

5 April 2011		ITEM	Comment [s]: PLEASE CLICK THIS BOX ONCE and enter the date of the meeting (in font 16, not capitals)
Corporate Overview & Scrutiny Committee			Comment [s]: Please leave this for completion by Democratic Services
DEBT SERVICE REVIEW			Comment [s]: PLEASE CLICK THIS BOX ONCE and enter the name of the Committee you are reporting to (in font 16, not capitals)
Report of: Martin Hone, Corporate Director of Finance & Corporate Governance			Comment [s]: PLEASE CLICK THIS BOX ONCE and enter the title of your report (in font 16 and in capitals) – a Cabinet Report should be consistent with the wording on the Forward Plan – see Guidelines 2.3
Wards and communities affected: All	Key Decision: Non-Key		Comment [s]: Please enter details of any Wards and Communities affected by the report. If this section is not
Accountable Head of Service: Sean Clark, Head of Corporate Finance			Comment [s]: Yes/No/Not Applicable – a 'Key Decision' is generally one affecting more than 2 wards or above £50,000
Accountable Director: Martin Hone, Corporate Director of Finance and Corporate Governance			Comment [sj]: Please state the Head of Service's name and job title
This report is public			Comment [sj]: Please state Director's name and job title
Purpose of Report: To brief the Committee on the findings of the Task & Finish review of the Council's debt services and to recommend to Cabinet a series of actions arising from this work.			Comment [sj]: State whether your report is Public or Exempt. If Exempt (i.e. not to be given to the public or discussed in
EXECUTIVE SUMMARY			Comment [sj]: Briefly set out the purpose of your report
<p>This report sets out the findings of the Task & Finish Group set up in February 2011 to review the Council's debt services. The findings cover the scope of debt management, the need for a Council-wide fair debt policy, better use of ICT, the performance and conduct of the Council agents (Vertex and bailiff companies), and also reflects the view of Thurrock Citizens' Advice Bureau and local Members of Parliament. A plan for future actions is set out in Section 5.</p>			Comment [sj]: Please provide a summary of the key points in your report
<p>1. RECOMMENDATIONS:</p> <p>1.1 That the Committee note the findings set out in this report; and</p> <p>1.2 Recommend to Cabinet the proposals set out in Section 3 and summarised in Section 5 of the report</p>			Comment [s]: The recommendations should be set out in bold in the form of the decision that the decision-

2. **INTRODUCTION AND BACKGROUND:**

- 2.1 In their review of the 2009-10 accounts, the Council's external auditors (the Audit Commission) raised concerns about levels of outstanding debts owed to the authority. In response the Interim Director of Finance agreed new measures for debt recovery with the debt service provider (Vertex). These are set out in Appendix 1.
- 2.2 Although these new arrangements were successful, in that significant arrears have now been recovered, they also generated a number of complaints from people owing money to the Council. Concerns were expressed that the policies agreed with Vertex had not been seen by members, and that a review of the procedures was necessary to ensure that they were consistent with other policies of the Council.
- 2.3 As a result, a Task & Finish Group was set up, chaired by Cllr B Johnson. The other members of the Group were Cllrs R Gledhill, S Gray, J Halden, M Healy and B Rice. The Group were supported in their work by the Corporate Director of Finance & Corporate Governance, the Head of Corporate Finance and the Business & Strategic Development Manager for Revenues, Benefits & Exchequer Services. The Group met four times during February and March 2011. Evidence was also gathered from Thurrock Citizens' Advice Bureau, local Members of Parliament, and both the Vertex Debt Manager and Performance Manager.

3. **FINDINGS:**

3.1 **Scope of Debt Management**

The Group noted that certain types of debt, such as parking fines and rent arrears, were not managed by Vertex. It was felt that since the prompt collection of debt is the responsibility of the Corporate Director of Finance & Corporate Governance (the "S151 Officer") he should ensure that all types of debt were being collected in line with a single Council-wide debt collection policy. This would not mean that Vertex should take on a wider role, simply that strategic and policy issues regarding debt management should be co-ordinated by the S151 Officer. This task will be completed while drafting the Council-wide fair debt policy (see below).

Comment [s]: You should briefly explain why the report is on the agenda - See para. 5.3 and 5.4 of the report writing guidelines.

Comment [s]: Other headings may be appropriate. The report should outline the reasoning that leads to its recommendations and **must** include:

1. a brief summary of options considered;
2. consultation outcomes
3. a risk assessment.
4. Whether the responsible cabinet members have been consulted/contributed to the report (NB professional and political advice must be clearly distinguished)

- See para.5.5 of the report writing guidelines.

