
CABINET

15 June 2016

Subject Heading:

**OVERVIEW & SCRUTINY BOARD –
DEBT RECOVERY TOPIC GROUP
INTERIM REPORT**

Cabinet Member:

Cllr Clarence Barrett, Cabinet Member
for Financial Management

CMT Lead:

Andrew Blake-Herbert
Chief Executive

Report Author and contact details:

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Policy context:

Financial summary:

There are none associated with this report.

Is this a Key Decision?

No

Is this a Strategic Decision?

No

When should this matter be reviewed?

March 2017

Reviewing OSC:

Overview & Scrutiny Board

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for
People will be safe, in their homes and in the community
Residents will be proud to live in Havering

SUMMARY

The attached report contains the findings and recommendations that had emerged after the topic group scrutinised the subject selected by the Overview & Scrutiny Board in May 2015.

The environmental, equalities & social inclusion, financial, legal and HR implications and risks are addressed within the topic group's report.

RECOMMENDATIONS

That Cabinet:

1. **Note** the report of the topic group.
2. **Authorise** the creation of a task force focussed solely upon recovering Council Tax debts over one year old.
3. **Agree** to the continuation of the Topic Group to maintain a review of Council Tax and, progressively, other Council debts for an indefinite period.

REPORT DETAIL

The attached report of the Overview and Scrutiny Board identifies the initial findings of the Debt Recovery Topic Group and recommends a solution to reducing the amount of outstanding Council Tax debt owed to the Council.

REASONS AND OPTIONS

Reasons and Options

Reasons for the Decision

Under the Local Government and Public Involvement in Health Act 2007, s. 122, Cabinet is required to consider and respond to a report of an Overview and Scrutiny Committee within two months of its agreement by that Committee or at the earliest available opportunity. In this case, Cabinet is required to do this at its meeting on 11

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May 2016. Cabinet is also required to give reasons for its decisions in relating to the report, particularly in instances where it decides not to adopt one or more of the recommendations contained within the report.

Alternative Options Considered

There are no alternative options.

IMPLICATIONS AND RISKS

Financial Implications and Risks:

There are no financial implications arising directly from this report

Legal Implications and Risks:

There are no legal implications arising directly from this report

Human Resources Implications and Risks:

There are no Human Resources implications arising directly from this report.

Equalities and Social Inclusion Implications and Risks:

There are no Equality implications arising directly from this report.

BACKGROUND PAPERS

None



MEETING	DATE	ITEM
OVERVIEW & SCRUTINY BOARD	26 April 2016	4

SUBJECT: REPORT OF THE OVERVIEW & SCRUTINY DEBT TOPIC GROUP

SUMMARY

This report contains the (interim) findings and recommendations that have emerged after the Topic Group scrutinised the subject selected by the Board on 5 May 2015.

The environmental, equalities & social inclusion, financial, legal and HR implications and risks are addressed within the topic group's report.

RECOMMENDATIONS

That Members:

1. Note the report of the Overview & Scrutiny Debt Topic Group
2. Decide whether to refer the recommendations set out in section 4 of the report of the Topic Group to Cabinet.

REPORT DETAILS

At its meeting on 5 May 2015, the Overview & Scrutiny Board agreed to establish a Topic Group to scrutinise how the Council collects its debts and existing levels of debt and whether this could be improved.

Attached is the Topic Group's report. The report includes details of the research that the group undertook in reaching the conclusions set out.

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<p style="text-align: center;">INTERIM REPORT OF THE OVERVIEW & SCRUTINY BOARD DEBT RECOVERY TOPIC GROUP</p>

1.0 BACKGROUND

- 1.1 At its meeting on 5 May 2015, the Overview & Scrutiny Board agreed to establish a Topic Group to scrutinise debt recovery in the borough by understanding the current procedures, levels of debt and consider any solutions that might usefully improve collections.
- 1.2 The following Members formed the Topic Group at its outset: Councillors Graham Williamson, Steven Kelly, John Crowder and Philippa Crowder.
- 1.3 The Topic Group agreed that it would initially focus on Council Tax collection and thereafter other debts e.g. National Non-Domestic Rates (NNDR).
- 1.4 The Topic Group met on 8 occasions (4 including one on NNDR with Officers), so that all aspects of Council Tax debt collections were investigated and possible alternative solutions could be scrutinised. The Topic Group has now reached its interim findings and conclusions which are detailed in this report

2.0 SCOPE OF THE REVIEW

- 2.1 To understand the current Council Tax collection procedures.
- 2.2 To identify and evaluate the Council's collection rates.
- 2.3 Propose any changes/initiatives to improve collection rates.

