

REPORT FOR: OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting:	4 th June, 2013
Subject:	Debt Recovery Process
Responsible Officer:	Fern Silverio, Head of Collections & Housing Benefits
Scrutiny Lead	Cllr Jerry Miles – Policy Lead Corporate Resources
Member area:	Cllr Kam Chana – Performance Lead Corporate Resources
Exempt:	No
Enclosures:	Appendix A – Draft Corporate definition of vulnerability for all debt collection across the Council Appendix B – Help Scheme mapping and Stakeholder matrix Appendix C – Localisation of Council Tax EqIA

Section 1 – Summary and Recommendations

This report sets out the following information for members:

- Current debt collection levels for all debt collection across the Council
- Current debt collection levels for people affected by the changes to Council Tax Benefits and an update on the awareness activities that have been put in place to ensure as many people as possible are informed of how the changes affect them and the support that is available
- An update on progress of the review of the Corporate Debt Collection Policy

Recommendations:

The following recommendations are put to Members:

- Members note the content of the report

Section 2 – Report

Introductory paragraph

The Welfare Reform Act 2012 introduces extensive changes to the benefits system which include the following:

- § The Localisation of Council Tax Benefit
- § Benefit Cap
- § Size Criteria
- § Universal Credit
- § Personal Independent Payments (PIPs)

The majority of these changes are being rolled out from April 2013 onwards and will reduce the benefit income for working age households within Harrow by approximately £8 million over the next financial year.

Members of the Overview and Scrutiny Challenge Panel recognised, at an early stage, the impact of the recession could make it very difficult for some residents to be able to pay their bills and result in an increase in debt for the household. The impact of the changes within the welfare reforms will bring additional burdens for many residents as they start to see their benefits reduce over the next few months.

This report provides members with information relating to the current debt collection levels for all debt collection services across the Council particularly in light of the implementation of the initial welfare reform changes. This report also provides members with an update on the activity that has been carried out to date to address the concerns raised at the Challenge Panel on the 7th November, 2011 regarding recognition of vulnerability across all debt collection processes within the Council.

Background

The Council recognised that a corporate approach was required to understand impacts of the welfare reforms for both residents living in Harrow and the delivery of Council Services and therefore developed a Welfare Reform Governance Structure. This structure includes an Officer and Member Steering Group, Officer Programme Board and most recently a multi-agency Community Reference Group.

This structure has ensured that the implementation of the welfare reforms is co-ordinated across all services, feedback influences the development and review of policies and mitigations are put in place to help reduce the impacts of these changes.

All activity taken forward in relation to the Welfare Reforms is reported through this governance structure and therefore the review of both the Council Tax Debt Collection Policy and the review of the Corporate Debt Collection Policy are included as work streams.

Council Tax Debt Collection

As a result of the introduction of the new Council Tax Support Scheme in April 2013, and the savings that had to be made due to the 10% reduction in funding, all Council Tax Support claimants will now have to pay something or more towards their Council Tax bill than they did previously when receiving Council Tax Benefits.

The scheme was developed taking into consideration the feedback from an extensive public consultation and through working in partnership with a multi agency Steering Group. Through both these activities concern was raised regarding the ability of people on low income being able to manage their incomes as a result of changes within the welfare reforms and the impact this could have on the accrual of debt.

Members also recognised these concerns and in particular were concerned that collecting monies from people who had previously received 100% Council Tax Benefit could be difficult and therefore pose a risk to Council Tax collection. Therefore Cabinet, at the meeting held in December, 2012, agreed a lower Council Tax debt collection rate for those people (approximately 7000) who previously received 100% support towards their Council Tax bill. The lower Council Tax collection rate, for this specific group of people, factored into the overall budget is 70%, which is a 28.5% reduction on the collection rate expected for all other Council Tax payers.

