

REPORT FOR: **CABINET**

Date of Meeting:	15 January 2014
Subject:	Review of the Corporate Debt Recovery Policy
Key Decision:	Yes
Responsible Officer:	Tom Whiting, Corporate Director of Resources
Portfolio Holder:	Councillor Tony Ferrari, Portfolio Holder for Finance
Exempt:	No
Decision subject to Call-in:	Yes
Enclosures:	Appendix A – Corporate Debt Recovery Policy 2009 Appendix B – draft Corporate Debt Recovery Policy Appendix C – Consultation document Appendix D – Consultation feedback Appendix E – Equality Impact Assessment

Section 1 – Summary and Recommendations

This report sets out the proposed changes to the Corporate Debt Recovery Policy which has been shaped through partnership working with a multi-agency Debt Recovery Sub Group and feedback from a public consultation.

Recommendations:

Cabinet is requested to make the following decisions:

1. Agree and adopt the changes to the Corporate Debt Recovery Policy.
2. Agree that Council Debt Recovery Services update their individual debt policies to reflect the principles of the Corporate Debt Recovery Policy by 1st April, 2014.

Reason: (for recommendation)

The Corporate Debt Policy was implemented in 2009. Issues were raised by Councillors at Overview and Scrutiny Committee regarding the need for debt recovery services to recognise vulnerability within the collection processes. These concerns prompted an extensive review of the Corporate Debt Policy.

The review has been carried out by working with both an internal officer group representing all Council Services and an external multi-agency sub group that has included representation from the Citizens Advice Bureau (CAB), Harrow Association of Disabled People (HAD), Age UK Harrow, Harrow Mencap and Newlyn's and Chandlers Bailiffs and Council Debt Recovery services.

The policy has also been shaped through feedback from a public consultation carried out from 30th September, 2013 to 24th November, 2013.

When the policy is finalised all Council Debt Recovery services will update their policies to reflect the principles of the corporate policy.

Section 2 – Report

Introductory paragraph

- 2.1 The Corporate Debt Policy was originally agreed by the Council in 2009 and is attached at Appendix A to this report. There has recently been an extensive review of this policy prompted by issues raised at Scrutiny Committee in 2012 regarding the identification of vulnerable debtors within the Council's Council Tax debt collection process.
- 2.2 The review has focused on the following recommendations made by the Overview and Scrutiny Committee's Challenge Panel:
 - I. Debt recovery services should develop processes for the identification of vulnerable residents and review their cases at appropriate stages in the debt recovery process.

- II. The Council should improve communication processes within the organisations and with external agencies in order to facilitate a greater understanding of the level and impact of debt within the community. Then Council should then share lessons learnt, processes and procedures.
- III. The Council should show how it will improve how it signposts residents who are experiencing financial/debt difficulties to sources of advice in the borough.
- IV. *The integration of all debt recovery services within a 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*

Reports have previously been provided to the Scrutiny Committee updating them of progress and changes to both the policies and operational processes.

- 2.3 The review of the Debt Recovery Policy has been carried out in partnership with an internal officer group and a multi-agency Debt Collection Sub Group. Both groups have met regularly throughout the review. All proposals for change have been discussed through the welfare reform governance structure which includes the multi-agency Community Reference Group.
- 2.4 A consultation on the changes was held from 30th September, 2013 to 24th November, 2013.

Options considered

- 2.5 The review of the integration of all debt recovery services has not looked at the development of a central recovery service as this is out of scope at this point in time. The review however has aligned the debt recovery processes to ensure that, where it is highlighted, customers with multiple debts will be dealt with in a consistent and transparent manner. The alignment of debt collection processes has considered the statutory requirements for each process and a flow chart showing enforcement for each debt collection process is included as an appendix to the proposed Corporate Debt Recovery Policy, attached at Appendix B to this report.

