

DELEGATED DECISION

Resources Management Team

15 November 2022



Review of the Council's Debt Management Policy, Council Tax Discretionary Hardship Reduction, Hardship Relief for Business Rates Discretionary Policy and Debt Write Off Policies

Report of Mary Readman, Head of Transactional and Customer Services

Councillor Richard Bell, Cabinet Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To obtain approval for the Council's revised Debt Management Policy and supporting policies; the Council Tax Discretionary Hardship Reduction Policy, the Hardship Relief for Business Rates Discretionary Policy and the Corporate Debt Write Off Policy, in the light of:
 - The Council's commitment to the delivery of its vision and priorities laid out in the County Durham Plan and associated strategies and Medium-Term Financial Plans (MTFP).
 - The socio-economic impacts of poverty and the Council's Poverty Action Strategy and Plan, underpinning the need to support financially vulnerable households reflecting a holistic approach to collection and signposting customers to the appropriate advice and assistance;
 - The impacts of the current "cost of living crisis" affecting both households and businesses;
- 2 To provide an update on a review of debt management and debt management functions, with a view to establishing a single view of debt to enable a holistic debt management approach.

Executive summary

- 3 Effective debt management forms an essential part of the Council's corporate and financial governance framework and is critical in enabling the delivery of the Council Plan, Medium Term Financial Plan, Poverty Action Plan and the provision of quality, essential services
- 4 The Council has a duty to ensure that all collection processes comply with the relevant legislation and good practice. The Debt Management Policy provides the framework for direction and governance of the Council's approach to debt recovery and aims to promote, encourage and support proportionate, fair and equitable debt management processes for all major sources of income
- 5 The Policy covers the billing, collection and recovery of all sums due to the County Council, including Council Tax, Business Rates, Overpaid Housing Benefit and General Sundry / Invoiced Debt and commercial rent and is underpinned by the following:
 - Council Tax Discretionary Hardship Reduction Policy (Section 13A(1)(c) Local Government Finance Act 1992)
 - Council Tax Discretionary Hardship Covid-19 Reduction Policy (Section 13A(1)(c) Local Government Finance Act 1992)
 - Debt Write Off Policy
- 6 This review of the Debt Management Policy has focused upon how to balance the need to maximise collection and income through operational recovery processes, whilst acknowledging a changing debt portfolio, considering the socio-economic impacts of poverty, particularly the longer-term impacts of the COVID-19 pandemic and the current 'cost of living crisis'. Both of which have and will continue to impact the physical and mental health of individuals as they deal with financial insecurity and indebtedness.
- 7 Whilst the Policy must meet legislative requirements, the revisions underpin the need to support financially vulnerable households and businesses whilst reflecting a holistic approach to debt management.
- 8 The Policy will support those vulnerable 'can't payers' to escape a cycle of debt, particularly annual debt, and make positive steps towards empowerment enabling them to take control of their own finances whilst enabling the Council to take robust and effective recovery action against those who have the ability to pay but lack the propensity to do so.
- 9 The report outlines changes to the way in which debt is managed and written off specifically in respect of:

- The way in which small balances due from those in receipt of Council Tax Reduction (CTR)
- Attachment of earnings
- Attachment of benefit
- Referral to enforcement agent minimum balance

Recommendation(s)

10 RMT are asked to:

- (a) Note the contents of this report.
- (b) Agree the proposals in respect of:
 - The handling of small balances due from those in receipt of Council Tax Reduction (CTR)
 - Attachment of earnings
 - Attachment of benefit
 - Referral to enforcement agents
 - Changes to aged debt write-off
- (c) Approve the updated Debt Management Policy, and the policies which underpin it, namely the Council Tax Discretionary Hardship Reduction Policy, the Hardship Relief for Business Rates Discretionary Policy and the Debt Write Off Policy.

Background

- 11 The Council is committed to the delivery of its vision and priorities which have been developed in consultation with residents and businesses, partners and stakeholders and are laid out in the County Durham Plan and associated strategies. The Medium-Term Financial Plan (MTFP) sets out how these plans will be resourced.
- 12 The Council has and continues to face a range of significant pressures including recovery from the COVID-19 pandemic, general inflation, cost pressures in the care sector, increase in the number of adults and children needing support and the rising levels of need, increases in demand for everyday services as the population grows and increased core costs such as wage increases and high levels of inflation.
- 13 Effective debt management is therefore essential to the Council's corporate and financial governance frameworks and is critical to enabling the delivery of the Council Plan, supporting the MTFP and the provision of a range of quality essential Council services including caring for the most vulnerable residents and families to keeping streets clean and safe.
- 14 Whilst essential to manage debt effectively during this period of financial pressure, consideration must be given the impact of the current 'cost of living crisis,' and the long-term impacts of poverty. The Council's Poverty Action Plan describes the extent and impact poverty has on residents and lays out plans to address poverty in County Durham. It highlights the need to support financially vulnerable households reflecting a holistic approach to collection and signposting customers to the appropriate advice and assistance
- 15 The Council has an obligation to comply with the relevant legislation and good practice, the Debt Management Policy provides the framework for direction and governance and aims to promote and support proportionate, fair and equitable debt management processes for all major sources of income.
- 16 The Corporate Debt Management Policy, covers the billing, collection and recovery of all sums due to the County Council, including Council Tax, Business Rates, Overpaid Housing Benefit and General Sundry / Invoiced Debt and commercial rent.
- 17 Debt recovery is subject to specific legislation, which includes:
 - Council Tax (Administration & Enforcement) Regulations 1992;
 - Non-Domestic Rating (Collection & Enforcement) (Local Lists) 1989;

