

ROTHERHAM BOROUGH COUNCIL – REPORT TO DEMOCRATIC RENEWAL SCRUTINY PANEL
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1.	Meeting:	Democratic Scrutiny Renewal Panel
2.	Date:	15 July 2010
3.	Title:	Scrutiny Review of Debt Recovery: Creation of a Single Debt Recovery Service
4.	Directorate:	Financial Services

5. Summary

This report refers to a recommendation made following a scrutiny review of debt recovery arrangements for the Council to create “one debt collection service for council tax, sundry debts and 2010 rents”. The main reason for this recommendation was to ensure residents with multiple debts received a join-up service.

There are 112,000 Council Tax payers in Rotherham and 20,000 housing tenants. Less than 500 residents have significant debt on both their rent and council tax accounts and there were around 30 formal complaints received in 2009/10 by the various services relating to debt collection issues (only 7 of these were upheld). In proportion to the number of payers, the number with significant multiple debts is small and the number of complaints even smaller.

Set in this context, this report shows how current arrangements between the respective services for co-ordinating their work relating to residents with significant multiple debts can be developed to achieve the objectives of the scrutiny recommendation, without requiring full consolidation of existing services, which could have significant financial and operational implications.

Of particular significance is the fact that Rotherham’s performance in collecting debt is exemplary under the existing arrangements. Any reduction in current performance would create a detrimental impact on the Council’s overall budget, and this must be a risk with any new arrangements, at least in the short term.

The Strategic Leadership Team has considered this report and agrees with the conclusions and recommendations.

6. Recommendations

The Democratic Renewal Scrutiny Panel is asked to:

- **Note the findings and conclusions of this review**
- **Support the recommendation for debt collection services to improve the communication and co-ordination of debt recovery action relating to significant multiple debts, as opposed to the consolidation of existing services.**

7. Proposals and Details

Following a scrutiny review of Debt Recovery arrangements, a report was presented to Cabinet for its consideration on 23 September 2009. The report included 15 recommendations for strengthening the support given to customers who owed money to the Council, developing a more 'joined up' approach to debt recovery and for alleviating some concerns regarding the use of private bailiffs in collecting Council debts.

All recommendations made by the Performance and Scrutiny Overview Committee were subsequently accepted by Cabinet on 2 December 2009, and an action plan was produced for addressing the recommendations.

Recommendation 13 was for the Council to consider creating "one debt collection service for council tax, sundry debts and 2010 rents". This report identifies the potential costs, benefits and disadvantages of establishing a single debt recovery service.

7.1 The Debt Recovery Scrutiny Review

The scrutiny review report relating to this part of the Council's arrangements stated:

"3.4 Joining Up

- *The review group were informed that other local authorities have one point of collection for numerous corporate debts. In Rotherham, arrears chasing is by the service provider/section. An individual paying their council tax could be denying rent to 2010. 2010 also suggested that debt advisors and debt collection could all be corporately located in one team at the Council jointly with 2010. There appeared very little evidence of a joined up working and therefore the Council is unable to develop a holistic approach to individuals".*

It resulted in the following recommendation:

"13. The Council should have one debt collection service for council tax, sundry debts and 2010 rents. Individuals will not have to contact multiple departments or deny one service their payments to pay another".

In response, Cabinet agreed "A more detailed review will be carried out of the costs and potential benefits of consolidating existing arrangements into one debt collection service".

As part of this follow up work we have been unable to identify any authority that has combined the collection of council tax, sundry debts and rents. We asked Scrutiny Services for any information the Team had received about other local authorities' arrangements and, after consulting with 2010 Rotherham Ltd, RBT, the Citizens Advice Bureau, Voluntary Action Rotherham, Local Government Yorkshire and Humber, and IDeA, Scrutiny Services stated they could not "find authorities using a single collection point as recommended".

Scrutiny Services also reported that:

"Mark Luntley, Programme Director for Finance at the LGA, has said that it is not uncommon to have council tax, sundry debts and business rate collection under one roof, however, he could not name any authorities that include rents in this arrangement..."

He felt that there was a lot of scope for efficiencies in thinking about where the links between debts are, and overlaps, but could not suggest a model of where the single collection team was operating”.

