

EAST RENFREWSHIRE COUNCILCABINET16 June 2016Report by Deputy Chief ExecutiveCOLLECTION OF COUNCIL REVENUES – DEBT RECOVERY POLICY**PURPOSE OF REPORT**

1. To seek Cabinet approval of a revised Corporate Debt Recovery Policy.

**RECOMMENDATIONS**

2. It is recommended that Cabinet approve the revised Corporate Debt Recovery Policy.

**BACKGROUND**

3. As part of a review and streamlining of the Council's financial regulations, it has been necessary to ensure that all supporting policies have been reviewed and are up to date. The overall aims are to ensure that the policies are modern, fit for purpose, written in Plain English and perform their function in supporting the Council's financial processes.
4. The Corporate Debt Recovery policy was last reviewed in 2014. This policy is an important component in maximising income due to the Council and minimise sums written off.
5. Our council tax collection rates are amongst the best in Scotland, with a collection rate of 97.64% in 2015/16. In addition, our Non Domestic Rates collection is also strong at 96.9% for the same year.
6. Good joint working between services across the Council and with customer representatives such as the Money Advice and Rights Team (MART) in Customer First and the Citizens Advice Bureau are essential in implementing this policy and in supporting those who may be in financial hardship.

**CORPORATE DEBT RECOVERY POLICY**

7. A revised Corporate Debt Recovery Policy is attached at Annex 1.
8. The main changes to this policy are to:
  - reflect the establishment of the Culture and Leisure Trust;
  - reflect changes to the delivery of Money Advice and Income Maximisation Services through the new Money Advice and Rights Team (MART);
  - implement an Audit Scotland recommendation from December 2014 regarding Housing Benefit Overpayments. Previously if a council tenant owed more than £250 we would not deduct sums from their ongoing benefit payments, however Audit Scotland recommended recovery in all cases.

9. The procedures which support this policy are regularly under review and there are a number of such reviews currently ongoing.

## **FINANCE AND EFFICIENCY**

10. There are no specific financial implications arising from this report, however it should be noted that this policy is an important component in the Council's drive to maximise income collection and minimise sums written off.

11. Whilst the Audit Scotland recommendation regarding Housing Benefit Overpayments recovered via ongoing benefit payments was designed to bring consistency in the approaches of Scottish councils, there is potential that this recommendation could impact already vulnerable customers.

12. Ongoing reviews as part of the Council's Modern Ambitious Programme (MAP) are considering the wider financial regulations and will also review payment methods and credit/debit card fees. In addition, the roll-out of the online payment system 'Parent Pay' to schools across East Renfrewshire later in 2016 will reduce the number of invoices sent from the Sundry Debt team. The Revenues Service will work closely with the Education Department as this system develops in order that there are suitable procedures in place to deal with arrears. Any necessary developments of the Corporate Debt Recovery Policy will be brought back to Cabinet.

13. In addition, there are a number of ongoing policy/procedure reviews across the Council which will underpin the implementation of the Corporate Debt Recovery Policy.

## **CONSULTATION**

14. Legal Services, Housing and Accountancy colleagues have been consulted in development of this policy.

## **PARTNERSHIP WORKING**

15. Income collection requires the involvement of all Council departments working together. This policy relies on the support of services such as the Money Advice and Rights Team (MART) within Customer First; Housing Services; the Citizens Advice Bureau and the Department of Work and Pensions.

## **CONCLUSION**

16. Income maximisation and the maintenance of the Council's high council tax and non-domestic rates collection levels sit at the heart of this policy. However, it is important also that the Council and its partners find ways to support our more vulnerable members of our local communities and support them on the journey to more sustainable financial circumstances.

## **RECOMMENDATION**

17. It is recommended that Cabinet approve the revised Corporate Debt Recovery Policy.

**REPORT AUTHOR**

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23 May 2016

**BACKGROUND PAPERS**

- Collection of Council Revenues, Cabinet 4 September 2014
- Delivering the Housing Repairs Programme in Mixed Tenure Estates, Cabinet 22 March 2012

**KEYWORDS**

This report brings forward a revised Corporate Debt Policy. Keywords are: debt; policy; revenues; council tax; non domestic rates; housing benefit overpayment; sundry debt; payment arrangements; advice.

