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Debt management guidance

F.1 Good debt management is a key part of achieving the government's objectives for fiscal policy. These objectives are set out in the Charter for Budget Responsibility (section 3.1) and in the Consolidated Budgeting Guidance (section 1.3).

F.2 Debt owed to central government at 31 March 2013 was £137 billion and it is estimated that £22 billion of this was overdue. Write offs and remissions in 2012-13 were £6 billion.

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F.3 Government has a duty to manage its debtors effectively as part of good financial management in order to maximise value for the taxpayer. Government debt includes overdue tax liabilities, benefit overpayments, tax credit overpayments and outstanding fines and court confiscation orders.

F.4 Departments and their arm's length bodies (ALBs) must work together with HM Treasury and the Cabinet Office to reduce fraud, error and debt.

F.5 Departments and their ALBs should adopt the principles set out below to work with HM Treasury and Cabinet Office to minimise debt across government:

- Departments, and their ALBs, have a responsibility to have an implemented strategy agreed with their Finance Director for managing debt, in line with Managing Public Money and the Consolidated Budgeting Guidance rules, that specifically recognises the need to:
 - a Minimise the creation of debt, including building and deploying good data analytics effectively to prevent fraud and error;
 - b Tackle current aged debt, reduce the ageing of debt and prevent the creation of overdue debt;
 - c Consider the balance between the risk of holding debt, appropriate hardship and similar policies;
 - d Consider the impact, including consideration in business cases, of new policies
 - e Include clear governance and reporting arrangements agreed with the Treasury for debt remissions and write offs;
 - f Ensure relevant debt balances are presented in Board reports and discussed regularly at board level; and
 - g Identify and tackle policy barriers preventing effective debt management.
- HM Treasury is responsible for ensuring the budgetary framework sets the correct financial management incentives, and will continue to monitor and challenge debt management across central government through the spending team structure.

Accounting Officers remain responsible for managing resources efficiently and effectively and ensuring value for money for the Exchequer.

- The Fraud, Error and Debt (FED) Taskforce monitors progress to ensure accountability for HMRC and DWP delivery in order to reduce fraud and error loss in the benefits and tax credits system and meet their new debt targets. It is co-chaired by the Minister for the Cabinet Office and Cabinet Secretary. The main focus of the taskforce is to monitor the progress of HMRC and DWP, as they collectively hold almost 90% of central government's estimated overdue debt balance. Specific targets regarding reducing levels of fraud and error and the amount of debt collected have been set for HMRC and DWP and these are closely monitored at the Welfare FED Board which reports directly to the FED taskforce.
- The taskforce is supported by a number of working level groups including the Fraud, Error and Debt Working Group which has a cross-government scope. Specifically on debt this group will bring together senior officials from HM Treasury and the Cabinet Office to look at the cross-government view of overdue debt, and;
 - a agree and monitor progress against metrics on debt management cross-government in consultation with departments;
 - b agree clear and common definitions of debt related terms in consultation with departments;
 - c oversee the performance of cross-government initiatives on debt management; and
 - d identify and address policy barriers, to make debt management more effective.
- The Fraud, Error and Debt Working Group is part of the FED governance structure across Government. On HMRC and DWP, it will report to the FED TaskForce; for other departments and ALBs, it will report to the Fraud, Error and Debt Delivery Group to inform their oversight and drive to reduce FED across government. The working group will discuss actions and issues with HM Treasury spending teams to strengthen their focus on debt management across central government.
- For the departments with the largest amounts of debt, HM Treasury and Cabinet Office will lead joint quarterly meetings with the department to monitor, assess and challenge forecast debt, write offs and remissions. These meetings are in place for HMRC and will be extended to other key departments.
- The Financial Management Review conclusions show the importance HM Treasury places on financial management. The vision for HM Treasury's role for further improvements includes strengthening HM Treasury's financial management leadership within government and has created a new Director General for Spending and Finance role to give HM Treasury greater oversight and ownership of financial management across government. Debt management is also being considered as part of the wider Financial Management Review implementation.

F.6 These principles will be reviewed periodically.

Managing Public Money and Consolidated Budgeting Guidance

F.7 The management of debt must be in accordance with Managing Public Money and Consolidated Budgeting Guidance:

- The budgetary framework ensures that departments and other central government bodies have good incentives to manage their business well, to prioritise across programmes, and to obtain value for money – this should include robust debt management. The budgeting policies and purpose of control totals apply all to areas of a department’s budget including debt owed to government. Sections in the Consolidated Budgeting Guidance that specifically address debt are 3.34 – 3.36 *Impairments and write offs*, 3.60 – 3.64 *Debtors*, 3.85 – 3.89 *Tax credits*, 4.14 – 4.15 *Income* (including treatment of tax), 4.27 – 4.31 *Taxes, licences (treated as tax in the National Accounts) and levies* and Chapter 8 *Financial transactions* (including student loans).
- *Managing Public Money* sets out how to handle public funds with probity and in the public interest. All aspects of the guidance should be considered however in addition to the main chapters, the key areas from a debt management perspective are Box 3.1 *Standards expected of the accounting officer’s organisation*, Box 4.5 *Essential features of systems for collecting sums due*, Box 4.8 *Factors to consider when planning policies or projects*, Annex 2.2 *Delegated authorities*, Annex 4.9 *Fraud*, Annex 4.10 *Losses and write offs* and Annex 4.11 *Overpayments*.