

Corporate Policy and Strategy Committee

10.00am, Tuesday, 23 February 2016

Corporate Debt Policy Annual Report

Item number 7.3
Report number
Executive/routine
Wards

Executive summary

The Corporate Debt Policy provides appropriate guidance for the Council's income collection, debt recovery and related welfare support activities. There have been no operational changes to the Policy since it was updated in 2015; however, it is recommended that the standard sundry debt recovery principles are utilised by the new Edinburgh Shared Repairs Service and sundry debt write off provisions are aligned with other Council activities.

In the next 12 months significant organisational and ICT changes are anticipated that will be relevant to the Corporate Debt Policy. These will be reported through related update reports, with further detail provided in the next Corporate Debt Policy Annual Report.

Links

Coalition pledges [P30](#)
Council outcomes [CO25](#), [CO26](#)
Single Outcome Agreement

Corporate Debt Policy Annual Report

Recommendations

- 1.1 It is recommended that the Corporate Policy and Strategy Committee:
 - 1.1.1 approves the use of the standard sundry debt recovery principles for the new Edinburgh Shared Repairs Service;
 - 1.1.2 approves the extension of delegated write off powers for sundry debt cases relating to liquidation/sequestrations, where the debtor cannot be traced or where the debtor is deceased and there are no funds in the estate;
 - 1.1.3 notes the content of the Annual report; and
 - 1.1.4 notes that further updates relevant to the Corporate Debt Policy will be incorporated in various Transformation and performance reports throughout 2016.

Background

- 2.1 On 9 June 2015 the Corporate Policy and Strategy Committee approved the latest version of the Council's Corporate Debt Policy. This update included a number of amendments, with Committee confirming the overall appropriateness of the Policy.
- 2.2 The Corporate Debt Policy is underpinned by the following key principles:
 - (i) taking early and co-ordinated debt recovery action before debts become unmanageable for the citizen;
 - (ii) taking account of all relevant circumstances relating to the debt;
 - (iii) offering a range of payment methods to make it easier to settle debts;
 - (iv) providing links to debt advice; and
 - (v) adopting a debt hierarchy that prioritises those debts where non-payment could directly impact on an individual's wellbeing.
- 2.3 The application of the Policy is subject to an annual review.

Main report

- 3.1 The Corporate Debt Policy continues to provide appropriate guidance for the Council's income collection and debt recovery activities. The Policy also emphasises the importance of proportionality i.e. striking an appropriate balance between the potential loss of income to the Council, the impact on the customer and the costs of recovery e.g. welfare, care, housing support costs.
- 3.2 While there have been no operational changes since the Policy was last updated in June 2015, it does include specific guidelines relating to the recovery of legacy statutory notice debt. These now require to be reviewed in light of the Council's new shared repairs service, which members receive regular updates on through the monthly Programme Momentum Progress Reports.
- 3.3 In December 2014 Committee approved an amendment to the Corporate Debt Policy, in respect of legacy statutory notice debts, designed to achieve appropriate collection activities and maximise the recovery of outstanding sums. This amendment included the extension of some repayment periods up to 10 years, reviewed the level of interest to be levied as part of agreed payment plans and offered, in appropriate circumstances, voluntary inhibitions.
- 3.4 It is proposed that the above amendments are not applied to invoices issued by the new Edinburgh Shared Repairs Service. This will bring the service in line with other service debts collected by the Council, while continuing to offer alternative terms to citizens liable for significant legacy statutory notice debt. To date there have been no contracts awarded under the new Edinburgh Shared Repair Service for essential repairs. Given the nature and duration of contracts it is anticipated that any new bills will not be issued to customers until later in 2016/2017, once contracts have concluded and final accounts have been certified. The proposed terms for legacy statutory notice debts and the new service are set out in Appendix 1 to this report.
- 3.5 It is also proposed to align write off principles for other Council sundry debts with Council Tax and Non Domestic Rates. This amendment would enable designated officers to write off sundry debt without Committee approval for liquidation/sequestration cases; where the debtor cannot be traced; or where the debtor is deceased and there are no funds. This would achieve service consistency and reduce delays in processing standard transactions. Appropriate scrutiny would be maintained through the Annual Write Off report, which provides Members with a summary of debt income streams deemed uncollectable and written off during the relevant financial year. The proposed change is detailed in Appendix 2.

