

<b>ROTHERHAM BOROUGH COUNCIL – REPORT TO DEMOCRATIC RENEWAL SCRUTINY PANEL</b>
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<b>1.</b>	<b>Meeting:</b>	Democratic Renewal Scrutiny Panel
<b>2.</b>	<b>Date:</b>	15 July 2010
<b>3.</b>	<b>Title:</b>	Scrutiny Review of Debt Recovery: Bailiff Services
<b>4.</b>	<b>Directorate:</b>	Financial Services

### 5. Summary

This report refers to a recommendation made following a scrutiny review of debt recovery arrangements, for the Council to consider examining the business case for creating an in-house bailiff service. The main benefits of such a change were seen as being twofold in that, firstly, the Council would be able to retain the revenue generated from bailiff fees and, secondly, there would be greater accountability when dealing with vulnerable customers.

Comparison of existing charges to both the Council and customers with estimated costs of an in-house service, suggests the Council would have to subsidise any internal service by approximately £88,404 per year or charge customers more than is currently the case for the recovery of debt. The creation of an in-house service would also involve set up costs of approximately £76,765.

In considering any alternatives it should be noted that the Council's current arrangements, which involve the use of external bailiffs, work very effectively. The Council's Council Tax and NNDR collection rates are amongst the best in the country. The creation of an in-house service could adversely affect the Council's income collection rates, at least in the short term. If this happened, there would be a reduction in Council Tax collected to pay for Council services.

The Scrutiny Review recommendation has had a positive impact. While the number of formal complaints received by the Council about bailiffs is low, as a result of the review quarterly forums have been established between the Council, bailiffs and advice services to enable any concerns to be addressed in an open and constructive way. This should improve the customer relations element of existing arrangements.

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 from the review of the business case for creating an in-house bailiff service**
- **Support the recommendation to continue to work closely with bailiffs and advice services, rather than to establish an in-house bailiff service.**

## 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 9 was *"The Council considers examining the business case of an in-house bailiff service where there could be clearer lines of accountability, performance monitoring and charges to client"*.

This report seeks to analyse the cost implications associated with the establishment of an 'in-house' bailiff service and highlight some other issues that might affect any decision to change from the existing arrangements.

### 7.1 The Debt Recovery Scrutiny Review

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

*"3.5 ... When someone's debt is passed onto bailiffs, the bailiffs will add their own extra fees which the Council does not receive. If the Council were to have an internal service they would receive these additional fees. Whilst evidence given demonstrated that the highest collection rates are from Councils that use private bailiffs this information does not reflect the extra revenue generated from the additional charges levied. If there were an internal service, this would prevent confusions and tensions over the use of bailiffs, the Council could charge a lower rate of additional fees and would also be more aware of the service that individuals are receiving."*

The main benefits of such a change were seen as being twofold in that, firstly, the Council would be able to retain the revenue generated from bailiff fees and, secondly, there would be greater accountability when dealing with vulnerable customers. In terms of revenue retention it was felt that this could be used to finance the service and lead, possibly, to a reduction in fees / costs charged to customers.

Establishment of an in-house service should make the day to day control of bailiff work more straightforward as it would remove a link in the management chain. Establishing a team of internal bailiffs may also lead to more direct liaison with debt advice agencies, particularly where customers are identified as vulnerable.

### 7.2 Current Recovery Process

The Council makes extensive efforts to engage and work with customers to try to come to a mutually satisfactory solution to the management of their debt. Despite this, in some instances the referral to bailiffs is the only step that can be taken in order to secure payment of the Council Tax that is legally due.

Before any case is passed to the bailiffs, the debtor will have been issued with, as a *minimum*, a Council Tax bill, a reminder and a summons. At each stage the debtor is urged to make contact with the service, to discuss any outstanding payments. Even after the issue of a Liability Order by the Magistrates Court, which signifies the start of the bailiff referral process, the Revenues Team issues further warning letters and attempts to apply attachment of earnings or deductions from benefits before referring any case to the bailiffs. The referral of any case to the bailiff is always a last resort and is only used where the customer has failed to engage with the service or where previous recovery methods have failed.

Benchmarking data suggests that Rotherham's use of bailiffs is low. Amongst councils participating in the benchmarking exercise, the average number of bailiff referrals per 1,000 chargeable dwellings in 2008/09 was 60 whilst Rotherham's average was 44. In 2008/09 there were 4,844 Council Tax and 527 Business Rates liability order cases referred to the bailiffs. In 2009/10, the numbers had fallen, respectively, to 3,759 for Council Tax (14% fewer than in 2008/09) and 453 for Business Rates (22% fewer). This means, in 2009/10 the Council referred 35 cases to bailiffs per 1,000 chargeable dwellings, which is 58% of the 2008/09 average.

