HM Government

Government Functional Standard

GovS 014: Debt

Version: 2.0
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Approved

This functional standard is part of a suite of management standards that promotes consistent and coherent ways of working across government, and provides a stable basis for assurance, risk management and capability improvement.

The suite of standards, and associated guidance, can be found at **GOV.UK/government/collections/functional-standards**.

Functional standards cross-refer to each other where needed, so can be confidently used together.

They contain both mandatory and advisory elements, described in consistent language (see the table below).

Term	Intention
shall	denotes a requirement: a mandatory element.
should	denotes a recommendation: an advisory element.
may	denotes approval.
might	denotes a possibility.
can	denotes both capability and possibility.
is/are	denotes a description.

The meaning of words is as defined in the Shorter Oxford English Dictionary, except where defined in the Glossary in Annex B.

Version 2.0 of GovS 014 replaces version 1.0 dated May 2020. The main changes, which reflect input from users of the previous version, relate to alignment and cross referencing across other functional standards, the inclusion of clause 6.2 and the reformatting of content to ensure clarity and narrative flow.

It is assumed that legal and regulatory requirements are always met.

Produced by the Government Debt Management Function

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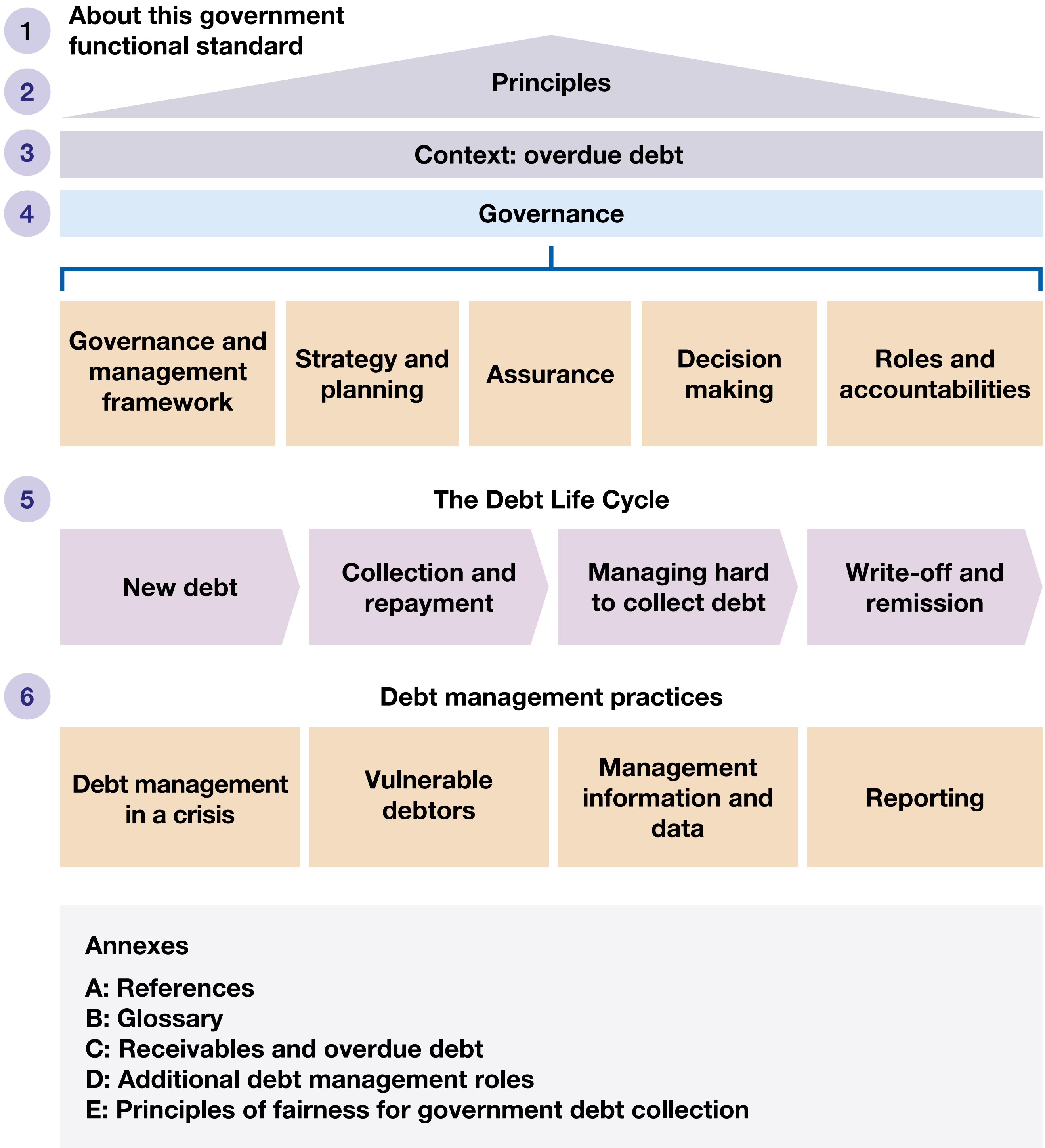

