

<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: Additional effort to contact debtors prior to referral of cases to bailiffs
<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, which is for the Council to take additional steps to contact residents owing Council Tax prior to the Council referring debts to bailiffs for recovery.

A pilot has been carried out on 97 council tax cases about to be passed to bailiffs. The pilot resulted in a small amount of additional council tax being collected and agreement of payment arrangements with half of the sample group. However, it should be noted that two-thirds of the residents making payment arrangements later defaulted on the agreement within one month of making it. In these cases, referral to bailiffs was delayed and, with it, the chances of the prompt recovery of debt.

The pilot demonstrated benefits including identification of vulnerable residents or residents potentially entitled to benefits or discounts and identification of vacant properties.

In order to attempt pro-actively to contact approximately 900 relevant cases per year prior to referring these to bailiffs, RBT would have to engage one extra collection officer at a cost of £29,000. No budget is currently available to meet these costs and this requirement would have to compete with other Council priorities.

The Strategic Leadership Team has considered this report and suggests not investing in additional proactive work on the basis of this pilot and in view of other priorities for Council resources at the current time.

## 6. Recommendations

**The Democratic Renewal Scrutiny Panel is asked to:**

- **Note the findings and conclusions from this pilot involving taking additional steps to contact residents owing Council Tax prior to the Council referring debts to bailiffs for recovery**
- **Support the recommendation to not invest in additional proactive activity at this time.**

## 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 7 was for the Council to *"consider for those individuals who repeatedly fall into debt or are on the verge of having their debt passed to bailiffs that a more proactive approach via home visits or phone calls might be more successful in recovering debt"*.

This report shows the findings of a pilot exercise designed to assess the costs and benefits of proactively attempting to contact residents with council tax arrears about to be referred to bailiffs for recovery action.

### 7.1 The Debt Recovery Scrutiny Review

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

*"6.6.1 The review group were impressed with the approach of 2010 to collecting their housing rent. There are three teams of Housing Income Champions comprising 11 officers who will visit residents and deal on a one to one basis any issues a client is having with paying their rent. Contact details are made available and accessible to all 2010 residents and home visits are made to those who have defaulted on their payments. ...*

*6.6.2 Clearly there are many more people in Rotherham paying council tax than there are 2010 residents so home visits to all those defaulting on their council tax would be an enormous undertaking that would be resource intensive on officer time. However the Council could consider this approach in specified circumstances, for example, for those with the largest amount of debt or who repeatedly fall into arrears. In many cases people have fallen into multiple debt and are too frightened even to open their letters. It appears that this approach has been successful for 2010 ....*

The benefits of making contact with debtors prior to bailiff referral are that:

- We can be sure that the debtor is fully aware of the situation which in the current economic climate may particularly assist debtors who have previously had little experience of debt
- We can advise the debtor of potential benefits, discounts or exemptions they may be entitled to but are not currently in receipt of
- Income details are obtained which can allow alternative recovery options such as benefit deductions or Attachment of Earnings where the debtor does not make a suitable arrangement for payment.

## **7.2 Review of cases about to be referred to bailiffs for the collection of council tax arrears**

In order to assess potential costs and potential benefits of adopting a more proactive approach, the Council Tax Section selected 97 cases during the period March – April 2010 where accounts were about to be passed to bailiffs. The aim of this Pilot was to analyse the effect on debtors who had outstanding Council Tax accounts but had not responded to earlier reminders that had been issued to them.

All the 97 accounts included in the Pilot met the following criteria:

- They had a Liability Order outstanding in respect of 2009/10 financial year
- They had not responded to documentation issued which would have been at minimum - bill, reminder, summons, Liability Order
- They would have been referred to bailiffs as the next stage of recovery action
- The debtor did not have a past history of default on Council Tax payments.

Attempts to contact debtors were made by telephone and home visits. A total of 150 phone calls were attempted by staff on the 71 cases where telephone numbers were available or found. The average time per case was estimated at 1 hour (71 hours in total), including time for:

- Finding the telephone numbers
- Successful and unsuccessful call time
- Call preparation and subsequent system input.

It should be noted that the pilot was carried out at the end of the financial year when a large percentage of the Liability Orders would relate to benefit claimants. It is more likely that we hold telephone numbers for benefit claimants as this is requested when a benefits claim is made. Where a debtor is or has been a benefit claimant then the chances of contact are increased because telephone numbers tend to have been obtained at the time of the benefit claim and the residents are more likely to be present at the property on visit.

Past experience shows that most residents in arrears not receiving benefits are picked up in the early stages of the financial year. In many cases, phone numbers are not held for these cases and proactive work in these instances would more likely require a higher proportion of home visits.

The visiting process equated to a week and a half of visiting officers' time (55.5 hours). This time included:

- Travelling time
- Time spent at properties (successful and unsuccessful)
- Visit preparation and subsequent system input.

Of the 97 debtors:

- 36 were contacted by phone
- 22 were contacted by home visit
- 41 were not contacted.

Staff were attempting in both stages of the procedure to:

- Obtain payment or an arrangement for payment
- Advise the debtor of the seriousness of the situation and inform them of the recovery actions that could be taken against them
- Obtain income details which a debtor is legally obliged to provide following the Liability Order being granted
- Identify cases where benefits, discounts or exemptions may be applicable which had not been applied for
- Identify cases where the debtor had left the address we held for them
- Identify vulnerable debtors.