A decision was taken through working with the multi agency Steering Group to set up a Debt Collection Sub Group. This group includes membership from CAB, Harrow Association of Disabled People (HAD), Harrow Mencap, the Landlords Association, Harrow Law Centre, Age UK, Newlyn's and Chandlers Bailiffs, Councillors and representation from all Council Services. The group agreed that it would focus on reviewing the Council Tax Debt Collection Policy to ensure that processes were put in place to recognise that there were new Council Tax payers who may find it very difficult to pay their Council Tax and then to feed into the review of the Corporate Debt Collection Policy.

Review of Council Tax Debt Collection Policy

The Debt Collection Sub Group meets on a monthly basis and has worked with the Council to develop and deliver the following activity:

Awareness Campaign

At the earliest stages the group felt that an effective awareness and engagement campaign should be taken forward to ensure that all people who claimed Council Tax Support were aware that they would have to pay something or more towards their Council Tax from April 2013 as this would avoid debt accruing at the earliest stage. The awareness campaign that has been developed includes the following activity:

- Posters, leaflets, articles in the local papers and council publications telling people about the changes

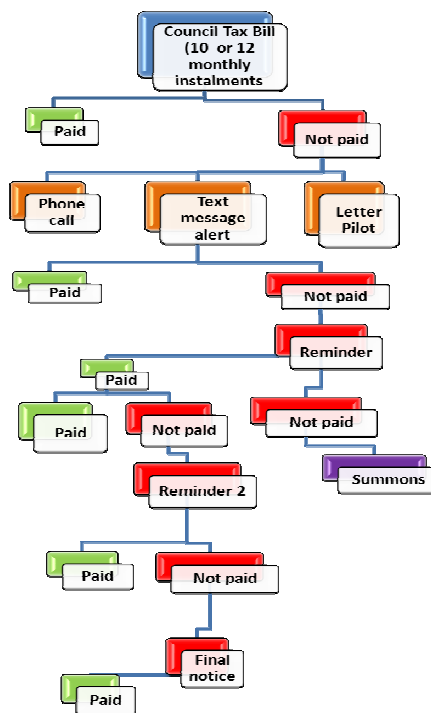
- Posters inside buses in Harrow
- Personalised leaflets with booklets telling people about the changes and what they need to do were sent to all 11,000 working age Council Tax Benefit claimants
- Surgeries held in libraries and Access Harrow
- Information with the Council Tax Bill
- Telephone Awareness Campaign – a team of graduates employed through the Xcite programme have been trained to telephone all 7000 Council Tax Benefit claimants who no longer receive 100% Council Tax Support and advise them of the changes, tell them how they can pay their Council Tax and signpost to support if required

Review of Council Tax Debt Collection Processes

The group have discussed Council Tax Debt Collection in detail and agreed the following in relation to this collection process:

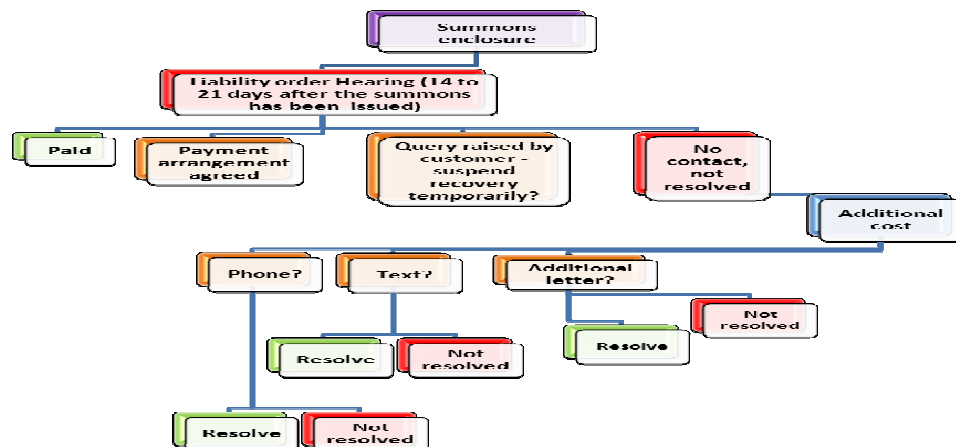
Short term allowances – have been put in place whilst awareness is taking place for the claimants who previously received 100% Council Tax Benefit Support. These allowances have included the following:

- Additional letters, text message alerts and telephone calls delivered before the initial reminder letters are sent – all three mechanisms to be monitored to identify which is most effective. The Council Tax collection process for these claimants is being delivered as follows whilst the awareness activity is being taken forward :



- Commitment not to take this group of claimants to court whilst the awareness activity is being carried out

- Additional letters, text message alerts and telephone calls put in place following Court Summons where payment has not be made:



- The Bailiffs have been represented on the sub group and they have been keen to recognise the additional pressures that people will be facing and agreed with the sub group that they would take forward the following additional activity free of charge:
 - o Additional letter sent when the case is first sent over to the Bailiffs
 - o Offer to discuss payment of debt at a Bailiff Surgery held in an independent location e.g. library
 - o Additional letter and phone call
- In relation to vulnerability the Sub Group identified the importance of staff being able to identify customers who may have extreme mental health illness and be able to effectively deal with their call, specifically in relation to Council Tax debt. As a result telephone awareness training has been commissioned from Mind for Council Tax Debt Collection staff and Access Harrow staff.

Longer term processes - to ensure the most vulnerable residents are identified and the appropriate action taken forward a draft Corporate Definition of Vulnerability Criteria has been developed and is included at Appendix A. Further detail is included at page 7 under Recommendation 1 of this report. Where a person is identified as vulnerable contact will be made with the relevant service/support worker to identify the best way forward to collect the debt outstanding to the Council. A Corporate Data Sharing agreement is in the process of development and will be shared with members as soon as completed.

The outcome of all of this activity is being monitored and will be reported back to the Debt Collection Sub Group and through the Welfare Reform Governance structure.

The Debt Collection group have also been reviewing the Corporate Debt Collection Policy and an update and progress is included at page 7 of this report

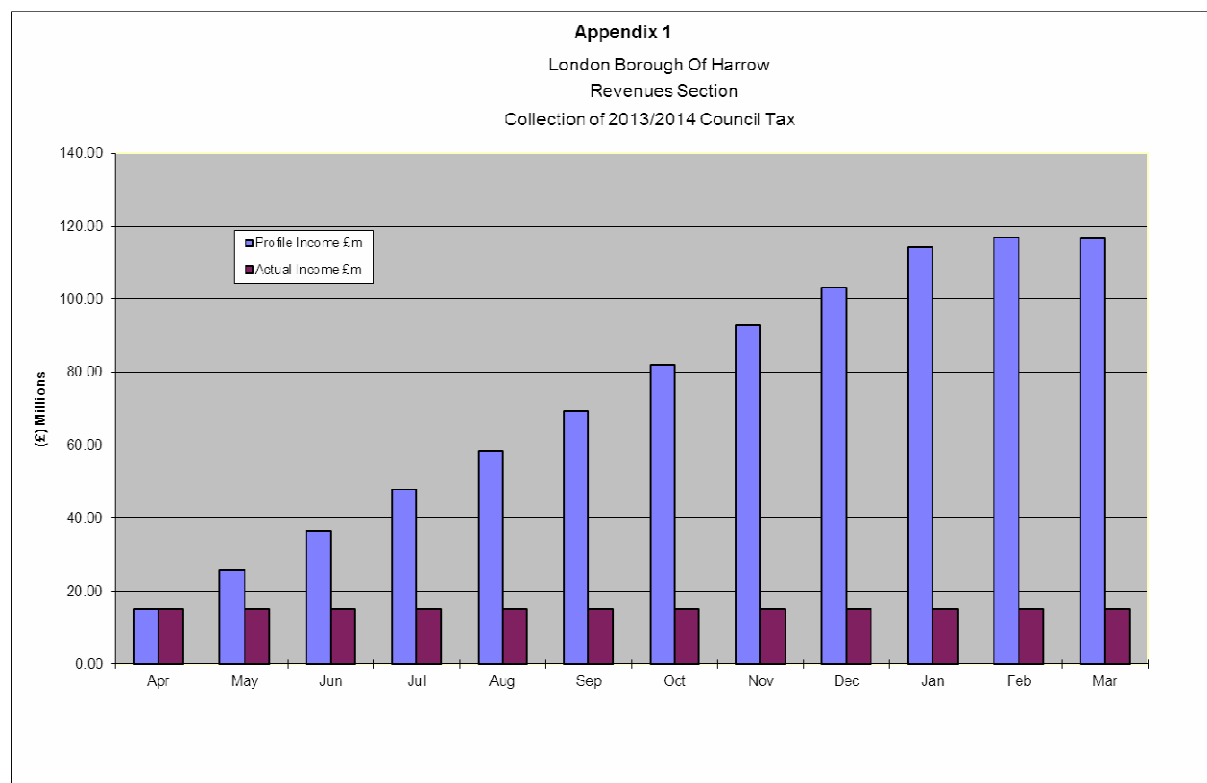
Council Tax Collection – current situation

