

Corporate Policy and Strategy Committee

10.00am, Tuesday 30 September 2014

Corporate Debt Policy – annual update

Item number	7.3
Report number	
Executive/routine	
Wards	

Executive summary

In approving the Corporate Debt Policy on 3 September 2013, the Corporate Policy and Strategy Committee requested that an annual update of relevant activity also be reported going forward. This report is the first such update and sets out a range of actions undertaken during the past year to strengthen and embed the provisions within the policy.

Links

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Corporate Debt Policy – annual update

Recommendations

- 1.1 Members of the Corporate Policy and Strategy Committee are requested to note:
 - 1.1.1 the good progress made in building on and embedding a number of the good-practice principles underpinning the policy; and
 - 1.1.2 the intention to present to Council an updated policy, incorporating a number of minor changes to the level of late-payment fees and relevant responsible officers, as part of a wider governance update later in the year.

Background

- 2.1 As a key element of the Council's governance framework, the Corporate Debt Policy was approved by the Corporate Policy and Strategy Committee on 3 September 2013. The policy outlines operational debt recovery activities for a range of debt types, including Council House rent arrears, Council Tax, service charges, Non-Domestic Rates, parking charges and any benefit and salary overpayments.
- 2.2 Customers, citizens and businesses within Edinburgh have a responsibility to pay for the services they receive and the charges and rents for which they are liable. It is essential that all monies owed to the Council are actively pursued. The policy therefore reflects a range of measures to help customers pay sums due, maximising the level of resources available to support frontline public services.
- 2.3 In approving adoption of the policy, the Committee requested that a brief annual report be prepared going forward, taking into account any relevant changes in legislation, service improvements, regulations and wider policy initiatives. The following sections outline the extent of progress and/or change across these areas. In so doing, it is important to emphasise that in many cases, service improvements form part of a wider programme of co-ordinated activity, particularly in the case of the Council's response to welfare reform-related changes. In addition, while good progress has been made thus far, it remains too early to assess fully the effectiveness of the more co-ordinated approach the policy seeks to promote.
- 2.4 A number of minor required changes in respect of the level of Council Tax and Non-Domestic Rate late-payment fees, as well as to relevant officer roles, have been identified. It is therefore proposed that a revised policy be submitted for

approval later in the year as part of a wider refresh of the Council's governance framework.

Main report

- 3.1 The Corporate Debt Policy continues to be underpinned by the following key principles:
- (i) taking early and co-ordinated debt recovery action before debts become unmanageable for the customer;
 - (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.
- 3.2 The policy also emphasises the importance of proportionality i.e. striking an appropriate balance between the potential loss of income to the Council and the costs of recovery and any emerging Council or third party costs relating to welfare, care or housing support. This holistic approach, coupled with the extent of customer insight and stakeholder engagement underpinning the policy's development, was specifically highlighted as an area of good practice within the Customer Service Division's successful Customer Service Excellence (CSE) re-accreditation in March 2014. Building on this more rounded overall picture of the Council's debt, proposals to join up further the collection of all income streams are being examined.

Collection performance

- 3.3 The principle of recognising the overarching duty to pay whilst acknowledging the particular circumstances of the debtor was built into the recent sheriff officer tendering process, with a suite of performance measures aligned to these aims also developed. One of the key areas in which the existing sheriff officer contract has yielded particular benefits is Council Tax collection, helping to bring in some £12.5m of income for 2013/14 alone. Alongside an acceleration of recovery procedures, intervening before arrears escalate, and an organisational restructuring to create dedicated teams focusing specifically on collection, this activity contributed to achievement of the highest-ever in-year Council Tax collection rate in 2013/14.
- 3.4 The Corporate Debt Policy is based on a measured response to debt recovery. It is recognised, however, that a small proportion of the Council's overall income may not be collectable due to matters outside its control. In accordance with the policy, an annual report of debt write-off activity was therefore considered by the Finance and Resources Committee on 28 August, in which it was noted that of

sums due in 2013/14, only a comparatively low proportion of 0.9% had been written off. Even where sums are written off, however, the Council will still pursue the recovery of these debts should the debtor be traced or become solvent, with a demonstrated ability to pay.

