

Debt Recovery: Harrow Council's Approach to Debt Recovery

Response to final Scrutiny review report

Areas highlighted in the report - specific to the services reviewed , - Revenues, Housing & Adult Social Care (income collection areas)

- Council appears to be applying its recovery policies in a manner which does not take into account of what are at times very distressing personal circumstances of our residents.
- Council needs to operate in a way that protects the Council's financial interests but also reduces the impact on the most vulnerable of our debtors.
- Resident's experience of the recession may increase their indebtedness. Increased unemployment, increased incidents of mental health problems, family breakdowns, the impact of multiple debts all mean that the pool of people in debt and subject to recovery policies is likely to expand.
- Harrow Law Centre drew attention to types of cases (regarding rent collection); not people who won't pay but people who can't pay, people who are vulnerable perhaps as a result of language difficulties, mental health problems or physical disability.
- Current process does not accommodate or offer sufficient safeguards to those residents who are experiencing difficulties.
- No means within the corporate/council tax debt recovery process through which the council can identify vulnerable cases
- There should be In house evaluation of vulnerability at critical and later stages of the recovery process. This should be before bankruptcy procedures and before foreclosure on a home. Establishing the **assessment at some critical point in the process is absolutely essential and this is our core recommendation.**

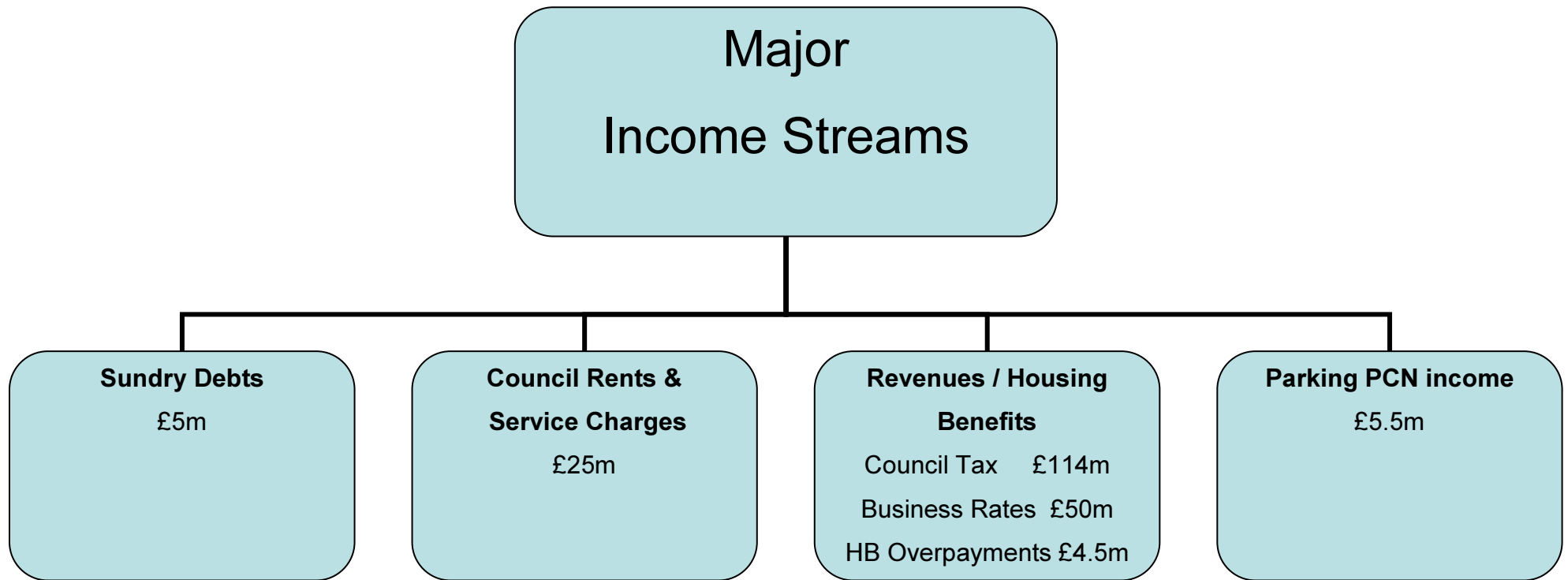
Recommendations not specific to the corporate debt function:

- The potential integration of all debt recovery services with the central recovery service should be further investigated. No integration should take place until the central service has been able to introduce a process for identification of vulnerable residents as above
- 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. They share certain lessons learnt processes and procedures
- 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

Response

Officers welcome the suggestions made by Scrutiny and understand that councillors are concerned that the Council's application of its debt recovery procedures may be having an adverse impact on our more vulnerable residents. Officers also note that councillors accept that our debt recovery is no more rigorously applied than in other London Boroughs although anecdotal evidence has led to the opinion that uniform application of the policy was resulting in a disproportionate adverse impact on a small number of vulnerable residents.