3.0 FINDINGS

- 3.1 The Topic Group wished to understand and gather information on how the Council handled Council Tax collections, especially outstanding debts i.e. over one year old. This is controlled by the Exchequer & Transactional Services (for all debts) now part of oneSource.
- 3.2 Each year the amount of Council Tax to be collected increases e.g. in 2013-14 the figure was £118,480,176 and in 2014-15 it was £119,816,832.91. The service has yearly targets to meet. For example, at the end of 2013-14 financial year the target was 97%. The actual collection rate for 2013-14 was 97.1%. Other years' targets were usually met.

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- 3.3 The collection rate was relatively efficient compared to other London boroughs e.g. in 2013/14 Havering ranked 6th out of 25 boroughs (where collection rate data was available).
- 3.4 However, what became clear was that the debts over a year old were not being collected as efficiently. For example, the target for these was only 18%. Thus these debts inevitably grew year on year even when a proportion of it was written-off.
- 3.5 For example, in June 2015, the outstanding debt for all the previous years up to 2015 (including pre-2000) was £19,189,435.12. This was owed by some 8,312 Council Tax payers. This ranged from 5,128 owing for 2014-15 to 3 owing for over 10 years.
- 3.6 Furthermore, over the past five years a sum of £4,511,476.89 was written-off covering a number of years but always over six years old (we are unaware of what was written off in earlier years).
- 3.7 The Topic Group found it extremely challenging trying to obtain and understand the figures and the processes followed. The information provided was difficult to understand and the Topic Group were constantly asking Council Officers for clarification. The Topic Group detected a defensive attitude, no doubt fearful of a critical analysis. Eventually, the Topic Group believes they reassured officers responsible for debt collections that they only wished to work with them to provide solutions (see later).
- 3.8 In the Topic Group's the Council Tax debt was far too high and, despite some of it being written-off, was likely to continue rising year on year. This is based on the fact that there is given an increasing number of new build properties in the borough, a yearly Council Tax rise for the foreseeable future, savings to be made by the relevant Council Tax section budget (as within all Council sections/depts.), and the 15% reduction of the Council Tax Support Scheme.
- 3.9 There are a number of reasons the Topic Group believe the Council is struggling to collect such debt:

Firstly, whilst the Council is generally meeting its yearly in-year targets the Topic Group believe an aspect of complacency has crept in towards the 3% or so that is not collected (the target drops dramatically to around 18%).

Secondly, the process of collection is complicated and long winded. The attached flowchart highlights the numerous 'opportunities' and time debtors have to settle debts and the various options available to them/Council. However, all debts are recorded as being within a stage of these processes. There are as many as 33, ranging from 'No action' to 'Liability orders' to debtors who still owe monies post-bailiff action.

Thirdly, the work involved is labour intensive e.g. last year 12,000 summonses, leading to 8,000 liability orders were issued and internal officers carried out over 3,500 visits.

Fourthly, most resources are focussed in reaching the first year target.

- 3.10 After the Topic Group was formed there have been, in the Group's opinion, a number of positive developments:

Firstly, the Head of Exchequer & Transactional Services produced a Service Plan 2015/16 which looked at the Service itself including the collection of debts. Among a number of '*Objectives and Outcomes*' was '*To improve income collection and reduce debt*' and '*To maintain or improve council tax.....collection rates*'.

Secondly, an Income and Debt Review was initiated to '*examine the opportunities and potential efficiencies of having a more co-ordinated approach to managing income collection and debt recovery and will support the development of the Debt Management Board*'. Nick Kingham was appointed as Debt Management Project Manager to lead it.

Thirdly, office based Enforcement Assistants (who support Enforcement Officers) were recruited to help collect specifically Council Tax arrears.