- Local Government Finance Act 1992 as amended by Local Government Act 2003;
- County Courts Act 1984, Practice Directions & Civil Procedures Rules 1998;
- Charging Orders 1989;
- Social Security Administration Act 1992;
- Civil Enforcement of Parking Contraventions (England) General Regulations 2007; and more recently,
- Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020.

18 There is a suite of policies that underpin the Debt Management Policy, namely:

- Council Tax Discretionary Hardship Reduction Policy (Section 13A(1)(c) Local Government Finance Act 1992)
- Hardship Relief for Business Rates Discretionary Policy (Section 49 Local Government Finance Act 1988)
- Corporate Debt Write Off Policy

19 A review of the policies was completed in 2021 and was presented to RMT and approved by the Corporate Director of Resources, utilising his delegated powers on 1 June 2021. The policy was substantially expanded to reflect a more supportive and inclusive approach to collection and debt management.

Context and Key Considerations

20 This review of the Debt Management Policy has focused upon how to balance the need to maximise collection and income through operational recovery processes, whilst acknowledging a changing debt portfolio, considering the socio-economic impacts of poverty, particularly the longer-term impacts of the COVID-19 pandemic and the current 'cost of living crisis'. Both of which have and will continue to impact the physical and mental health of individuals as well as impacts on finance and indebtedness.

21 Widely reported research has found that the process of debt collection, particularly that of council tax, and the associated additional costs incurred in the collection process, can be the cause of extreme poverty or destitution, and may increase levels of problem debt. Therefore, early intervention and engagement is key to help avoid, where possible,

the growth of individual debt by incurring additional costs e.g. court costs and enforcement fees, where customer simply cannot pay. Early intervention may also reduce the overall cost of collection, it may reduce unavoidable contact and demand for additional services e.g. mental health services. However, throughout recovery processes positive and effective engagement is key to effective, sustainable and ethical collection.

- 22 Writing in the Local Government Chronicle the Joseph Rowntree Foundation suggests that the number of people in deep poverty rose from £4.7M to £6.5M between 2002/3 to 2019/20 and that this number will grow, saying that:

“The debt built up over this period will not disappear once inflation eases. Households, especially those on low incomes, will be burdened with arrears and other debts for many months and years to come.”

And recommends that Councils should:

“Avoid heavy handed debt collection practices because research shows that they do not increase collection rates but drive people into greater hardship and anxiety.”

<https://www.lgcplus.com/finance/helen-barnard-councils-can-do-plenty-to-ease-immediate-hardship-08-08-2022/>

- 23 To that end, the service is seeking to upskill the Collections team to enable them to proactively offer support at the earliest opportunity to customers and ensure that payment arrangements are both affordable and sustainable.
- 24 The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 came into force on 4 May 2021. Phase one of the scheme ‘Breathing Space’ provides the opportunity for individuals to seek professional debt advice and access to a sixty-day period in which interest, fees and charges are frozen and enforcement action is paused, affording debtors and debt advisors time to seek and agree appropriate debt solutions with creditors. For individuals receiving mental health crisis treatment, the regulations establish an alternate route to access the protections of a moratorium and ensure that the protections are in place for the duration of the customer’s crisis treatment
- 25 Both locally and nationally debt advisers report limited take-up and poor outcomes because in the most cases debtors fail to engage with the debt adviser after entering into breathing space. Debt advisers are however anticipating an uptick in take-up over the forthcoming months as the effects of the cost of living crisis impacts and debtors fall into arrears with many priority debts.

- 26 These are the trends reflected in the Council's caseload. Between 4 May 2021 and 31 March 2021, 239 referrals were received of which 80% resulted in no outcome at the end of the breathing space. The number of referrals to date since 1 April 2022 is consistent with that of 2021 and whilst the majority of closed cases, 61%, still result in no outcome, the number of payment plans agreed with the debt advisors and payment arrangement agreed following proactive discussions directly with the debtor after breathing space has ended, has increased. Enforcement & Insolvency officers proactively attempt to engage with all those cases exiting breathing space with no outcome, to offer support and guidance, these actions are reflected in the DMP.