3.2 Production of a Council-Wide Fair Debt Policy

It was agreed that the primary outcome of the Group's work would be to produce a corporate fair debt policy endorsed by elected members to guide the work of officers and contractors. In particular, the agreed policies/procedures would in future be subject to periodic review to ensure they remained consistent with the Council's wider aims and objectives. The Corporate Director of Finance & Corporate Governance has been tasked with drafting the new policy by the end of April 2011, using the following guidance put forward by the Task & Finish Group:

The policy should:

- Be consistent with other Council policies in the treatment of customers
- Include separate guidance on recovery procedures for each type/class of debt
- Include a policy for dealing with vulnerable people
- Use all available options to collect from those who seek to avoid paying their debts
- Demonstrate that debtors experiencing genuine difficulties will be assisted where possible.
- Show how the Council will make early contact with debtors
- Ensure that each debtor is treated fairly and as an individual, and with compassion in cases where genuine financial difficulty is being experienced

A confidential write-off policy will also be drafted.

The policy will be in place by 30 April 2011 at the latest.

3.3 ICT Issues

The Group raised a number of concerns about the current systems used, including:

- Delays in cash/cheque payments being posted from satellite offices
- Difficulties in managing multiple debts/debtors
- Problems with debtors changing addresses and maintenance of agreed payment schedules
- Direct Debit collection dates
- Use of email/text messaging for reminders

The Head of Corporate Finance is leading a project to upgrade financial systems and to streamline income management. Cabinet authorised Phase 1 of this work at its meeting on 16 March and the project will be completed by December 2012. From June 2011, customers will have the option of making cash and cheque payments in local shops that use the PayPoint system, and at Post Offices. The other issues raised by the Task & Finish Group will also be addressed as part of this work.

The Group have also tasked the Corporate Director of Finance & Corporate Governance with increasing the use of direct debit payments where possible, noting that at present only 41% of payment transactions are made using this means. Direct debit remains the Council's choice of payment methodology because of the very low transaction costs.

3.4 Vertex Performance

The Group reviewed the current performance targets for Vertex to ensure they were sufficiently challenging and also that the Council was measuring Vertex against the right criteria.

Vertex officers provided evidence of recent initiatives carried out in response to concerns raised by local Members of Parliament, the Citizens' Advice Bureau and elected members. These included:

- New communication campaigns to make sure that debtors were aware of the support available to them
- A manual audit of all pre- 2006 debts to test that they are still recoverable
- Telephone calling campaigns on Thursday evenings and Saturdays

- Debt surgeries held at the Council's offices and "Personal Debt Manager" letters sent to 1,216 debtors
- All NNDR and Council Tax accounts manually checked prior to being sent for court and/or bailiff action
- Committal campaign underway to resolve debtors who simply refuse to pay
- Inspector visits to "Top 10" debtors
- Closer working with Thurrock Citizens' Advice Bureau
- More flexible use of bailiffs
- Introduction of a debt policy for Council employees

The Group broadly supported the use of committal, bankruptcy and charges on property where this was warranted. The improvement in performance in the collection of arrears is set out in Appendices 3 and 4. In summary, Appendix 3 shows that collection of Council Tax and NNDR (the Council's two biggest debt streams) has improved as follows:

Council Tax	Collection as a percentage of the total due in-year
2008/09	96.03%
2009/10	96.44%
2010/11 (Provisional)	97.50% (Against an agreed target for the year of 97.00%)

NNDR	Collection as a percentage of the total due in-year
2008/09	97.85%
2009/10	98.24%
2010/11 (Provisional)	99.46% (Against an agreed target for the year of 98.50%)

This shows that Vertex have exceeded the targets set for collection for 2010/11 and collected significantly more than in previous years. The provisional collection rates suggest that performance for Council Tax would be top of the second quartile across all local authorities and performance for NNDR would be top quartile.

Appendix 4 shows that in the space of 12 months (from 31 March 2010 to 21 March 2011, arrears due for more than a year have fallen by £2.2 million (or 49%) while the figure for NNDR is £3.4 million (or 43%).

The Task & Finish Group reviewed a sample of complaints from customers to ensure that these were being dealt with correctly.

The Group also reviewed the legislative requirements for recovery for each type/class of debt following Liability Order stage to ensure that the Council and its agents were operating within the legal framework.

3.6 Citizen's Advice Bureau

The Group met with and took evidence from officers of Thurrock Citizen's Advice Bureau. Their full statement is attached at Appendix 2. In particular, the CAB asked that:

- Thurrock Council accepts that vulnerable residents, who are most often benefit dependant, need to be dealt with greater recognition of their limited capacity to repay council tax arrears.
- Refusal to accept affordable offers of payment from the above group by both Council staff and bailiffs, and threats of bankruptcy and/or imprisonment can often lead to panic and damaging consequences for the resident, including the very real prospect of them turning to extortionate interest charging moneylenders.
- Again, referring to the mostly benefit dependant clients that the CAB mostly deal with, other valid collection measures such as deductions from benefit are used more extensively, where appropriate.

3.7 Local Members of Parliament

As part of the review, the Corporate Director of Finance & Corporate Governance met with each of the local MPs for the Thurrock area (Jackie Doyle-Price and Stephen Metcalfe). Both had raised concerns about an increase in complaints from constituents about the Council's approach to debt recovery. In summary, the issues they considered most important for the Council to take account of in shaping a new debt policy were:

- The protection of vulnerable adults who might have difficulty managing their debts
- Making sure that bailiffs follow agreed protocols and do not levy excessive or inappropriate fees against debtors
- Robustly pursuing those debtors who refuse to pay or make arrangements with the Council
- Improving communication between the Council and the CAB

All of these matters will be addressed in the Council-wide fair debt policy which will be published at the end of April 2011.