Approach to the Review of the Policy

- 2.6 As stated earlier in the report the review of the policy was taken forward in partnership both internally and externally with the voluntary sector and other key stakeholders. This ensured that the policy reflects the Council's duty to ensure prompt and effective collection of charges whilst, at the same time, ensuring the Council adopts a fair and considered approach to the recovery of debt.
- 2.7 The groups have worked together to take forward the following activity within the review:
- Update the principles of the policy and defining what customers can expect from the Council and what the Council expects from customers
 - Development of vulnerability criteria to ensure people who are vulnerable and require additional support to be able to manage their financial circumstances are identified as part of the debt collection process so that appropriate collection procedures are applied to them.
 - Development of criteria to define when a person sits within the vulnerability criteria and cannot manage their financial affairs
 - Development of secondary financial assessment criteria.
- 2.8 Both the external voluntary community groups and internal service areas have been involved in understanding the feedback collected throughout the consultation and shaping the changes within the policy that are being put to Councillors for recommendation within this report.
- 2.9 Officers have reported to the Overview and Scrutiny Committee to ensure that Councillors are kept informed and given the opportunity to give their view throughout the review of the policy.

Consultation

- 2.10 The consultation was carried out with staff, public and voluntary sector between 30th September and 24th November 2013. Consultation booklets and the draft policy were sent to 200 randomly selected Council Tax payers with an invitation to respond to the questionnaire via the web, post, telephone, email and/or attend a workshop. Opportunities to provide feedback on the process were also given to all members of the multi-agency Debt Collection Sub Group. This group includes membership from CAB, Harrow Association of Disabled People (HAD), Harrow Mencap, Harrow Law Centre, Age UK, Harrow Mencap, the Council's contracted Bailiffs - Newlyn's and Chandlers, Jobcentre Plus, representation from Council Debt recovery Services.

2.11 Consultation documents were made available online signposting to a variety of channels including:

- Telephone
- Face to face through a workshop
- Email
- Hard copy
- Online survey

The consultation booklet can be found at Appendix C.

In total 5 responses were received and these were both through the web, internal services and an external organisation.

All respondents were generally in support of the policy with minimal suggestions for change.

2.12 The feedback to the consultation is detailed within the attached presentation at Appendix D and is summarised below:

Table 1		
Question		Summary of Feedback
1.	Do you agree with the principles of the Corporate Debt Recovery Policy? If you have answered no please let us know what you think these should be	All agreed with the principles of the Corporate Debt Recovery Policy.
The Council's response: § <i>The principles of the policy will remain the same</i>		
2.	Are there any further actions that the Council needs to do to deliver the principles?	The responses included: <ul style="list-style-type: none"> - Suspending recovery action if a debt is queried - Writing off a debt - A recognition of the cumulative impacts of welfare reforms and a realisation that people can't pay rather than won't pay
The Council's response: § <i>Unfortunately the Council is unable to suspend recovery action when debt is queried due to both legal reasons and in some cases the resources this action would require</i> § <i>Whilst 'writing off a debt' is included as a paragraph within the policy there is also a statement included within the Council's delivery of the principles</i> § <i>The policy recognises that there are people who can't pay rather than won't pay however this could be for many reasons rather than specifically the changes within the welfare reforms.</i>		
3.	Are there any further actions that should be included for customers?	A response was received which requested that customers with multiple debts are asked to list them in order of priority to help the council to understand how likely they are to receive arrears owed to them rather than repayment back to a loan shark or