Council Tax Collection for the first month of the financial year reached 12.52% which was 0.12% above profile.

It is early days yet and we are currently monitoring the 18,380 CTS cases (which includes both pensioners and the working age including the 7,000 previously 100% rebated cases which this year will have to pay at least 10% or 22.5% of their council tax depending which category of our scheme they fall under). Early monitoring has shown that out of the 18,380, 425 have paid their liability in full, 3,833 have paid their first instalment by DD. However 4950 have made no payment whatsoever to date.

Out of the possible £8.5m that these cases add up to, £490k has been collected against a possible £708k due (£8.5m divided by 12 monthly instalments) which is 69% of the expected amount due for April. – However it is early days and the figure is distorted by the 425 tax payers who have paid the whole years liability in full.

As a proactive measure, staff have also attempted to telephone as many of the CTS non payers (4950) as possible, to advise and engage them and to ensure payments are made in the future. Longer term our debt steering group is working on new processes to be adopted to communicate and engage defaulters to ensure payments are made or warning of the repercussions.



Adult Social Care

Since our last report to Scrutiny the Social Care Team has consulted internally and with the multi-agency Adults Steering Group on a Recovery Policy, implemented new procedures for escalating collection of outstanding monies and set up Officer Panels to review individual cases before key recovery escalation stages.

The new processes and policy align to a more corporate approach to debt collection but also retain a safeguarding element which ensures senior staff are able to make decisions on recovery based on individual circumstances. The policy will also ensure, where appropriate, the least distressful recovery method will be applied, e.g. if a customer is asset rich but income poor we would look to put a charge on any property owned rather than push recovery through the Courts which could be distressing for the vulnerable person.

The Adults Team has also participated in the development of the Data Sharing Agreement with Legal and is also, like the other areas, preparing to implement procedures and internal flags to identify vulnerability which can be shared across the Council should a debtor owe multiple debts.

Sundry Debts

With regards to sundry debts the section currently has low levels of outstanding debt with predominantly the large proportion of debt being made up of PCT and West Waste which generally gets paid. Smaller debts which include the collection of Adult Social Care debts is on target although higher collection rates could be achieved once the new processes are fully rolled out. However this needs to dovetail with the changes occurring in the Adult Social Care Team and the new Debt Panels.

Housing

Rent Collection and arrears recovery

The Housing Service has continued to proactively pursue its rent collection and arrears recovery, particularly in light of preparing for the potential impact of Welfare Reform. It has been working closely with corporate colleagues and is represented on a range of forums seeking to mitigate the impact of the changes.

The rent arrears figure for housing as at 31st March 2013 stood at its lowest reported, £365,000. To further maximise payment opportunities the service has now implemented a 3rd direct debit date.

The service has also been working closely with those tenants most likely to be affected by the initial Welfare Reform and commissioned the CAB to carry out a project identifying the key issues for tenants in the forthcoming 12-18 months. Phase 1 of the project was completed in April 2013. The key highlights suggested that approximately 90% of tenants have bank accounts and would like direct payment of rent to continue but very few wished to

accept the offer of support with budgeting skills. The findings will now be used to develop further recommendations.

