

Report of	Meeting	Date
Director of Customer & Digital (Introduced by the Executive Member for Customer, Advice & Streetscene)	Executive Member Decision	March 2020

PROPOSED CHANGES TO DEBT MANAGEMENT POLICY

PURPOSE OF REPORT

1. To gain approval to amend the Debt Management Policy to include new sections on:
 - a. Individual Voluntary Arrangements
 - b. Vulnerability
 - c. Write offs
2. To outline delegated authority by the Chief Finance Officer to Officers to write off fixed levels of debt

RECOMMENDATION(S)

3. To amend the Debt Management Policy to include new sections on:
 - a. Individual Voluntary Arrangements
 - b. Vulnerability
 - c. Write offs
4. To note the authority delegated by the Chief Finance Officer to Officers to write off fixed levels of debt

EXECUTIVE SUMMARY OF REPORT

5. The current Debt Management Policy was approved by Executive Cabinet in June 2015 with authority delegated to the Executive Member (Resources) to approve any future cost neutral changes to the policy.
6. Since its approval several minor changes to the policy and the inclusion of the following new information have become necessary:
 - a. Individual Voluntary Arrangements
 - b. Vulnerability
 - c. Write offs

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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Reason Please bold as appropriate	1, a change in service provision that impacts upon	2, a contract worth £100,000 or more
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	the service revenue budget by £100,000 or more	
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

7. The proposed changes to the policy are necessary to formalise operational procedures.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

8. To make no changes to the policy. This option was dismissed as policy changes are required to keep up to date with current working practices.

CORPORATE PRIORITIES

9. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy homes and communities		An ambitious council that does more to meet the needs of residents and the local area	✓

BACKGROUND

10. Since the current Debt Management Policy was approved by Executive Cabinet in June 2015 the inclusion of several new sections, and minor changes to the existing content have become necessary.
11. Background information about the new sections is outlined within this report. In addition, the proposed new sections are highlighted in red in the draft policy, shown at Appendix 1 along with the minor content changes.
12. As the proposed changes are cost neutral, they can be approved by the Executive Member (Resources).

INDIVIDUAL VOLUNTARY ARRANGEMENTS

13. An Individual Voluntary Arrangement (IVA) is a formal and legally binding agreement, between a debtor and its creditors to pay back debts, usually over a period of 5 years.
14. IVAs are becoming more popular as they give a debtor more control of their assets than bankruptcy petitions.
15. A debt management company or IVA Provider proposes, on behalf of a debtor, repayment terms to creditors through a virtual meeting. Creditors can attend remotely or be represented by a proxy vote. There are 3 voting options:
- Reject all proposals regardless of the merits or dividend return expected
 - Write the debt off without carrying out any review
 - Review each proposal and vote for acceptance (with or without modifications), vote for rejection or abstain from voting

16. Each creditor can use its own discretion when voting. There is not a common voting strategy used by Local Authorities, which can often cause uncertainty for staff when deciding the most appropriate action.
17. To establish a local procedure, IVA proposals submitted to Chorley Council during the last 6 months have been individually assessed in partnership with a local Insolvency Practitioner. After reviewing the findings, a flowchart has been developed to assist staff when making voting decisions on proposed Individual Voluntary Arrangements.
18. The addition of this information in the policy will provide guidance for debt management companies and IVA providers on the Council's tolerance of Individual Voluntary Arrangements. It will also formalise the process for staff deciding how to vote, bringing consistency and transparency to these decisions.

VULNERABILITY

19. The Money Advice Trust recommends that local authorities sign up to the Citizens Advice Council Tax Protocol to improve local collection practices.
20. The protocol supports residents to avoid arrears and requires councils to highlight examples of vulnerable people, or those who find themselves in vulnerable situations, and specify clear procedures in dealing with these cases.
21. Currently Chorley Council's does not include this information in a formal policy. In addition, the policy will include contact details for residents to access free debt and money advice.
22. The Citizens Advice have been consulted on the proposed wording of the Vulnerability section of the policy.

WRITE OFFS

23. Whilst every effort is made to recover monies owed to the Council there are certain circumstances when it may necessary to write off a debt.
24. As it stands the type of debt that can be considered for write off is not recorded in a formal policy. The Council can consider writing off a debt in the following circumstances:
 - a. Bankruptcy/insolvency
 - b. The debtor has passed away and there is no estate
 - c. The debtor cannot be traced
 - d. The debt is statute barred
 - e. The debt is uneconomical to recover
 - f. Summons costs - where a council tax balance of less than £100.00 has been summonsed and the debt is paid in full before the liability order hearing
 - g. All possible recovery options have been exhausted
25. The Financial Regulations & Financial Procedure Rules within the Constitution set out that the Chief Finance Officer has sole responsibility 'to agree the write-off of bad debts up to an approved limit in each case and to refer larger sums to the relevant Executive Member or Executive Cabinet'.

26. The Chief Finance Officer has agreed to delegate authority to specific Officers to write off debts, after appropriate checks, up to the levels shown below:

Type of debt	Write off amount	Authorisation by
Business Rates	Up To £100	Customer Services Officer
Council Tax	Up To £1000	Customer Services Manager
Housing Benefit	Up To £25,000	Director
Overpayments	Over £25,000	Chief Finance Officer
Sundry Debts		

27. It is proposed that the approved authorisation levels for write offs are included in the Debt Management Policy, along with information about the type of debt that can be considered for write off.

IMPLICATIONS OF REPORT

28. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

29. The proposed amendments to the policy are in line with the council's financial procedure rules. Debts will only be written off by officers after thorough checks have been undertaken.

COMMENTS OF THE MONITORING OFFICER

30. As the matters contained in the report relate to discretions, there are no restrictions on making the decision sought.

ASIM KHAN
DIRECTOR (CUSTOMER & DIGITAL)

Report Author	Ext	Date
Alison Wilding		March 2020

Following careful consideration and assessment of the contents of this report, I approve the recommendation(s) contained in Paragraph 2 of the report in accordance with my delegated power to make executive decisions.



Dated 13.03.20

Councillor Peter Wilson
Executive Member (Resources)