Table 1		
Question	Summary of Feedback	
		money lender
	<p>The Council's response:</p> <p>§ <i>The policy has been changed to reflect this comment and now requests that the customer provides the totality of their debt to support realistic repayment agreements and prioritisation of repayments.</i></p>	
4.	Do you think any groups of people have been missed from the vulnerability criteria?	A response requested that people who have been subject to benefit cap and property size criteria are included as a category within the vulnerability criteria
	<p>The Council's response:</p> <p>§ <i>As this group of people could fall within any of the groups within the vulnerability criteria and therefore will not be included as a specific group</i></p>	
5.	Do you agree with the criteria we are proposing to use to identify somebody who falls within the vulnerability criteria and cannot manage their financial circumstances? If you have answered no please let us know why you do not agree and whether we should include any other criteria	The majority agreed with the criteria proposed to identify somebody who falls within the vulnerability criteria and cannot manage their financial circumstances however there was concern raised that the proposed criteria wasn't enough and therefore a request that an additional criteria was included which asked that a person's inability to manage their own affairs has been evidenced by a reliable third party such as a social worker, doctor, nurse or other professional.
	<p>The Council's response:</p> <p>§ <i>The policy has been updated to show that "evidence provided by professionals" will be considered as part of the criteria on the Council's Debt Recovery Services when determining whether a person can manage their financial affairs effectively</i></p>	
6.	Are there any circumstances that haven't been taken into account within the secondary financial assessment explained in Table 2, page 9 of the draft policy?	Concern was raised that the Council's hierarchy for prioritising debt (Table 1 page 8) did not reflect the common understanding of priority debts amongst all money advisors and an example was given that the Council could be at risk of liable action if advising somebody to pay their Adult Social Care debt over mortgage arrears and the person then losing their home or their liberty as a result of the Council's advice.
	<p>The Council's response:</p> <p>§ <i>The Council has an overarching duty to all residents within Harrow to collect any monies due to fund the provision of local services. The hierarchy of debts showed in table 1 (page 8 of the policy) was agreed at Cabinet in 2009 to ensure that the Council can help customers who have multiple debts to the Council to repay with a view of avoiding the most serious consequences if the debt is not paid. If the Council Officer identifies that the person has a multitude of debt which includes debt to organisations other than the Council, the Officer would signpost the customer to a free to access advice and support organisation where an independent holistic approach can be taken.</i></p>	
7.	Do you have any further comments on the policy?	No further comments provided

- 2.13 The policy attached at Appendix B has been updated to reflect the feedback from the consultation.

Draft Corporate Debt Recovery Policy – Proposals for change

Principles

- 2.14 The principles of the Corporate Debt Recovery Policy can be found at pages 2/3 of the draft policy document at Appendix B to this report. The principles of the policy are as follows:

- To maximise income for the provision of services in Harrow whilst collecting debt responsibly, sensitively and effectively across all of our debt collection services
- Aim to pay particular emphasis on the early identification of debt with early contact with the debtor to prevent debt occurring. We will work with debtors to ensure they maintain a minimum payment to ensure arrears do not increase and debt is ultimately recovered over a realistic period.

Within the policy it is explained what customers can expect the Council to do to deliver the principles and also what the Council expects of customers who have a Debt to the Council (pages 2/3).

Vulnerability Criteria

- 2.15 The vulnerability criteria was initially developed as a direct result of concerns raised by Councillors at Overview and Scrutiny Committee that the debt collection process was not picking up vulnerability effectively. The vulnerability criteria proposed at pages 3-7 of the policy details who the Council feels is vulnerable, either on a temporary or permanent basis, in relation to debt collection and the options that will be taken forward dependant on their individual circumstances.
- 2.16 Councillors will note that some of the vulnerability criteria is based on whether the individual can manage their financial affairs effectively without support. The criteria for identifying these cases has been developed through partnership working and feedback from the consultation and is detailed on page 7 of the policy.
- 2.17 The intention is that should a person be considered vulnerable under the criteria in the policy, and where their case is known by the Council, their case will be highlighted on IT systems to prompt Debt Recovery Services within the Council to look into the individual's circumstances before taking forward any further action. Checkpoints will be put in place at various stages of the debt collection process in both Housing and Council Tax to ensure the cases known to the Council are picked up at the formal stages of debt collection. There will be cases that fall within the criteria that are not known to the Council and therefore partnership working with the Voluntary Sector will be important to help identify these individual cases. The Sundry Debtors IT system will require reconfiguration to be able to put vulnerability 'flags' on the

system and therefore this will be taken forward in the second phase of implementation of the policy.