Debt Management Policy

- 27 Whilst the Policy must ensure adherence to legislative requirements, the revisions underpin the need to support financially vulnerable households and businesses whilst reflecting a holistic approach to debt management. This focuses on individual indebtedness and the impacts of poverty considering what can be done to support individual circumstances to mitigate the impacts of debt, ensuring that any recovery is affordable and sustainable, whilst actively seeking to recover debt from those able to pay.
- 28 The Policy will support those vulnerable 'can't payers' to escape a cycle of debt, particularly annual debt, and make positive steps towards empowerment enabling them to take control of their own finances whilst taking robust and effective recovery action against those who have the ability to pay but lack the propensity to do so. It seeks to encourage and support key cultural change to support ethical debt collection by enabling specific and considered actions rather than 'blanket' reactive actions, as has been the case historically.
- 29 This approach is one of balancing collection and welfare and support, using data, technology and discretion to collect from those who have financial stability, but lack the propensity to pay. In taking this approach it must be acknowledged that due to external factors, most notably economic factors recovery action is becoming much more welfare based or supportive and less punitive across all debt types, that this may have some negative impact upon collection rates in the short term. It is inevitable that inbound call may take longer
- 30 This shift in approach is likely to result in longer calls as more situational and subjective information, including financial statements and income and expenditure detail, critical to ensure payment arrangements are affordable and sustainable. The adoption of outbound calls in an attempt to proactively engage customers as early as possible is a significant change in approach, however this will divert existing resource away from those reactionary calls potentially impacting call handling targets.

Proposals

31 Proposals to change the way in which debt is managed are outlined below, specifically:

- The way in which small balances due from those in receipt of Council Tax Reduction (CTR)
- Attachment of earnings
- Attachment of benefit
- Referral to enforcement agent minimum balance

Council Tax Reduction

32 The Policy seeks to move away from a blanket approach to recovery to targeting support to those who fall on the cusp of the Council's CTR scheme. Whilst the Council still offers up to 100% support to the most vulnerable and has extended COVID 19 Council Tax Hardship Support payment until 31 March 2024, there are a growing number of low-income households with a balance to pay.

33 The team now seek to proactively engage with customers to offer support and signposting to prevent the escalation of or break the cycle of debt and costs impacting those CTR cases with a balance to pay who fall into arrears.

Attachment of Earnings

34 Whilst the Council has always sought to attach to earnings, the policy seeks to prioritise attachment of earnings over other recovery methods for those who have failed to engage with the recovery process. This approach is beneficial to both the customer and the Council because it minimises additional costs, i.e. Enforcement Agent costs and focuses upon those with the financial ability to pay.

35 Reg 38, The Council Tax (Administration & Enforcement) Regulations 1992, defines the amounts that may be deducted from weekly or monthly earnings ranging from 3% for those earning £75 a week / £300 a month to 17% for those earning over £505 a week / £2,020. Again, if customers engage after an attachment has been issued to suggest that attachment is unaffordable, the team will actively seek to agree an affordable and sustainable payment arrangement, and support and signpost customer appropriately.

Attachment of Benefit

36 Attachment of benefit is a blunt tool to collect debt because it often supports a cycle of indebtedness by making deductions from those who

have fixed incomes who are often the most vulnerable or those in most need of support. It was flagged by politicians in the House of Commons Work and Pensions Committee, the Cost of Living Report (July 2022) as being a large contributor to poverty and pushing those already in debt further into debt to make ends meet, recommending:

“That deductions are paused, and then only restored gradually as the rate of inflation reduces, or when benefits have been uprated to reflect the current rate of inflation”

House of Commons Work and Pensions Committee, The cost of living Second Report of Session 2022–23 Report, together with formal minutes relating to the report, Ordered by the House of Commons to be printed 20 July 2022

- 37 Attachment of benefit deduction rates are defined by central government and are limited to 5% of the basic standard allowance, currently £3.70 a week. Deductions from Universal Credit for a single person aged over 25 are limited to £15.89 a week, for all deductions. When considering deductions, the DWP prioritise benefit debts, Council Tax debt is not prioritised.
- 38 The number of active attachments of benefits had started to decline before the COVID 19 pandemic. The decrease is likely to attributed to the roll-out of Universal Credit, and that Universal Credit does not prioritise Council Tax debt.

	2018	2019	2020	2021
Property charge	£368,059,647	£339,227,663	£354,945,632	£368,059,647
Outstanding debt	£246,092,895	£262,627,367	£275,964,354	£283,517,908
Value of payments received	£108,757	£276,775	£215,716	£108,757
Number of payments received	24,516	19,833	13,495	11,014
Payments recd as % of property charge	0.03%	0.08%	0.06%	0.03%
Payments recd as % of O/S debt	0.04%	0.11%	0.08%	0.04%

- 39 Given the defined deduction amount and that Council Tax debt is not a priority, this means attachment of benefit is an ineffective method of collection. Additionally, administration of attachment of benefit diverts valuable resource away from more value adding tasks. It takes on average three hours a day to administer attachments, including issuing attachments, dealing with queries and reconciling payments received from the DWP, which are often irregular. This equates to 0.4FTE a week, resource that could be better utilised to make outbound calls to

proactively engage and support vulnerable customers unable to pay and negotiate payments with those able to pay.