Transformation & Joint working

- 3.6 The Council's Transformation Programme continues to focus on efficient service channels and local service delivery. Income collection is an important part of the Programme and a number of new processes, including service automation, e-billing, text reminders, improved Sheriff Officer arrangements etc have already been introduced to make it easier to access and pay for Council services.

3.7 Income collection and debt recovery activities are currently undertaken by a wide range of Council services. While procedures are generally consistent, there is scope for increased co-ordination to create an income management specialism within the Council. This would deliver:

- improved citizen experience;
- improved debtor co-ordination and common recovery practices;
- more effective implementation of the Corporate Debt Policy;
- improved reporting procedures;
- reduced duplication and improved processes; and
- financial benefits through improved collection rates.

3.8 The benefits of improved joint working are currently being progressed by the Transformation Programme and it is anticipated that sundry debt collection services will transfer back to Income Services, Resources Department, as part of the ongoing organisational restructuring. Links with other service areas are also being explored and realignments will be reported as part of the regular Transformation updates to Committee. This activity will further strengthen the consistent application of the Corporate Debt Policy.

ICT & Service Improvement

3.9 The Council's major income types are supported by various ICT systems. In most cases these systems are fit for purpose, however, opportunities have been identified through the ICT procurement to enhance key systems.

3.10 One area where urgent action is required is the Council's service debt system, which currently has functional and management information limitations that impact on the Council's ability to maximise collection rates. As part of the Council's new ICT contract the current sundry debt system will be replaced by the Unit 4 Business World system. The new system will offer greater flexibility and functionality, including:

- **Direct debit functionality.** This will enable services to issue annual invoices supported by monthly/quarterly payment plans. Direct debit arrangements already work effectively in areas such as Council Tax and opportunities to promote and use this service will be explored prior to the new system going live later this year.
- **Customised communication for client groups.** The current sundry debt system allows for only one type of final notice and demand for payment. The new system will support different wording on final notices and demands, tailored for relevant client groups.
- **Real time management information.** The current system is unable to provide detailed management information and the new system will provide comprehensive information to tackle unpaid debt and improve collection rates.

Signposting and Welfare Reform

- 3.11 The Council understands that personal indebtedness is increasing and debt recovery action can potentially cause distress, particularly where the person has other debts or is on a low income. The Council makes every effort to support citizens in managing their Council debts and actively engages with a wide range of welfare and debt agencies.
- 3.12 The Council is responsible for managing the Scottish Welfare Fund claim process and Council officers are signposting citizens to appropriate agencies for additional support to prevent and address debt issues. The Council is also funding various community-based advice projects to ensure debt advice is accessible to citizens across Edinburgh. These activities are reported to Committee as part of the regular Welfare Reform updates and include the Council's commitment to support Edinburgh-based food banks, which provide a range of support services.
- 3.13 As Universal Credit claims increase in Edinburgh, the joint DWP/cross council working group continues to meet to ensure citizens transitioning from legacy benefits are fully supported. The Council Tax Reduction Scheme remains a separate entity from Universal Credit and local agreements have been made to ensure citizens are aware of the need to claim this separately and are supported to do so. This mitigates the risk of increased indebtedness and protects this important Council income stream.

Further Updates

- 3.14 Given the comprehensive nature of the Policy review and the Committee update in the summer of 2015 this report provides a short overview of recent activities.
- 3.15 During the remainder of 2016 the Corporate Policy and Strategy Committee will receive a number of updates linked to the Corporate Debt Policy, with organisational changes and ICT improvements included in Transformation updates and performance information regularly reported in service updates e.g. statutory repairs and Housing tenancy related matters.
- 3.16 If these actions require potential amendments to the Corporate Debt Policy, these will be considered by the Head of Customer, and reported to Committee for consideration and approval as appropriate.

Measures of success

- 4.1 To ensure the Corporate Debt Policy achieves its objectives, a range of performance indicators has been developed to monitor performance against targets.

- 4.2 The Council's income procedures continue to work effectively and this has resulted in improved financial returns e.g. 2014/15 Council Tax collection rate increasing by 0.7% (£1.3m net income increase after taking account of changes in the number of chargeable properties) and Non-Domestic Rates collection increasing by 0.25% when compared with 2013/14.
- 4.3 These positive results are reflected in current performance trends for this year's Council Tax and Non Domestic Rates collection figures.

Financial impact

- 5.1 The recovery actions detailed in the Policy are responsible for the collection of over £600m of income annually. Maximisation of collection rates increases the overall level of resources available to support frontline service delivery.