The service is continuing its journey of "Getting Closer to the Customer" and has been able to take advantage of HRA finance reforms to invest resources in the income management team by way of additional staff able to focus on specific specialist customer needs.

Review of the Corporate Debt Collection Policy

Officers from all debt collection services across the council have been meeting to review the Corporate Debt Collection Policy in light of the recommendations from the Overview and Scrutiny Challenge Panel. A report will be put to a future meeting of the Overview and Scrutiny panel later in the summer with the outcomes of the review however in the interim this report details progress to members.

Recommendation 1 – The central debt recovery service should develop a process for the identification of vulnerable residents and reviewing their cases at appropriate stages in the central debt recovery process

The activity explained below is in addition to the ongoing activity that is outlined in the Appendix to the previous report to Overview and Scrutiny dated 8th March, 2012. An overview of ongoing activity includes:

- Ongoing meetings with Access Harrow and the Citizens Advice Bureau to review collection processes. In addition both of these services/agencies have been involved in the Debt Collection Sub Group.
- Adoption of the LGO Guidance to Local Authorities regarding bankruptcy and additional steps included specific to the collection of debt for Harrow Council services
- Partnership working with Housing identifying multiple debts and agreeing best way forward for collection

Within the last few months Officers from all services have been meeting to take forward the recommendations from Overview and Scrutiny and as a result of this activity a draft corporate definition of vulnerability has been developed and is attached at Appendix A. This definition has been developed through feedback from all appropriate services and the multi-agency Community Reference Group and is to be discussed at the next meeting of the Welfare Reform Officer Programme Board and the Member and Officer Steering Group in June. Membership of the Community Reference Group includes the following internal and external services/organisations: Childrens, Housing, Economic Development, Adults, Council Tax and Housing Benefits, Access Harrow, Communications, Unions, The Harrow Law Centre, Age UK Harrow, Harrow Mencap, Mind in Harrow, Harrow Carers, Harrow Equalities Centre, Citizens Advice Bureau (CAB), Capable Communities, The Landlords Association, Jobcentre Plus, CNWL, Harrow Association of Somalie Voluntary Organisations (HASVO) and Harrow Association of Disabled People (HAD).

If a person is defined as vulnerable under the criteria listed in the definition their case will be highlighted on the appropriate IT system/s. This will notify

the service that they need to look into the person's individual circumstances and/or contact the relevant professional support worker before any further action is taken. Each case will be looked at individually and dependant on the circumstances the following options will be considered:

- Ensuring the person has access to all relevant benefits, discounts or other entitlements
- Referral to other sources of advice
- Payment arrangements for the debt
- Allowing longer to pay
- A temporary arrangement with lower repayment than would normally be agreed
- Postponing enforcement action

There are always likely to be cases where a resident has not been identified as vulnerable and therefore will not be picked up as part of this process. To minimise these risks Officers are working closely with the Community Reference Group to develop mechanisms that will allow partner agencies to share this information with us to ensure a person is supported through the collection of their debt.

Through the Welfare Reform Governance Structure a Corporate Data Sharing Agreement is being developed, this document will be shared with members as soon as it is completed. All services have defined the information they require to be able to identify vulnerability and provide an understanding of where residents may have multiple debts across Council services. As yet the data cannot be shared on one IT system however this issue is being looked into and in the meantime arrangements are being made to share this data in the most effective way possible. Further detail will be provided to members within the future report on debt collection.

In housing there are already comprehensive processes in place that ensure that tenants with rent or service charge arrears have personal contact before an application is made for a possession order. These ensure that vulnerabilities are fully taken in to account and that where appropriate a referral can be made for the tenant or leaseholder to receive independent money advice. In cases of charges for major works which can be substantial a number of options to pay are in place and low interest loans are being offered to support those who are struggling to make payments. In both cases a pre court protocol ensures that all cases have been assessed as individuals and all personal circumstances taken in to account before proceeding to court to ask for possession or other orders.