Figure 1 Structure and scope of this functional standard

1. About this government functional standard

1.1 Purpose of this government standard

The purpose of this government functional standard is to set expectations for the management of debt owed to government departments and their arm's length bodies, to:

- achieve a more consistent approach and improve government capability
- minimise losses to the exchequer
- ensure taxpayers' money is spent in the most efficient and effective way, whilst minimising unnecessary stress on the debtor

This standard provides direction and guidance for:

- permanent secretaries, directors general, chief executives of arm's length bodies and finance leaders
- debt strategy and debt policy leads
- debt operational leads and teams
- debt process owners

1.2 Scope of this standard

This standard applies to the planning, delivery and management of debt within government departments and arm's length bodies.

Note: 'organisation' is the generic term used to describe a government department, arm's length body, or any other entity within the scope of a functional standard.

This standard may be used by other public sector bodies to support benchmarking and continuous improvement. In these circumstances, and when the standard is used in this way, mandatory elements in this standard may be treated as advisory.

This following work is outside the scope of this standard:

- debt between government organisations
- invoices for goods and services that have not passed the due date (see Annex C)

The structure of the standard is shown in Figure 1.

1.3 Government standards references

The following standards are directly necessary for the use of this standard:

GovS 003, Human Resources

GovS 006, Finance

GovS 007, Security

GovS 008, Commercial

GovS 013, Counter Fraud

A functional standard supports achievement of the outcomes sought by an organisation. It sets expectations for what needs to be done and why relating to the functional work within its scope, in order to achieve those organisational outcomes.

Note: for expectations relating to management of a function across government, and management of functional standards, please see GovS 001, Government Functions.

2. Principles

Those engaged in managing debt shall ensure:

1. strategic debt management objectives are aligned to government policy and organisational objectives
2. governance, management frameworks and controls are proportionate and appropriate to the debt and the level of prevailing risk
3. accountabilities and responsibilities are defined, mutually consistent and traceable across all levels of management
4. their organisation's ability to recover debt is regularly reviewed and optimised
5. debt management practices tackle current aged debt, reduce the aging of debt and prevent the creation of avoidable overdue debt
6. debt management practices are not over-zealous
7. fairness to taxpayers and those that do pay on time, by taking a proportionate response to those that don't
8. the impact of debt collection practices on debtors is justly balanced with the need to have the right deterrents in place
9. public service codes of conduct and ethics, and those of associated professions, are upheld

3. Context: overdue debt

This section provides essential background information for the use of this functional standard.

The management of overdue debt owed to government is distributed across multiple organisations within government.

Overdue debt is owed by individuals and businesses and comes from a wide range of sources that might include, but are not limited to:

- overdue tax liabilities
- benefit or tax credits overpayments
- council tax
- loans
- outstanding fines and penalties
- court confiscation orders
- staff salary and loan overpayments
- irregular grant overpayments

Overdue debt is a receivable that has not been paid by the due date. Generally speaking, this is when a payment is missed by one day, or trade receivables missed by 30 days.

See Annex C for more on overdue debt, and an explanation of a receivable.

4. Governance

4.1 Governance and management framework

Governance comprises prioritising, authorising, directing, empowering and overseeing management, and assuring and reviewing performance.

A governance and management framework shall be defined and established for the management of debt across government as a whole, and in government organisations.

The governance and management framework should include the authority limits, roles and rules for making business decisions, degrees of autonomy, assurance needs, reporting structure, and accountabilities and responsibilities, together with the appropriate management practices, processes and associated documentation needed to meet this standard.

The governance of debt related activities within an organisation should be an integrated part of that organisation's overall governance.

4.2 Strategy and planning

4.2.1 Overview

All debt management strategies shall be consistent with the principles set out within:

- Managing Public Money [1]
- the Consolidated Budgeting Guidance [2]

Note: the Consolidated Budgeting Guidance does not apply in instances where no budget is held.

4.2.2 Cross-government debt strategy

The purpose of the cross-government debt strategy is to ensure appropriate and consistent management of debt across government.

A cross-government debt strategy should be developed and maintained, and should:

- set the vision, aims and objectives for debt management
- cover a minimum period of 3 years from the date of draft / refresh
- be endorsed by the appropriate board(s)
- be reviewed by the appropriate board(s) every 12 months to ensure relevance

To ensure alignment with this strategy those responsible for debt should actively engage with the senior officer accountable for the cross-government debt strategy (see 4.5.3) through co-ordinated forums and knowledge networks.