There are a number of services which manage income collection and currently these are located in various different Departments. For reference, the diagram below sets out the main areas which manage income and debt collection.



Sundry Debtors – This covers a variety of debt types including commercial rents, planning & building control fees, PCT, West Waste, licensing fees, adult social care charges, service charges etc. Generally these are debts which are raised and invoiced by our central Corporate Accounts Receivable/Payable Team (CAP/CAR Team) and have no specific legislation governing their collection. Collection occurs in most cases by simply invoicing the debtors. Recovery escalations are normally carried out by our legal team via County Court judgments and charges on property. For commercial rents, repossession of property using County Court bailiffs is also used.

Rents – Collections are managed by the Housing Department. Arrears are around £1.2m, of which £750k relate to former tenants who have moved away. Rent recovery, is in most cases, carried out by the Housing staff although escalations, eg repossessing of property due to failure to pay rent, is carried out by our legal service.

Council Tax / Business Rates / Parking – All of these 3 areas are already centralised under the Revenues Division within Corporate Resources Directorate. Council Tax arrears are approximately £4.5m, Business Rates arrears £1.5m and PCN outstanding monies at any one time around £2-3m.. Recovery of these debts is carried out by the relevant service’s staff using specific legislation. Here the authority is granted either liability (court) orders or county court warrants following which use of bailiffs, attachment of benefits, attachment of earnings, committal to prison or bankruptcy are all used as recovery tools.

Our response to specific key comments in the report will hopefully assure councillors that officers have listened and are putting in place some key processes to increase safeguards.

Specific recommendations

Recommendation	Response
BEST PRACTICE For Cabinet: We recommend that steps be taken to improve the application of the various debt management policies. By this we mean: 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.	Recommendation accepted. However there are steps which local authorities are obliged to follow so that non-payers are reminded about their debt and warned about what could happen next if they do not pay. These mandatory steps have been established in legislation in certain areas to enable local authorities to manage high volumes of cases in a cost efficient way. It is a balance to ensure that customers are given the right information but without notices becoming too threatening and not encouraging them to

Recommendation**Response**

approach the council if they are having difficulties. Some of the content is dictated by regulation but all of our notices give contact details and information about how to apply for Council Tax Benefit and other reliefs and reductions and where to seek free help from independent organisations.

Regarding domestic rents there is a separate process and a pre-action protocol to comply with when the rent is in arrears. This requires benefit checks and advice to be offered, and in addition there are specific requirements in relation to disability issues which also have to be considered before possession action is taken.

Every year we consult with colleagues in Access Harrow and the Citizen's Advice Bureau to review what worked well and what did not work so well so we continually strive to improve our notices to make them clear to understand for customers. This improves communication ensuring our customers will better understand what we expect of them. We will enhance these liaisons meetings to explore how this can further identify vulnerability at an earlier stage. This year we have also incorporated the signpost to the Money Advice service which provides a free online health check for customers on financial fitness following a request from the Recession Busting Group.

We will review our internal processes to help identify vulnerable people and ensure that we have the information to make the right decision about the most appropriate recovery route. This check will be made at the beginning of any decision making checklist or process to prevent further recovery being taken. This will include contacting other departments as part of the escalation checks to ensure we are aware of the total debts owed to the council but also to ensure that another department does not already have that address or resident flagged as vulnerable; e.g. mental health issues, frail pensioner etc. An example of this would be working with the Fairer Assessment Team and asking them to add a check to the Council Tax Team where they are supporting residents to stay in their own homes to ensure that they are receiving the maximum assistance available but also to if necessary to review the recovery route being taken to ensure it is still appropriate.

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We already write to all our council tax debtors asking for details about whether they are in work or on benefits so that if appropriate an attachment to earnings or their benefit can be done. This includes referring customers to free debt advice services if they are having other financial difficulties. The process also encloses a leaflet about the bailiff and the fees that may be charged if the customer does not contact the office. Our aim is to ensure the customer co operates in providing information so that we can endeavour to chose the best route to meet the individual's needs. This has been recently updated to incorporate comments made by staff, customers and the panel including highlighting that certain actions may lead to your home being lost and substantial costs being incurred.

