



**Glasgow City Council**  
**General Purposes City Policy Committee**  
**Report by Executive Director of Finance**  
**Contact: Morag Johnston Ext: 74316**

## **Item 3**

16th April 2019

### **Corporate Debt Policy**

#### **Purpose of Report:**

To seek approval for an updated Corporate Debt Policy for the Council. The previous policy was approved by the Executive Committee in August 2007.

#### **Recommendations:**

Elected Members are asked to:

- a) Consider the attached Corporate Debt Policy, and subject to any amendments agreed during the course of the meeting;
- b) Agree to refer this policy to the City Administration Committee for approval.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes  No  consulted: Yes  No

## 1 Introduction

- 1.1 In August 2007 a report setting out the key principles of a Corporate Debt Policy was approved by the Executive Committee. Since that time this policy has formed the over-arching principles and practices adopted by the council in collecting debt. The policy has been reviewed to take account of changes including the impact of the Bankruptcy and Debt Advice (Scotland) Act 2014, anticipated changes from the Barclay Review of Non-Domestic Rates.
- 1.2 In the decade since the policy was last reviewed the council has radically changed how it deals with people in financial distress. The council has adopted a Financial Inclusion Strategy and the People Make Glasgow Fairer Strategy. The proposed Corporate Debt Policy recognises that people find themselves in debt to the council for a range of reasons, recognises that some debtors may be in need of assistance, and does not start with enforcement action, but with the offer of support.
- 1.3 The financial advice sector, are a key part of that support and, through the funding provided under the Financial Inclusion Strategy, a significant number of taxpayers have been provided with assistance to manage their council tax and other council debts. There is ongoing engagement between council officers and the financial advice sector to identify opportunities to improve council processes and also the signposting and referral of taxpayers requiring assistance. For example, a member of Citizen Advice Bureau is located at the council's main Service Desk to provide advice to citizens who present with financial difficulties.
- 1.4 The proposed Corporate Debt Policy is attached at Appendix A. The policy is a statement of good practice and its aim is to:
  - Complement the council's Financial Inclusion Strategy and People Make Glasgow Fairer Strategy
  - Emphasise the prevention of arrears and promote intervention at an early stage in the debt recovery cycle
  - Provide assistance to citizens experiencing financial difficulties
  - Ensure a consistent treatment of arrears by debt management staff, money advice staff, the voluntary sector and council appointed Debt Management Partners
  - Avoid making conflicting demands on citizens
  - Help to minimise overall indebtedness to the council and ensure that people and companies who are able to pay their debts do so

## 2 Policy and Resource Implications

### Resource Implications:

#### *Financial:*

The policy seeks to maximise the income due to the council while taking into account the

	payer's ability to pay.
<i>Legal:</i>	None
<i>Personnel:</i>	None
<i>Procurement:</i>	The Corporate Debt Policy will inform future procurement of Debt Management Partners
<b>Council Strategic Plan:</b>	<p>A Well Governed City that Listens and Responds Priority 99 – <i>Work to deliver a fairer, more equal Glasgow through all that we do</i></p> <p>A Healthier City Priority 47 – <i>Review the provision of benefits, welfare and other advice to continue to identify opportunities to integrate and maximise support for people affected by welfare reform or long term conditions</i></p>

**Equality and Socio-Economic Impacts:**

*Does the proposal support the Council's Equality Outcomes 2017-22* Yes

*What are the potential equality impacts as a result of this report?*

An EQIA has been completed and no negative impacts identified. This will be published in line with guidance.

It is recommended that all third party providers are made aware of their duty under the Equality Act 2010 and council policy to support individuals with multiple characteristics and to ensure they have suitable policies in place to support this.

*Please highlight if the policy/proposal will help address socio economic disadvantage.*

Complements the council's Financial Inclusion Strategy and support the Poverty Leadership agenda.

**Sustainability Impacts:**

*Environmental:* None

*Social, including Article 19 opportunities:* None

*Economic:* None

**Privacy and Data Protection impacts:** No specific impacts arising from this policy

### **3 Recommendations**

3.1 Elected Members are asked to:

- a) Consider the attached Corporate Debt Policy, and subject to any amendments agreed during the course of the meeting;
- b) Agree to refer this policy to the City Administration Committee for approval.