Note: additional information is provided by the Debt Centre of Excellence [3].

A separate, detailed plan should also be developed to ensure effective implementation of the cross-government debt management strategy.

4.2.3 Debt strategy in an organisation

Each organisation that manages overdue debt shall have a debt management strategy.

The purpose of an organisation's debt management strategy is to set strategic debt management objectives and to outline how debt should be managed in order to achieve these objectives.

A debt management strategy should cover end-to-end debt management from debt creation to collection or write-off.

The debt management strategy shall be consistent with the cross-government debt strategy (see 4.2.2), and should:

- align to government and industry best practice
- set the organisation's vision, aims and objectives for debt management
- set out strategic goals against which progress is tracked over time

- promote (where commercially viable), but not default to, the use of common government management platforms
- cover a minimum period of 3 years from the date of draft / refresh
- be approved by the appropriate board(s) or executive committees and operational leads
- be submitted to the senior officer accountable for the cross-government debt strategy (see 4.5.3) and HM Treasury spending teams for scrutiny and comment
- take into account a forecast of debt balance data. This will not be treated as a target

Note: government management platforms include 'notify' and 'pay'.

The following should also be considered, and referenced where appropriate:

- organisational / functional design
- commercial policies
- how change is managed
- people and professionalism
- management information and reporting
- data and security policies
- staff debt policies
- customer charter

GovS 007, Security and GovS 003, HR shall be followed.

A separate, detailed plan should also be developed to ensure effective implementation of the organisation's debt management strategy.

Once formally approved, debt management strategies should be shared with those responsible for debt within other organisations to support a collaborative, cross-government approach.

Debt management strategies should be reviewed annually by those responsible for debt in order to ensure they remain relevant, and compliant with the guidance set out by the senior officer accountable for the cross-government debt strategy (see 4.5.3) and HM Treasury spending teams.

4.3 Assurance

The purpose of assurance is to provide, through a systematic set of actions, confidence to senior leaders and stakeholders that work is controlled and supports safe and successful delivery of policy, strategy and objectives.

Organisations should have a defined and established approach to assurance, which should be applied proportionately to the risk and value of the activity, and integrated with the organisation's overall assurance framework.

Typically, assurance should be on at least three separate and defined levels including:

- by, or on behalf of, the operational teams that own and manage debt to ensure this standard is being used
- by, or on behalf of, those who have no first line responsibilities, to ensure the first line of defence is properly designed, in place and operating in line with this standard
- by independent bodies, to provide senior management with an objective opinion on the effectiveness of the organisation's overall debt management and compliance with this functional standard

The work of internal and external assurance providers should be planned to minimise disruption to other work, avoiding overlaps with other assurance activities and duplication of effort, whilst remaining rigorous and meeting the needs of stakeholders. Where assurance includes formal review activity, the customer for the review should be clearly identified.

The requirements of the Orange Book: management of risk- principles and concepts, should be met [4].

4.4 Decision making

Decisions relating to debt management should be made and approvals given in a timely manner, in accordance with the organisation's debt governance and management framework. Government policy should be complied with. Decisions should be made by assessing options against defined criteria and in consultation with stakeholders and subject matter experts.

Decisions might relate to:

- commercial relationships
- write-off or remittance of debt balances
- recruitment and resource allocation
- strategic goals or objectives

4.5 Roles and accountabilities

4.5.1 Introduction

Roles and accountabilities shall be defined in the relevant governance and management frameworks and assigned to people with appropriate seniority, skills and experience. This should include, but is not limited to, the activities, outputs or outcomes they are responsible for, and the person they are accountable to.

4.5.2 Accounting officer

The permanent head of a government department is usually its Principal Accounting Officer.

An organisation's Accounting Officer is accountable (via a Principal Accounting Officer where appropriate) to Parliament and the public for the stewardship of public resources, ensuring they are used effectively and to high standards of probity.

The Principal Accounting Officer generally appoints the most senior executive in the arm's length bodies within the department's ambit as an Accounting Officer.

4.5.3 Senior officer accountable for the cross-government debt strategy

The senior officer accountable for the cross-government debt strategy is accountable to the Chief Operating Officer for the Civil Service for:

- defining and establishing the cross-government governance and management framework (see 4.1)
- preparation, agreement and distribution of the cross-government debt strategy (see 4.2.2)
- communication of recommended practice across government

In undertaking this role, they should:

- develop, maintain and provide assurance over this functional standard
- engage with organisations to identify and share recommended practice
- provide expert advice and support to organisations

4.5.4 Board member accountable for debt management in an organisation

Organisations should have an accountable individual at board level who is accountable for debt management.

The board member should provide leadership to ensure the organisation is managing debt effectively.