Refresher training on payment arrangements will be given to staff in 2012 which will cover what to do if customers return these forms indicating that they are on any type of state benefit or if they state they have no income. We will contact the Royal College of Psychiatrists to see if they have developed a training package following their report in November 2010 about debt collection and mental health and also to gain their input on any corporate mental health policy in terms of not only recovery but also access to services.

We are aware that problems do arise specifically regarding customers who may simply ignore demands or warning notices. Some people may not be aware of the range of help that may be available to them. Unless we are made aware of the individual circumstances we are unable to see if we are able to help. This issue in particular needs to tie in with identifying customers who may have mental health issues. In the current climate it is acknowledged that the many pressures customers find themselves under may lead to an increase in mental health problems and subsequently a difficulty in dealing with financial crisis and our task in collecting debts. We will review our procedures taking into account Data Protection issues as clearly some data can only be used for certain functions. A draft standard letter has been provided to the Information Manager so that it can be issued to the following asking for disclosure.

Recommendation**Response**

- fairer charging team
- mental health teams
- PCT
- CAB

The LGO has recently issued guidance to local authorities following some high profile cases regarding bankruptcy. We will adopt this guidance which in effect will ensure council officers make reasonable steps to contact the debtor in person including visiting their home if necessary not only for bankruptcy cases but for any large balances where we are considering further recovery action of

- insolvency
- committal
- charging orders

We will ensure we carry out the following before progressing the matter; a senior officer will only make a decision to pursue bankruptcy after

- a. Reviewing an accurate history of the debt and the attempts to recover it
- b. Considered information about the past, present, disputed or outstanding benefit claims or any applications for discounts or exemptions
- c. Assessed if the debtor has assets to clear the debt if the bankruptcy is pursued
- d. Assessed that there is no realistic prospect of collecting the debt in any other manner in a reasonable timeframe
- e. Gathered sufficient information about the debtors circumstances
- f. Considered whether the debtors failure to pay/respond to other recovery measures could arise from a disability
- g. Considered whether the personal circumstances of the debtor warrant them being protected from the consequences of recovery action

An authorisation sheet has been drawn up for each case which covers not only the above but also items from the panel such as:-

- Is there a history of small multiple debts

Recommendation	Response
<p>2. The potential integration of all debt recovery services with the central recovery service should be further investigated.</p>	<ul style="list-style-type: none"> - What is the payment history if previously good consider a home visit -Is there awareness by the customer of the process being recommended and the potential implications - if a known disabled household what reasonable adjustments have been made <p>We are also currently looking into access to the CRM system as part of the cross check as if more contact is logged via AH it should be recorded there which give staff an indication of what department will may need to be contacted.</p> <p>Although we as a Council have not yet centralised all debt recovery and currently operate distinct services where debt collection occurs, (the Corporate Accounts receivable/Sundry debtor team, Revenues Service and Housing Rents service) the issue is being looked into. We are already aligning policies to ensure that customers with multiple debts will be dealt with in a consistent and transparent manner. We will work towards a consistent corporate definition of vulnerable and introduce checklists to encourage joint working and the sharing of information between departments and partners as recommended by both the LGO and the Information Commissioner.</p> <p>Adult Social care have also started to review their recovery policy which will address concerns and incorporate best practice. Again this will benefit from the work to be done on defining vulnerability. The area has additionally introduced with immediate effect Director level sign off before a formal recovery process is instigated.</p> <p>A clear steer is however still needed from the Information Manager / legal on the steps needed to avoid any conflict with Data Protection including potential disclaimers on all Council forms and notices about data sharing which would ease any potential conflicts. We will be ensuring all departments do this which could also cover the confidentiality issues regarding disclosure of mental health problems which has been identified as a barrier in customers coming. Access Harrow phone messages and receipts should also incorporate a standard disclaimer to this affect.</p>

Recommendation

Response

The above will allow a view of the combined debt that a customer has which will allow officers to see how proportionate a particular recovery route may be as there may be different recovery routes based on the different legislation. This will also introduce more joined up working, a must in ensuring we act appropriately and in full knowledge of all the facts.

We will reinstate the corporate enforcement working group which began in June 2010 with the original remit as below:

“A number of different departments carry out enforcement functions and there is a varying degree of specialism and knowledge concerning our duties in relation to criminal investigations. It struck me that it would be useful if the Council had a corporate prosecutions group, with representatives across all enforcement departments. The group could share good practice, deliver and organise training, take a view on corporate matters relating to criminal investigations and generally support and assist each other.”

This can be expanded to pull together not just the knowledge in relation to criminal investigations but also a forum for taking further cases studies and pulling out lessons learnt to incorporate in any central debt recovery processes. This network would also, subject to clearance from the information management team/legal, provide staff with points of contact for cross checking. A draft information sharing document was drawn up by legal and this can now be resurrected and passed for review to the information management team.

