

**Medway Council  
Corporate Debt Policy**

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### 1. Introduction

This document sets out Medway Council's policy about the billing, collection and recovery of income due to the Council.

It is essential that income due is collected effectively and that debt owed to the Council is kept to a minimum. The Council has both a legal duty and a responsibility to its residents to ensure that income due is paid promptly. Effective collection of debt enables more resources to be available for the delivery of essential services.

Sums due to the Council represent a combination of statutory and non-statutory charges. Statutory debt recovery methods are governed by legislation, and these laws dictate billing formats, notice periods, enforcement stages, and appeal rights. The collections practices take account of the wide range of services Medway Council provides to residents and businesses and we will apply fairness principles when considering the correct legal options.

Debt impacts both the Council and its residents, including individuals and businesses. Personal and corporate debt levels are at historic highs, driven by:

- Cost of living pressures
- Interest rate increases
- Reduced disposable income
- Post-pandemic financial instability

This has led to:

- A surge in **insolvency actions** (IVAs, DROs, bankruptcies)
- Increased **mental health impacts** linked to financial stress
- Greater demand for **debt advice and support services**

In undertaking income and debt recovery it is inevitable that we will be required to pursue the recovery of arrears from residents and businesses that may have difficulty paying.

This policy outlines the Council's approach to debt management, ensuring consistency, legal compliance, and alignment with best practice across all service areas. It clearly identifies where responsibility for the collection of different types of debt lies, distinguishing between statutory and non-statutory debts.

While statutory debts are recovered in accordance with legislative requirements, this policy ensures that all recovery activity is underpinned by principles of fairness, transparency, and resident support. The Council is committed to early and proactive engagement with residents, promoting manageable and sustainable repayment arrangements, and supporting income maximisation through access to welfare benefits, grants, and debt advice.

We recognise that some residents may be vulnerable or experiencing financial hardship, and we will tailor our approach to ensure equitable treatment and access to appropriate support. The effectiveness of our debt recovery processes will be monitored through performance indicators and regular reviews to ensure continuous improvement and accountability.

With the right advice and support, debt problems can be managed and ultimately resolved. This policy is designed to benefit both Medway Council and the residents and businesses it serves. It sets out clear priorities and objectives for the effective treatment of debt owed to the Council, and provides a framework for a consistent, fair, and sensitive approach to debt collection.

At the same time, it ensures that the Council continues to maximise income

collection in a way that supports financial sustainability.

## 2. Strategic Objectives

Medway Council Corporate Debt Policy will deliver against six overarching strategic objectives:

1. **To ensure consistency, legal compliance, and best practice** in the management and recovery of all council debts, with clear accountability across service areas.
2. **To promote financial resilience and early intervention** by proactively identifying residents at risk of financial hardship and providing tailored support to prevent debt escalation.
3. **To deliver a fair, transparent, and proportionate recovery process**, ensuring that all residents are treated equitably and with respect, regardless of the type or value of debt.
4. **To maximise income collection while minimising the use of enforcement**, through proactive engagement, sustainable repayment arrangements, and access to debt advice and welfare support.
5. **To support vulnerable customers and those experiencing financial difficulty**, by embedding a compassionate approach and ensuring staff are trained to identify and respond appropriately to vulnerability.
6. **To monitor and continuously improve debt recovery performance**, using data analysis to inform service development and policy refinement.

## 3. Aims

The policy aims to guide the Council in recovering statutory and non-statutory charges while ensuring **fairness, consistency, and compliance**. Our aims are:

### 1. Early Intervention

- **Proactive Contact:** Engage with residents identified as struggling to prevent debt escalation.
- **Guidance and Redirection:** To guide and direct residents to relevant support services, including welfare and debt advice.
- **Encouraging Engagement:** Promote communication before formal recovery steps are taken, helping residents understand options and avoid enforcement.

### 2. Co-ordinated Debt Management

- **Joined-Up Approach:** Manage debt across all Council services in a unified manner.
- **Collaborative Data Sharing:** Identify individuals with multiple debts to gain a holistic view of their financial position.
- **Consistent Messaging:** Ensure all Council functions provide clear, consistent information about obligations and available support.

### 3. Discretion for Individual Circumstances

- **Fair and Compassionate Approach:** Consider individual and exceptional circumstances.

- **Reasonable Adjustments:** Support those experiencing financial hardship or temporary difficulties such as job loss or **bereavement**.

#### 4. Support for Vulnerable Residents

- Recognise vulnerability due to age, disability, health conditions, or other factors, and tailor recovery processes accordingly in line with the Vulnerability and Financial Difficulty Policy and the Debt Management Vulnerability Toolkit.

#### 5. Compliance with Legislation

- Adhere to all relevant laws and regulations, ensuring recovery processes are lawful, fair, and transparent.

