

Report of	Meeting	Date
Director (Customer and Digital) (Introduced by Cabinet Member (Communities, Social Justice and Wealth Building))	Council	Wednesday, 23 February 2022

Fair Collection Charter

Is this report confidential?	No
Is this decision key?	No

Purpose of Report

- To propose that a Fair Collection Charter is adopted.
- To highlight the measures already adopted to help financially vulnerable customers.

Recommendations to Council

- The council adopts the new Fair Collection Charter.
- Delegate authority to the Executive Member (Communities, Social Justice and Wealth Building) to approve cost-neutral changes to the policy.

Reasons for recommendations

- Adopting the measures outlined in the report will achieve the council's objective of taking a more ethical approach to collection including a more supportive recovery process and best practice affordability and means testing.
- They will also lead to improved working relationships with debt advice partners and increased referral and intervention.
- Debt can be a determinant of wider issues and adoption of these measures will help to ensure a joined-up approach to managing residents and local businesses experiencing issues.
- Where residents have no means to pay there is no benefit in pursuing enforcement action, incurring additional costs and increasing their vulnerability impacting upon

mental health, well-being and self-confidence. This also places additional demand on public services.

Other options considered and rejected

9. Not to adopt the measures proposed in the report would mean failing to provide support to financially vulnerable residents and local businesses in financial difficulties.

Executive summary

10. The Fair Collection Charter incorporates the measures which the council will take to work with and support residents and local businesses in financial hardship.
11. The charter includes the adoption of the Shared Financial Statement and making a public commitment to reducing or ceasing entirely the use of enforcement agents

Corporate priorities

12. The report relates to the following corporate priorities:

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Background to the report

13. Local authorities are under significant financial pressure. The council has a duty to collect what it is owed in order to fund vital local services.
14. The council also recognises that some residents and local businesses find themselves in financial hardship and we will do all we can to work with them and support them in making payment.
15. The current debt management policies have been in place since 2015 at Chorley and 2018 at South Ribble.
16. Both councils have more recently adopted some measures and forged partnerships with other organisations in line with best practice recovery.
17. There is currently a move towards more ethical debt recovery and an increased emphasis on fairness in government debt management.
18. As part of a wholesale review of policies as part of the Shared Services Review, a shared collection and recovery policy is needed.

Fair Collection Charter

19. This charter is the council's statement on how it will work with residents, local businesses and partners to fulfil its responsibilities and to support residents and local businesses. It includes actions that residents and local businesses can take to help the council to help them.

20. The charter will be supported by guidance and training for staff in the practical application of it.
21. A copy of the draft charter is attached at Appendix 1.

Money Advice Trust

22. The Money Advice Trust (MAT) is a national charity which helps residents and businesses with debt and managing money by offering free, independent advice. As part of the Trust's Stop The Knock campaign, the Trust recommends six steps for improving local government debt collection practices. A number of councils have adopted some or all of these initiatives.
- i. **Signpost residents to free debt advice including** regular reviews of signposting and referral processes for all debt types and all access channels.
 - ii. **Put in place a formal vulnerability policy** either as a specific policy or as part of a wider policy.
 - iii. **Adopt the Standard Financial Statement (SFS)** to objectively assess affordability. The SFS is a tool run by the government-backed Money and Pensions Service and is intended to provide a consistent and fair method of working out affordable repayments for residents in financial difficulty. The statement makes generous allowances for outgoings including food and a savings element.

Should this be adopted for revenues purposes it would be consistent to also adopt it for the means testing for Discretionary Housing Payments. However, this would have an impact on the spend of the cash-limited DHP budget.

- iv. **Sign the Council Tax Protocol** and review practices against the Supportive Council Tax Recovery Toolkit. MAT recommend that councils consider signing up to the Council Tax Protocol, produced by Citizens Advice and the Local Government Association, which aims to support councils in helping residents to avoid arrears in the first place. The protocol is available here. [Citizens Advice Council Tax Protocol 2017.pdf](#)
Many of the principles in the Protocol can be adopted by reviewing current practices against the Money and Pensions Service's Supportive Council Tax Recovery Toolkit. [supportive-council-tax-recovery-for-local-authorities-utilities.pdf](#) ([moneyandpensionservice.org.uk](#)).
- v. **Exempt Council Tax Support recipients from enforcement agent action**
Where a council is no longer providing 100% Council Tax Support, MAT recommend that a policy is introduced of refraining from using bailiffs in the case of CTS recipients, who the council has already identified as requiring additional support and instead, use other targeted approaches with this group.

Both councils have amended their Council Tax Support Schemes so that more claimants receive 100% support. This means there are fewer claimants with council tax to pay. Also, in practice, a case for a CTS claimant would not be referred to an enforcement agent under normal circumstances.

