

3. Outcomes of the review of the Corporate Debt Recovery Policy which includes the following proposed changes:

- Inclusion of Corporate Vulnerability Criteria
- Alignment of debt collection processes and checkpoints to identify vulnerability

Recommendations:

1. Members note the update on the effectiveness of the individual Service Debt Recovery Policies;
2. Members support the proposed changes within Council Tax Collection and Recovery Policy and that the revised policy be taken to consultation;
3. Members support the proposed changes within the Corporate Debt Recovery Policy and that the revised policy be taken to consultation.

Section 2 – Report

Introductory paragraph

Further to recommendations put forward from the Overview and Scrutiny Challenge Panel a review of both the Council Tax Collection and Recovery Policy and the Corporate Debt Recovery Policy has been taken forward. This review has focussed on improving the debt collection process for vulnerable debtors and aligning debt collection processes, where possible across the Council.

This report provides Members of Overview and Scrutiny with information relating to the effectiveness of all Debt Collection policies, the draft Council Tax Collection and Recovery Policy, the outcome of the review of the Corporate Debt Recovery Policy and the proposed decision making timetable.

Effectiveness of current Debt Collection Policies

Council Tax

The current Council Tax Collection and Recovery Policy is extremely effective and has supported upper quartile collection rates historically. However, whilst it is extremely good in providing very clear parameters for actions that will occur in the case of non-payment, and additionally caters for the majority through generic automated processes, it does not lend itself to flexibility when confronted with specific circumstances, for example vulnerability issues. As the Council is faced with an increase in cases requiring enforcement before payments are made, (mostly due to the recent Welfare Reforms being implemented), we have to recognise that recovering council tax arrears is about striking a balance between being firm with those who ‘won’t pay’ and supporting those who ‘can’t pay’. Recovery can take time and, in some cases, if we are not able to recover the council tax debt in the financial year in which it is due, which must always be Harrows’ principal objective, we may need to

look beyond the short term wins in exceptional circumstances; longer term we already achieved overall collections rates in excess of 98.5%, between 12-24 months, and it may be that this will become 24-36 months instead. This will however provide the balance although it may become a longer term “win” position.

Housing

The current Housing Rent Recovery Policy has led to upper quartile performance over a period of time and collection rates for 2012/13 were 99.86% (excluding arrears brought forward). As part of the process the Rent Arrears Recovery procedure sets out clear parameters for action to recover debt. It is versatile and flexible to cater for specific circumstances as it has to have regard for a number of pieces of legislation such as The Disability Discrimination Act 1995, Equality Act 2010 and the Pre Action Court Protocol for Possession claims based on Rent Arrears.

The Housing Service works to prevent arrears by providing a money advice project via the CAB and undertaking Financial Health checks of all new tenants at sign up. This is followed up with early identification and intervention by a variety of methods including letters, telephone and personal contact. The Welfare Reforms pose a number of as yet unknown challenges to the organisation to ensure that collection rates are maintained at the current high levels. Analysis is currently underway to try and establish potential impacts going forward.

Adults

Historically, collection processes have reflected standard Council recovery processes for sundry debtors and as a result consists of up to three reminder letters automatically generated (and based on the age of the outstanding debt) sent out by the Corporate Accounts Receivable team, before referral back to the directorate for advice on recovery action.

It is important to note that the majority of debt invoiced for Adult service users is only raised following assessment of an individual’s ability to contribute towards services and therefore an understanding of why service users do not pay for their care is key to safeguard vulnerable Adults before corporate recovery action is taken.

Feedback, through the Adult Services consultation steering group and the complaints process, has played an important role in improving information sent out supporting these charges. The directorate is developing Client Liaison Officer roles to support the personalised approach. Contact is made directly with service users, and can include a home visit, to discuss the debt outstanding and understand (and resolve where appropriate) issues that mean a service user is not willing (or possibly can’t) settle the debt. This is a recent development but this approach has already proved successful in recovering a long outstanding debt of £7k.

Since the introduction of the Fairer Charging Contributions Policy in April 2012, there has been a reduction in the level of invoices being generated for contributions towards the cost of care as service users move to receiving cash

in the form of personal budgets to manage their outcomes directly. With the personal budget, assessed client contributions are deducted before the amount is paid to the service user. This approach is more effective, avoids debt building up and the requirement for recovery action.

Sundry Debtors

There are various types of debt collection areas within sundry debtors ranging from trade refuse to meals on wheels. The recovery process varies across debt areas however in general terms a standard in-house recovery process is undertaken (i.e. reminder letters and telephone contact) before either being referred to a debt recovery agency or referred back to the relevant service area should in-house recovery attempts fail. The majority of the council's overdue sundry debt is forwarded to the debt recovery agency with the exception of 'high risk' debt areas (e.g. some types of social care debt, many of which could be categorised within the corporate vulnerability criteria). The overall sundry debtor recovery rate under the current policy is relatively successful with collection rates consistently falling within the upper quartile.