The 2 companies used by the Council to provide bailiff services – Rossendales and Jacobs – are required to comply with Codes of Practice that meet the Institute of Rating, Revenues and Valuation (IRRV) model Code.

### **7.3 Costs and charges to customers**

Under the existing arrangements, costs incurred by the bailiffs are charged directly to the debtor. The Council is only liable for bailiffs' costs on occasions when staff intervene to stop or pull back a case from bailiffs and costs have already accrued. These costs are negligible; for example in 2009/10 they were £4,426.

We have been advised by the Bailiffs that the average fees charged to customers is £100 per liability order and that they have a 58% recovery rate (i.e. on average the bailiffs collect £58 costs per liability order). In 2008/09 the authority referred a total of 5,371 Council Tax and Business Rates liability order cases to the bailiffs. This means that the bailiffs recovered £311,518 in 2008/09 (£58 x 5,371). The Council's costs would have to be lower than this if it were to be able to reduce charges to clients or generate savings.

Following a review of various authorities' arrangements, an indicative structure for an in-house service has been produced based on a structure at North Tyneside Metropolitan District Council, which operates an internal service and is fairly similar to Rotherham, although slightly smaller in size (*93,500 properties in North Tyneside compared with 111,500 in Rotherham*). North Tyneside Council's performance in collecting Council Tax is roughly comparable with Rotherham, having achieved 96.9% in 2008/09, compared with Rotherham's collection rate of 97%, and North Tyneside's model provides for a number of bailiffs helped by support staff who deal with case management and incoming customer contact. This is a cost effective way of providing an overall service. The alternative of requiring bailiffs to perform all of the case management and contact would add significant extra costs.

Using the North Tyneside Model, the Council would face the following costs:

- Initial start up costs of £76,765

- Annual running costs of £368,770, made up of staff costs (£297,140) and running costs (£71,630)

More details of these costs can be found in **Appendix 1**.

***(Note – these costs assume that Rotherham could operate with the same establishment as North Tyneside, even though the latter has fewer residents)***

The Council would either have to subsidise the service by £88,404 per year (the difference between the amount it is assumed that the in-house service would recover <sup>\*1</sup> and the cost of the service), or it would have to charge clients more in order to recover its full costs. Assuming 2008/09 referral levels and a 58% recovery rate, as per the bailiffs' current performance, the Council would have to recover £76 per liability order <sup>\*2</sup> in order to recover its full costs. This is considerably higher than the £58 achieved by external bailiffs.

It should be noted that there are a number of debts that relate to accounts where the customer has moved out of the Rotherham area. It is not known precisely how many debtors have 'absconded' from the area, but estimates based on a review of a sample of cases suggests it could be as much as 10% of the total number of debtors. If an 'in-house' service were to be adopted, consideration would have to be given to how these debts would be collected i.e. by the Council's in-house team, which might require substantial amounts of travel and costs, or by the appointment of external bailiffs for these cases. In other authorities with 'in-house' arrangements, out of area debt has still necessitated an arrangement to be made with a private bailiff company.

#### **7.4 Risks relating to performance and income collection**

In 2008/09 the Council collected 97.0% of the council tax due, making it the 4<sup>th</sup> best performing Metropolitan District Council in the country (out of 36) and the best in the Yorkshire region. In 2009/10, performance improved slightly to 97.1% despite the current economic conditions.

Any reduction in the Council's performance would directly reduce income to fund Council services. A 1% reduction in performance would reduce income by around £800,000. Any change in arrangements would run the risk of reducing collection rates, at least during the transitional period.

Out of the 9 Metropolitan Councils achieving upper quartile performance for council tax collection in 2008/09 (2009/10 figures are not yet available), only North Tyneside MBC had an in-house service. In South Yorkshire, only Doncaster has an in-house service and it achieved 95.5% collection of Council Tax and 95.0% of business rates in 2008/09. If Rotherham performed at these levels it would have received £1.2m less in Council Tax for that year. In recent months Doncaster Council has established contracts with private companies to collect some cases.