- 2.18 Unfortunately there is not one integrated IT system across all debt collection services and therefore the successful operation of this policy is dependant on effective data sharing and continual updating of vulnerability on the various IT systems. A pilot is currently taking place between Adult Services and Council Tax to identify how the process will operate operationally. The information collated and skills developed from this pilot will support the second phase of the roll out across all debt recovery services within the Council

Assessment of ability to pay

- 2.19 In making an assessment on an individual's ability to pay, officers will work with customers to ensure their income is maximised by ensuring they are claiming their full entitlement of benefits. Both Housing and Adults are able to assess their customers at the point of entry to their service and therefore have prior knowledge of a customer's financial circumstances. However this method is not possible for both Council Tax and Sundry Debt because the first contact these services will have with the customer will be when they are in debt to the service.
- 2.20 Where multiple debts are known, the Council will work with the customer to help them to prioritise the repayment of their debt in line with the hierarchy of debt shown in Table 1 in the policy on page 8 and relevant business rules prevailing at the time. Where warranted, staff will also look at cases on individual merit and assess ability to pay taking into account any exceptional circumstances the debtor may have. This hierarchy of debt was agreed within the initial Corporate Debt Policy in 2009 and will not change as a result of the review.
- 2.21 When considering the hierarchy in relation to debts owed to external organisations advice will be provided on the repercussions of failing to make repayments and the customers will be signposted to advice and support organisations where an independent holistic approach can be taken.
- 2.22 Within the review a secondary financial assessment has been developed for consideration after the hierarchy of debt has been pursued. This secondary assessment is included within the policy at Table 2, page 9, and in relation to debts outside of the Council aligns with the CAB's Financial Assessment.

Legal Implications

The policy takes into account the need to recover all monies efficiently but ensures that Harrow complies with its duty to ensure that these monies are collected in a fair and balanced way. The policy ensures that a balance is struck between the interests of the majority of tax payers who pay on time, whilst being both robust and effective against those who deliberately fail to make payments and also being sufficiently flexible to deal with those who cannot pay as a result of their financial circumstances.

The policy provides an additional bulwark against the risk of procedural challenge under equalities.

Financial Implications

This is a report of the Corporate Director of Resources and deals with financial matters throughout.

Performance Issues

Council Tax

Collection over the last three financial years is shown in the table below. In the current year at quarter 2, collection stands at 56.76%.

	2010/11	2011/12	2012/13
Council Tax collected %	97%	97.8%	97.7%

Due to the introduction of localised council tax support from 1/4/2013, the overall collection rate has changed from 98.5% to 97.5% with effect from 1/4/2013 which has been factored in to the overall tax base calculation. This is due to the fact that only 70% is expected to be collected from the £5.1m proportion of the council tax which relates to the additional amount due to be paid by working age claimants, many of whom are in receipt of income support or job seekers allowances. For the rest, and the large majority of council tax income, a collection rate of 98.5% is still expected and the revised recovery policy will support both these objectives.

Housing Rents

Housing is currently facing a number of challenges to ensure that rental income collection rates are maintained. Welfare Reform, in relation to the size criteria, along with changes to non dependant charges and the implementation of council tax support, has impacted negatively on household budgets. Despite these changes Housing has not only managed to maintain its collection rate but it has improved up to quarter two from 96.87% last year to 97.72% in 2013. The table below shows the year end collection rates for the last three years.

	2010/11	2011/12	2012/13
Housing Rents collected %	98.36%	99.03%	98.39%

Sundry Debtors/Adult Social Care

Collection over the last three financial years has been as below and in the current year at quarter 2 stands at 71%. Sundry debts include many different types of debt ranging from Commercial Rents to Adult Social Care. In the majority of the cases recovery occurs without recourse to the County Court or Charges on Property as debts can be small. As such collection rates are not as high as in other areas although the new policy will support higher collection rates in future.