Review of the Council Tax Debt Collection Policy

The draft Council Tax Collection and Recovery Policy, attached at Appendix A, has been updated to reflect the concerns of Councillors that the collection process operates in a way that protects the Councils financial interest whilst also reducing the impact for vulnerable debtors.

A multi-agency Debt Collection Sub Group met on a regular basis throughout the review and helped to shape the draft Council Tax Collection and Recovery Policy. Initially this group focused on ensuring additional short term processes were put in place whilst awareness took place for the Council Tax Support claimants who previously received 100% Council Tax Benefit.

Vulnerability

All Debt Collection Services and the multi-agency sub group have been involved in the development of the draft corporate definition of vulnerability. The Council Tax Collection and Recovery Policy signs up to the corporate definition of vulnerability which is included, in detail, within the draft Corporate Debt Recovery Policy at Appendix B.

Checkpoints within Council Tax Recovery

To ensure that every opportunity is taken up to identify whether the service is dealing with a vulnerable debtor checkpoints within the recovery process are being put in place. It is proposed that where a person alert identifies that the debtor may be vulnerable the officer will consider the case before moving forward with action. It is proposed to integrate the checkpoints at the following key stages of recovery within the Council Tax recovery process:

- Summons
- Cases sent to the Bailiffs

- Bankruptcy/Committal/Charging Order
- Sale of House

A pilot will be taken forward to trial the operation of the Council Tax checkpoints to identify how the process will work operationally and the resources required to deliver before full implementation which, dependant on the outcomes, will then include Housing Services and Sundry Debts.

The draft Council Tax Collection and Recovery Policy has been updated to reflect the changes and is attached at Appendix A.

Corporate Debt Collection Policy

The review of the Corporate Debt Recovery policy has been taken forward as a direct result of concerns raised by members at Overview and Scrutiny Committee. The review has been taken forward by an internal Officer Working Group and in partnership with a multi-agency Debt Collection Sub Group. All of the proposed changes have been discussed through the Welfare Reform Governance structure. The draft Corporate Debt Recovery Policy is attached at Appendix B to this report.

An interim report providing progress on the review was presented to Overview and Scrutiny Committee on June 4th 2013. This report provides the outcomes of the review in response to the recommendations made by 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.

Corporate definition of vulnerability

The draft Vulnerability Criteria has been updated to reflect the comments made by Councillors at Overview and Scrutiny Committee on the 4th June, 2013 and is included within the draft Corporate Debt Recovery Policy attached at Appendix B. Processes have been put in place to ensure that, where possible, vulnerability is identified at an early stage. Services such as Children's (younger people leaving care and Families First), Concessionary Travel, Housing and Adult Social Care, are working with the Council Tax Recovery Service to develop processes to share vulnerability information. This should enable services to put a flag (person alert) on their system prompting identification of vulnerability at key points in the collection process. Currently, not all debt collection IT systems have the ability to insert flags and therefore reconfiguration of systems would have to be considered to take this forward.

A pilot is being taken forward to trial the process for identifying vulnerability at key stages of the recovery process with the Council Tax Recovery Service and data from Adult Services. This pilot will lead to the development of a mechanism for data sharing, highlighting vulnerability and the identification of the processes/resources that need to be put in place for the officer to consider the case before action is taken. Services have agreed that checkpoints will be put in place at key stages of their debt collection processes however are awaiting the outcome of the pilot to take this forward. The checkpoints that have been identified to date are:

Council Tax Checkpoints

- Summons
- Cases sent to the Bailiffs
- Bankruptcy/Committal/Charging Order
- Sale of House

Housing Checkpoints

- Notice Seeking Possession.
- Court Action.
- Application for an Eviction Warrant.
- Eviction

Data Sharing

To enable the vulnerability information to be shared effectively across the Council it will be necessary to put in place processes to share the information on a regular basis. When processes have been identified, a data sharing agreement can be drawn up which provides the detail of what information will be shared, and, if it is necessary to transfer data between services, how it will be transferred, stored and how long it will be retained by the receiver service.

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**

As stated in the previous report to Councillors on the 4th June 2013, the review of the integration of all debt recovery services has not looked at the development of a central recovery service. The review however has aligned the debt recovery processes to ensure that, where it is highlighted to the Council that customers have multiple debts, they will be dealt with in a consistent and transparent manner. The alignment of the debt collection processes has considered the statutory requirements for each process and a flow chart showing enforcement for each debt collection process is included at Appendix E to this report along with a description of the enforcement options.