- 40 Additionally, in 2021 the value of debts tied-up in attachment of benefit represented 0.04% of the total debt outstanding, yet it took 0.4FTE to administer those attachments. In terms of payments received, the cost of administration £11,122 (0.4FTE at Gd5 at top of grade with oncosts) represents 10.23% of the payments received, meaning that it is a very expensive method of recovery.
- 41 The policy therefore seeks to minimise the use of attachment of benefit and only issue attachments in limited circumstance, and in the short-term suspend the issue of new attachment of benefits. In doing so it will support the Poverty Action Strategy to alleviate poverty and deprivation in the County and the House of Commons Work and Pensions Committee's recommendations.
- 42 It is also proposed to review all exiting attachments and pending attachments with a view to withdrawing them and potentially writing off the debt. Pending attachments are those which have been referred to the DWP for which deductions have not started because Council Tax debt is not a priority. As Universal Credit roles out, the DWP are returning more and more attachments uncollected. There are currently circa 3,900 attachments or pending attachments, with a total value of £1.6M, meaning that the average attachment is £410, all of which include costs of £90 meaning that the average debt was £320 prior to obtaining the summons and liability order to enforce the debt.

Referral to Enforcement Agent – minimum balance

- 43 Before progression to enforcement stages, all Council Tax and Business Rates debts attract £90 costs, £50 at summons stage and £40 on award of liability order. Once referred to Enforcement Agents they can accumulate up to £310 additional costs, £75 at compliance stage and £235 at visit stage.
- 44 Moving forward the policy proposes that the minimum balance for referral to Enforcement Agents is increased from £75 to £100 to prevent the referral of costs only cases and the unnecessary escalation of debt e.g. in cases where the debt has been paid in full and costs only remain outstanding.

Write-Offs

- 45 The current DMP and Write-Off Policy include the provision to write-off monies as 'bad debt'. 'Bad debt' is defined as uncollectible or irrecoverable debt. The bad debt provision for Council Tax is currently £24,893,473. In 2021/22 £3,176,2230 was written off against the bad debt provision.

- 46 The write-off and aged debt strategy currently follows statute barring legislation which prevent legal enforcement of debt after six years of inaction. This means that in cases where is debt six years old or older and not subject to a current payment plan is written-off.
- 47 The effect of the policy is that customers with payment arrangements exceeding six years continue to pay without review of their circumstances. Additionally, this blanket approach means that large volumes of low value debt which is often uneconomical to collect and is not subject to further enforcement action i.e. insolvency / bankruptcy proceedings, charging order, committal to prison, sits' waiting to be written off.
- 48 Moving forward it is proposed to exercise discretion throughout the write-off process, potentially writing off debt earlier in the process, focusing upon individual circumstances. Always with the caveat that debt can be 'written back on' where not statute barred.
- 49 The team has recently completed an exercise to review:
- Aged-debt cases, 6 years old or older, where payments are being made which are not subject to a court order. It is proposed in certain circumstances that these debts are written off and payments are refocused towards paying priority debt i.e. current year, or more recent debt and engaging with customers to offer budgeting support and guidance to help break the cycle of indebtedness. In total the current amount outstanding that is older than 6 years, amount to £140,287.
 - Aged debt cases where there has been no engagement or activity against the accounts after 3 years, and that are not subject to enforcement of insolvency action. This will include cases returned from enforcement agents as unable to trace or collect, absconders, cases where the debtor cannot be traced, with a view to writing off debt that is unrecoverable because it is either unenforceable or uneconomic to recover.

Financial Implications

- 50 The Council Tax bad debt provision is £24,893,473.
- 51 Should the proposals outlined in this report be approved it would result in £2,794,109 being "written off" against bad debt provision, £140,287 pre 2016 debt and £2,653,822 for inactive debt & debt associated to attachment of benefit for the financial years 2017 to 2019.

	2011 to 2016	2017	2018	2019	Total
Bad Debt Provision	£1,065,311	£2,300,302	£3,350,475	£5,277,159	£11,993,247

Write Off	£140,287	£750,510	£879,470	£1,023,841	£2,794,109
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Hardship Policies

- 52 Following the review of the policies there have been no material changes to The Council Tax Discretionary Hardship Reduction Policy and Hardship Relief for Business Rates Discretionary Policy.

Moving forward

- 53 Building upon the Citizens Advice Council Tax Protocol and existing relationships with local third sector debt advice agencies; work is being done with Citizens Advice Count Durham, East Durham Trust and Durham Christian Partnership to develop and agree a joint Memorandum of Understanding. This will build upon existing informal arrangements and embed clear engagement pathways between our teams to ensure that residents receive the best and most appropriate support in a timely manner.
- 54 The second part of the Debt Respite Scheme, the Statutory Debt Repayment Plan (SDRP), enables those in problem debt to enter a statutory agreement (via a third party) to repay their debts to a manageable timetable, up to six years. It is expected that debtors will enter an SDRP after the breathing space period ends. The Government announced a delay to the introduction of the SDRP in August 2021, advising that the SDRP will be implemented in 2024. Consultation on the draft regulations closed on 5 August 2022. Recent events mean that regulations are still to be laid before Parliament and therefore the guidance expected by the end of 2022 will inevitably be delayed.
- 55 The draft regulations indicate that Council's will be classed as single creditors, irrespective of whether or not the debt is a priority debt e.g. council tax and irrespective of the number of debts. Therefore, moving forward the need to have a single view of debt will be critical to the administration of SDRP payments.
- 56 To achieve a single view of debt and to enable a holistic debt management approach building upon the principals of the DMP it is recommended that a full review of all debt management and debt management functions, particularly sundry debt functions is undertaken.
- 57 In reviewing sundry debt functions working with service areas and budget managers, consideration will be given to the current debt management strategies and 'debt tolerances' for recovery actions, including thresholds at which debts are referred to Debt Collectors and/or County Court action.