They should:

- work with the organisation to meet this functional standard
- ensure accountability for debt is clearly understood across the organisation
- actively seek out and integrate best practice in debt management
- support delivery of the work of the government debt management function in the organisation

- ensure the organisation has a senior officer responsible for debt (see 4.5.5)

It is possible for this accountability to be split between different board members. However, where this is the case, those with accountability should be accountable for specific areas of the business (rather than have joint accountability), and this accountability should be recorded and recognised by the board.

4.5.5 Senior officer responsible for debt management in an organisation

Each organisation should have a senior officer with day-to-day responsibility for debt.

They should:

- work with the senior officer accountable for the cross-government debt strategy (see 4.5.3) to implement the cross-government debt strategy within the organisation
- work with the organisation to meet this functional standard
- co-ordinate, develop, communicate and review the organisation's debt management strategy and related strategic initiatives
- co-ordinate, develop, implement, promote and review the organisation's debt related policies
- ensure others are appointed in additional roles in order to manage debt effectively
- ensure effective implementation of the organisation's debt management strategy

Note: for additional debt management roles see Annex D.

5. The debt life cycle

5.1 Introduction

Legislation sometimes dictates the way debt should be managed. When considering processes and practices in this standard it is assumed that legal and regulatory requirements are always met.

Organisations should use a single debt management application to account for all debt throughout the debt life cycle (Figure 2).

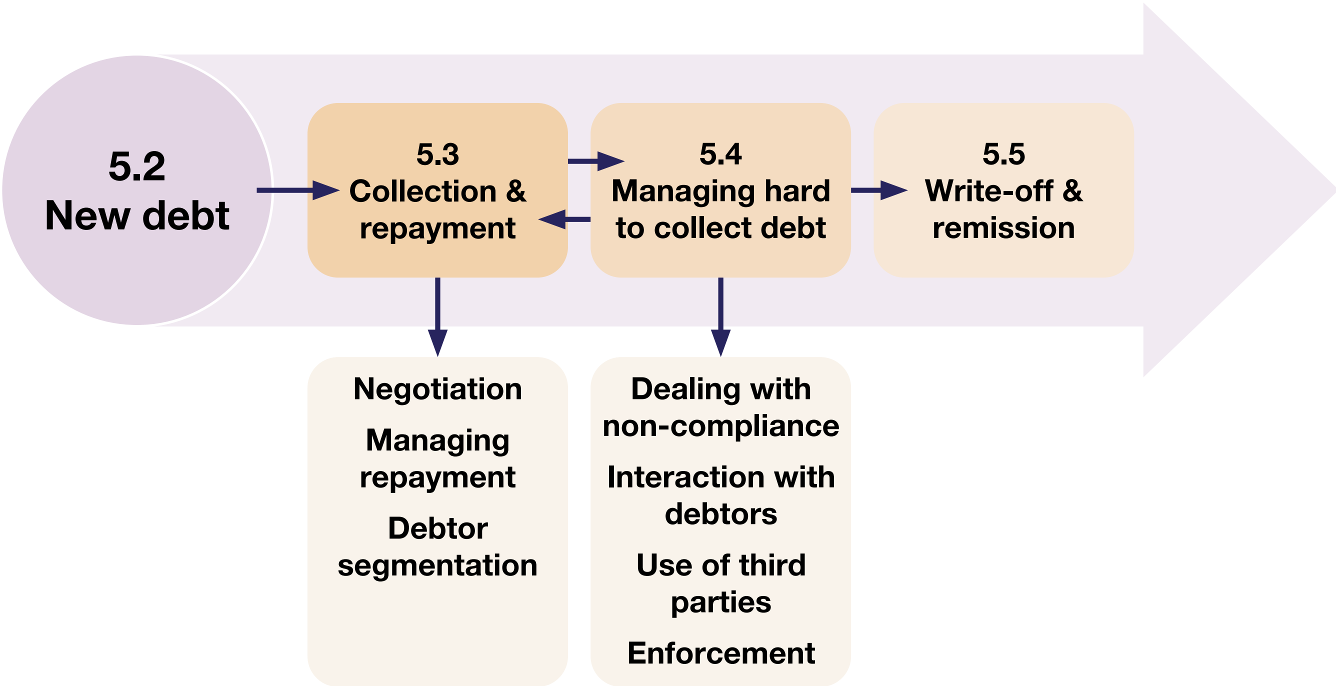

Figure 2 The primary practices required for the debt lifecycle are shown in Figure 2

Where this is not possible, and where procedural differences allow, a plan should be in place to work towards this.

Handoffs and interfaces with other debt management applications within the same organisation should be defined and minimised.

An integral part of the debt management process is the raising of debt. Debt management applications shall facilitate the raising of debt, either directly within the application or via a referral from another party.

For activities to detect fraud and error, GovS 013, Counter Fraud shall be followed.