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## Debt Recovery Policy

May 2016

Date effective: Cabinet approval 16 June 2016

Responsible: Revenues & Business Support Service

Contact: Fiona Caldwell, Operations Manager

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## 1. Introduction

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The purpose of this policy is to provide information on how East Renfrewshire Council's Revenues Service follows up sums of money due. The Revenues service is committed to recovering debts owed to the Council, and significant efforts are made to maximise the collection of income due to the Council and to minimise sums written off. It should also be noted that the service aims to assist customers by minimising any additional recovery costs when possible, and by providing advice and support in relation to both maximising the customer's income, and debt relief options.

This policy provides an overview of the processes the Revenues service will undertake in the collection of income. The procedures behind this policy are very comprehensive and provide more detail on the processes followed within the teams.

## 2. Policy Aims

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In summary this policy aims to maximise the collection of debt, whilst taking into account the individual circumstances of the customer. In so doing, the desired outcome is to break the customer's cycle of debt and minimise recovery costs when possible.

More specifically, this policy aims:

- To develop a council wide approach towards debt collection.
- To ensure a professional and timely approach to recovery action is followed consistently across all Council services.
- To ensure a consistent and timely approach to income collection and debt management.
- To improve the levels of income collected and protect the Council's cash flow position.
- To reduce the levels of debt owed to the Council.
- To treat service users consistently and fairly and ensure that an individual's rights are protected.
- To continue good relationships with stakeholders.

The following income streams are covered in this policy:

- Council tax charges / arrears
- Non Domestic rate charges / arrears
- Sundry debt charges / arrears
- Housing benefit overpayments

N.B. Housing rents are collected by Housing and not Revenues, and are therefore fall outwith this policy.

### 2.1 Strategic Context

The Council's vision is to be "*A modern, ambitious council, creating a fairer future with all*".

Together with its community planning partners, the Council has developed a Single Outcome Agreement (SOA) (<http://www.eastrenfrewshire.gov.uk/communityplanning>) which sets out its priorities for East Renfrewshire. These are defined as:

SOA1: All children in East Renfrewshire experience a stable and secure start to their lives and are supported to succeed.

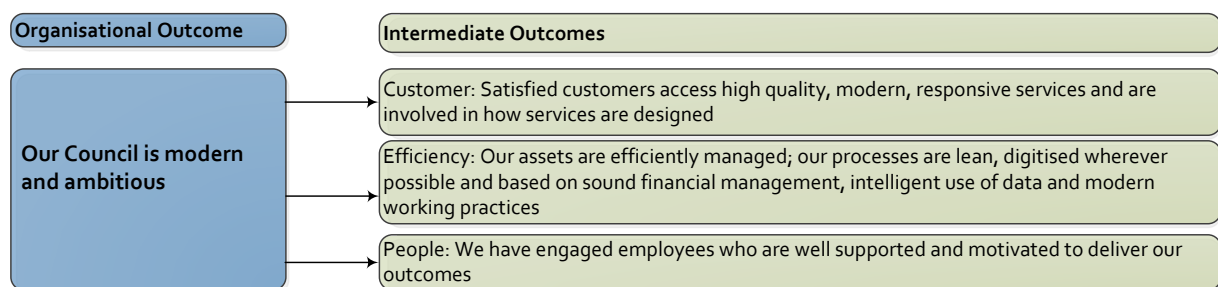
SOA2. East Renfrewshire residents are fit and active and have the skills for learning, life and work.

SOA3. East Renfrewshire is a thriving, attractive and sustainable place for residents and businesses to grow.

SOA4. East Renfrewshire residents are safe and supported in their communities and homes.

SOA5. Older people in East Renfrewshire are valued; their voices are heard and they are supported to enjoy full and positive lives for longer.

The Council has its Outcome Delivery Plan (ODP) (<http://www.eastrenfrewshire.gov.uk/odp>), which sets out the Council's contribution to the SOA. This policy fits into Section 2 of the ODP – Customer, Efficiency & People Outcomes.



The Revenues and Business Support Service Plan contains the following performance indicators relevant to this policy:

- Percentage of income due from council tax received by the end of the year
- Cost per dwelling of collecting Council Tax
- Percentage of council tax paid by direct debit
- Percentage of income due from non-domestic rates that was received by the end of the year
- Cost of collecting non-domestic rates
- Cost of collecting sundry debtors as percentage of total value
- Proportion of outstanding debt that is more than 90 days old from date of invoice

The Revenues Service also participates in a number of benchmarking exercises including IRRV (Institute of Revenues, Rating & Valuation), SOLACE (Society of Local Authority Chief Executives), Local Government Benchmarking Framework, CIPFA Directors of Finance and Scottish Government.