Where it is highlighted that a customer has multiple debts owed to the Council, services will share this information and discuss repayment taking into consideration prioritisation of debt. The Council does not have one IT system for debt collection and therefore it will be difficult for services to automatically understand whether multiple debts are owed to Council Services. Where possible this information will be sought within the financial assessment process when talking to the customer however this information is not always provided.

It is the customer's decision to decide which debt they wish to pay off first. However, where debtors approach the Council with a view to amalgamating their debts, the Council will prioritise the debts that will have the most serious consequence if they are not paid. In these cases the hierarchy outlined in Table 1 will apply:

Table 1

Priority	Debt Type	Commentary
1.	Council Tax	Can result in bailiff action, attachment of earnings/benefits bankruptcy or imprisonment
2.	Rent/Commercial Rent	Can result in eviction
3.	Service Charges	Can result in repossession
4.	Housing Benefits/Sundry Debts including Adult Social Care	Mostly unsecured debts which due to their nature need early recovery or quickly become unrecoverable. Due to their small amounts depend on debt collection techniques with a view to the debtor volunteering to make regular payments – the Authority having no court orders to enforce. Exceptions are large debts where County Court action or insolvency used.

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. The key objective of "Getting Closer to the Customer" has seen an investment in housing services to fund posts that will proactively prioritise and make personal contact with tenants as a direct result of Welfare Reform debt. Monthly analysis of rent arrears is being carried out to obtain greater detail on impact of the size subsidy since April 2013.

Housing Services are due to implement a Tenant Grant Scheme, approved at Cabinet in June 2013, to enable Council Tenants to move out of their property into the private sector. The service will ensure that the scheme's operational procedures include information sharing with other Debt Collection Services to establish whether there are arrears outstanding to Council Services. The team will ensure they work with the appropriate services to ensure arrears are paid before any grant is awarded. The scheme will also align with the vulnerability criteria as stated in the Corporate Debt Recovery Service.

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 Governance structure, which includes the multi-agency Community Reference Group, will be monitoring the impacts of the welfare reforms which will include the levels of debt across the Council.

Welfare Reform Awareness sessions have been carried out, both internally within the Council, and externally with the Voluntary Sector, Community Groups, GPs and Heads from local schools. The Council is hoping that, through some of this activity, it will be able to gain feedback on the impacts of the changes and the level of debt within the community.

This information sharing will enable the Council and its partners to understand whether the mitigations that are being put in place are effective and whether any further mitigations need to be put in place. Continuous partnership working will enable this activity to be taken forward effectively.

The Housing Service is also represented on the West London Welfare Reform Group which is a forum specifically established to share lessons learnt, processes and procedures and good practice.

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 has been developed to support people impacted by the economic situation and welfare reforms. The scheme brings together discretionary pots of funding that provide support to people which include the Emergency Relief Scheme, Discretionary Housing Payment and funding provided through the Xcite Programme to help people with travel costs.

As reported to the last meeting of Overview and Scrutiny Committee the Help Scheme also intended to bring together a directory of support that was incorporated into an interactive web tool. This activity was to be delivered by the Council in liaison with the Voluntary Sector. In the interim a Voluntary Sector Consortium, Harrow Advising Together (HAT), has been successful in winning a lottery funding bid and a portion of this funding is to develop an online Advice Hub accessible through the web, email, live chat with an advisor, Facebook and telephone. There was a direct synergy between both the Councils vision of a directory of support and the Advice Portal and there was a risk of duplication and the possibility of a disjointed customer journey if both were developed. Therefore it has been agreed that the Council joins the consortium as a partner and support the development of the portal. A link to the portal will sit within the Help Scheme. The consortium will monitor the effectiveness of the portal.

The Housing Service has extended a project that funds the CAB to target households identified by the service as in need of priority advice and support

Conclusion

In the wake of elevated scrutiny, an ever increasing focus on adherence to regulatory standards and ensuring that we all treat customers fairly, a different approach was required to recover debt. In contrast, amid a climate of austerity and budget cuts, Harrow Council needed to do things differently. There is a real danger that council tax collection rates are likely to fall in the present year because of the impact of welfare reform and the localisation of the council tax support scheme, resulting in many households receiving a bill for the first

time. Interestingly, facts and figures collated by CAB show that 87% more people sought online advice about council tax this April compared to the same month in 2012 – and that’s before the real extent of the changes start to kick-in. In reviewing our policies and processes we have taken into account our obligations as a public sector body when spending tax-payers money. We are also moving away from allocating all defaulted accounts to a bailiff relatively early in the process and instead introducing a diverse recovery strategy that hopefully will have significant benefits in terms of increased revenues and time to recovery. What’s more, it develops “engaging with citizens” in a way that it is tailored to their situation and is not only morally right, it creates an environment where the problem is less likely to recur the following year.