5.2 New debt

Those responsible for debt should document the process for raising debt or receiving debt referrals. This should set out how organisations expect to interact with debt referring bodies and/or the exact steps that need to be taken in order to raise a debt within the debt management application. If the raising of debt is dictated by legislative frameworks, or from an imposition of the court, any additional documentation should not be required.

Where the process for raising debt is dictated by legislation those responsible for debt should ensure that this process is kept up-to-date with legislation.

The time taken between debt raised / referral loaded and recovery action initiated should be agreed by those responsible for debt, documented through service level agreements (or similar) and linked back to debt strategies.

The cause of debt should be understood, documented and accessible, to support:

- conversations with the debtor (where this doesn't contradict procurement policy, commercial arrangements or data destruction agreements)
- work to help prevent or deter future debt instances

5.3 Collection and repayment

5.3.1 Negotiation

Organisations should use relevant sources of data and information to make informed decisions about a debtor's individual circumstances, taking into account an individual's ability to pay (see Annex E).

Operational delivery teams should use a repayment framework or process, documented by those responsible for debt, to support negotiations and decisions.

This framework or process should be supplemented with a:

- documented range of communication channels offered for inbound and outbound debtor communications
- documented range of acceptable payment options (for example: direct debit, Faster Payment or BACS)
- toolset which facilitates assessment of income versus expenditure, including in work and out of work considerations, along with the ability to take irregular income into account

Any negotiations undertaken should consider the total balance owed by the debtor, across all accounts managed by the organisation. To assist with this, wherever policy and technology allows, an aggregated, consistent and holistic representation of a debtor's financial data should be able to be viewed in one place.

5.3.2 Managing repayment

Collections strategies and processes should be reviewed on an ongoing basis by a strategic design authority (or equivalent) within the organisation, with the support of those responsible for debt and relevant internal senior governance boards or executive committees.

Reviews might be built into all repayment plans to re-assess affordability and ensure that sustainable and fair repayment plans remain in place, in line with any judicial decisions. Where underpayment occurs, those responsible for debt might endeavour to understand the reasons for non-payment and reassess an individual's circumstances to ensure any new agreed repayment arrangements are both affordable and sustainable.

To avoid triggering unnecessary reviews, those responsible for debt should agree and apply tolerance limits for under-payment and over-payment against repayment plans where possible within organisational constraints.

To ensure complete clarity for the debtor, those responsible for debt should set out exactly how any monies collected shall be attributed to individual debtor accounts. This should include, but not be limited to:

- a maximum period of time, usually 24 hours, within which any cleared payments received directly from the debtor shall be attributed to the debtor's account (assuming the correct supporting information is supplied)
- a maximum period of time, usually 5 working days, within which any cleared payments made to a third party debt collection agent shall be attributed to the debtor's account (assuming the correct supporting information is supplied)

- a maximum period of time, usually 24 hours, within which any payments which cannot be attributed to debtor accounts are moved into a suspense account
- a time period within which any payments held within the suspense account are reviewed and attribution to debtor accounts attempted
- a clear priority recovery order, which drives payment attribution in cases where multiple debts are owed by the same individual or business

Note: a priority recovery order should be developed unless there is legal advice to the contrary, for example that the debtor shall determine the order in which debt is recovered.

5.3.3 Debtor segmentation

Organisations should use automated debtor or debt segmentation to drive work priorities, optimise interventions (through risk profiling) and trigger debtor communications or alternative collections strategies across multiple segments of debt (subject to system constraints).

Organisations should use data analytics to inform and develop debtor or debt segmentation strategies, informing the prioritisation of collection activities to maximise recoveries and reduce cost.

Organisations should use behavioural insight to inform debtor or debt segmentation and influence debtor communications, driving better outcomes for both government and debtors.

Testing and trialling of new capabilities and alternative collections strategies should be supported by functionality that enables comparison of two or more strategies in order to identify the one that performs the best.

5.4 Managing hard to collect debt

5.4.1 Dealing with non-compliance

Debt management practices should be supported by policies, or legislation, that sets out, but is not limited to:

- minimum and maximum rates of recovery
- a deterrent aspect, where the deterrent is actionable
- how fines or penalties can be recovered
- how debt, which has occurred through fraudulent or criminal activity, can be recovered

For activity to detect fraud and error, GovS 013, Counter Fraud shall be followed.

Organisations shall encourage debtors to voluntarily comply with legislative requirements.

Those responsible for debt should clearly define and document practices that can be operationalised and used to deal with non-compliant debtors.

5.4.2 Interaction with debtors

Key measures covering debtor interaction should be documented by those responsible for debt within a customer charter. The charter should provide a framework further defining what debtors can expect from the organisation, and what their responsibilities are in return.

Note: customer charters can cover a wide range of services, extending beyond debt specific elements. In these instances, the documents may be developed outside of the Government Debt Management Function.