# Appendix A

## CORPORATE DEBT POLICY

### 1. Introduction

- 1.1 The council is responsible for delivery of a wide-range of statutory and discretionary services.
- 1.2 The cost of delivering those services is met by government grants and raising income from a variety of sources, many of which require the billing and collection of monies from our citizens and service users.
- 1.3 The council has a duty to all of its citizens to collect outstanding sums due. For a variety of reasons monies owed to the council are not always paid timeously and arrears accrue, but the council's ability to deliver services which meet the needs of the citizens of Glasgow depends heavily on success in collecting revenues.
- 1.4 The council also has a duty to promote financial inclusion and in doing so to recognise the problems of multiple indebtedness, poverty and deprivation, and the need to help citizens to meet their liabilities in a controlled and managed manner.
- 1.5 The adoption of a Corporate Debt Policy balances the need to collect revenue to support ongoing service provision with the requirement to support those facing financial hardship.

### 2. Aims of the Policy

- 2.1 Any billing, collection and recovery activity undertaken by the council will recognise the aims of:
  - Complementing the council's Financial Inclusion Strategy and supporting the council's Poverty Leadership agenda
  - Ensuring a strong emphasis is given to preventing arrears from arising and that early intervention aimed at preventing arrears accruing takes place as early as possible in the recovery cycle
  - Ensuring that citizens with genuine financial difficulties are provided with the necessary assistance to break the cycle of debt while ensuring that people and companies who are able to pay their debts do so
  - Where it is appropriate to undertake or continue recovery action, ensuring individual circumstances are considered
  - Ensuring a consistent corporate approach to the recovery of arrears
  - Ensuring conflicting demands from the council are not placed upon citizens who have multiple debts
  - Minimising the overall indebtedness to the council and ensure that people and companies who are able to pay their debts do so

2.2 The council will encourage partner organisations to recognise the aims of the Corporate Debt Policy through:

- The adoption of common service standards and procedures which reflect the objectives of the policy
- Delivery of terms and conditions, consistent with the policy, and contained in the award of grant funding to council funded voluntary organisations that provide debt counselling and money advice services
- Delivery of terms and conditions, consistent with the policy, and contained in the award of contracts to Debt Management Partners responsible for recovery of arrears
- Working with partner agencies to improve the services available to citizens experiencing financial hardship
- The standardisation of payment arrangements covering all debt owed to the council

### **3. Delivery of the Policy**

3.1 Delivery of the policy will require practical actions by a number of key organisations involved in the process, as outlined below.

3.2 The council will:

- Investigate and implement methods of raising financial awareness amongst citizens
- Ensure debt collection activity recognises all debts owed by the citizen or service user
- Promote awareness of the policy to all relevant staff in particular those involved in the collection process, the administration of benefits and the provision of money advice
- Ensure prompt and efficient turnaround of applications for concessions, reductions, reliefs or discounts that impact the amount payable by the citizen or service user
- Ensure prompt and accurate issue of bills with robust reminder systems for missed payments
- Promote and provide money advice both internally and through working with partner organisations from the Financial Inclusion Partnership
- Use collection methods which are appropriate to the citizen or service user's circumstances. Voluntary repayment arrangements will be offered but enforcement action may be required where an arrangement cannot be reached or if the customer defaults on repayments
- Where appropriate refer citizens or service users with council debts to money advisers, suspending recovery action for a period to allow a suitable repayment arrangement to be made
- Prioritise payment to the current year or more recent debts first in order to assist the citizen or service user to break the debt cycle

- Accept all reasonable payment proposals including allowing ongoing annual liabilities such as Council Tax to be paid over 52 weeks, 12 months of the year
- Promote the use of flexible payment methods including direct debit, telephone, online and at local 'over the counter' outlets
- Where appropriate ensure payment in advance for the provision of one-off services to prevent the potential for arrears
- To make full use of available technology to make requests for information to support applications for reliefs and reductions to minimise indebtedness and to prompt for payment to prevent arrears accruing in line with the aims of this policy.
- Implement appropriate performance systems to monitor adherence to the policy and its procedures

3.3 The financial advice sector will contribute to the process by:

- Providing specialist financial advice, to citizens facing financial hardship
- Providing repayment proposals on behalf of citizens
- Assisting the council with the aim of improving financial awareness

3.4 The Council's Debt Management Partners will support the process by:

- Delivering services consistent with the aims of the policy
- Pro-actively engaging with the council and financial advice sector to support the provision of money advice for customers identified as facing financial difficulty
- Ensuring arrangements made for repayment recognise all debts owed by the customer and prioritise the breaking of the debt cycle

3.5 It is the council's expectation that the citizen or service user will pay for services received in advance where appropriate or on receipt of an invoice or demand notice. It is the responsibility of the citizen or service user to:

- Make early contact with the council, the financial advice sector, or council appointed Debt Management Partners to alert of any potential difficulties and to agree an acceptable repayment schedule
- Comply with any requests for information to ensure prompt processing of applications for concessions, reductions, reliefs or discounts that impact the amount payable
- Maintain agreed repayments
- Inform the council, the financial advice sector, or council appointed Debt Management Partners of any changes in their financial circumstances