### 4. Scope

The approach applies to the collection of all debt owed to the Council including the following:

- ✓ Council tax.
- ✓ National non-domestic rates (NNDR).
- ✓ Housing benefit overpayments.
- ✓ Housing rent (excluding housing rent collection but including recovery of former tenant arrears).
- ✓ Housing repairs and service charges (including Housing enforcement notices, works in default).
- ✓ Adult social care contributions.
- ✓ Penalty charge notices / parking fines / warrants.
- ✓ Commercial rent and service charges.
- ✓ All other sundry debt, including fees and charges.

### 5. Collection Principles

The principles within this policy apply to all debt due to the Council, regardless of its source or reason. This ensures that debts are managed in a consistent way, applying fairness while recognising vulnerability and hardship.

Certain types of debt are subject to specific rules and legislation governing their collection and enforcement. Details of these are provided in Appendix A. This policy ensures that debt is collected:

- In a legally correct manner, in accordance with relevant legislation and any government or professional guidance.
- In line with the principles set out in this policy.

The Council will seek to recover all monies and debt due promptly and effectively.

#### The following principles will be applied by Medway Council when collecting income due:

- **Prepayment where possible:** Charges for services should be collected in advance to reduce debt risk.
- **Clear and accurate demands:** Bills and invoices will be correctly addressed to the liable person, business, or organisation, and include:
  - The implications of non-payment clearly communicated.
  - All necessary information.
  - A clear narrative explaining the debt and the period it relates to.

- **Timely issue of bills:** Bills, or invoices will be issued promptly and in line with statutory requirements.
- **Recovery of costs:** The Council will seek to recover any costs, fees, or disbursements incurred.
- **Encouraging early contact:** Residents will be encouraged to make prompt contact if they disagree with the debt or have difficulty paying.
- **Prompt dispute resolution:** Services will aim to resolve disputes quickly and fairly.
- **Recognition of vulnerability and financial difficulty:** Where possible this will be identified at the earliest opportunity so that support can be offered. Responding appropriately to a disclosure of vulnerability.
- **Data-driven intelligence and innovation:** Tools such as propensity-to-pay analysis and credit reference agency checks may be used to inform recovery actions. Digital and intelligence led transformation will be employed where appropriate.
- **Co-ordinated approach for multiple debts:** Where multiple debts exist at an advanced stage of recovery, communications will be combined and co-ordinated where possible.

## 6. Commitment to residents

When dealing with residents who owe money the Council will commit to:

**Treating Individuals Consistently and Fairly** regardless of age, sex, gender, disability, and sexual orientation, ensuring individual's rights under GDPR and human rights legislation are protected.

**Providing Holistic Support and Early Intervention** to prevent escalation through proactive measures, Financial Welfare support, including budgeting assistance using the Money and Pensions Service tool Money Helper and innovative early intervention strategies.

**Encouraging engagement** with us if there is a dispute or the resident has difficulty making payment. Ensuring communications are clearly written in a plain and accessible way.

**Affordable Payment Plans** If immediate repayment is not possible, the Council will collaborate with residents to establish a suitable payment plan based on affordability. Ensuring payment levels are appropriate to the resident's financial circumstances and do not increase the burden of debt on the resident.

**Guidance to Support and Relief** on available discretionary schemes, exemptions, discounts, grants, or alternative support options.

**Managing Multiple Debts** and co-ordinating communications that relate to all debts due to avoid undue stress, duplication and reduce costs. The exception to this will be where action for a debt is at an advanced collections stage and is specific to that debt type.

**Use of Enforcement Agents or Debt Recovery Companies** will only be engaged when all other recovery methods have been exhausted. Our priority is to resolve debts through supportive and collaborative approaches before considering enforcement action.

**Dealing with complaints** in line with the Council's complaints procedure.

## 7. Data Protection and GDPR Compliance

We will comply fully with the Data Protection Act 2018 and GDPR requirements when maintaining and processing personal data. This includes:

- Processing with Consent
- A Legal Basis

- A Legitimate Interest
- Personal data will be collected and stored only for the purposes of effective billing, collection, and recovery of sums due. All data will:
  - Be processed in accordance with the law and stored securely.
  - Be shared only with agents or contractors appointed by the Council for billing, collection, and recovery purposes.
  - Be shared within the Council or with external organisations only where legally permitted, in the debtor's interest, or to prevent fraud or unlawful evasion of payment.

### 8. Treatment of multiple debts

Some residents may owe more than one debt to the Council and could be vulnerable or experiencing financial difficulty. In these cases:

- **Discussion of Priorities**  
Officers will work with residents to identify which debts the Council considers a priority.
- **Priority Debts**  
Priority will be given to debts where non-payment could lead to serious consequences such as repossession or imprisonment. These include:
  - o Rent and Service Charges
  - o Council Tax
  - o Business Rates

These debts are enforced through the courts as required by law. Priority will also depend on the stage reached in the recovery process.

- While priority debts will be addressed first, the Council will seek to recover all amounts owed.

Where residents have debts from previous years, they will be expected to maintain payments for the current year while arranging to reduce earlier debts over an agreed extended period. Payment plans will aim to improve the resident's financial position over time.