To encourage necessary interaction there should be a local rate telephone number available for debtors (and non-fee debt advice services) to use to interact with organisations.

All interactions with debtors and/or their representatives, including debt advisers, should be recorded and date stamped within the organisations' debt management application in order to:

- ensure application users are always up to date with the most recent debtor interaction
- ensure application users can view the service history with a debtor and resolve any account issues or complaints
- minimise miscommunication if the account is handled by multiple application users
- record debtor's needs and preferences, including their preferences of how and when they can be contacted

To prevent duplicate debt management activity taking place debtor accounts should be automatically annotated to indicate instances where enforcement activity has been undertaken or the account has been referred to, or from, a third party.

Those responsible for debt should clearly define and document a maximum period of time, usually 24 hours, within which these updates should be applied. Any exceptions to this should also be documented.

Note: for example, where there is an ongoing criminal investigation it might not be appropriate to update the debtor's account.

5.4.3 Use of third parties

Organisations should consider using third party debt collection agency services, analytical services and behavioural insight services in order to add capacity and capability wherever needed to support debt recovery, including the management of non-compliant debtors.

To make best use of the government's buying power third party services should be accessed through a framework or similar cross-government commercial arrangement and managed by a government organisation.

Commercial arrangements with third parties shall be in accordance with GovS 008, Commercial.

The organisation's debt management application should automatically identify situations where access to third party services should be considered, in line with the relevant collection strategy.

Where an address is held debtors should be automatically notified of referral, or intended referral, of their account to a third party where debtor facing debt management activity shall be undertaken. Consideration should also be given to how accounts are managed back in to the organisation following placement.

5.4.4 Enforcement

Organisations should have access to enforcement services to support debt management, including the management of hard to collect debt, when cost effective to do so.

Those responsible for debt should clearly define supporting rationale, including value limits, for debt to be taken forward for enforcement.

To ensure consistent application of rationale and / or value limits the organisations debt management application should automatically identify situations where enforcement action should be considered, in line with the relevant collection strategy.

Due to the specialist nature of the service any enforcement action should be undertaken by, or in consultation with, specialist enforcement teams.

5.5 Write-off and remission

Organisations should have clear, documented, write-off and remission policies and practices. These policies and practices shall be in line with HM Treasury guidance and legislation.

Note: see Managing Public Money [1] for further guidance.

To ensure regular application of policies and practices, write-off and remission should be part of the end-to-end debt management process and should be built into debt collection processes and automated, wherever policy and technology allows.

All non-automated write-offs should be subject to approval by those responsible for debt before being committed to a debtor's account.

Reasons supporting write-off and remission should be recorded on the debtor's account immediately prior to any activity to adjust the debt balance, or as part of the balance adjustment activity.

6. Debt management practices

6.1 Introduction

This section includes practices which supplement those in section 5 and which can be used throughout the debt life cycle.

6.2 Debt management in a crisis

Organisations should have clear arrangements in place for managing debt and the treatment of debtors in defined crisis situations.

Note: crisis situations might include a significant economic downturn, financial crisis or a global pandemic.

Debt collection practices should balance the need to recover debt efficiently with the appropriate treatment of debtors who may have been impacted by the crisis.

The Debt Centre of Excellence [3] should provide specific guidance to be used in the event of a crisis.

Arrangements for debt management in a crisis should include coordinated approaches to the management of debt accrued both within and post crisis, which can involve:

- the pausing of proactive collection, tailoring and resumption of debt collection activity
- extension of flexible payment plans
- consideration of alternative collection strategies

Organisations may review their frequency of communication and reporting to maximise debt collection effort and recovery during and post crisis.

Organisations may remove or relax time limits on payment plans, for example to extend payment plans across financial years or remove requirements to resolve debt in-year.

Organisations should assess and forecast potential impacts of the crisis on debt management activity, and report the likely impact as set out in 6.5.

GovS 006, Finance shall be followed.

6.3 Vulnerable debtors

Operational practices shall treat debtors in a manner appropriate to their circumstances.

There should be specific policies and practices in place to help identify and deal with those who are considered vulnerable, or those in hardship (see Annex E).

This should include, but not be limited to:

- specific training to help operational delivery teams identify and / or deal with vulnerable debtors or those in hardship
- clearly understood indicators of vulnerability, including financial vulnerability, documented by those responsible for debt

Policies, strategies and practices should make provision for payment holidays, remission processes, longer collection timescales and other alternative collections strategies.

Policies should also consider additional costs, and how these are passed on to the debtor.

Note: for example, reduced interest rates or suspension of late payment penalties might be considered.

There might be discreet, specifically trained, internal support teams who can spend more time dealing with vulnerable debtors, or those in hardship, and offer tailored support for debtors including, where appropriate, signposting to external support services appropriate to their circumstance.

