

Report to Cabinet
09 September 2020
Report of Director of resources
Subject Non-commercial debt policy

Item

6

Purpose

To consider a revised non-commercial debt policy.

Recommendation

To approve the revised non-commercial debt policy.

Corporate and service priorities

The report helps to meet the corporate priority People living well

Financial implications

Improved income collection.

Ward/s: all wards

Cabinet member: Councillor Kendrick - Resources

Contact officers

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Background documents

None

Report

1. The revised non-commercial debt policy proposes to standardise the various approaches to debt recovery across the council to create a single corporate approach. It aims to ensure a consistent and fair approach with a focus on the more vulnerable of our customers.
2. Norwich city council has a responsibility to collect monies from individuals for a range of different reasons and there is a legal duty to collect those monies in the most efficient and effective manner.
3. The key purpose of the policy is to maximise income collection in the most fair and effective manner and sets out the key principles that will be applied when dealing with our customers.
4. This policy recognises customers may have multiple council debts and the need for the council to manage these in a holistic manner. Furthermore, it sets out a definition of vulnerability and a framework for the council to follow when working with vulnerable customers. This includes the introduction of the standard financial statement and 60 days breathing space. This pre-empts government plans to introduce the 60 days breathing space by 2021.
5. In conclusion the attached revised policy provides a consistent and fair approach to non-commercial debt. It is recommended the attached policy is adopted.

Integrated impact assessment



NORWICH
City Council

Report author to complete

Committee:	Cabinet
Committee date:	9 September 2020
Director / Head of service	Anton Bull
Report subject:	Non-commercial debt policy
Date assessed:	26 August 2020

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	x	<input type="checkbox"/>	Helps to maximise income and reduce debt to the council
Other departments and services e.g. office facilities, customer contact	x	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	x	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	x	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input type="checkbox"/>	x	<input type="checkbox"/>	A more pro-active approach to debt management
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	x	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	x	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	x	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input type="checkbox"/>	<input type="checkbox"/>	x	Helps to reduce the number of customers in debt to the council

Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input type="checkbox"/>	x	<input type="checkbox"/>	Improved relationship between council and non-commercial debtors
Eliminating discrimination & harassment	x	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	x	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	x	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	x	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	x	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	x	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	x	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	x	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	x	<input type="checkbox"/>	<input type="checkbox"/>	

Recommendations from impact assessment
Positive
Negative
Neutral
Issues

Non-commercial debt policy

Introduction

Norwich city council has a responsibility to collect monies from both individuals and business for a range of different reasons. The council has a legal duty to collect all sums due in the most efficient and effective manner. The monies may be for statutory and non-statutory charges. This policy covers all non-commercial monies owed to the council and focuses on two elements of financial management, debt collection and income management.

Purpose

The purpose of this policy is to provide clear guidance to council officers on the recovery of all non-commercial debt in a timely, effective and fair manner, while ensuring fair treatment of all debtors. All service areas must follow this policy to ensure that the council maximises the collection of debts and income by using a co-ordinated approach and having due regard to the customer's ability to pay.

Policy aims

- To set out the general principles of non-commercial debt management across all services provided by Norwich City Council
- Ensure a consistent approach to the management of debts across the authority
- Improve income collection rates by treating debtors reasonably and fairly
- Recognise the varying causes of debt and adjust recovery procedures accordingly
- Reduce the likelihood of financial hardship for customers by ensuring individuals financial circumstances are considered on a case by case basis
- Enable the signposting of debtors to debt advice as appropriate

Context

The key purpose of this policy is to maximise income collection in the most fair and effective manner. This policy sets out the principles the council will use when setting and collecting charges and the standards that will be applied when dealing with our customers.

At a high level, this policy sets out the councils approach to:

- Setting fees and charges
- Income: an holistic approach to managing multiple debts owed to the council
- Debt management: applying best practice to debt collection

The council's commitment

- To ensure a professional, consistent and timely approach to non-commercial debt recovery action across all of the Council's functions
- To ensure that debts are managed in accordance with legislative provisions and best practice

- To set reasonable fees and charges in line with council priorities
- To maximise income collection while reducing the cost of collection
- To set out charges in the clearest manner possible
- To ensure a range of accessible payment options are available alongside advice and assistance at the earliest possible stage
- To promote a coordinated approach towards sharing debtor information internally to manage debts when there is more than one debt owed to the council
- Where multiple debts are owed to the council, to agree repayment arrangements on the principles of preventing further debt while allowing all debts to be repaid. This will allow current liabilities to be maintained and a sustainable amount to be paid towards clearing other debts
- To take personal circumstances into account when deciding on debt collection methods and to consider the impact on the debtor of any recovery option pursued
- To seek to keep the amount of debt owed to the council to a minimum
- To consider fully the debtors circumstances and ability to pay by understanding that most debtors will pay their debts if they are able to do so.
- To take enforcement action that is appropriate and proportionate to the level of debt where all other options have failed.

The council's responsibility

- To send out all bills, reminders, or rent statements in a clear and timely manner. All correspondence will include:
 - Amount payable
 - Description of the charge
 - Payment options available
 - A contact for any queries relating to the bill and/or discussing repayment arrangements
- To keep an accurate history of the origin of the debt and its recovery activity
- Where requested provide information to meet the specific communication requirements of customers such as translation when English is not the first language.
- To remind people quickly if payment is overdue
- To evidence information about the Debtor's means and circumstances, including other debts, known at the time of each decision
- To support customers in debt by referral and sign posting to advice agencies at the earliest possible stage using the council's agreed debt referral route
- To treat all customers in a fair and consistent manner
- To consider reasons why the debtor is/isn't considered vulnerable
- To write off uncollectable debt through informed decision making and where the debt is uneconomical to pursue or unrecoverable
- To ensure any recovery action is proportionate at the recovery stage and appropriate advice is provided
- To encourage people who have difficulty paying to agree a way forward as quickly as possible

Responsibility of debtors

- To pay on time
- To contact the council or take appropriate debt advice if they are unable to pay an amount that is due and/or are unable to pay on time
- To contact the council as soon as possible if they do not agree with the bill and explain why they do not agree
- To contact the council as soon as possible about any change in circumstances such as a change of address

Getting help with debt

If council tenants are having difficulty making payments, or have problems with debt, a referral will be made to the council's money advisors. The council acknowledges that some tenants may prefer to be supported by an independent organisation and council officers will make a referral to the Norfolk Community Advice Network (NCAN) for tenants who chose this route. Officers will refer non-council tenants who are having difficulty with payments or problem debt to the NCAN via the agreed referral process.

Charging policies

Sums due to the council are a mixture of statutory and non-statutory charges. Charging policies are designed to be fair and easy to understand and will:

- take account of people's ability to pay
- allow the council to tailor subsidies and concessions to its corporate priorities and towards target groups

Methods of payment

Wherever possible payment will be taken when due or at the point of delivery to help reduce the possibility of debt. There are a number of payment options including:

- Direct debit
- Telephone payments
- Online payments

For recurring or regular charges, direct debit will be the preferred payment option.

Priority of debts

Priority debts are those debts owed to creditors that carry the most serious consequences of non-payment. A priority debt is one where the remedy available to the creditor means that a debtor is at risk of losing their home, liberty, essential goods or services. Of those debts owed to the council, the following are considered priority debts:

- Residential current tenancy rent arrears – as it can result in attachment of benefits, and ultimately eviction. (Housing does not use enforcement agent action).
- Council tax – as it can result in enforcement agent action, attachment of earnings/benefits, charging orders, bankruptcy or imprisonment

Debts where non-payment could lead to loss of the customer's home or imprisonment will be given priority. Current tenancy rent arrears are the top priority debt as they can lead to eviction thereby increasing costs to the council and

potentially reducing council tax income. The next priority debt is Council Tax as this can lead to enforcement through the courts and potential imprisonment. Other debts owed to the Council are considered to be of lower priority.

Debt recovery process

In pursuing the recovery of debt, the council will act in accordance with statutory regulations and guidance. The council's approach to debt recovery will take into account the possible financial and social vulnerability of our customers. Any assessment to pay will factor in the possibility that customers may also have illegal money arrangements in place. The overall objective is to ensure that customers are able to cover their essential expenses by making affordable repayment arrangements for priority debts. This will allow customers to clear the debt(s) as quickly as possible. The council will ensure the current or most recent account is cleared first and where possible that contributions are made to clear other debts.

Council officers will always seek to make realistic repayment arrangements to clear outstanding amounts by regular payments in preference to taking legal action. Any agreed arrangement will be monitored on a regular basis depending on the payment terms.

A customer's ability to pay will be based on their disposable income in proportion to the level of debt and the number of debts owed to the council. Where applicable if the customers have joint and several liability, the council will request a household financial statement on which to base ability to pay. It understands that in exceptional circumstances if only one debtor has requested support household income may not be available. Where a debt is in sole name the council will require details of the sole debtor's income and will not insist on household income details.

The Standard Financial Statement launched in March 2017 is the industry standard for assessing affordability. It is a single format financial statement for use by advice agencies and the UK debt recovery industry. Council officers will use the Standard Financial Statement (SFS) for financial assessment purposes.

The council will accept financial statements from debt advice agencies that have authorisation from the Financial Conduct Authority (FCA). At this point, the council will not attempt to negotiate an increased payment and where a reasonable payment is proposed the council will accept it.

When engaging with appropriate advice agencies the council will offer debtors 60 days breathing space prior to any enforcement action. This pre-empts government plans to introduce the 60 day breathing space by 2021. The 60 days breathing space will only apply if the customer has not entered breathing space in the previous 12 months. The following debts are excluded from the breathing space:

- Debts that are incurred as a result of fraudulent behaviour
- Fines imposed by courts
- Child maintenance payments
- Social fund loans
- Student loans
- Personal injury liabilities

Ongoing liabilities are excluded from the breathing space such as:

- Payments on principal and interest for secured debts on essential items
- Rent
- Insurance premiums
- Taxes
- Water and sewerage

The breathing space will not cover any enforcement action or additional interest on fees or charges if the customer falls into arrears on ongoing liabilities.

Individual service areas will maintain their own set of agreed business procedures around debt recovery. Service areas will ensure relevant processes and procedures interlink with each other and do not work in competition with each other

There are a number of recovery options available to the council. The type of action taken will depend upon the type of debt.

Multiple debt management

Where customers engage with us council officers will ensure they know the full extent of a customer's debt with the council, will proactively check for multiple debts owed to the council, and will work with colleagues in other service areas to ensure that creditors are not in competition. Customers who have multiple debt will be encouraged to share with staff information relating to any non-council debt. It is recognised there is no 'one size fits all' approach and different solutions will be needed to allow for the diversity of individual cases.

Vulnerable customers

Where we are aware that a person may be vulnerable, we will make all reasonable attempts to adapt our debt recovery and collection procedure accordingly to minimise any hardship or distress while helping vulnerable customers address their financial responsibilities.

We also recognise that certain debt recovery options may not be appropriate where a customer is identified as vulnerable and the action we take will reflect this.

The council use the following as its definition of vulnerability:

"There's no set definition of a 'vulnerable' person when it comes to dealing with debts. Anyone who finds it especially hard to deal with their debts because of their situation or their health could be considered vulnerable."

When dealing with vulnerable customers we will:

- Work collaboratively across the council to identify possible vulnerable customers and develop a joint strategy for repayment of any debts.
- Consider a customer's total indebtedness to us when considering repayment arrangements.
- Promote our Council Tax Reduction scheme, exemptions and discounts on our literature and on our website.
- Encourage customers to contact the council or appropriate advice agencies if they are experiencing financial hardship.
- Direct our customers to other sources of debt advice

- Publicise debt advice contact details with our literature.
- Regularly meet with advice agencies in order to discuss practical ways to assist vulnerable customers.
- Work with advice agencies to agree repayment schedules that are affordable, and recognise a customer's priority debts.
- Ask customers experiencing financial hardship to complete the standard financial statement, to enable us to agree fully informed repayment schedules that are affordable to the customer, and in our best interests.
- Ensure that if we do not accept a repayment arrangement, we will fully explain why.
- Review the customers personal circumstances before taking any further debt recovery action and place a hold on existing action where appropriate
- Review the personal circumstances of each customer before passing a debt to enforcement agents for collection. If we know that a customer is vulnerable, we will not pass the debt to an enforcement agent.
- Review the personal circumstances of each customer before taking repossession action.
- Ensure that if a customer is identified as in receipt of sufficient attachable benefit that we arrange for their debt to be paid by deductions from their benefit rather than the use of enforcement agents, or taking repossession action, to avoid extra debt being incurred.
- Ensure our enforcement agents will be obliged to advise the council of any customers they identify as possibly being vulnerable.
- Ensure that our enforcement agents are instructed to return Liability Orders to us for any customers identified as in receipt of a deductible benefit.
- Prior to taking bankruptcy action against a customer, we will take action to identify whether the customer may be vulnerable.

Sharing information

Subject to any limitations imposed by the General Data protection Regulations (GDPR 2017) and The Human rights Act (1998) access to debtors information held in different council systems will be made available to the relevant council officers in order that a customer's full indebtedness can be established and properly dealt with.

Performance and debt monitoring

The council will ensure it has a full understanding of total debt, including debt that may be on legacy systems. Targets will be set for the recovery of new and old debt and performance will be monitored against these targets.

Relevant service areas will produce regular reports for management on:

- Type of debt
- Number of debts
- Value of debts
- Reasons for debt
- Age of debt
- Collection of debt

Performance monitoring will include benchmarking against comparative councils.