The bailiff industry has traditionally high staff turn-over rates. The loss of staff and training of new staff in a relatively small team for any significant length of time could result in a

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<sup>1</sup> This is £58 per case managed, which is 90% of the total (with 10% out of area cases given to external bailiffs). i.e. Amount collected £58 x 5,371 cases x 90% = £280,366

<sup>2</sup> Adjusted for out of area accounts which the Council could not charge for, as these would still be pursued by external bailiffs. This is £368,770 divided by 4,834 cases (5,371 cases in 2008/09 x 90%; 10% out of area)

downturn in collection levels. North Tyneside Council has stated it has difficulty in retaining good staff and is often operating at less than full establishment.

## **7.5 Service standards**

Part of any rationale for establishing an in-house service is to be able to work more closely with vulnerable customers. In this respect it should be noted that the Council already has in place a procedure for dealing with vulnerable customers, which it operates with the bailiffs companies. The bailiff companies regularly identify and refer potential vulnerable cases back to the Council for further consideration.

Additionally, it is felt that an in-house service would be better for customers as they would be dealing directly with the council at all times and lines of responsibility would be clearer. Whilst this is undoubtedly true it must be emphasised that under the current arrangements the Council's debt recovery staff work very closely with their colleagues at the private bailiff companies who are helpful, professional and responsive.

The council received 10 complaints during 2009/10 that related to bailiff cases. The Council monitors the bailiffs' response to complaints, to ensure the residents are treated fairly. Any unfair treatment of any resident is unacceptable. However, given the nature of the work, this level of complaints does not suggest the existence of any fundamental problem with current arrangements.

There is close liaison between the Council and bailiff services on debt collection issues. This includes formal quarterly reviews of the bailiffs' performance. Additionally, following on from the Scrutiny review, quarterly forums have been established between the Council, bailiffs and advice service, to enable any concerns to be addressed in an open and constructive way.

## **7.6 Conclusions and Recommendations**

- The Council's current arrangements work very effectively. The Council's collection rate is amongst the best in the country. The Council refers far fewer cases to bailiffs than other authorities in its benchmarking group (as few as 58% of the average). And, while there are inevitable complaints about bailiffs, the number of formal complaints received by the Council is very low.
- This review shows that the Council would have to subsidise any internal service and / or charge customers more than is currently the case for the recovery of debt.
- There would be significant initial investment required to set up an in-house service. The costs associated with this would either have to be written off or charged to debtors over time.
- The creation of an in-house service could adversely affect the Council's income collection rates, at least in the short term. If this happened, there would be a reduction in Council Tax collected to pay for Council services.
- There is currently a downward trend in the number of cases being referred to bailiffs. If this continues, the unit costs for dealing with each case are likely to increase, resulting in even higher charges being made to those in debt, or a more significant Council

subsidy required. This would not be the case with external bailiffs, who can more easily adjust resources and, therefore, keep charges low.

It is recommended that the Council should continue to work with bailiffs to make the services provided to customers' as sympathetic as possible in the circumstances. It is also recommended that the Council continues to work as proactively as possible with debtors, to prevent cases from being referred to bailiffs.

It is not recommended that the Council establishes its own bailiff service

## **8. Finance**

Section 7.3 shows the cost to the Council and customers (on average) of existing arrangements. These are compared with estimated costs and charges of creating and running an in house bailiff service. It is estimated that it would cost the Council £88,404 per year to subsidise an in-house service, if charges to customers are kept at their current levels.

The creation of an in-house service would also involve set up costs of approximately £76,765.

No budget provision has been made for any costs arising from this review. Any proposals would, therefore, have to be considered alongside any other priorities for Council funding.

## **9. Risks and Uncertainties**

The current arrangements for collecting debt work effectively. The risks associated with the use of external bailiffs are managed through monitoring of the bailiff's performance by Council officers and through close liaison and working between the Council's officers and bailiffs.

The creation of an in-house service may enable the Council to be more flexible in changing services as required, by virtue of being directly in control of the services. This might improve customers' experiences of debt recovery.

Conversely, the creation of an in-house team could reduce income collection rates, at least in the short term, and reduce the resources available to the Council for the delivery of (other) Council services.

## **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 confirmation / 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.

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### **Appendix 1: Analysis of the cost of an in-house bailiff service**

## **Analysis of the cost of an in-house bailiff service**

### **1. Introduction**

We have looked at a number of authorities who utilise internal rather than external bailiffs to collect Council Tax. The arrangements at North Tyneside Council have been used to determine what any structure at Rotherham might look like, because:

- The authority is fairly similar to Rotherham, although slightly smaller in size (*93,500 properties in North Tyneside compared with 111,500 in Rotherham*)
- The Council's performance in collecting Council Tax is roughly comparable with Rotherham, having achieved 96.9% in 2008/09, compared with Rotherham's collection rate of 97%
- North Tyneside Council's model provides for a number of bailiffs helped by support staff who deal with case management and incoming customer contact. This is a cost effective way of providing an overall service (leaving bailiffs to perform all of the case management and contact would add significant extra costs).