Although this has been found to be the case, the Scrutiny Review was right to point out that there are opportunities for the existing services to work better together to deal with residents in a fairer way. One way of achieving the objective of improving customers' experience would be to refine the processes to be applied by each service when debts reach prescribed levels, to ensure that residents with significant multiple debts can be interacted with in a co-ordinated way.

7.2 The matter in context

There are 112,000 Council Tax payers in Rotherham and 20,000 housing tenants. Each year approximately 30,000 sundry accounts are raised for services provided by the Council. The following provide an indication of the number of residents with significant multiple debts:

- 467 residents have both a rent account with a notice to seek possession and a council tax liability order
- 51 residents have a rent account with a notice to seek possession, a council tax liability order and at least one outstanding sundry account
- 353 residents have a council tax liability order and at least one outstanding sundry account
- 124 residents have a rent account with a notice to seek possession and a council tax debt passed to a bailiff.

There were around 30 complaints received in 2009/10 by the various services relating to debt collection issues. 5 of the complaints were fully upheld and 2 partially upheld.

In proportion to the number of payers, the number with significant multiple debts is very small and the number of complaints even smaller.

7.3 Enhanced co-ordination of existing services

The relevant services have confirmed they would be willing and able to work more closely when debts reach specified thresholds.

As indicated in 7.2 above, most residents in multiple debt have arrears on their rent accounts. It is possible within the 2010 Rotherham Ltd system to 'flag' accounts requiring officers' action before recovery of debt is pursued. It is proposed that before any account is due to be issued with a 'Notice to Seek Possession' (NSP), the Housing Rents Income Service will contact the Council Tax and Sundry Accounts collection teams to ascertain whether any other debts exist. There are 1,400 cases reaching NSP stage each year.

In order to capture any residents with council tax and sundry account debt (but no rent account in arrears), the Council Tax Section will contact Sundry Accounts where they are considering asking for a pre-committal summons for any account (there are 200 pre-committal summons each year). Correspondingly, the Sundry Accounts Team will contact the

Council Tax Section where the former is considering referring any case for legal action (approximately 100 cases per year).

Where any case with multiple significant debts exists, the teams will co-ordinate their actions.

In addition to the actions proposed, when any resident experiences the later stages of debt recovery action referred to above, they will be signposted to the Money Advice Service for help and assistance.

It should also be noted that the Council has purchased 50,000 'Advice in Rotherham' leaflets to be sent out with any reminder sent by the Council. These leaflets, which were produced in response to the Scrutiny Review, contain current information on all the agencies available to help anyone getting into debt, and are available for residents to obtain support at an early stage to, hopefully, help residents avoid getting into greater difficulty.

The proposals outlined above would seem to provide an economical, pragmatic and effective option for creating joined-up debt collection arrangements, which should ensure significant multiple debt cases receive a joined-up approach to contact in relation to debt recovery.

7.2 A single collection service

Although this review was unable to find any established single collection services, we have looked at the potential implications of creating one debt collection service in Rotherham, compared with the option of enhancing existing arrangements to provide better co-ordination.

In theory, a single collection service should lead to a more seamless service for residents who find themselves in debt. This model should enable a single case file to be established for each debtor and for one officer to be responsible for making any agreements for all services with debts outstanding. Although in concept, this seems a relatively straightforward argument, in practice there are a number of issues that complicate the option, including mainly:

The various services (council tax, business rates, housing rents and sundry accounts) operate to different legal and regulatory frameworks.

The existing rules require different steps / stages within the recovery processes and are prescriptive, providing little opportunity for deviation.

These differences would exist irrespective of the organisational structure adopted and would require officers within any consolidated service to develop specialisms. In effect, while a separate team would be created, organisational divisions would probably still exist within the team.

Alternatively, if officers were expected to gain knowledge and expertise of more than one system, they could submit claims for re-grading, which would reduce the value of any savings achieved through consolidating services.

A variety of systems are used by the debt recovery services and these systems link to the respective core activities

Each debtor has an individual account for any service received. The relevant services administer the respective accounts. The creation of a single debt collection service would require a new debt system to be created with appropriate interfaces made to existing systems OR access and some editing powers for each existing system would need to be provided to any single debt recovery service. Any

arrangement could create complications, extra bureaucracy and confusion between the debt recovery service and the services' administrators.