### 9. Writing Off Debt

The Council recognises that after all recovery action has been exhausted that debt can become irrecoverable, and in such circumstances prompt and regular write offs is good practice.

The council will undertake regular reviews of outstanding debt and will ensure for each category a bad debt provision is calculated.

Each debt category will have a written procedure document for writing off debt which will contain:

- The checks that should be carried out before each type of write off / reason for write off is actioned.
- Reporting: including the frequency, the value of write offs and the reasons for write offs carried out in each financial year (Absconded, deceased, bankruptcy etc).
- Segregation of duties for recommending, approving, and entering write offs.

Each write off procedure document will be reviewed annually.

Write offs will be approved in line with the **Constitution of Medway Council Part 3, chapter 5 – Financial limits**. This includes an annual report to Cabinet detailing all debt written off.

The Council will seek to minimise the cost of write-offs to the local Council taxpayers by taking all necessary action to recover what is due. All debt will be subject to the full collection, recovery and legal procedures as outlined in this policy.

Write off is only appropriate where there is a justified reason why the debt should not be pursued.

Justified reasons may include:

- Where Insolvency proceedings have commenced and where it has been confirmed there is no dividend payable.
- If the resident cannot be traced / has absconded.
- Where the debt is uneconomical to pursue, or to pursue further. This may be based on more than one factor, such as the amount of the debt, the financial position of the resident and the cost in administrative and officer time in pursuing the debt.
- Exceptional circumstances where there is evidence of extreme financial hardship and no realistic prospect of recovery. The Council may consider a panel decision to write off debt, and this may apply where:
  - o An 'in-house' write-off is a viable alternative to committal to prison for Council Tax purposes.
  - o There was an inability to pay during the period of the debt and entitlement to welfare support was not claimed.
  - o Repossession would lead to homelessness and there is an inability to repay.
  - o The resident was entitled to claim support but did not do so due to capacity or other significant barriers.

These decisions will be made on a case-by-case basis, ensuring fairness, transparency, and compliance with statutory requirements.

Important note: Where a customer has an account in credit it may be transferred to offset an outstanding debt.

## 10. Review of this policy

This policy will be reviewed on an annual basis to reflect any changes to legislation or strategy by the Council.

## 11. Debt Recovery Legislation

Specific Legislation covering the collection of Council Debt.

### Council Tax

Council Tax recovery procedures are laid down in statute in the Council Tax (Administration & Enforcement) Regulations 1992 and subsequent amendments. The use of external enforcement agents is governed by the Taking Control of Goods Regulations 2014 and Taking Control of Goods (Fees) Regulations 2014.

### NNDR

NNDR recovery procedures are laid down in statute in the Local Government Finance Act 1988 and subsequent regulations and amendments. The use of external enforcement agents is governed by the Taking Control of Goods Regulations 2014 and Taking Control of Goods (Fees) Regulations 2014.

### Housing Benefit Overpayments

Housing Benefit (HB) overpayments are reclaimed in accordance with the Housing

Benefit Regulations 2006 and the Housing Benefit (persons who have attained the qualifying age for state pension credit) Regulations (as amended). There are separate arrangements in place for HB overpayments which are covered by the Housing & Council Tax Benefit Overpayments Policy (copies available from the Benefits Section).

### Housing Rents

Housing rents are recovered in accordance with the Council's Rent Arrears Policy and procedures, which is in accordance with the requirements of the Housing Act 1985 (and subsequent amendments). There is also a separate policy and procedure for the collection of former tenant arrears.

### Sundry Debt

Other Income & Sundry Debt are collected within a laid down procedure managed within the Central Finance Section. Enforcement and recovery can include use of external collection agents where necessary. There is discretion to charge interest on debt if appropriate.

### Housing Enforcement charges

Housing Enforcement Charges and Fees are chargeable under powers set out within the Section 49, Housing Act 2004 and are covered in the Housing Enforcement Policy. The cost of works in default to remedy identified Hazards are also chargeable.

The Council has a duty to provide certain households with temporary accommodation under the Housing Act 1996 (As Amended) and is able to charge for this provision. Details of the fees and charges for this accommodation is set in the Annual Fees and Charges report and they are charged in-line with the Councils Policy for this provision. The Council also has duty to provided removals and Storage for household items in some circumstances where the Council has a duty to provide accommodation.

### Penalty Charge Notices

Internal procedures. The use of enforcement agents is governed by the Taking Control of Goods Regulations 2014 and Taking Control of Goods (Fees) Regulations 2014.

### Adult Social Care

Adult Social Care contributions are recovered in accordance with the Care Act 2014.

The Care Act 2014 introduced a modern legal framework for the recovery of any debt that may have accrued because of a local authority meeting a person's eligible care and support needs. Powers provided under Section 69 of the Care Act provide equal protection to both the local authority and the person. Section 70 of the Care Act also provides a local authority with the power to recover charges from a third party where a person has transferred assets to them to avoid paying charges for care and support.

Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020.

## 12. Document Control

## History

Version	Date	Change Description	Changed By
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0.2	May 2022	Amended	Karen Powell
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## Approver:

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