- vi. **Make a clear public commitment to reduce the use of bailiffs** in the form of a decision, motion of Full Council or public statement to make every possible effort to reduce the use of bailiffs over time.

Refernet

23. South Ribble Borough Council and Chorley Council are both partners with Refernet.
24. Refernet is an online referral system used by Citizens Advice, local councils, charities, money advice services and other similar organisations. It provides secure communication between partners, offering organisations a way of referring their customers for help.
25. It provides a means to make appropriate referrals across organisations and supports residents by early intervention and prevention. Pathways to different advice services are not always clear to those in need and Refernet provides a solution to this.

Breathing Space Initiative

26. In May 2021 local authorities were required to implement the government's Breathing Space initiative. These regulations will allow someone in problem debt the right to legal protection from their creditors for a period of 60 days, providing the debtor engages in professional debt advice. In practice this means that the creditor will agree not to contact the person for a limited period to allow them to receive advice and work out a plan for dealing with their debt.
27. These new regulations will potentially cause further delays in recovering outstanding debts, which are currently on hold due to the coronavirus pandemic.

Measures

28. The table below indicates which of the above measures each Council has already adopted and will adopt should the charter be approved:

	South Ribble		Chorley	
	Existing	Proposed	Existing	Proposed
Signpost residents to free debt advice	Yes	Yes	Yes	Yes
Formal vulnerability policy	Yes	Yes	Yes	Yes
Standard financial statement	No	Yes	No	Yes
Council Tax protocol	Yes	Yes	No	Yes

Exempt CTS recipients from EA action	CTS policy amended to increase the number of residents who are eligible to receive 100% support	Under Review	CTS policy amended to increase the number of residents who are eligible to receive 100% support	CTS policy amended to increase the number of residents who are eligible to receive 100% support
Public commitment to reduce the use of bailiffs	No	Yes	Yes	Yes
Refernet	Yes	Yes	Yes	Yes
Breathing Space	Yes	Yes	Yes	Yes

Consultation

29. Citizens Advice have been informally consulted on the policy and have welcomed the changes as being much, much better for people in poverty.
30. Money Advice Trust have also been informally consulted however no comments have been received.

Financial implications

31. The fair collection policy focusses on a more proactive approach than the previous debt management policies, providing help to residents and local businesses in managing their finances.
32. It also emphasises actively reducing outstanding debt by encouraging residents and local businesses to apply for all available help such as discounts and exemptions, discretionary housing payments and council tax support.
33. Enforcement agent fees are paid by the debtor and so there would be no cost to the council in this respect.
34. It is difficult to predict the impact on the councils' collection rates as there are a number of other factors at play not least the Covid pandemic. The impact of the adoption of the charter will be reviewed in eighteen months' time. Any potential reduction in collection would fall across the preceptors.

Climate change and air quality

35. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

36. The Equality Impact Assessment (EIA) identified that the Fair Collection Charter would have a neutral or positive impact.

Risk

37. The biggest risk is that a change in the approach to collection may impact upon collection rates of council tax and business rates as well as other revenue streams. However,

collections rates could fall because residents and businesses do not have the money. The help available in the policy could alleviate the risk of this.

38. Adopting the Standard Financial Statement and applying this consistently to include the means testing for Discretionary Housing payments would impact upon the awards under this fixed DHP budget. Potentially fewer residents would be able to receive assistance or the councils would need to fund awards once the Government allocations were spent.
39. Ceasing enforcement action altogether will leave the councils with no recovery options for wilful non-payers that do not require upfront costs for the council, e.g. bankruptcy or a charging order.

Comments of the Statutory Finance Officer

40. As noted at 4. the changes to the policy are expected to be cost-neutral to the council. The policy is designed to provide a more supportive recovery process, adopts best practice in this area and considers affordability in the repayment plans of debts owed to the council for our financially vulnerable residents and local businesses in financial difficulties.
41. The policy focusses on a more proactive approach in providing help to residents and local businesses in managing their finances than previous debt management policies; by working in this way it is hoped to secure an improvement in engagement and increased levels of debt recovery over the longer term.
42. The impact on collection rates for Business Rates and Council Tax, as well as the demand for Discretionary Housing Payments against the fixed DHP funding provided by central government, will be monitored.

Comments of the Monitoring Officer

43. The proposal provides support to those suffering from financial hardship and can be seen to directly contribute to the council priority of thriving communities. Members when considering the reasonableness of the proposal to meet that priority are entitled to consider not just the financial implications for the council which are detailed in the report but the wider financial and social benefits for residents when considering if this proposal represents value for money. The council have full discretion when assessing the terms of the policy and so the integration of the Fair Collection Charter principles and aims are reasonable.

Background documents

There are no background papers to this report.

Appendices

Appendix A: Fair Collection Charter

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