent services will be required to adhere to the standards of this policy. To ensure that the required standards are maintained, all agents/agencies will be required to:

- adhere to the CIVEA Code of Practice and Ministry of Justice National Standards
- have the appropriate certification under the Taking Control of Goods Regulations (2014)
- use body worn cameras in accordance with CIVEA code of practice
- be trained to recognise vulnerability, ensuring that appropriate support is provided to vulnerable residents where identified and that the council is made aware of the circumstances
- adhere to the Enforcement Conduct Board (ECB)

## **7.3**

The Council will only begin committal proceedings against any resident for Council Tax debt in the most exceptional of circumstances when all other enforcement options have been exhausted. Any actions of this nature would have to be authorised by the Director of Property & Finance (section 151).

**The following enforcement measures are applicable to:**

**Rent Accounting**  
**Temporary Accommodation charges**  
**Leaseholder Income**

## **7.4**

Best practice in collection emphasises the value of pre-enforcement actions and the diminishing use of invasive or punitive collection methods. This best practice is based upon better overall outcomes in terms of debt ultimately collected, and the impact of such measures in terms of stress and the longer-term welfare objectives of supporting households to have a platform of financial stability.



## **7.5**

Therefore, the council's debt collection emphasis is moving to ensuring it exercises a full range of pre-enforcement engagement with tenants to establish affordable, sustainable repayment arrangements and avoids further escalation.

## **8. Fraud and evasion**

### **8.1**

The unlawful evasion of charges, taxation or fines reduces the financial resources available to the council and has a direct impact upon all residents, businesses and other organisations that rely upon council services.

### **8.2**

Unlawful evasion or fraud to avoid payment will not be tolerated and where this is identified, the council will, in addition to taking action to enforce payment, seek to impose further penalties or sanctions. This may include prosecution for such offences.

### **8.3**

Where this activity impacts upon other public bodies, such as HM Revenues & Customs and other authorities, the council will work with those organisations to seek legal remedy.

### **8.4**

Where debts arise through evasion or fraud, the council will seek to recover payment in full as quickly as the law regarding the nature of the debt allows.

### **8.5**

Where appropriate, the council will refer matters to the Police for criminal investigation. The council is also committed to fully supporting any investigation initiated by the Police, either in response to a referral or independently.

### **8.6**

The council is fully committed to support the National Fraud Initiative (NFI) which uses data matching to identify potential fraud and error with referral to the Police or other crime investigation branches as appropriate.

## **9. Complaints and disputes**

### **9.1**

Any disputes raised regarding the application of this policy should be raised with the Corporate Debt Manager, in the first instance; should the incident be service specific then this will be referred to the relevant council service. If the dispute cannot be resolved, then it shall be dealt with in accordance with the council's Complaints Procedure.

### **9.2**

Any dispute regarding an individual debt will be dealt with in compliance to the legal requirement of the collection of that individual debt. Any such dispute will only stop the continuation of the recovery process or legal mechanism if it is appropriate in the context of the specific legislation.

## **10. Use of data**

### **10.1**

The council will collect and store personal data for the purposes of the effective billing, collection and recovery of sums due. Data retained for this purpose will be processed in accordance with the Data Protection Act 2018 and stored securely at all times. Data will be shared with agents or contractors appointed by the council for the purposes of the billing, collection and recovery of sums due. Data may also be shared within the council or with external organisations where the law allows and in particular, where it is in the interests of the debtor or where it will prevent fraud or the unlawful evasion of payment of sums due.

Further details can be found on the [council's website](#).

## **11. Equality Impact Assessment**

### **11.1**

The council has conducted an Equality Impact Assessment (EIA) in relation to the Corporate Debt Policy. (See Appendix c)

### **11.2**

The EIA will be refreshed as part of the annual review of the Corporate Debt Policy.