Services collecting debt currently cost approximately £850,000 per year (excluding Council Tax and NNDR systems costs, which cannot be separated for recovery). This is made up of £340,000 for Council Tax / NNDR, £160,000 for sundry accounts and £350,000 for rent recovery. If 10% savings could be achieved through any merger, this would save the Council £85,000 per year. However, it should be noted that a detailed exercise has not been carried out to assess the precise structure that might be required and there would be some additional costs, such as those highlighted above, involved in the operation of a joint service. It is thought that any net savings that could be achieved would be marginal.

There are two other significant factors that would need to be taken into account in any decision to create a single service. These are:

Services are currently provided by different organisations

Currently, 2010 Rotherham Ltd collects rent income and RBT collects council tax and business rates. These organisations are paid under management agreement or contract to provide these services. There could be significant contractual issues relating to any changes in the existing arrangements, including the possible TUPE of staff and compensation to RBT under the RBT contract affordability model (unless any new team is placed within RBT).

There could be substantial set-up costs

Any new service might need new accommodation and / or other infrastructure requirements. There could be substantial costs associated with any new accommodation or relocation

Overall, there is not a strong financial argument for creating a single debt recovery service.

7.5 Other relevant factors - the Council's performance in collecting debt.

The Council collected 97% of Council Tax in 2008/09 (4th highest of metropolitan authorities). It increased the collection rate to 97.1% in 2009/10.

2010 Rotherham Ltd collected 99.53% of Council Housing Rents during the period 2009/10. This statistic placed Rotherham in the top 25% in the performance league tables for ALMOs in England and Wales.

Rotherham collects sundry accounts in 44 days (average) compared with a benchmarking club average of 67 days. It also costs the Council less to collect each debt at £8.44 compared with an average of £9.06.

These indicators show that Rotherham's performance in collecting debt is exemplary under the existing arrangements. Any change to existing arrangements could result in a reduction in these performance levels, at least temporarily, which would create a detrimental impact on the Council's overall budget.

7.6 Conclusion

It is suggested that the main objectives of the scrutiny recommendation can be achieved by enhancing current arrangements between the respective services for co-ordinating their work

relating to residents with significant multiple debts. This approach could be adopted rather than the merger of current services, which would have a range of financial and operational implications.

8. Finance

Section 7 indicates a number of areas where costs would be incurred if the Council decided to proceed with any proposal to consolidate debt recovery services. Some of the costs could be quite significant. A full and detailed review of the implications outlined in this report would need to be completed if Members were minded to pursue a consolidated option.

Services have indicated they could absorb any additional work associated with the alternative suggestion of improved communication and co-ordination when debts reach prescribed thresholds, at no significant extra cost.

9. Risks and Uncertainties

Full implementation of the scrutiny review recommendation could result in substantial additional set up costs and disruption.

Implementation of the alternative proposal may fail to secure the improvements needed in communication and co-ordination between the debt recovery services. The services will monitor the impact of any revised arrangements and report on any benefits and disadvantages experienced.

10. Policy and Performance Agenda Implications

The Council aims to implement effective and efficient debt recovery proceedings in order to maximise income and minimise the impact of non-collection on Council Tax and rent levels and service provision. The Council also aims to support all residents in financial difficulty, particularly during the current economic downturn.

This review and proposed revisions to debt recovery arrangements are consistent with both objectives.

11. Background Papers and Consultation

- Cabinet Report - Debt Recovery Scrutiny Review - 23 September 2009
- Cabinet Report – Response to the Debt Recovery Scrutiny Review – 2 December 2009
- Performance and Scrutiny Overview Committee Report – Progress on recommendations, 12 March 2010
- Strategic Leadership Team, 5 July 2010

Debt recovery services have been consulted in producing this report.

A full and detailed review of the implications outlined in this report would need to be completed if Members were minded to pursue a consolidation option. Any full review would need to be inclusive of all stakeholders, including the Council, RBT and 2010 Rotherham Ltd management, and staff representatives.

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