

Somerset West and Taunton

Shadow Full Council 17 December 2018

Income and Arrears Management Policy

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1 Executive Summary / Purpose of the Report

- 1.1 This report seeks Member support and approval for a new Income & Arrears Management Policy (“The Policy”) for the Somerset West and Taunton Council. This was previously called the Corporate Debt Policy within the existing two Councils.
- 1.2 In 2019/20 the new Council will raise gross annual bills and invoices in excess of £213 million. It will also look to recover previous year’s arrears carried over from the existing councils (potentially more than £10 million). It should be noted the raised figure will increase year on year and rise further as we look to increase and diversify income from our commercial activities. The Policy is key in giving transparency to officers, members and our customers, an overview of our core values, and an insight into our operational activities that covers the administration/collection of all of our five income streams. The Policy, therefore reflects a range of measures that ultimately aims to balance helping our customers, especially the most vulnerable, to pay sums due whilst having an underlying theme to maximise the overall level of income collected. The Council has a duty to maximise income collection to the best of its ability. If it did not, this could result in higher Council Tax or result in front line services having to be cut or reduced.
- 1.3 The Policy is underpinned by an extensive list of overarching principles and the Council will:
 - making sure the correct reductions are awarded and benefit entitlements are claimed
 - identifying customer vulnerability at its earliest stage and acting or responding appropriately
 - signpost to external advice agencies for help
 - take prompt recovery action before debts become unmanageable
 - adopt a clear hierarchy to prioritise collection
 - offer a wide range of payment methods
 - taking a commercial approach when coordinating income collection
 - applying costs, fees or penalties and recovering in accordance with law and policy
 - issue all documentation in plain language and provide free translation and interpreting services

- transferring customer credit balances to reduce any other amount they may owe
- produce accurate and timely management information
- recognise that failure to recover monies due impacts on the Council's ability to provide key services, only in exceptional circumstances will write off amounts owed

2 Recommendations

- 2.1 That the Shadow Full Council approve the new Income/Arrears Management Policy.

3 Risk Assessment

- 3.1 The scoring of the risks identified in the table on the following page has been based on the scoring matrix. Each risk has been assessed and scored both before and after the mitigation measures have been actioned.

Risk Matrix

Description	Likelihood	Impact	Overall
Risk: The lack of an Income Management Policy would expose the Council to the risk that we do not collect income effectively or consistently, thereby resulting in a potential loss of income.	5	5	25
<i>Mitigation: The risk is managed by approving and using a robust but sensitive Income & Arrears Management Policy, that endeavours to collect the maximum income possible as quickly as possible, for the benefit all its residents but with due regard to the customer.</i>	3	3	9
Following the Policy there is reputation risk to the Council, where ultimately we utilise stronger collection processes at a time when our customers are looking for more flexibility, rather than less.	3	3	9
<i>The risk is managed by ensuring that all officers are aware there is an underlying need to help customers struggling with their finances. Where we cannot provide the level of help required staff will provide details of organisations that can help customers with further free advice. Through the annual review process any changes identified on adoption of the Policy or required through Government direction can be easily made.</i>	3	3	9

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background and Full details of the Report

- 4.1 It is good practice for the Council to have an Income and Arrears Management Policy that it allows everyone to understand the Council's approach to managing income collection. This promotes efficiency and consistency in the collection for all sources of income. This is of fundamental importance because the collection/maximisation of income is a vital component in being able to provide the resources needed to deliver our services.
- 4.2 Taunton Deane Borough Council and West Somerset Council existing Corporate Debt Policies are similar. The proposed Policy for the new Council updates these with a refresh and reflecting the new structure and customer ethos.
- 4.3 The Policy and appendices cover the collection/management of all Council income. This includes the billing/invoicing, collection, enforcement, reporting and write offs for its five income streams: Council Tax, Business Rates, Council House Rents, Housing Benefit Overpayments, and other Miscellaneous Income (known as Sundry Income). Examples of Sundry Income issued by invoice include Housing Deposits, Rent of Council owned premises and Licensing Fees.
- 4.4 Where the Council is pursuing multiple arrears then payments will be allocated firstly to arrears where non-payment could lead to loss of the customer's home or have direct implications for an individual's wellbeing. For the avoidance of

doubt this is clearly detailed in the Policy under “Priority of Debts”.

- 4.5 It is accepted a small proportion of the Council’s overall income may not be collectable due to matters outside its control. The Council’s does annually assess levels of bad debt risk to budget for a loss due to uncollectable income. Where an amount is deemed to be irrecoverable it will be subject to a write-off process that is consistent with recognised accounting practices and in line with the Council’s Financial Regulation’s. The Council will always seek to minimise the cost of write-offs by taking all appropriate action to recover what is due.
- 4.6 Prompt recovery action is essential for effective income management and the level and age of income, arrears and non-collection risk will be regularly reviewed. A range of indicators have been developed to monitor performance against agreed targets and to ensure the Policy achieves its objectives. As the new Council develops its performance management arrangements salient targets can be included in the Council’s performance reporting updates. At this stage it is proposed that key indicators will be reported to the leadership team and members, including: the in-year collection targets for Council Tax and Business Rates, the percentage of overall (in year collection) of Housing Benefit Overpayments, the top thirty (by value) of overdue Sundry debt cases and the percentage collected of old cases (end of previous financial year and older). Key indicators for the Housing Revenue Account (HRA) focus on with rent collection, responsive maintenance, housing voids and tenant satisfaction.
- 4.7 The Policy includes common principles for the billing, collection, enforcement and write-off of all income streams. It also acknowledges the diversity of the income streams the Council collects and tailors specific procedures to fit each.