Fourthly, the Topic Group made a number of suggestions. For example:

* There were some errors in the 'chase up' letters e.g. if a Summons was sent it would say that the right to pay by instalments was lost but would later offer payment by Direct Debit?

* Based on the 'nudge' factor we asked that all letters explicitly explain the consequences to Council services if council taxes were not paid.

* Name and shame bad debtors. Although there was some resistance to specifically naming those who had not been convicted of a criminal offence there is no reason why this cannot be done anonymously.

* Financially incentivise our in-house Bailiffs.

- 3.11 Other suggestions were not as yet taken up e.g. it was not possible to change Council tenancy agreements to threaten eviction if Council Tax (as apart from rent) was unpaid. Greater use of the High Court, to collect debts exploiting the topicality and perceived fear of such, was thought to be too complicated a process.

- 3.12 It was clear that the scale of the debt justified forming a special task force, focusing entirely on the old debt. This was discussed with the Head of the Council Tax & Benefits Service.

It was agreed that such a task force could collect arrears more quickly (or alternatively identify problems explaining why the debt could not be collected than is presently the case.

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To recruit a Senior Officer to assist in delivering the debt aspects of the Council Tax & Benefit Service's Council Tax Collection & Recovery Activity Plan plus three other officers to manage the day to day work of outbound phone calls and dealing with returns from Bailiffs.

The group was advised that such a task force would cost £150k for the four staff on a rolling 12 month contract that would be reviewed after the first and following years in relation to outstanding Council Tax debts. The group regarded it as an 'Invest to Save' project.

- 3.13 Members wish to maintain the Topic Group to continue an ongoing review of Council Tax debt (meeting planned by the end of April) and ultimately review all areas of Council debt. The Topic Group has already had one meeting on NNDR and plans a further one by the end of April.

4.0 RECOMMENDATIONS

- 4.1 Create a task force focussed solely upon recovering Council Tax debts over one year old.
- 4.2 Continuation of the Topic Group to maintain a review of Council Tax and, progressively, other Council debts for an indefinite period.

ACKNOWLEDGEMENTS

During the course of its review, the Topic Group met and held discussions with the following people:

Sarah Bryant – Director of Exchequer and Transactional Services
Chris Henry – Head of Council Tax & Benefits
Nick Kingham – Debt Management Project Manager

The following comments are submitted by members of staff:

Financial Implications and Risks:

The financial implications for the two recommendations are set out below:

Recommendation 1 - Create a task force focussed solely upon recovering Council Tax debts over one year old.

There will be revenue cost implications of creating posts. If the Overview and Scrutiny Board agree to make this recommendation to Cabinet further work will need to be undertaken with the service to establish the number/grades of posts in order to confirm costs and identify a source of funding.

Recommendation 2 - Continuation of the Topic Group to maintain a review of Council Tax and, progressively, other Council debts for an indefinite period.

If the topic group continues to be resourced from existing Members/Officers in established posts there will be no additional costs arising from this recommendation.

Legal Implications and Risks:

There are no legal implications resulting from the Overview & Scrutiny Board noting the contents of this report and there are no legal implications directly arising from processing the recommendations of the report.

In relation to the Topic Group's proposal to financially incentivise the Council's in-house Bailiffs, the Council would need to ensure that the bailiffs work in line with the Taking Control of Goods Regulations 2013 which came into force on 6 April 2014. Officers would need to carefully check each case before it is issued to the bailiffs and the bailiffs would need to check that residents do not meet specific vulnerability criteria before they enforce debt collection.

Human Resources Implications and Risks:

There are no direct HR implications or risks, to the Council or its workforce, that can be identified from the recommendations made in this report except for meeting the resourcing needs of the oneSource Exchequer & Transactional service in order for them to be able to effectively discharge the objectives and required activities of the suggested Council Tax debt recovery taskforce. These new roles would be over and above the existing establishment of the service. Therefore, sufficient funding for the lifetime of the taskforce project would need to be identified from outside of the service.

Equalities and Social Inclusion Implications and Risks:

The report outlines suggested improvements for collection of monies owed to the Council. Whilst this may not have any direct impact on protected characteristics such measures will need to be part of a holistic approach toward helping people managing income /income maximisation to avoid such issues where possible in arising in the future.