4. CONSULTATION (including Overview and Scrutiny, if applicable)

4.1 The consultation carried out by the Task & Finish Group is detailed in Section 3 above, and included officers from the Council, officers from Vertex, the Citizens' Advice Bureau and local Members of Parliament. The report is now before the Corporate Overview & Scrutiny Committee to seek approval to recommend a series of actions to Cabinet.

Comment [jj]: This should include any consultation with Ward Members and Shadow Portfolio Holders, as well as any public or statutory consultation

Comment [a]: Please refer to Section 5.7 of the Report Writing Guidelines

5. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

5.1 The Task & Finish Group has completed its work, and officers have a clear action plan for future developments, if agreed by Cabinet. These are set out in Section 3 above and summarised below:

Recommended Action	Responsible Officer	To be completed by
Ensure that all types of debt are collected in line with a single Council-wide debt collection policy	Corporate Director of Finance & Corporate Governance	April 2011
Production of a Council-wide fair debt policy	Corporate Director of Finance & Corporate Governance	April 2011
Upgrade financial systems streamline income management to improve customer service	Head of Corporate Finance	Phase 1 to be completed by June 2011 Project to be completed by December 2012
Increase/encourage direct debit as the Council's preferred method of payment	Corporate Director of Finance & Corporate Governance	Ongoing – campaigns will be conducted throughout financial year 2011/12
The Council and its agents to make use of committal, bankruptcy and charges on property where this is warranted	Corporate Director of Finance & Corporate Governance	Arrangements have already been out in place for the first tranche of committal proceedings
Continue to develop robust and effective communications with, and provide support for the CAB in their work with vulnerable residents	Corporate Director of Finance & Corporate Governance	Regular meetings will be held at both operational and policy levels to ensure that the CAB and the Council work closely together to help vulnerable residents

These actions are recommended to Cabinet for approval.

6. **IMPLICATIONS**

6.1 **Financial**

Implications verified by: **Martin Hone**
Telephone and email: **01375 652412**
mhone@thurrock.gov.uk

Financial implications are set out in the body of the report. The efficient collection of debts due to the Council is a major part of the Council's overall financial strategy and its planned transformation of business services in the next few years.

6.2 **Legal**

Implications verified by: **David Lawson**
Telephone and email: **01375 652087**
dlawson@thurrock.gov.uk

This review takes into account the need to recover all monies efficiently whilst responding to a diverse population and as such provides an additional bulwark against the risk of procedural challenge under equality, human rights and Protection from Harassment legislation during individual enforcement actions. At this stage there are no direct legal implications.

6.3 **Diversity and Equality**

Implications verified by: **Samson DeAlyn**
Telephone and email: **01375652472**
sdealyn@thurrock.gov.uk

The Council is under a statutory duty to ensure that policy and strategy decisions give due regard to equality issues. The work of the Task & Finish Group has included recommendations which give consideration to both equal treatment of customers and the needs of vulnerable people through developing closer working relationships with agencies such as the Citizens' Advice Bureau and the provision of support to customers that are in arrears with the council. The review in this context may improve equality of treatment within the debt recovery process. Any policy amendments will need to be subject to an Equality Impact Assessment to ensure the equality duty and the requirement to impact assess relevant policy decisions is fully met through the Overview and Scrutiny policy review process.

Comment [sj]: This section should always be completed – if they are dealt with fully in another part of the report, they also need a brief cross reference here. The names and job titles of the officers providing the implications should be provided in full – see Guideline 6.1 and please note Democratic Services Deadlines and ensure that officers providing implications are given 5 clear working days to work on the report. Authors can write implications but they must be signed off by the appropriate officers

Comment [sj]: See Guideline 6.2

Comment [sj]: See Guideline 6.3

Comment [sj]: See Guideline 6.4

7. **CONCLUSION**

- 7.1 The Task & Finish Group has carried out a comprehensive examination of the current arrangements the Council has in place for collecting debt. It has recommended changes in policy, improvements in systems and managing customers to address current concerns, and the development of closer working relationships with agencies such as the Citizens' Advice Bureau to ensure that vulnerable people receive appropriate support.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT:

- None

APPENDICES TO THIS REPORT:

- Appendix 1 – Debt Policy (March 2010)
- Appendix 2 – Thurrock CAB Evidence Report
- Appendix 3 – Year-to-date Performance Against Target (Collection of Council Tax and NNDR) as at 21 March 2011
- Appendix 4 – Debt Book Comparing Position at 31 March 2010 with 21 March 2011

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Comment [sj]: This should inform the recommendations in the report

Comment [sj]: See Guideline 8. If any Papers are to be placed in the Members room that relate to this report, you should also list them here

Comment [sj]: List the Appendices referred to in the Report

Comment [sj]: Insert the full contact details of the author of the report