East Renfrewshire Council also operates within the context of 5 core values: innovative; trustworthy; people-centred; caring and efficient.

### 3. Income Streams

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#### 3.1 Council Tax

Council Tax is levied on all domestic properties. We have a duty to all those council taxpayers who pay their Council Tax on time to make sure that all possible action is taken to recover unpaid Council Tax from those who are slow to pay. The Council must issue a



Reminder Notice to a liable person who has failed to make payment of an instalment of Council Tax by the due date. The Council is, however, always willing to resolve payment difficulties at an early stage and is prepared to negotiate realistic payment arrangements where possible.

### **3.2 Non Domestic Rates (NDR)**

Non-Domestic Rates is a tax on properties not in domestic use. Examples of the types of properties for which non-domestic rates may be payable are hotels, offices, public houses, schools and shops. Renfrewshire Council administer NDR on our behalf and commence recovery action in line with current legislation.

### **3.3 Charges for Services ('sundry debts')**

The Council charges a fee for various services. Examples of some of the services which will be invoiced to customers include: Commercial Rent, Care at Home, Education (music lessons, wrap around nursery charges, bus passes); annual factoring fees; capital recharge invoices and re-chargeable housing repairs.

The Council's 'debt rules' (<http://intranet.erc.insider/debtrules>) state that payment must be received in advance for all chargeable services, where possible. For charges that cannot be paid in advance, managers should be aware of levels of outstanding debt and should consider withdrawal of services where payment arrangements are not in place.

### **3.4 East Renfrewshire Culture & Leisure Trust**

In July 2015 East Renfrewshire Culture and Leisure Trust was established. The Trust raise invoices through the Council's sundry debt system and the Council issue invoices, collect payments and deal with any recovery issues on the Trust's behalf on the basis of a service level agreement.

### **3.5 Housing Benefit Overpayments**

Housing Benefit Overpayments occur where a claimant fails to notify or incorrectly notifies us of their financial circumstances. This can be as a result of fraud or error. The reasons for the overpayment occurring together with the claimants' circumstances will determine the action taken to recover the debt.

## **4. Recovery Approach**

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East Renfrewshire aims to maximise collection of income due, whilst taking into account the circumstances of the customer. The list below is an overview of the actions which take place, but is not exhaustive.

### **4.1 Payment Methods**

A wide range of payment methods are available including:

- Online via the Council's website
- Debit / credit card via automated phone line (*a fee of 2% is currently charged on credit card payments, but card fees are under review council-wide.*)
- Phone payment to a member of staff by debit / credit card payment during office hours

- Face to face payment at council offices – cash; cheque; debit/credit card accepted
- Standing Order
- Direct Debit (Council Tax, NDR & certain types of sundry debt charges)
- At the post office (Council Tax only)
- Cheque payments can be posted or hand delivered to East Renfrewshire's offices.

## 4.2 Corporate Approach

With all debt streams, the aim of any repayment arrangement is to ensure ongoing charges are met to prevent the debt spiralling. Smaller sums can be accepted to reduce arrears over time. The time period given is dependent on the individual's circumstances but the aim would be to recover sums owed within a year (or within 2 years for larger housing repair debts). 'Combination' arrangements are offered i.e. that the customer can pay one payment and this can be allocated across different income streams.

Customer information, such as current whereabouts, is shared across the different income streams, subject to provisions of the data protection act.

## 4.3 Payment Arrangements

### 4.3.1 Council Tax

The Council recognises that accurate and timely billing is crucial in aiding the recovery process, and we aim to ensure all liability changes are processed within a 20 day turnaround time. Legislation dictates how the Council should recover unpaid Council tax, and this allows for a petition to be presented at court which, if signed by the Sheriff, provides the Council with a summary warrant. When a summary warrant has been granted in the Council's favour a surcharge of 10% of the unpaid charge is added onto the balance. Further action can be enforced by the Council's agents, (for example a wage arrestment) but this is always a last resort.