#### **4. Use of Available Remedies**

4.1 The council bills and collects:

- Council Tax
- Non-Domestic Rates (NDR)

- Charges for statutory services provided by the council
  - Charges for non-statutory discretionary services provided by the council
  - Fines and penalties
  - Housing Benefits Overpayments (HBOPs)
- 4.2 Where appropriate charges will be payable in advance to avoid the accumulation of debt. Consideration will be given to denying access to discretionary services where the citizen or service user has a track record of non-payment to the council. What steps the citizen or service user is taking to address the arrears position will influence the decision.
- 4.3 Where invoices require to be issued, billing and collection activity will take place in a prompt and efficient manner to maximise recovery opportunities.
- 4.4 For Council Tax and NDR the council will endeavour to keep the liability registers up to date and ensure prompt recovery activity commences to maximise recoveries and prevent a debt cycle from taking hold. The proposed changes from the Barclay Review are expected to allow the council to initiate recovery action of unpaid Non-Domestic Rates at an earlier stage than currently.
- 4.5 Fines and penalty notices will be issued promptly and recovery action commence at the earliest opportunity should payment not be forthcoming.
- 4.6 Where it has not been possible to obtain payment voluntarily and recovery action is necessary, all available remedies afforded by the legislation will be considered.
- 4.7 However, it is recognised that not all remedies will be applicable for every customer and that assessment of individual circumstances is required before the appropriate course of action is decided.
- 4.8 A list of common remedies that will be considered should voluntary arrangements not be agreed is noted below:
- Obtaining a Summary Warrant or decree to facilitate enforcement action
  - Passing the debt to one of the council's Debt Management Partners for recovery action
  - Attachment of earnings
  - Direct Earnings Attachment (HBOPs only)
  - Bank account arrestment
  - Money Attachment
  - Diligence on the dependence (attaching funds held by a third party)
  - Attachment of goods held outside the home
  - Inhibition
  - Repayment Charge
  - Charging order
  - Where apparent insolvency is demonstrated, petitioning the Court for sequestration (personal bankruptcy)
  - Any other remedies consistent with the terms of this policy



- 4.9 Where there is Council Tax debt and the individual is in receipt of income related Welfare Benefits, attachment of benefit will be considered.
- 4.10 Attachment of benefit can take 3 forms:
1. Ongoing deductions to clear arrears. This ensures arrears are paid in a managed and affordable way but does not address ongoing liabilities.
  2. Where maximum Council Tax Reduction is in place, negating the entire Council Tax liability (leaving only Water Service Charges payable) Water Direct can be considered. It would result in a higher deduction than for council tax debt but addresses ongoing liabilities and prevents arrears accrual therefore breaking the debt cycle.
  3. Where a customer with a HBOP has an ongoing entitlement to benefit, deductions to meet the HBOP can be taken. Consideration will be given to ability to pay in setting the amount of the deduction. If a customer with a HBOP moves to Universal Credit and no repayment arrangement can be made the council will consider the use of the DWP third-party deduction scheme to request a deduction from ongoing Universal Credit payments.
- 4.11 Bankruptcy actions, repayment charges and charging orders will be considered only where other actions are not appropriate and the customer or service user has not engaged with the council to remedy the situation. Money advice will be offered at each stage of the process and use of controlled repayment programmes like the Debt Arrangement Scheme will be promoted throughout.
- 4.12 Where Repayment Charges or Charging Orders are required, the imposition of interest will be considered on an individual basis. The order will be subject to regular review with a view to making alternative repayment arrangements where appropriate.
- 4.13 The Barclay Review of Non-Domestic Rates highlighted a minority of businesses who utilise legal loopholes in company law, bankruptcy regulations and Non-Domestic Rating legislation to avoid the payment of rates. A number of loopholes in Non-Domestic Rating legislation will be closed and in line with HMRC powers a new General Anti Avoidance Rule will be introduced. When available the council will review the powers and exercise them when avoidance can be demonstrated and it is in the interests of local tax payers to do so.
- 4.14 The council will reserve the right to publicise the details of businesses operating in Glasgow that fail to pay their NDR liability despite recovery action by the council and repeated requests for payment. There is no legal impediment to publication although the names of any sole traders will have to be removed from any details provided. The approach is similar in intent to HMRC's (Her Majesty's Revenue and Customs) quarterly publication of details of deliberate tax defaulters. A review (including a risk assessment) will be undertaken for each case prior to publication.
- 4.15 This policy will be kept under review and formally updated every five years.