### **2. Staffing**

The structure requirements set out below are based on the North Tyneside Council model:

<b>Post</b>	<b>Number</b>	<b>Annual Salary &amp; On Costs per officer</b>	<b>Total Annual Salaries &amp; On Costs</b>
Team Leader	1	£43,052	£43,052
Technical Officer	1	£30,554	£30,554
Bailiff	5	£30,554	£152,770
Support Officer	3	£23,588	£70,764
	<b>10</b>		<b>£297,140</b>

### **3. Annual Costs**

The following annual non-staff costs would accrue to the service:

<b>Item</b>	<b>Number</b>	<b>Total Annual Cost £</b>
Accommodation	5 (office-based staff)	7,500
Transport Costs (van, fuel and parking)	5	19,175
IT equipment, including software, broadband and printing	10 (5 for broadband)	23,498
Mobile Phones	5	6,600
Other non-staff Costs	-	14,857
		<b>£71,630</b>

Notes:

### IT

Requirement for staff to be able to access and update core systems while out on the doorstep. Lack of this facility will mean additional inputting of visit results on return to office either:

- by the bailiffs themselves which will cut down their time on the road
- by additional support staff not quoted for in the business case.

The ability to access systems on the doorstep allows queries to be resolved quickly meaning visits are more successful, customer queries can be answered and the bailiffs can complete more visits per day. It also cuts down on unnecessary paperwork thereby saving money.

The figures quoted are based on Kirona, which is the mobile solution provided by Northgate who is our current core Council Tax System provider.

### Bailiff broadband

Bailiffs would have to be provided with Broadband access. The cost per month would be:

- £51.85 usage
- £18.00 Crypto Card service charge

### Staff Software Charges

Per bailiff per annum:

- £240 Microsoft Office licence
- £25 Email
- £50 Internet

### Printing

Based on a referral level of 5,000 Liability Orders per annum and allowing for at least five prints per L/O (a cautious estimation - notification letters, expenditure docs at 2 pages, letters to be left where no response, Nulla Bona etc). Black and white printing costs = 2.445p per print:

- $20,000 \times 2.445p = £489.00$

### Mobile Phones

Mobile phones are required so bailiffs can:

- contact the office to discuss accounts at point of visit
- seek advice before levy or charging waiting time costs
- assist debtors in respect of other queries raised
- safety of bailiff

A basic phone is free with £2 per month line rental. Calls are charged at an average 18p per minute. Monthly calculation based on 30 minutes calls per bailiff per day for 20 days per month:

- $\text{Calls } 30 \times 18p \times 20 = £108$  per bailiff per month
- Line rental = £2 per bailiff per month

### Other non-staff costs

These include hire of tow truck, auctioneers' fees, storage for goods recovered, recruitment and selection, HR, legal assistance, training and the 'crisis line'. The crisis line is used to monitor officers' location and safety.

**4. Set Up Costs**

The following set-up costs would be incurred:

Item	Number	Total Cost (£)
Recruitment and Selection	1	3,500
Training	10	9,410
Bailiff Licensing	5	2,105
Laptops	10	8,060
Software and software licenses	1	42,000
Northgate Bailiff Module	1	8,600
Broadband	5	1,090
Sundry costs (clothing, wheel clamps and personal alarms)	1	2,000
		<b>£76,765</b>

Notes:

Recruitment and Selection (Initial)

Estimate based on expenses incurred in advertising in appropriate trade papers in addition to cost internally of recruitment and selection. Bringing in skilled staff initially may help reduce costs elsewhere and should mean better initial performance than would be achieved by training a team from scratch.

Training

Based on quotes from current external training suppliers

Bailiff Licensing

These expenses of £421 per bailiff will be incurred in initially getting the bailiffs up and running and are per bailiff: -

- £150 - Application to court
- £200 - Bailiff bond
- £23 - CCJ search
- £48 - CRB check

Laptop & Software

This figure of £806 per member of staff covers the initial hardware, software and installation:

- £657 - Laptops
- £55 - Laptop Installation
- £47 - Email Account installation
- £47 - Internet Account Installation

Bailiff Broadband

This is necessary to allow bailiff to access to the system. Per bailiff:

- £141.08 Crypto card token, licence and installation
- £50.00 USB Modem
- £26.82 USB delivery & installation