We will enter into repayment arrangements with customers at any point in the arrears process, and aim to break the customer's cycle of debt by ensuring all current ongoing liabilities are included in payment arrangements. If a customer does not come to a voluntary arrangement and it is necessary to take legal action the customer is likely to incur further costs.

In addition to accepting arrangements from customers who contact the Council, we will proactively monitor these arrangements, and will engage with the customer should any payments be missed, to ensure the customer has the maximum opportunity to pay without the need for Sheriff Officer Intervention.

### 4.3.2 Non Domestic Rates

Accurate and timely billing is required to maximise collection with Non Domestic Rates (NDR) charges. Renfrewshire Council administer all collection activity for NDR including referral to their appointed sheriff officer when necessary. High level debt cases are discussed on an ad-hoc basis, and the best course of action is mutually agreed between the two councils.

#### 4.3.3 Charges for Services ('Sundry Debts')

The Council has a set of 'debt rules' (<http://intranet.erc.insider/debtrules>) for officers which govern the approach taken to invoicing for services. These rules embrace the principles of good practice, and dictate that payment in advance should be made where practical. The Council also has a transparent charging for services policy whereby services review their charges annually and report to Cabinet. Certain services also operate concession policies based on customer circumstances.

Once an invoice has been issued, the sum due should be paid within 28 days. If there is a problem with payment, where the bill is not for a recurring service, and is for a substantial amount (usually £500 or above), we will enter into repayment arrangements with customers, taking into account the sum owed, and the individual's circumstances. It is usual that the payment period would not go beyond a year.

In some cases, for example capital repair invoices, there is a specific policy which covers the payment arrangement terms (see Delivering the Housing Repairs Programme in Mixed Tenure Estates, Cabinet March 2012, *add link*).

The service departments have a critical role to play in minimising sundry debt, which is outlined within the Council's debt rules. These rules include stopping service, or the non supply of a future, non statutory Council service. Services also have a critical early role in resolving disputes before formal recovery action is invoked.

#### 4.3.4 Housing Benefit Overpayments (HBO)

Housing Benefit Overpayments can occur where a claimant fails to notify or incorrectly notifies us of their financial circumstances. This can be as a result of fraud or error.

Recovery of HBO's is covered within legislation, and one of the options available is to deduct a sum from a claimant's ongoing housing benefit (HB) to reduce the overpayment. The Department of Work and Pensions (DWP) issues an annual communication to all councils advising of the maximum amounts which can be deducted.

Where the customer is not in receipt of ongoing benefit from which deductions can be made, we will come to a mutually agreeable repayment arrangement, taking into account the customer's circumstances.

When the overpayment is as a result of fraud, the maximum level of deduction will be taken from ongoing benefit.

### **4.4 Advice & Assistance**

East Renfrewshire Council does all it can to assist its customers with their financial position. This can include referring customers onto the Council's Money Advice and Rights Team (MART) (tel: 0800 052 1023) who can assist the customer to maximise income and potentially reduce levels of debt through forms of debt relief. The team can also provide budgeting skills to residents. There are close working relationships between the teams collecting income and the financial assistance services in the Council. These connections also extend to the Citizens Advice Bureau (CAB) and DWP. All teams work together to get the best outcome for the customer and financial statements are prepared by MART to ensure any payment arrangement is realistic in terms of the customer's income and other outgoings.

#### 4.5 Legal Action

The Revenues Service only instigates legal action as a last resort, when all other avenues of collection activity have proven ineffective.

The Revenues Service works with a firm of Sheriff Officers and with the Council's legal team to ensure that action is appropriate and proportionate to the case.

Potential legal action varies dependent on the type of debt, as advised by the Legal team. This action can include summary warrants; wage arrestment; funds held within a customer's bank account being frozen; and petitioning court for bankruptcy.

#### 5. Write Off

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The Council is aware that in the case of a small number of debts, all viable means of collection can be exhausted with no or less than full payment being received. Therefore the Cabinet will consider annually writing off debts which are considered irrecoverable. These include situations where:

- Debtor is deceased and has left no estate
- Debtor is no longer resident at the address where the debt occurred, and all available tracing options have been exhausted
- Debtor has been sequestrated
- Sheriff Officer advises low probability of debt recovery
- Small balance outstanding under £20
- Some exceptional circumstances, such as an approach by HSCP regarding a nursing home resident or terminally ill customer with no assets.

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