- 3.5 In maximising the level of income received by the Council, staff involved in corporate debt recovery roles also now have access to the Accounts Receivable system, allowing them to check for any outstanding debts when lodging insolvency claims. By identifying instances of multiple debts, the Council will receive a greater dividend in case of subsequent recovery. Sundry debt-related enquiries are now handled in the first instance through the Contact Centre, with other staff therefore able to focus on more complex cases.
- 3.6 The sheriff officer considers multiple debt streams when agreeing payment arrangements, applying the Council's agreed hierarchy of debt i.e. prioritising former housing rent arrears and tenancy-related charges, in so doing.
- 3.7 The Income Team within Corporate Governance is also working in partnership with an external provider in profiling the entire caseload and determining the likelihood of payment based on financial information not available to local authorities. Once this debt has been profiled, cases will be graded under their propensity to pay into high, medium and low opportunities and recovery will be prioritised on this basis.
- 3.8 At this point, the optimal approach to maximising recovery levels will be agreed, ensuring the approach is measured and appropriate to the level of debt outstanding. It is anticipated this profiling exercise will be concluded in September. A further update will be issued to members once the profile has been applied to the caseload and details are available on the outcome of this recovery activity in January 2015.
- 3.9 The Council is also putting in place a number of measures to increase overall collection rates by reducing the level of debt arising in the first place, including the roll-out of charging in advance wherever practicable.

Increasing awareness

- 3.10 A number of steps have also been taken to increase general awareness of the Corporate Debt Policy's contents. In addition to being published on the Council's website, summarised versions of sections of particular relevance to specific staffing groups have been developed. The policy's main principles and provisions have also been reflected in the Council's fully-updated Finance Rules which translate the high-level principles outlined in the Financial Regulations into more operational procedures.
- 3.11 Following the creation of a dedicated income accountant role as part of the recently-completed Financial Services organisational review, further work will be undertaken both to embed the policy within the Council and publicise its contents more widely. This will include renewed publicising of the policy's

contents to elected members, Registered Social Landlords and anti-poverty groups.

Money management and debt advice

- 3.12 While it should be emphasised that the principles set out within the Corporate Debt Policy are intended to be of general applicability and not reflect specific economic circumstances, there are nonetheless clear links to activity being undertaken in other areas, particularly co-ordinated action in respect of welfare reform. As set out in the series of bi-monthly updates considered by this Committee, the Council has continued to seek to maximise benefit take-up, in addition to active promotion of (and simplified application procedures for) the Scottish Welfare Fund (SWF) and Discretionary Housing Payments (DHPs). Alongside targeted advice and support from staff in Neighbourhood Offices and the Council's Welfare Reform Team, these actions have delivered significant benefits; the number of tenants affected by the Underoccupancy regulations who were in arrears, for example, reduced by a third between August 2013 and May 2014.
- 3.13 The policy also places significant emphasis upon increasing financial literacy. The Council continues to offer tailored advice from both the Advice Shop on the High Street and a network of surgeries across the city, as well as supporting, by means of grant funding, a number of local initiatives in areas of higher need. These local services have a particular role in offering people alternatives to the use of payday lenders. To this end, in addition to encouraging applications for SWF and DHP support, the Council has continued to publicise the services of the city's credit unions and basic bank accounts. A dedicated welfare reform advice line has also recently been established.

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 As noted at 3.3 in the main report, the in-year level of Council Tax collection for 2013/14 was the highest achieved since the Council's formation in 1996, with improvement also apparent in the cumulative, five-year rate. This performance was achieved at the same time as a reduction in the associated collection cost. The in-year collection rate for Non-Domestic Rates, however, showed a slight decrease compared to 2012/13.
- 4.3 Aged debtor analysis conducted at 31 March 2014 indicated a slight decrease in the overall proportion of debt that had been outstanding for ninety days or longer.

- 4.4 The Council also continues to conduct customer surveys and mystery shopping for a sample of relevant services and across the piece, these indicate good performance in both staff's technical competence and wider customer care skills.

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. Streamlining of associated administration and efficiencies in sheriff officer and other debt recovery activity also contribute towards delivery of the Council's overall savings requirements.

Risk, policy, compliance and governance impact

- 6.1 Approval and regular updating of the Corporate Debt Policy promotes consistency and transparency across all aspects of recovery activity.

Equalities impact

- 7.1 There are no additional equalities- and rights-related impacts arising from the report's contents. The policy approved in September 2013 was, however, 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 undertaken and the resulting feedback included in the final policy approved by the Corporate Policy and Strategy Committee in September 2013. The policy also took account of a number of recommendations made by Internal Audit in this area.
- 9.2 As noted in the main report, the extent of customer insight and engagement was highlighted as an area of good practice as part of the Customer Services Division's recent Customer Service Excellence re-accreditation.

Background reading/external references

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

[Crackdown on Legal Loan Sharks – Payday Lending](#), Corporate Policy and Strategy Committee, 10 June 2014

[Welfare Reform – further update](#), Finance and Resources Committee, 28 August 2014 (this is the most recent bi-monthly report considered by both the Corporate Policy and Strategy and Finance and Resources Committee)

[Annual Report – Debt Write-Off](#), Finance and Resources Committee, 28 August 2014

Alastair D Maclean

Director of Corporate Governance

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

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	None