



WalkerLove

Sheriff Officers • Collections • Investigations

Keeping you informed

Using new & emerging tech to improve customer engagement

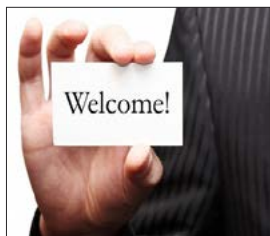


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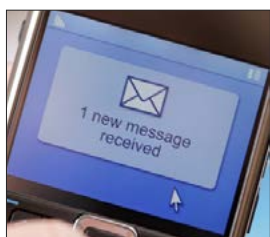
Trends and developments in insolvency



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Welcome



Welcome to this edition of our briefing for our Scottish Local Authority clients and a guid new year tae ane an aw'.

I do hope you enjoyed a peaceful and relaxing festive break with your family and friends and have returned to work in 2018 fully recharged and raring to go!

We had a great turn out at the last Local Authority Forum in November and a wide ranging debate on the day involving the application of existing and emerging technologies. I thoroughly enjoyed the discussion in the room on how new technologies are being used and how they are helping to improve collections performance.

It's a theme I expect us to continue to revisit as we move through the next couple of years as the digital revolution continues to roll on and the impact of deep data analysis, and emerging AI technology, is having, and will have, on all of us in the debt collection industry.

It was great to have speakers at the Forum providing useful and practical insights into the approaches being adopted, using new and existing technologies, and to hear about the pilot projects in development at other Authorities. The development over the past few years in business applications, mobile computing technology and the whole connected web-environment, is presenting us with a range of new strategies and tactics to trial as we all work towards improving collections performance.

With contributions from our four speakers, Mark Ranson and Steven Wright from Armstrong Watson Chartered Accountants, Business & Financial Advisers, David McKenzie the co-founder of OccuTrace and Cheryl Hynd from the City of Edinburgh Council as well as the key discussion points aired during the workshop sessions, I do



David Walker
Managing Partner,
Walker Love

hope you will find this edition of our Local Authority Briefing to be both useful and informative.

Since the May Forum, the June to November period has been extremely busy period for all at Walker Love and we were pleased to report an incremental increase in collections for our Council Tax and Non-Domestic Rates collection clients.

The uplift in productivity from our new operation in Paisley has had given us an immediate improvement on successful outcomes achieved for our Local Authority clients and we are pleased with how well the team has bedded in to the new office and the improved efficiencies they are creating.



I was also hoping to provide you with an update on the AiB's Diligence Review as featured at the May Forum and in the last edition of the Briefing. A report was due to be published in June 2017 which would contain a summary of the responses to the consultation, however, it has not yet been published.

The original timetable also included the potential of a secondary consultation being issued in the Autumn last year in specific areas, with the final response to the consultation due to be published before Christmas 2017. However, as the initial report has not yet been published at the time of writing, it does look like the timetable will slip. When I hear more, I will let you know.

Finally, if you have any comments on any of the issues raised in this edition and/or suggestions for future LA Forum topics drop me a line at the address below. We do really value your feedback as it helps us to shape our future Forums and Briefings.

We are keen to provide you more of what you want, and less of what you don't at the Forums in 2018. So,

strike while the New Year's new thoughts and ideas are in the ascendancy and give us your views – and if you would like to present on the innovative work and best practice going on within your Authority area then do let me know. Thanks in anticipation.

All the best for 2018.

E: david.walker@walkerlove.com

OccuTrace: NextGen Location Tracing



**David McKenzie,
Co-Founder,
OccuTrace**



OccuTrace

OccuTrace provide desktop and mobile solutions, using the latest web technologies to deliver bespoke data-driven GPS map-based tracing and location services. