

## **REPORT TO EXECUTIVE**

Date of Meeting: 22 June 2026

## **REPORT TO COUNCIL**

Date of Meeting:

Report of: Strategic Director Corporate Resources

Title: Corporate Debt Management Policy

### **Is this a Key Decision?**

No

### **Is this an Executive or Council Function?**

Council

### **1. What is the report about?**

1.1 This report seeks approval of a revised Corporate Debt Management Policy, which provides an overarching, consistent framework for the management of debt across the Council. It is accompanied by service-specific recovery procedures to reflect differing regulations.

### **2. Recommendations:**

2.1 That the Executive recommend to Council approval of the revised Corporate Debt Management Policy.

2.2 Member agreement is also sought to delegate authority to the Leader, Section 151 Officer and Portfolio Holder to agree amendments to the Policy after targeted engagement with the Voluntary, Community and Social Enterprise (VCSE) sector.

### **3. Reasons for the recommendation:**

3.1 An effective Corporate Debt Management Policy provides the Council with a clear framework for collecting sums owed while meeting legal and ethical obligations. It supports income maximisation through well-defined recovery processes, which in turn protects the Council's cash-flow and helps sustain service delivery.

### **4. What are the resource implications including non-financial resources:**

4.1 No additional staffing resources are required.

4.2 An effective debt management policy can yield significant benefits for the local authority – whether from council tax, business rates, rents and other fees and charges. It supports income maximisation through clear recovery processes, which in turn protects the Council's cashflow position and fund its services.

## **5. Section 151 Officer comments:**

5.1 Adoption of this Policy will provide an approved framework for Officers to operate under. This is a welcome addition to the governance of debt management at the Council.

## **6. What are the legal aspects?**

6.1 The proposed Policy provides the corporate framework for the recovery of sums due to the Council across a number of income streams. The legal basis and recovery options vary depending on the type of debt concerned. For example, the collection and enforcement of council tax, business rates and housing benefit overpayments are governed by specific statutory provisions and associated regulations, whereas sundry debts will generally fall to be pursued through contractual terms and the civil recovery remedies through the courts. Members will therefore note that the policy refers to a number of service-specific procedures. The intention is to ensure that recovery action is lawful, proportionate and taken in accordance with the applicable legislative scheme.

6.2 In exercising its debt recovery functions, the Council must act reasonably, fairly and consistently, having regard to public law principles, the need to take account of vulnerability and hardship, and its wider statutory duties, including the public sector equality duty. Members will note that the policy places an emphasis on early engagement, appropriate support and proportionality in enforcement. This is consistent with good practice.

## **7. Monitoring Officer's comments:**

7.1 The proposed Policy supports a clearer and more consistent governance framework for debt recovery across the Council.

## **8. Equality Act 2010 (The Act)**

8.1 In recommending this proposal potential impact has been identified on people with protected characteristics as determined by the Act and an Equality Impact Assessment has been included in the background papers for Member's attention.

8.2 Engagement with the VCSE will be undertaken as they play a crucial role in supporting people in the community and reaching those most in need.

## **9. Carbon Footprint (Environmental) Implications:**

9.1 No direct carbon/environmental impacts arising from the recommendations.

## **10. Report details:**

10.1 The primary objective is to properly document and consolidate in a single document, the Council's current debt recovery arrangements, so that it provides clear guidance on:

- How the Council collects money owed to it fairly and consistently
- How it seeks to prevent debt by ensuring appropriate support and advice is available
- How we support people who are in difficulty or have problem debt

The key drivers for preparing a comprehensive Corporate Debt Management Policy are:

### **Audit Findings and Action Plan**

Audits undertaken by our internal auditors, South West Audit Partnership (SWAP), reported that the Council currently has three separate debt procedure documents, which have not been reviewed since 2019 and do not include all necessary information. SWAP reported that:

- They have no documented owner or review frequency
- They have not been approved by members
- They do not make clear what debt recovery action services should take once reminder letters have been issued
- They do not provide clear guidance on whether and when debts should be written off
- They do not explain how officers should handle credit balances
- They do not mention any Legal assistance that could be provided to help collect debts

Furthermore, a SWAP audit in respect of Council Tax Arrears Recovery also reported that the Debt Collection Policy, covering the recovery of council tax was last reviewed in 2015 and does not clearly set out the Council's approach to billing, recovery and enforcement.

The proposed updated Corporate Debt Management Policy seeks to address these audit findings.

### **Good Practice**

SWAP provided further examples of good practice which highlighted that some policies of partner councils also had specific policies setting out the process for different types of debt. The proposed Corporate Debt Management Policy therefore includes appendices to set out arrangements for service specific areas with all service areas expected to follow in conjunction with the overarching policy.

### **Financial Regulations**

In October 2025, Council approved changes to the Council's Financial Regulations. The changes included new authorisation limits for debt write-offs. The proposed new policy reflects the changes to Financial Regulations and sets out the authorisation limits and criteria to write-off debts.

### **Income Collection Team**

A new Income Collection Team was formed in July 2025 with responsibility for the collection of overpaid Housing Benefits and to support services across the Council with the recovery of sundry debt. Time has been taken to gain a better understanding of the processes, portfolio of debt, management reporting arrangements and system functionality.

## Legal Service Support

Resources in Legal Services have been strengthened to provide dedicated support for the recovery of Council debt.

The Housing and Litigation Team will be responsible for acting on instructions for debt recovery or enforcement. The Housing and Litigation Team comprises of the Housing and Litigation Team Lead, a Litigation Lawyer, a Legal Officer (Litigation and Debt Recovery), and a Legal Apprentice.

### 10.2 Proposed Changes

The main purpose of the proposed new Corporate Debt Management Policy is to ensure they provide all necessary information, a key recommendation of the auditors. No significant changes are proposed, at this stage, as the focus is on consolidating our arrangements in a single policy and to clarify thresholds for decision making (e.g. debt write-offs) for formal approval. However, the few changes are:

- **Crisis and Resilience Fund**

The policy recognises that customers experiencing financial hardship require additional support. The proposed policy sets out that officers may consider signposting customers facing financial hardship to support services available through the new Crisis and Resilience Fund.

- **Vulnerability Statement**

Updated Vulnerability Statement to ensure it provides clear guidance to all officers involved with debt management, so that additional support, flexibility and understanding is given to customers considered to be vulnerable.

- **Debt Collection Agents**

The practice of making referrals to Debt Collection agents at the pre-Court stage will end in respect of the recovery of Overpaid Housing Benefits and Sundry Debt. The enforcement agents have limited powers at the pre-Court stage to recover debts and can only issue letters to request payment, with a low success rate. In-house Legal expertise will be utilised instead to determine the appropriate recovery actions, on a case-by-case basis.

- **Recovery of Overpaid Housing Benefits**

Additional Direct Debit run for the recovery of overpaid Housing Benefits – the Council currently only offer payment to be taken on the 1<sup>st</sup> of the month but will also offer the 15<sup>th</sup> moving forwards as demand data indicates that a mid-month collection date would better suit many customers and support effective recovery.

- **Business Rate Reminders**

Realigning the number of reminders issued to businesses in respect of unpaid business rates with statutory requirements, which reduces them from three reminders to two reminders, achieving efficiency savings from reduced postage and officer time.

### 10.3 12 Month Review

If approved, a review of the Corporate Debt Management Policy will be performed within 12 months. This is shorter than usual and reflects that work remains ongoing to identify improvements and streamlining of debt recovery processes, for example exploring a move towards a synchronised recovery pathway for sundry debt. There is potential for services to have the same default payment terms and number of reminders, but this requires detailed investigation due to the diverse range of services, differing contractual arrangements and any IT system constraints.

#### **Modernising and improving the administration of Council Tax**

On 15 April 2026, the Government announced changes to the administration of council tax that will apply from 1 April 2027, which will impact on the policy, including:

- Instalments will default to spread over 12 months, rather than the current 10 months
- Extending the time before a household loses the right to pay in instalments to 63 days from the first missed payment

Early adoption is not possible, as the Government intend to consult with councils on the steps councils should follow within the 63-day period.

### **11. How does the decision contribute to the Council's Corporate Plan?**

11.1 A Corporate Debt Management Policy, which provides an overarching, consistent framework for the management of debt across the Council contributes to a well-run Council.

### **12. What risks are there and how can they be reduced?**

12.1 Poor income collection risks budget shortfalls and increased borrowing to cover gaps and higher interest costs. An effective Corporate Debt Management Policy helps to support the needs and circumstances of debtors while maintaining high rates of collection and the prevention of arrears.

### **13. Are there any other options?**

13.1 None

**Director: Strategic Director Corporate Resources**

Author: Head of Service, Finance

### **Local Government (Access to Information) Act 1972 (as amended)**

Background papers used in compiling this report:-

None