Those responsible for debt might seek to embed the tools and guidance set out in HMG Debt Management Vulnerability Toolkit as part of their policies, strategies and practices.

6.4 Management information and data

Those responsible for debt should agree and document a mandatory data requirement, tailored to their individual organisation, which should be used within the debt creation process.

Any referrals or new debts which do not include the mandatory data should be rejected and returned to source for remedial activity.

Mandatory data should be appended with a set of optional data, agreed by those responsible for debt, tailored to each organisation.

Note: mandatory data requirements may differ between organisations. Examples include debtor name, date of birth, and/ or amount due.

Further data enrichment shall be supported by appropriate data sharing agreements, utilising the legislative cover provided through the Digital Economy Act [5] where needed.

All data referred or input as part of the new debt process should be validated, with any anomalies identified and resolved.

Note: data validation might include checking balances are recorded as numbers, or checking a telephone number has the correct number of digits.

The process for validating data, including corroborating data sources, should be documented by those responsible for debt and reviewed periodically.

To ensure referrals are loaded onto debt management applications in a robust and auditable way, the referral process should be supplemented with a receipting or 'handshake' process, documented and agreed by those responsible for debt and data security leads.

Note: this does not apply to debt raised directly within the organisation's debt management application.

To minimise the possibility of error or duplication of data there should be a single data source that supports all management information and reporting within an organisation.

Note: it is recognised this might not always be possible given organisational constraints.

6.5 Reporting

Those responsible for debt should regularly report on debt management activity to an appropriate internal board and HM Treasury spending teams. Reporting should include an agreed set of key performance indicators, focused wider than cash recoveries, that underpin performance discussions and reporting. This might include the monitoring of financial and reputational risks.

All organisations shall meet the data provision requirements and timescales set out in the cross-government governance and management framework.

To ensure the latest information is always available to operational teams, reporting should be updated in real-time, or within an acceptable period set by those responsible for debt.

Reports should be reviewed regularly by those responsible for debt and redundant or duplicate reports removed.

GovS 006, Finance shall be followed.

Note: see also the Financial Reporting Manual [6].

A. References

All references are correct at the time of publication, users should check for updated versions.

I.D.	Description
1	HM Treasury*, Managing Public Money* (2021)
2	HM Treasury, *Consolidated Budgeting Guidance* (2021)
3	OneFinance, *Debt Centre of Excellence* (2021)
4	HM Treasury, *Government Finance Function, The Orange Book: Management of risk - Principles and Concepts* (2020)
5	UK Public General Acts, *Digital Economy Act* (2017)
6	HM Treasury; *Government Financial Reporting Manual* (2020)

B. Glossary

See also the **common glossary of definitions** which includes a list of defined terms and phrases used across the suite of government standards. The glossary includes the term, definition, and which function owns the term and definition.

Term	Definition
aged debt	A debt that is overdue by 181 days or more.
assurance	A general term for the confidence that can be derived from objective information over the successful conduct of activities, the efficient and effective design and operation of internal control, compliance with internal and external requirements, and the production of insightful and credible information to support decision making. Confidence diminishes when there are uncertainties around the integrity of information or of underlying processes.
debtor	A person or organisation that owes money to another party.
defined (way of working)	In the context of standards, 'defined' denotes a documented way of working which people are expected to use. This can apply to any aspect of a governance or management framework for example processes, codes of practice, methods, templates, tools and guides.
established (way of working)	In the context of standards, 'established' denotes a way of working that is implemented and used throughout the organisation. This can apply to any aspect of a governance or management framework for example processes, codes of practice, methods, templates, tools and guides.
financial data (relating to a debtor)	Financial data relating to the debtor may include the total balance owed to the organisation, and any previous payments made. Income and expenditure assessment data could also be included.
governance	Governance defines relationships and the distribution of rights and responsibilities among those who work with and in the organisation. It determines the rules and procedures through which the organisational objectives are set, and provides the means of attaining those objectives and monitoring performance. Importantly, it defines where accountability lies throughout the organisation.
governance and management framework	A governance and management framework sets out the authority limits, decision making roles and rules, degrees of autonomy, assurance needs, reporting structure, accountabilities and roles and the appropriate management practices and associated documentation needed to meet this standard.