5 Links to Corporate Aims / Priorities

- 5.1 Improved health and wellbeing – working with others to support the wellbeing of all our residents especially our older and most vulnerable residents.
- 5.2 A customer centric, financially sustainable, prosperous Council - the Policy also seeks to define the approach to optimising income collection, as an essential feature of the financial management framework – ensuring all income due is collected to pay for local services, and ensure the Council’s ongoing financial sustainability.

6 Finance / Resource Implications

- 6.1 The billing, invoicing and recovery actions detailed in the Policy are responsible for the annual gross collection in excess of £213 million. These include estimated annual income of Council Tax (£98million), Business Rates (£73million), Council House Rents (£27million), Miscellaneous Income (Sundry Debts £13.5million) and Housing Benefit Overpayments £1.5 million).
- 6.2 Historic arrears from all the income streams also need to be factored, currently forecast to be more than £10 million in March 2019.
- 6.3 It is essential all monies owed to the new Council are actively pursued to drive

down arrears and minimise risk of non-collection. Adhering to this Policy will ensure efficiency, effectiveness and consistency in the billing/invoicing and collection - all essential to ensure the maximisation of cash flow/resources that the new Council needs to deliver front line services. A clear Policy will be beneficial to officers, members and customers of Somerset West and Taunton Council.

7 Legal Implications

- 7.1 There are a variety of different recovery methods depending on the income stream, and these are clearly set out in the appendices. Legal Services provide support to recovery arrangements including support for court action, mainly around the recovery of Sundry Income.

8 Environmental Impact Implications

- 8.1 None.

9 Safeguarding and/or Community Safety Implications

- 9.1 On occasions staff will engage with/visit vulnerable adults/households and they will follow the protocol detailed in the Council's new vulnerable protocol as included in Appendix A.

10 Equality and Diversity Implications

- 10.1 The public sector equality duty, as set out in section 149 of the 2010 Equality Act, requires the Council, when exercising its functions, to have "due regard" to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act, and to advance equality of opportunity and foster good relations between those who have a "protected characteristic" and those who do not share that protected characteristic.
- 10.2 The "protected characteristics" are: age, disability, race (including ethnic or national origins, colour or nationality), religion or belief, sex, sexual orientation, pregnancy and maternity, and gender reassignment. Marriage and civil partnership are also a protected characteristic for the purposes of the duty to eliminate discrimination.
- 10.3 Equality Impact analysis has been completed and is attached at Appendix B.

11 Social Value Implications

- 11.1 There are no social value implications associated with this report.

12 Partnership Implications

- 12.1 Billing, collection and recovery action is predominantly undertaken by Council staff. Legal services are provided through the SHAPE Legal Partnership, who will apply the Policy in any action undertaken.

13 Health and Wellbeing Implications

- 13.1 Any kind of enforcement process looking to recovery monies due may potentially lead to health and wellbeing implications for some customers, however, with officers following the guidance laid down in this policy and the Vulnerability Protocol (Appendix A) customers will be both helped and protected.

14 Asset Management Implications

- 14.1 Asset Management are looking at bringing in a protocol for improving commercial rent collection and this will conform to the principles detailed in this Policy and will be covered under the Sundry Income section in Appendix E.

15 Data Protection Implications

- 15.1 The Council shares information both internally and with other Local Authorities and Government bodies in strict accordance with the Data Protection Act.

16 Consultation Implications

- 16.1 The Policy does not require public consultation. It draws on information/advice from Officers, other Local Authorities, the Local Government Association, Audit, The Local Government Ombudsman and other Government directives. The Council will make every effort to support customers in managing paying their bills and any arrears and will engage with relevant welfare agencies on an ongoing basis.

17 Future Policy Review and Version Control

- 17.1 It is proposed to review the Income and Arrears Management Policy at least every three years, and for the new Council's Constitution to delegate this responsibility to the Executive. It is further proposed to delegate authority to the S151 Officer, in consultation with the relevant Portfolio Holder, to make minor revisions including changes as a result of organisational management arrangements such as changes to named posts within the Policy.

Democratic Path:

- **Shadow Full Council**

Reporting Frequency: Every Three Years

List of Appendices:

Appendix A	Vulnerability Protocol
Appendix B	Equality Impact Assessment Form
Appendix C	Council Tax & Business Rates Recovery Strategy
Appendix D	Overpaid Housing Benefit Overview
Appendix E	Sundry Debts Overview
Appendix F	HRA Recovery Strategy

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