Conclusion

- 58 Effective debt management is essential to the Council's corporate and financial governance frameworks and is critical to enabling the delivery of the Council Plan, supporting the MTFP and the delivery of Council services. However, in doing so it must balance need to maximise income with the need to support those who are financially vulnerable to escape a cycle of debt, particularly annual debt, and make positive steps towards empowerment enabling them to take control of their own finances' whilst staking robust and effective recovery action against those who have the ability to pay but lack the propensity to do so.
- 59 It is, therefore, important that the debt management and associated policies are kept up to date and reflect the Council's approach to managing debt recovery. The updated policies will be supported with a communication and staff training plan.

Author(s)

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Appendix 1: Implications

Legal Implications

The Council has a duty to ensure that all collection processes comply with the relevant legislation, which includes:

- Council Tax (Administration and Enforcement) Regulations 1992
- Non-Domestic Rating (Collection and Enforcement)(Local Lists) 1989
- Local Government Finance Act 1992 as amended by Local Government Act 2003
- County Courts Act 1984, Practice Directions and Civil Procedure Rules 1998
- Charging Orders Act 1979
- Social Security Administration Act 1992
- Civil Enforcement of Parking Contraventions (England) General Regulations 2007
- Insolvency Act 1986
- Tribunal Courts and Enforcement Act 2007
- Taking Control of Goods Regulations 2014
- Taking Control of Goods (National Standards) 2014
- Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020

Finance

Billing and collection of the amounts owed to the Council contributes to the budgets used to fund local and essential services. Effective collection and recovery are essential and will directly impact the funding and delivery of local services.

The proposals will result in the write off of £2,794,109 against bad debt provision, £140,287 pre 2016 debt and £2,653,822 for inactive debt & debt associated to attachment of benefit for the financial years 2017 to 2019.

Consultation

The review of the Policy did not require formal consultation. However, it was reviewed in consultation with key internal and external stakeholders including teams across Transactional Services, Internal Audit and third sector debt advice stakeholders.

Equality and Diversity / Public Sector Equality Duty

The full EIA has been reviewed and updated.

The amendments made to the Debt Management Policy and the policies which underpin it continue to enhance the supportive measures implemented by the Council over the last year and further demonstrate an inclusive, fair and equitable approach to debt collection for those residents, businesses and customers who are struggling to pay their liabilities. There are no adverse impacts on any of the people with protected characteristics in terms of this policy.

Climate Change

None

Human Rights

None

Crime and Disorder

None

Staffing

None

Accommodation

None

Risk

There is always a risk of legal challenge when pursuing debt. However, all actions taken comply with legislative requirements, government guidelines and best practice.

There are robust processes and procedures to ensure that cases subject to more serious recovery actions are fully vetted and meet a defined selection of criteria to minimise the risk of negative publicity for the Council.

Performance management and quality assurance measures are in place to ensure compliance.

Procurement

None

Appendix 2: Equality Impact Assessment

Durham County Council Equality Impact Assessment

NB: The Public Sector Equality Duty (Equality Act 2010) requires Durham County Council to have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between people from different groups. Assessing impact on equality and recording this is one of the key ways in which we can show due regard.

Section One: Description and Screening

Service/Team or Section	Resources
Lead Officer	Chloe Leavy
Title	Corporate Debt Management Policy
MFTP Reference (if relevant)	n/a
Cabinet Date (if relevant)	n/a
Start Date	June 2020
Review Date	June 2022

Subject of the Impact Assessment

Please give a brief description of the policy, proposal or practice as appropriate (a copy of the subject can be attached or insert a web-link):

The Council receives income through the collection of local taxation (Council Tax and Business Rates) and by charges for statutory and non-statutory services

(referred to as sundry debt). Effective income and debt management is therefore an essential part of the Council's corporate and financial governance frameworks.

Debt recovery is subject to specific legislation; Council Tax (Administration & Enforcement) Regulations 1992, Non Domestic Rating (Collection & Enforcement) (Local Lists) 1989, County Courts Act 1984, Practice Directions & Civil Procedures Rules 1998, Charging Orders 1989, Social Security Administration Act 1992 and Civil Enforcement of Parking Contraventions (England) General Regulations 2007.

The Debt Management Policy aims to promote, encourage and support proportionate and equitable debt management processes. During the pandemic there were supportive measures put in place as well as recovery action being stopped. These measures are now fully reflected within the document as well as an understanding around the impact of the Cost of Living crisis.

A review has been undertaken in consultation with the wider service, internal and external stakeholders including the Citizens Advice County Durham and Internal Audit.

The Policy has been expanded to reflect a more effective, supportive and inclusive approach to collection and debt management. It also addresses the establishment of the in-house Enforcement Agent Service, providing a framework for a joined-up, streamlined and flexible approach with more control and autonomy in terms of collection and fees.