Term	Definition
handshake	Handshaking is a technique of communication between two entities. A simple handshake might involve the receiver sending a message saying "I received your last message and I am ready for you to send me another one."
overdue debt	Overdue debt is a receivable that has not been paid by the due date, where the due date is defined as a specified period for payment, or the first date following a specified period of appeal from when a charge is raised. Generally speaking, this is when a payment is missed by 1 day, or trade receivables missed by 30 days.
payment holiday	A period within which payments do not need to be made.
organisation	An organisation, in the context of government functional standards, is the generic term used to describe a government department, arm's length body, or any other entity that is identified as being within scope of a functional standard.
plan	A plan sets out how objectives, outcomes and outputs and outcomes are to be delivered within defined constraints, in accordance with the strategy.
receivable	A receivable is money owed to the government and is represented as an asset. In financial statements these are categorised between current (receivable within 12 months), and non-current (receivable after 12 months or more).
remission	Remissions are debts capable of recovery but the organisation has decided not to pursue the liability on the grounds of value for money or hardship. As with a write-off, this would be recorded in the annual report and accounts as a reduction in the value of the receivable, or as an expenditure.
strategy	A strategy outlines longer term objectives, outcomes and outputs, and the means to achieve them, to inform future decisions and planning.
write-off	Writing down of a receivable balance in the annual report and accounts below its original value. Only receivables that are considered irrecoverable can be written off, although they could still legally be collectable. Court fines and confiscation orders can be cancelled as a result of a judicial decision, and will be written off. These will all result in a charge to the Income and Expenditure account and a reduction to the receivables balance.

C. Receivables and overdue debt

Explanation of a receivable

A receivable is money owed to the government and is represented as an asset. In financial statements these are categorised between current (receivable within 12 months), and non-current (receivable after 12 months or more).

Receivables exist as a result of a transaction which has happened, such as the delivery of a service or good that hasn't been paid for yet i.e. the cash has not been exchanged. It can also be the result of a payment being made which should not have been and is now recoverable, such as a benefit or tax credit overpayment, or a fine or loan has been issued. The income will have already been recognised in the financial statements. For Department for Work and Pensions loans, the income is recognised at the recovery date.

Receivables are assessed for their collectability and shown in the financial statements net of a provision for impairments and debt written off.

Receivables are a normal part of how finance flows between organisations. It is natural for there to be a time lag between a chargeable event and the cash changing hands.

When a receivable is recognised there is usually a date when the receivable has to be paid by – the due date. It is only when this agreed due date has passed, plus any formal appeal period, that the receivable will become overdue.

Explanation of overdue debt

Overdue debt is a receivable that has not been paid by the due date, where the due date is defined as a specified period for payment, or the first date following a specified period of appeal from when a charge is raised. Generally speaking, this is when a payment is missed by 1 day, or trade receivables missed by 30 days.

This overdue debt is legally collectable and enforceable. Overdue debt only includes receivables that have passed their due date, and all appeal processes.

Overdue debt does not include receivables being recovered as part of an agreed payment process that have not past their due date. This includes receivables which are being netted off future payments, such as tax credit cross recovery and coded out debts, and deductions from an on-going benefit award, or other method agreed with the debtor i.e. direct debit, on-going direct payments, etc.

When more than one deduction is being taken from an on-going award, all deductions will be classed together and will not be considered overdue, as long as these deductions continue in the future.

Recovering a loan, fine, confiscation order, or other court financial imposition as part of an agreed plan within an agreed timeframe, that was established before the receivable became overdue, will also not be classed as overdue debt.

D. Additional debt management roles

Additional roles required to manage debt effectively might include, but not be limited to:

- debt operational lead – responsible for managing resources and administering business practices to deliver effective debt management services
- debt commercial lead – responsible for overseeing commercial relationships to ensure compliance with the organisation’s goals
- customer relationship lead – responsible for managing an organisation’s relationships and interactions with customers (or debtors)
- finance performance management lead – responsible for developing performance measurement frameworks and analysing the performance of debt management services
- debt process owner – responsible for the overall management of processes within the organisation
- strategic design authority – responsible for defining common design principles and providing assurance that solution designs are fit for purpose, meet requirements and integrate with existing architecture
- operational delivery teams – responsible for the management of debt, at a working level, throughout the debt life cycle outlined in section 5

E. Principles of fairness for government debt collection

The government aims to be conscious of the impact debt collection practises have on vulnerable customers and customers in hardship. The Government also needs to ensure fairness to taxpayers and those that do pay on time, by taking a proportional response to those that do not. We also need to ensure we have the right deterrents in place.

Our aim is to ensure repayment plans are affordable and sustainable. This should balance the need to maximise collections, while taking affordability into account. This may be achieved by using relevant sources of data and information to make informed decisions about a customer's individual circumstances and their ability to pay.

Where appropriate, this process could include:

- an assessment of income versus expenditure to create a tailored and affordable repayment plan based on in work and out of work considerations, including the ability to take irregular income into account;
- consideration of the need for forbearance in cases of vulnerability and hardship;
- where a vulnerable customer is identified, they should be given appropriate support and advice, which may include signposting to non-fee paying debt advice agencies;
- government should deal openly with non-fee paying debt advice agencies who are helping customers in debt; and
- communication should clearly set out relevant information to enable the customer to take action, and encourage them to engage with the Government