### **7.3 Results from the pilot**

A number of positive outcomes were achieved from the pilot, including:

- Payment arrangements were made with 49 residents (out of 58 contacted). However, it should be noted that 32 of these residents defaulted within one month of making the arrangement. In these cases, referral to bailiffs was delayed and, with it, the chances of the prompt recovery of debt
- A small amount of debt (£484) was collected
- Residents contacted were advised about benefits or discounts potentially available and 15 residents were advised to submit benefits applications due to their circumstances
- 11 vacated properties were identified
- 3 vulnerable residents were identified and signposted for support.

#### Cash Collected

Only a relatively small amount of debt was taken during the pilot (£484 taken over the phone), because no arrangements were set up to enable visiting staff to take cash from residents prepared to pay during a visit. If a more proactive approach is adopted the amount of payments collected should increase as:

- Procedures for cash collections by visitors would be in place
- Visiting officers would be recovery trained rather than benefit staff who though doing an excellent job were not experienced in this area
- Contact earlier in the financial year would be more likely to elicit payments as debtors are more likely to be employed and therefore in a better financial situation to be able to make immediate payment.

#### Benefit, Discounts and Exemptions

In the current economic climate many debtors who have previously not had problems with payment may be unaware of the benefits, discounts or exemptions they may be entitled to. Staff when contacting debtors both by phone and visit attempted to advise debtors of potential benefits, discounts or exemptions they may be entitled to but are not in receipt of. The benefit of identifying these cases is that:

- Outstanding and subsequent debt may be reduced
- Reducing balances may make recovery easier or in some cases not necessary

It should be stressed that while potential benefit entitlement was identified, it may be that either no application was subsequently made or the debtor was not entitled to receive benefit. As the visits were fundamentally for recovery purposes no in depth examination of the debtor finances and entitlements was undertaken.

### Vacated Properties

Debtors often vacate properties without informing the authority and particularly where no benefit is in payment it may be that this vacation does not become apparent until a visit by the bailiffs is conducted. This can result in complaints from the new occupiers of the property.

During the Pilot, staff identified the cases where a vacation had occurred which we were not aware of. Picking up these vacations at an earlier stage assisted by:

- Ensuring that accounts were correctly apportioned thus reducing the debtors balance
- Ensuring new occupiers were billed quicker thus increasing the chances of collection from them
- Tracing procedures commenced to obtain the new address of the debtor in order to pursue recovery
- Incorrect bailiff referrals were minimised thus reducing bailiff wasted time which could be used chasing other RMBC debt

### Vulnerable Debtors

Staff when contacting both by phone and visit attempted to identify vulnerable debtors where we not previously aware of the circumstances. Though none were identified in visits a small number due to age or health issues were identified over the phone.

Obviously any such issues which are identified before bailiff referral allow a more appropriate approach to recovery of the debt to be taken.

## **7.4 Applicability of the approach**

11,000 Liability Orders were granted in 2009/10 of which 3,665 met the criteria of the pilot. Three-quarters of these cases ultimately paid outstanding arrears following recovery action by the Council's collection team. Approximately 900 were referred to bailiffs in 2009/10 and these would be the cases that a more proactive approach could be applied to, in line with the Scrutiny Review recommendation.

## **7.5 Costs of applying the approach to relevant cases**

Staff time spent during the pilot amounted to 18 days (126.5 hours) at an approximate cost of £2,300 to cover 97 cases. If this were to be extrapolated to cover 900 cases, this would mean additional effort equating to 167 days, although it could be expected that time per case would reduce with economies of scale and experience. In any event, to carry out this service would require one additional officer to be appointed into the current recovery team. Any spare time available to the officer could support other recovery activities.

The cost of a visiting officer, including on-costs is approximately £29,000. RBT would require the Council to pay this amount under a change-request. No budget is currently available to meet these costs and this requirement would have to compete with other Council priorities.

### **7.5 Conclusion of the pilot**

The pilot has achieved some promising outcomes. Implementation on a larger scale would be labour intensive and require additional resources. While undertaking the Pilot staff had to be taken away from their normal duties and this could obviously not be supported on anything other than a short term basis without additional resources.

The cost of adopting this approach to relevant cases would be £29,000 per year.

## **8. Finance**

Section 7 indicates various benefits from the pilot. The time spent on the pilot can be used to make an assessment of the resources required to deliver this enhanced service on a regular basis on relevant cases. In order to carry out this service on approximately 900 relevant cases per year, RBT would have to engage one extra collection officer at a cost of £29,000.

## **9. Risks and Uncertainties**

Collections performance could be jeopardised, particularly in year performance if:

- The introduction of a too rigid framework on required visits without officer discretion meaning backlogs occur particularly if numbers of Liability Orders increase which could be the result of the economic downturn
- The section is not adequately resourced to deal with peaks in work
- Any temporary reductions in staff availability due to leave or sickness absence will have a significant impact on the visits that could be completed

It should be considered that although the adoption of the pilot would provide a better service to customers it may not recoup the outlay in additional debt recovered. Also as detailed previously the high incidence of failure of payment arrangements may mean that for many customers it will simply mean that recovery action such as bailiffs is simply delayed.

## **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

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