The updated Policy also addresses the significant impact of post pandemic recovery as well as the cost of living crisis, the Council's response and the supportive measures put in place with regards to debt management.

The Corporate Debt Management Policy aims to promote, encourage and support proper and equitable debt management processes for all major sources of income owing to the Council ensuring a consistent approach to the management of debts including:

- Council Tax
- Business Rates (Non Domestic Rates)
- Overpaid Housing Benefit
- Sundry debt, including service charges, general income, commercial debt
- Commercial Rent
- Business Improvement District Levy (DCC act as billing and collection agent to the BID company)
- Parking Charges

Key Considerations

The review of the policy has considered how to balance maximising collection, manage operational debt recovery processes alongside a changing debt portfolio whilst considering the socio-economic impacts poverty and welfare reform. Making payment can never be to the detriment of someone's wellbeing. Neither can action be taken that would risk damage to the Council's reputation or to the positive

measures already implemented. There is no doubt that a supportive approach must be taken with welfare being an even greater priority going forward.

Moving forward the Government plan to introduce the Breathing Space Scheme for individuals with problem debt from 2021, draft legislation was expected at the end of 2019 but is still to be laid before parliament. The scheme promotes a holistic view of debt, extending to financial services debt, household bill arrears and arrears owed to central and local government, including Council Tax arrears. The policy intention of the scheme is to encourage individuals with problem debt to seek and access formal debt advice and allow the time and 'space' to identify a sustainable solution to their debt problems.

Citizens Advice introduced a Council Tax Protocol in 2009, developed in partnership with the Local Government Association (LGA). It offers practical steps aimed at preventing people from getting into debt and outlines how to ensure enforcement agents act within the law. The overarching principal of the protocol is to support Council Tax-payers and residents, acknowledging that they receive a better level of service when councils, enforcement agents and debt advice agencies work closely together. Early intervention and proactive contact with those struggling with bill payments can prevent them from incurring additional charges and at the same time help to alleviate stress. Early intervention can also reduce the Council's cost of collection, unavoidable contact and may reduce demand for additional service e.g. mental health services. The Collections Team utilises the Standard Financial Statement to consider sustainable payment arrangements and ensure ethical collection.

The Council will continue to work with the Debt Advice Sector, internal and external stakeholders and other third-party organisations to explore further impacts, effects and support.

Consultation

The review of the Policy did not require formal consultation. However, consultation was undertaken with key internal and external stakeholders including all teams across Finance & Transactional Services, Citizens Advice County Durham and Internal Audit.

Stakeholders were provided the opportunity to comment on the existing policy and make recommendations on the revised proposals.

Who are the main stakeholders? (e.g. general public, staff, members, specific clients/service users):

County Durham residents, businesses and property owners, Durham County Council staff, the council's contracted enforcement agents (previously known as bailiffs), Citizens Advice County Durham, other debt advice agencies.

Screening

Is there any actual or potential negative or positive impact on the following protected characteristics?		
Protected Characteristic	Negative Impact Indicate: Y = Yes, N = No, ? = unsure	Positive Impact Indicate: Y = Yes, N = No, ? = unsure
Age	N	Y
Disability	N	Y
Marriage and civil partnership (workplace only)	N	N
Pregnancy and maternity	N	Y
Race (ethnicity)	N	Y
Religion or Belief	N	N
Sex (gender)	N	Y
Sexual orientation	N	N
Transgender	N	N

Please provide **brief** details of any potential to cause adverse impact. Record full details and analysis in the following section of this assessment.

It is not expected that this policy will cause any adverse impact.

How will this policy/proposal/practice promote our commitment to our legal responsibilities under the public sector equality duty to:

- eliminate discrimination, harassment and victimisation,
- advance equality of opportunity, and
- foster good relations between people from different groups?

A robust but fair collection and enforcement of debt will be undertaken taking into consideration any vulnerability issues. We will support residents and businesses in the prevention of problematic debt to improve their cash flow wherever possible.

People more likely to be vulnerable in terms of debt include disabled people, people with a mental health impairment or learning disability, people whose first language is not English, younger people, unemployed people, a person recently bereaved, lone parents, pregnant women and new mothers and people who have difficulty reading and writing. Recognising this means that this policy aims to advance equality of opportunity, where possible, in terms of age, disability, pregnancy and maternity, gender and ethnicity.

Evidence

What evidence do you have to support your findings?

Please **outline** your data sets and/or proposed evidence sources, highlight any gaps and say whether or not you propose to carry out consultation. Record greater detail and analysis in the following section of this assessment.

The council recognises that some customers will experience personal financial difficulty either for short or longer periods, particularly with the Government's welfare reform and the wider implications of the economic recession. Customers who find themselves in debt will often have multiple debts and experience a spiral of debt that affects the whole family, their quality of life and this in turn becomes a way of life. All staff dealing with families in difficult circumstances must recognize the circumstances where our customers are suffering hardship and need help and advice. Recovery action taken can often cause distress, especially where the person has other debts.

Part two of this impact assessment details the efforts the council will make to tackle the impact of debt (owed to the council) on vulnerable groups.