Risk, policy, compliance and governance impact

- 6.1 A regular review of the Corporate Debt Policy promotes service consistency and transparency across all debt recovery activities.

Equalities impact

- 7.1 There are no additional equalities and rights related impacts arising from the report's contents. The original policy approved in September 2013 was subject to extensive engagement with relevant equality groups.

Sustainability impact

- 8.1 There are no direct sustainability impacts as a result of this report.

Consultation and engagement

- 9.1 Consultation with elected members, council officers, equalities and anti-poverty groups was reflected in the Policy approved by the Corporate Policy and Strategy Committee in September 2013. Comprehensive member engagement was undertaken as part of the Policy's formal update in June 2015.

Background reading/external references

[Compliance, Risk and Governance: Corporate Debt Policy](#), Corporate Policy and Strategy Committee, 3 September 2013

[Corporate Debt Policy - Annual Update](#), Corporate Policy and Strategy Committee, 30 September 2014

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives. CO26 - The Council engages with stakeholders and works in partnership to improve services and deliver on agreed objectives.
Single Outcome Agreement	n/a
Appendices	One – Proposed revision to Corporate Debt Policy (Shared Repairs) Two – Proposed revision to Corporate Debt Policy (Write Off)

Proposed Revision to Sundry Debt Section of Corporate Debt Policy

Payment Terms - applies to all categories of sundry debt *(including Edinburgh Shared Repairs Service but excluding legacy Statutory Notice-related debt)*

1. The Council will collect monies owing to it fully and promptly. Where invoices are raised payment will typically become due after 28 days. Payment terms will only be considered where the customer is not able to settle the debt in full in one payment.
2. The Council will consider an interest-free instalment plan if the debt is settled within three months of becoming due. Any instalment plan longer than three months will attract interest at the court-approved rate. The Council's maximum instalment term is 48 months. Where the Council secures a court decree interest will immediately be applied to the principal debt at the court approved rate.
3. The Accounts Receivable Team will set up and monitor all payment arrangements. Payment terms will be withdrawn if a debtor fails to honour the agreement.

Payment terms – legacy Statutory Notice-related debt only

4. While the above terms relate to all other categories of sundry debt, it is recognised that the often-substantial sums relating to legacy statutory notice works (i.e. those initiated prior to April 2011) require particular attention. In order to spread the cost over a more manageable period and set the interest rate at such a level as to maximise overall collection rates, the following terms will apply:
 - (i) A three-month interest-free instalment plan will be offered to all property owners in receipt of a legacy statutory notice-related invoice as defined above;
 - (ii) Payment plans in respect of statutory notice-related works will be based on the combined debts outstanding for individual property owners as follows:
 - owners with total debts of up to £5,000 will be offered a payment plan of a maximum of four years;
 - owners with total debts of between £5,000 and £10,000 will be offered a payment plan of no longer than seven years and
 - owners with total debts of more than £10,000 will be offered a payment plan of a maximum of ten years.
5. In accordance with the Scheme of Delegation, the Head of Finance will review all relevant factors in determining the interest rate to be applied to legacy statutory notice-related debt; in order to provide greater certainty, this rate will remain fixed for the full period of repayment.
6. In exceptional circumstances the Council may consider offering a legacy Statutory Notice-related debtor the option of being made subject to a voluntary inhibition without the need for court proceedings to be instigated. At the time any offer is made, the Council will advise the debtor that legal advice should be sought in this regard.

Proposed Revision to Write Off Section of Corporate Debt Policy

Current Position

With regard to Non-Domestic Rates, Community Charge and Council Tax debts, the Director and the Head of Finance may write off:

- any balances claimed in liquidation or sequestrations where a suitable claim has been made, where the debtor cannot be traced or where the debtor is deceased and there are no funds in the estate;
- other Rates and Council Tax debts up to £3,000; and
- all Community Charge debts in line with national legislation.

Debt write-offs in excess of these amounts, and other write-off types, will be reported to Finance and Resources Committee for approval twice a year.

Proposal

With regard to Non-Domestic Rates, Community Charge, Council Tax and *sundry debts*, the Director and the Head of Finance may write off:

- any balances claimed in liquidation or sequestrations where a suitable claim has been made, where the debtor cannot be traced or where the debtor is deceased and there are no funds in the estate;
- *other debts up to £3,000*; and
- all Community Charge debts in line with national legislation.

Debt write-offs in excess of these amounts, and other write-off types, will be reported to Finance and Resources Committee for approval twice a year.