A recommendation can be made that any Council inspection/visiting staff including 1/3rd party contractors be given specific training on identifying clues to vulnerability and where identified by whichever department that this be captured centrally and

Recommendation	Response
<p>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. Lesson learnt, processes and procedures should be shared.</p>	<p>incorporated into checklists for departments collecting debt to cross check to. The training to also include what route to follow should vulnerability be identified so that the resident receives the appropriate support promptly.</p> <p>There is the potential to collate all debts from the different systems used by the Council currently so that staff can see the true picture of the customer indebtedness. This will allow staff to make more informed decisions about either payment arrangements or alternative recovery routes and any corporate debt policy would be able to set different levels of monies outstanding for the different debt types to trigger different actions.</p> <p>As more services move over to Access Harrow there is an opportunity to develop the skills of the OSS and CC staff to probe for both the true circumstances of the customer but also to cross check facts, entitlements and monies owing. As more services move over to using Civica W2, subject to access being allowed, the process of cross checking can become more streamlined without impacting on other service areas to get information. If a clear corporate debt policy existed for all debts across the council, it would be possible to provide AH staff with a decision making matrix to follow to be able to give clear and transparent guidance and decisions to customers with multiple debts.</p> <p>Although some of the issue has been covered in points 1 & 2, officers will put in place enhanced communication to facilitate joint working. We are currently tendering for bailiff and debt recovery agent services and appointing contractors under one corporate contract will ensure the same firms are used across the council for all council debts where certificated bailiffs / debt recovery agents can be used. This in itself will join up action at the critical stage. Contractors will also be required to develop new processes where they inform council officers of vulnerability as they came across cases. Contractors such as bailiffs / debt recovery agents will be provided with the council's vulnerability policy and will be additionally asked to offer signposting to advice and advocacy agencies within Harrow. As such officers will redesign the services so that interventions are earlier and more targeted.</p> <p>As more services first point of contact are now via Access Harrow, and with documents</p>

Recommendation	Response
<p>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.</p>	<p>being available via Civica W2, information will, subject to the authorisation on information sharing, be available from the desktop.</p> <p>Collating the information about multiple debts will mean that we will be able to plot where high debts arise and if appropriate arrange workshops in those local areas to:-</p> <ul style="list-style-type: none"> - maximise the take up of benefits, - work with others from the 1/3rd sector in enabling customers to understand clearly what they should be doing - talking to residents to find out what the barriers are to them paying their bills e.g. closure of a post office/bank <p>Resurrecting the corporate enforcement group will provide a forum for lessons learnt to be discussed and shared and the Corporate Complaints officer can also feed into this any trends or issues from an objective view.</p> <p>This has been touched in the earlier response but taking into account of the economic climate, officers will review information on Harrow's website and add to it, we will work with our external partners such as the CAB to ensure the worst debt cases are expedited and given debt advice at the earliest opportunity, and will implement a targeted advertising campaign in the new financial year to bring awareness of debt support to those who may need it.</p> <p>Refresher training on debt advice will also be considered for staff in the relevant areas that come into contact with debtors so we are better prepared to deal with financial hardship & vulnerability.</p> <p>Adult services will refresh the debt management advice currently available on its Shop4Support site in line with the above review of information used to sign post.</p> <p>If as above a matrix can be drawn up for staff to use to apply the corporate debt policy, this can incorporate key stages to refer customers to sources of advice for use at the OSS and CC.</p>

Recommendation	Response
<p>Recommendations not specific to the corporate debt function:</p>	<p>A) A member suggested that the debt collection process across the Council appeared fragmented and that he felt that the panel should investigate this.</p> <p>The Interim Corporate Director of Resources agrees that there is some fragmentation and that as in her statutory role she needs to have an overarching view of debt, she already has a piece of work planned to progress this area.</p> <p>Although work is at an early stage, there appears to be no reason why housing and sundry debts should not be dealt with centrally in a corporate team. The exception is possession proceedings which are complex and require specialised legal input.</p> <p>The issue will be looked at further once the outcomes of the examination of the area is completed.</p>
	<p><i>It must be understood that some of the actions will take up time and will impinge on existing resources. The collection services, like all other services have cut back budgets and capacity is becoming an issue. Whilst officers will endeavour to put in place the above, it will only continue and become integrated into processes on the basis that sufficient resources and capacity exists within the areas.</i></p>
<p>Coordinated by Fern Silverio – Divisional Director, Collections & Housing Benefit</p>	