

# Payments from Customers and Debt Management Policy

## Strategy and Resources Committee, 01 February 2022

Report of: Chief Finance Officer (Section 151)  
Executive Head of Communities

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Purpose: For decision

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Publication status: Unrestricted

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Wards affected: All

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### Executive summary:

This report brings forward a 'Payments from Customers and Debt Management Policy' as attached at Appendix A to this report. The aim is to bring together existing policies for different income streams in one place, making it easier for customers to pay the Council 'right first time'.

Together with other practical measures designed to improve the efficiency and effectiveness of income collection and debt management, this will improve the Council's cashflow and total income raised.

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**This report supports the Council's priority of:** Building a better Council – making the Council financially stable and providing residents with the best possible services.

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### Recommendation to Committee:

That the Committee comments on the draft 'Payments from Customers and Debt Management Policy', attached at Appendix A, and makes any amendment prior to bringing to Council for formal approval.

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## **Reason for recommendation:**

The Council wants to collect its income promptly and minimise bad debts.

This policy will help improve the administration of income due to the Council. It will help to maximise the recovery of income and minimise the amount of aged debt that needs to be written-off.

Action must be taken to write-off bad debt against the provision so that the Council's accounts are kept more up-to-date. In addition, regular quarterly income monitoring and debt management reports will be brought forward to committees

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## **Introduction and Background**

1. In the Statement of Accounts as at 01 April 2021, the amount owed to the Council by debtors was £6.3 million (£6.5 million including Housing Benefit overpayments). This is an extraordinarily high proportion of the Council's Revenue Budget.
2. The Council has many different income streams. This draft Policy is intended to make it easier for customers to pay the Council on time, and to encourage them to include correct references so that payments are posted 'right first time' to the correct accounting codes. The policy puts all the information customers need to make a payment in one place. It also explains the steps the Council will take to recover outstanding debt.
3. This is not an exercise in changing policies; it is an exercise in collecting more income from individuals, faster, and minimising debt write-off. This will improve both the Council's cash flow and total income available to support the Budget.
4. This simple practical measure will reduce the costs of collection, minimise administration for the Council and help to keep individual customer accounts accurate and up to date.
5. The efficient and effective administration income collection is one of the most pressing areas for improvement at the Council. The Government pays a subsidy of 40% on Housing Benefit overpayments. But that means that if an overpayment is not recovered, 60% of the cost is met by the Council Tax payer.
6. Note that the proposed policy builds on existing policy documents that the Council already has, but not in one place. Some documents are used without amendment. Others have been re-drafted to use plain English and make them easier for the customer to use independently – and get the transaction 'right first time'. Good practice from other councils has been used to inform the proposed Policy.

7. The Council has built up a bad debt provision to cover an estimated level of bad debt. Typically, an organisation will periodically write-off bad debts. The Council has not been writing-off and reporting on bad debt since 2015 and has built up both a large balance of aged debt and a large provision for bad debt. The CFO is taking action to update and issue an Operational Procedure Note which will address this as a matter of priority. The Council will seek to levy and recover all costs and fees that are legitimately due from the debtor to the Council or its agents. Only in cases where it would not be in the public interest to pursue costs or fees will they be waived.
  8. These issues are covered in some detail in another report on this agenda: 'An Independent Review of Tandridge District Council's Financial Management and Reporting Arrangements'.
  9. The key changes from current practice are:
    - The Council's policy documents for all its main income streams have been edited, simplified, made consistent and brought together in one place.
    - The Council's associated operational procedures for taking recovery action have been reviewed. The CFO, under her delegated powers, will issue updated operational procedures for the efficient and effective administration of income and the recovery of aged debt.
    - The CFO, under her delegated powers, will issue an updated operational procedure for the writing-off of bad debt against the Council's provisions for bad debt.
    - The CFO will implement a requirement for a report on the reason for and level of write-offs of bad debt to be presented to Strategy and Resources and relevant committees on a quarterly basis.
  10. In conclusion, the proposed Policy provides a consistent and fair approach to non-commercial debt. It is recommended that it is adopted by full Council.
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### **Comments from the CFO (Section 151 Officer):**

The CFO is fully supportive of the approach set out in this report and the revised policies. We need as a Council to focus on the overall collection of income and the active chasing of debt as a matter of urgency to support our challenging financial position.

## **Comments from the Head of Legal Services and Monitoring Officer**

The Council is required to assist in maximising income and reducing cost of collection. This proposed policy seeks to identify an individual's ability to manage their finances and assist where possible, and to make the necessary arrangements to identify and support individuals who require assistance. The sharing of personal data of debtors within departments will be subject to the General Data Protection Regulations/ Data Protection Act 2018.

The next step is for Members to make any consequential amendments to the Draft Policy prior to bringing back to Full Council for formal approval.

### **Equality Implications**

An Equalities Impact Assessment was carried out. People are at risk of financial hardship at any time. It is important that the Council follows set processes to ensure a consistent approach to debt collection which may include signposting the debtor to alternative agencies such as Citizens Advice Bureau or Adult Social Care for advice and money management support.

### **Climate Change Implications**

There are no significant environmental or sustainability implications of this report.