This does not mean to say that further improvements are not possible. We are currently working with colleagues across departments to further share information and vulnerability flags which will in future further improve decision making and give a holistic view of customer circumstances.

Recommendation 2 - The integration of all debt recovery services with the central recovery service should be implemented but not until:

- **The central service has been able to introduce a process for identification of vulnerable residents as above**

- **The housing service has been able to clarify its own strategic approach to debt recovery for implementation by the central service**

The review of the integration of all debt recovery services has not looked at the development of a central recovery service however is now in the process of aligning debt collection processes to ensure that customers with multiple debts will be dealt with in a consistent and transparent manner. A meeting is being held with Legal at the end of May to understand the statutory requirements for all types of debt collection and once this is understood the processes will be aligned. Current IT systems also are not conducive to being integrated to provide a single view of the customer which even with centralisation, would still require centralised staff to use multiple systems to manage debt collection. It is anticipated that going forward and with the high update of the 'My Harrow Account' by Harrow residents that through this medium visibility of multiple debts will be facilitated. However this does depend on take up and on the residents linking their multiple services which they may use. However in the meantime, as explained above, work is being carried out to ensure we have a corporate vulnerability criteria and effective data sharing agreement that will support the integration of debt recovery policies.

It is also worth noting that as part of the Finance Team restructure there are now Finance Partners whose role is to support the specific areas dealing with the recovery of debt. This will support further generic processes and sharing of data to assist with the increase of higher collection rates in the future. Specifically around sundry debts, small balances are likely to proliferate as more focus will be given to fees and charges and the need to collect a high percentage of any that are raised as this will in future become much more important in the overall Council's budget.

There are some specific legislative requirements in relation to seeking possession through the courts for Council tenants or seeking an order in relation to leasehold service charge that require officers to have detailed knowledge of housing law as well as best practice and the regulators requirements to operate. It should also be noted that with co-regulation our tenants have a right to determine income recovery processes in housing.

Recommendation 3 – The council should improve communication processes within the organisation and with external agencies in order to facilitate a greater understanding of the level and impact of debt within the community. Lessons learnt, processes and procedures should be shared.

The Welfare Reform structure has been developed to ensure the Council's response to the changes within the welfare reforms is co-ordinated across all services delivered by the Council. A separate internal officer working group is also meeting to develop the corporate vulnerability criteria and align debt collection processes. This group reports into the welfare reform governance structure.

The multi-agency Community Reference Group plays a key part in this governance structure. Members of this group are working closely with the

Council to help ensure that the Council is listening to feedback from the community which in turn feeds into the development of Council Policies. This group has set up a Debt Collection Sub Group which is helping to take this activity forward and will monitor the outcomes as changes beginning to take place.

Housing has an SLA with CAB to provide comprehensive money advice to tenants and leaseholders that are experiencing difficulties in paying their rent or service charges. We are also developing a comprehensive financial inclusion strategy to support tenants and leaseholders with low incomes to both maximise income and enable them to access low cost banking services

Recommendation 4 – The council should show how it will improve how it signposts residents who are experiencing financial/debt difficulties to sources of advice and advocacy in the borough.

The Harrow Help Scheme is being developed as a direct consequence of welfare reforms however given the wider economic challenges this scheme should help provide advice and support for all residents living in Harrow. The Scheme will bring together a directory of advice and support services across Harrow and develop these into an interactive web tool that will support both individuals and support services to signpost people to advice and support that is tailored to the individual. The scheme, initially a pilot, is being developed in partnership with representatives from the Community Reference Group and therefore their knowledge, experience and feedback will be incorporated into the scheme. Initial mapping of the Help Scheme was carried out with the Community Reference Group and is attached at Appendix B. This information also provides Members with a Stakeholder Matrix showing the level of involvement to date from sources of advice and advocacy in the borough.