Screening Summary

On the basis of this screening is there:	Confirm which refers (Y/N)
Evidence of actual or potential impact on some/all of the protected characteristics which will proceed to full assessment?	Y
No evidence of actual or potential impact on some/all of the protected characteristics?	N

Sign Off

Lead officer sign off: Chloe Leavy	Date:
Service equality representative sign off: M Gallagher, Equality and Diversity Officer	Date:

If carrying out a full assessment please proceed to section two.

If not proceeding to full assessment please return completed screenings to your service equality representative and forward a copy to equalities@durham.gov.uk

If you are unsure of potential impact please contact the corporate research and equalities team for further advice at equalities@durham.gov.uk

Section Two: Data analysis and assessment of impact

Please provide details on impacts for people with different protected characteristics relevant to your screening findings. You need to decide if there is or likely to be a differential impact for some. Highlight the positives e.g. benefits for certain groups, advancing equality, as well as the negatives e.g. barriers for and/or exclusion of particular groups. Record the evidence you have used to support or explain your conclusions. Devise and record mitigating actions where necessary.

Protected Characteristic: Age		
What is the actual or potential impact on stakeholders?	Record of evidence to support or explain your conclusions on impact.	What further action or mitigation is required?
<p>Age impacts relate to younger and working age groups, older age groups and pensioners.</p> <p>The policy allows for consideration of individual circumstances in agreeing debt collection arrangements and takes into account any age related vulnerabilities.</p> <p>Loss of employment may result in serious financial difficulties if a person is suddenly unable to meet their existing financial commitments. A person who has recently become unemployed after a long period of employment may be unfamiliar with processes for claiming benefits and may need additional assistance to understand their entitlements.</p> <p>It is unlikely that a person aged under 18 years will owe any sums to the</p>	<p>Younger workers are more likely to have lower than average incomes and are therefore more susceptible to debt.</p> <p>Working age people in receipt of benefits will have a reduced household income.</p> <p>People of older working age may need to rely increasingly on benefit payments where they lose their job or can not work through ill health. Older may have to reduce working hours.</p> <p>National evidence suggests that those aged over 50 are less likely to find alternative employment if they lose their job.</p> <p>Those on Income Support, Job Seeker's Allowance, Employment and Support Allowance, Universal Credit or Guaranteed Pension Credit</p>	<p>Make individuals aware of all available sources of assistance or relief e.g. housing benefit and council tax reduction, discretionary housing payments, citizens advice etc.</p> <p>Make individuals aware of free and independent advice.</p> <p>Follow protocol for referrals to Citizens Advice County Durham (CAB) and further within the Advice in County Durham Network</p> <p>Discretion will be used (within appropriate legislation) to backdate benefit entitlement in cases of genuine</p>

Council. However, it is possible that a person may assist or care for a parent or other older person and could contact the Council on their behalf. A person aged under 18 years may be the only person at home when an enforcement visit takes place; therefore, the Council will always treat any person under 18 years old as vulnerable.

The council has a 100% exemption from Council Tax (CT) to those care leavers (up to age 25) who are liable to pay CT in their own right.

Where a care leaver moves into an existing household, their Council Tax will be reduced to 50%.

This will provide practical help and financial assistance to care leavers whilst they are developing independent lives and their life skills. It also means that no one will be disadvantaged by providing accommodation for care leavers.

Unnecessary recovery action will not be taken on grounds of hardship subject to robust financial appraisal. Customers will not be asked to make an unrealistic repayment, neither will the rate of repayment be such that the ongoing charge is not maintained and the debt never paid.

may be considered to be vulnerable for the purpose of this policy as they are living on a subsistence level benefit.

hardship. Staff will refer to the Council Tax Reduction Discretionary Policy and Business Rates Hardship Policy to provide help and guidance.

Protected Characteristic: Disability		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
<p>The policy allows for consideration of individual circumstances in agreeing debt collection arrangements and takes into account any disability related vulnerabilities.</p> <p>If it is evident that the debtor has mental health issues or learning difficulties, they will be considered to be vulnerable and supported appropriately.</p> <p>A customer (or the customer's partner) suffering from a serious or life-threatening condition may be considered vulnerable and particular care and attention appropriate to circumstance will be taken.</p> <p>Welfare Rights provide a home visiting service for those unable to attend the council offices and unable to access the Council's website with regard to ensuring that individuals claim all entitlements.</p> <p>Unnecessary recovery action will not be taken on grounds of hardship subject to robust financial appraisal.</p>	<p>Census 2011 figures show that almost 24% of County Durham's population has a limiting long term illness.</p> <p>Additional costs related to some health conditions or disabilities could lead to or increase financial hardship, this will be mitigated to some extent by ensuring assessments take account of disability costs where necessary and staff are trained to understand the issues.</p>	<p>As above</p> <p>Reasonable adjustments will be made where necessary.</p> <p>Special consideration will be given to those who are no longer taking responsibility of their own finances i.e. long-term hospital patients and those with mental health problems.</p>

<p>Customers will not be asked to make an unrealistic repayment, neither will the rate of repayment be such that the ongoing charge is not maintained and the debt never paid.</p> <p>The last procurement exercise to contract enforcement agent services who will support the In-House team required that the contractor must have a dedicated team to deal with potentially vulnerable customers.</p>		
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Protected Characteristic: Marriage and civil partnership (workplace only)		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?