	2010/11	2011/12	2012/13
Sundry Debt collected %	75%	78%	75%

Environmental Impact

None

Risk Management Implications

Risk Included on Directorate risk register? No

Separate Risk Register in Place? No

In the current economic climate there is a risk that the Council's income collection performance could decline. This would have an adverse impact on the amount of monies available to pay for services and on the overall Council's financial position. However the risk is managed by ensuring a robust but sensitive collection policy is in place that endeavours to collect the maximum amounts possible over a period of time.

Equalities implications

An Equality Impact Assessment was carried out and is attached at Appendix E.

Pursuant to the Equality Act 2010 ("the Act"), the council, in the exercise of its functions, has to have 'due regard' to (i) eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnership, but to a limited extent.

An Equalities Impact Assessment screening was conducted in relation to the review of the Corporate Debt Recovery Policy and can be found at Appendix C to this report. The policy has been updated to ensure that debt collection is fair and equitable across all the protected characteristics. The policy now includes vulnerability criteria that has been developed to ensure that consideration is given to an individual's circumstances if they fall within the vulnerability criteria and the appropriate actions are taken forward in relation to the collection of the debt owed.

The review of the policy, including the development of the vulnerability criteria, has been designed in partnership (with the Welfare Reform's multi agency Community Reference Group, a multi-agency sub group and the Officer Project Board) to help residents from all the protected characteristics receive a consistent and fair service. The Equality Impact Assessment screening has concluded that the changes to the policy will not have an adverse impact on residents from any of the protected groups however the following actions have been put in place to avoid potential impact:

1. The effectiveness of the policy is dependant on debt recovery services sharing information regularly in relation to both vulnerability and debts. Therefore the pilot project that is currently being taken forward between Council Tax Recovery and Adult Services is looking to understand the resources required and processes that need to be put in place to identify vulnerability within the debt collection process. Once this pilot is complete the learning will be shared with all debt recovery services.
2. The Council will not be aware of all debtors that sit within the vulnerability criteria and therefore close partnership working with external agencies will be key to help ensure the Council is informed when before taking forward debt collection.

It is likely however that the policy supports Financial Exclusion positively. Specifically it supports the lowering of financial exclusion costs, which are not always just economic. Financial Inclusion is also about fairness and social justice. It is not acceptable that anyone, least of all the most vulnerable members of society, should face avoidable costs such as:

- experiencing the stress – financial and otherwise, of over-indebtedness which could have been avoided with timely advice and support.
- paying additional costs, charges or fees because of lack of information or warnings as to the repercussions of further recovery actions
- risking intimidation and violence, to say nothing of the extortionate cost, at the hands of illegal loansharks, because no advice regarding payment plans or sign posting to affordable borrowing options are available.

Improved Financial inclusion will not only improve customer satisfaction, but it will also benefit Council staff. In particular, frontline staff, who can be demoralised by conflict with debtors and other customers, and by constantly dealing with them in crisis due to financial problems. Adopting the revised policy which supports the delivery of financial inclusion interventions, may increase the skills and motivation of staff, improving recruitment and retention.

Priorities

The revised Debt Recovery Policy reflects the aims of our corporate priorities to ensure a fairer Harrow. It takes into consideration the difficulties of those who can't pay on time due to short term financial hardship, by adopting a sensitive and pragmatic approach to collection, but also ensures a balance is in place by taking into account the financial interests of all taxpayers who rely on local authority income being collected to ensure the sustainability of service delivery.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 10 December 2013		
Name: Paresh Mehta	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 4 December 2013		

Section 4 – Performance Officer Clearance

Name: Martin Randall	<input checked="" type="checkbox"/>	on behalf of the Divisional Director Strategic Commissioning
Date: 5 December 2013		

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker	<input checked="" type="checkbox"/>	on behalf of the Corporate Director of Environment and Enterprise
Date: 29 November 2013		

Section 6 - Contact Details and Background Papers

Contact:

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

Background Papers:

Appendices, as attached to the main report

Call-In Waived by the Chairman of Overview and Scrutiny Committee	NOT APPLICABLE <i>[Call-in applies]</i>
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