The Scheme also brings together discretionary pots of funding to support people who are impacted by the welfare reforms which in turn will support people who are likely to be experiencing financial difficulties. Currently these pots of funding include:

- **Discretionary Housing Payment (DHP)** – Government funding to support people who have been impacted by the welfare reforms with their housing costs. This policy is currently being developed and will be put to members at Cabinet in July 2013
- **Housing Revenue Account (HRA) Hardship Fund** - A pot of funding that has been provided through the HRA to support council tenants in times of need. This policy is currently being developed and will be put to members at Cabinet in July 2013 alongside the DHP policy.
- **Emergency Relief Scheme (ERS)** – As a result of the changes to the Social Fund within the Welfare Reforms funding has been provided to Councils to provide ‘welfare provision’. Harrow’s pilot Emergency Relief Scheme was agreed at Cabinet in March 2013 and became operational on April 1st, 2013.

- **Xcite Funding** - Funding has been provided through the Excite Programme to provide transport for people accessing training/interviews for new jobs.
- **Hardship Fund for Community Projects** – A £100k Hardship Fund has been made available to fund community projects that help the community to help themselves. This funding will be aligned with the Small Grants Commissioning process.

The Council will work closely with the Community Reference Group to monitor the development and operation of the pilot Help Scheme.

Housing’s SLA with CAB is under continuous review and the service has been both expanded and retargeted in light of the specific difficulties tenants and leaseholders who are referred experience. The Housing Service has also now commissioned a phase 2 of the CAB project to take forward the key recommendations arising from the findings of phase 1.

Equalities Implications

The review of the Debt Collection policy falls within a programme of mitigations that are being taken forward to support people affected by the changes of the Welfare Reforms.

The Welfare Reforms will impact residents living in Harrow as the total amount of benefit received in the borough will be reduced by approximately £8 million however this could increase as we do not understand whether there will be any further impacts through the introduction of Universal Credit and Personal Independent Payments. The breakdown to date of the numbers affected is included within the table below:

When	What	Who	How many affected	Total forecast loss
1.4.13	Council Tax Support	Working age households claiming Council Tax Support	11,200	£3.8m
1.4.13	Size Criteria	Working age households living in Council and Housing Association properties	628	£700,000
6.13 to 9.13	Benefit Cap	Working age households not in receipt of certain benefits e.g. Working Tax Credit and Disability Living Allowance	600	£3.5m
10.13 roll out	Universal Credit	All working age households claiming benefits	Not known	Not known
6.13 roll out	Personal Ind. Payments	Working age Disability Living Allowance recipients	Forecast 560,000 nationally	Not known

Through the activity carried out to develop the Local Council Tax Support Scheme an EqIA was developed and presented to Cabinet on the 13th December, 2012. This EqIA shows the impact of localisation of Council Tax Support on the nine protected characteristics and is attached at Appendix C.

Housing has been working with CAB to support tenants affected by welfare reforms. CAB has been visiting a sample of tenants to raise awareness, give advice and talk through options available. The report from this activity is being brought together and will provide a profile of those tenants interviewed.

This report will cover the nine protected characteristics and will be tabled to members at the meeting on the 4th June, 2013.

As can be noted by the table the welfare reforms have not yet all been implemented and we are not clear on how they may impact residents. Therefore it is difficult to provide a detailed analysis of the impact of all the changes however work is being carried out to get an understanding of the cumulative impacts and this will be fed into an EqIA that will support the future report to members at Scrutiny.

All changes that are taken forward will be monitored closely through the welfare reform governance structure to understand their effectiveness. This will be through a quarterly dashboard that will monitor the overall impacts of welfare reform and the economy.

In relation to debt collection, services are in the process of investigating how, and where possible, the information to monitor the nine protected characteristics can be brought together. Feedback from both complaints and the external agencies that we are working with will provide quantitative and qualitative data which will support monitoring.

Section 3 - Statutory Officer Clearance

Name: Simon George	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 28 May 2013		
Name: Sarah Wilson	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 23 May 2013		

Section 4 - Contact Details and Background Papers

Contact: Fern Silverio
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Background Papers: None