Protected Characteristic: Pregnancy and maternity		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
A person in the later stages of pregnancy may find dealing with serious financial issues stressful, particularly if they are not supported by	Women taking maternity leave are likely to experience a drop in income making them more susceptible to debt.	As above

<p>a partner, or if they are on a low income or benefits. Any additional essential expenditure due to the pregnancy or birth of a child can often compound this situation.</p> <p>Unnecessary recovery action will not be taken on grounds of hardship subject to robust financial appraisal. Customers will not be asked to make an unrealistic repayment, neither will the rate of repayment be such that the ongoing charge is not maintained and the debt never paid.</p>	<p>Pregnancy and maternity can affect income and increase household costs.</p>	
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Protected Characteristic: Race (ethnicity)		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
<p>If a person does not understand either spoken or written English, vulnerability is considered; particularly if they do not have support from family members who can speak and read English.</p>		<p>As above.</p> <p>Provision of appropriate interpretation and translation where necessary.</p>

Protected Characteristic: Religion or belief		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?

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Protected Characteristic: Sex (gender)		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
<p>The policy allows for consideration of individual circumstances in agreeing debt collection arrangements and takes into account any gender related issues.</p> <p>A lone parent with primary care responsibilities is more likely to be a woman. Although a lone parent is not necessarily a vulnerable person as some are financially secure, others, in particular those with very young children, may have difficulty in undertaking employment and rely on Welfare Benefits.</p> <p>Unnecessary recovery action will not be taken on grounds of hardship subject to robust financial appraisal. Customers will not be asked to make an unrealistic repayment, neither will the rate of repayment be such that the ongoing charge is not maintained and the debt never paid.</p>	<p>Women may be more likely to suffer financial hardship or debt due to lower incomes. There are a number of factors which may affect financial hardship or debt for women, including:</p> <ul style="list-style-type: none"> • women are more likely to care for children or other relatives which restricts their employment opportunities; • women are more often victims domestic violence and are more likely to need financial support as a result; • women are more likely than men to experience financial hardship as a result of divorce, separation or the death of their partner. • women are more likely to work part – time or be in a low paid job, particularly where they have care responsibilities. <p>Census 2011 figures show that 40% of full-time workers were female whilst they</p>	<p>As above</p>

	<p>represented 79% of part-time workers.</p> <p>Around 89% of lone parents were female and more than 6 times as many women as men did not work because they were looking after the home or family.</p>	
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Protected Characteristic: Sexual orientation		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
There is no evidence to suggest any particular impact in relation to sexual orientation.		

Protected Characteristic: Transgender		
What is the actual or potential impact on stakeholders?	Explain your conclusion considering relevant evidence and consultation	What further action or mitigation is required?
There is no evidence to suggest any particular impact in relation to transgender.		

Section Three: Conclusion and Review

Summary

Please provide a brief summary of your findings stating the main impacts, both positive and negative, across the protected characteristics.

The policy applies to any customer or groups regardless of protected characteristics. There is potential for impact on some groups who may be at greater risk of financial hardship or debt, including those affected by national welfare reform changes and the wider implications of the economic recession. There may be particular impacts on working age and older people, disabled people, women, pregnancy and maternity and ethnicity.

The policy includes consideration of vulnerable groups where an alternative approach can be taken in debt recovery. Reasonable adjustments will be made for disabled people, including special consideration for those who are no longer taking responsibility of their own finances i.e. long-term hospital patients, people with a learning disability and those with mental health problems.

Other mitigating actions include ensuring staff are aware of processes for referring individuals to other organisations for advice and helping them to access alternative financial support such as Welfare Assistance or Discretionary Housing Payments. Appropriate interpretation and translation services will be provided for people where their first language is not English.

Will this promote positive relationships between different communities? If so how?

The policy is not specifically designed to promote community relations.

Action Plan

Action	Responsibility	Timescales for implementation	In which plan will the action appear?
Make individuals aware of all available sources of	Chloe Leavy	Ongoing	BAU

assistance or relief e.g. housing benefit and council tax reduction, discretionary housing payments, citizens advice, free and independent advice and debt counselling etc.			
Follow protocol for referrals to Advice in County Durham support agencies. The CACD protocol applies for the Council's Enforcement Agents	Chloe Leavy	Ongoing	BAU
Special consideration will be given to those who are no longer taking responsibility of their own finances i.e. long-term hospital patients and those with mental health problems.	Chloe Leavy	Ongoing	BAU
Ensure appropriate reasonable adjustments are made for disabled people.	Chloe Leavy	Ongoing	BAU
Provision of appropriate interpretation and translation where necessary.	Chloe Leavy	Ongoing	BAU

Review

Are there any additional assessments that need to be undertaken? (Y/N)	N
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When will this assessment be reviewed? Please also insert this date at the front of the template	June 2024
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Sign Off

Lead officer sign off: Chloe Leavy	Date: 04 November 2022
Service equality representative sign off: Mary Gallagher	Date: 04 November 2022

Please return the completed form to your service equality representative and forward a copy to equalities@durham.gov.uk