In a climate of increased financial hardship, only by having a well-designed strategy, properly segmenting debt, having multiple channels for recovery and being flexible to change can Harrow increase collection rates, reduce operational cost and improve the citizen experience. We therefore believe that this report takes into account members concerns, the recent government guidance on good practice in the collection of Council Tax arrears, the CAB’s proposals for changes to its “collection protocols”; all of which extend the range of recovery options to help us to improve the “customer journey”, by avoiding so many cases going to the bailiff and help us to improve collection rates.

Further Action

Both the Corporate Debt Management Policy and the Council Tax Debt Collection Policy have been reviewed as a result of the recommendations from Members at Overview and Scrutiny. Both policies have been redrafted and will now require consultation to ensure stakeholders in Harrow are able to give their view on the proposed changes.

Financial Implications

The revised recovery policy seeks to ensure that, while a robust approach to recovery is taken against those who ‘won’t pay’, a sympathetic and fair approach is taken in the case of those who genuinely struggle to pay, for example, by making arrangements to pay arrears over a manageable but extended period of time. This strategy means that, in some cases, we are not able to recover the full council tax debt in the financial year in which it is due, but by taking this approach we expect to achieve overall collection rates in excess of 97.5%. “It is still too early to accurately forecast what our collections/arrears will be at 31 March 2014, but by way of comparison, at the end of July 2012 our in-year collection was 39.89% of the annual net collectable debt, and at the end of July 2013 the in-year collection rate was 39.18%. Considering that £3.8m was passported to the working age localised council tax support recipients, this is a good achievement.

However, Harrow has had to lower its tax base rate by 1% which in effect reduces the tax take from council tax. This was a direct consequence of the introduction of the local council tax support scheme as bad debt provisions of £1m were estimated to be additionally required due to expected non payment

from the working age claimants. This amount assumes a 30% non-collection rate on the amount being passported to claimants. It is therefore imperative that any collection policy does not inhibit the authority's work in maximising its collection rate, especially as the Council becomes more and more dependent on local taxation and other locally generated fees and charges to compensate for cuts to central government grant.

Outstanding debt across the Council is reviewed regularly for likely collection or potential write off of debt no longer considered recoverable, and the revenue impact forecast as part of monthly financial processes to ensure the adequacy of corporate provisions. However increases in provisions (arising from reduced recoverability) are likely to result in the need to redirect scarce Council resources and should be minimised through robust recovery processes.

Performance Issues

There may be in year collection performance issues as the revised council tax recovery policy allows for more flexibility for those genuinely experiencing financial difficulties. The high collection rates historically realised may well take longer to achieve in future or may actually plateau at a lower level. The balance is to ensure they still reach the 97.5% expected as part of the tax base calculation, although this is 1% lower than previous years.

Environmental Impact

There are no direct environmental impacts.

Risk Management Implications

Collecting monies from debtors who may be vulnerable, especially those financially vulnerable because they have previously received 100% council tax support, will be difficult which may pose a risk to Council Tax collection. Harrow has factored in lower collection rate for the amount of council tax passported to these claimants. It is hoped, that the revised recovery policy will support those with genuine difficulties but there is a risk that collection profiles may not be met.

There is also risk of potential conflict with the wider corporate collection priorities if Departments compete in an uncoordinated way to collect money from residents. However the adoption of the generic vulnerability policy, the data sharing protocols adopted and the additional check points at key recovery stages will support coordinated recovery actions and hopefully lead to successful collections.

Equalities implications

An Equalities Impact Assessment has been carried out in relation to the review of the Corporate Debt Collection Policy. The EqIA is currently a working document and has been updated as the review has progressed.

The EqIA will be updated further when the consultation with stakeholders is complete.

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	583	£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	687	£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 D.

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 was presented to Councillors at the Overview and Scrutiny 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.

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 in relation to the collection of debt.

The draft Vulnerability Criteria will support the identification of vulnerable debtors to the Council and will ensure that appropriate actions are taken forward in respect of individual circumstances.

Feedback from both complaints and the external agencies that we are working with will provide quantitative and qualitative data which will support monitoring.

Corporate Priorities

The report addresses the Council's concerns on how we deal with income collection from those who are vulnerable. The revised recovery policies and adoption of vulnerability criteria ensures those genuinely suffering hardship or who are vulnerable can have bespoke payment arrangements which are outside of the normal process and allows for this to be considered on a case by case basis on merit.

Although the changes to processes will not eradicate errors totally, the changes will provide members with greater assurance that check points are in place to support officers in carrying out difficult tasks in a more supporting and equitable way to those who most need our help and genuinely "can't pay" immediately.

Section 3 - Contact Details and Background Papers

Contact:

Fern Silverio (Divisional Director – Collections & Housing Benefits),
Tel: 020-8736-6818 / email: fern.silverio@harrow.gov.uk

Background Papers:

None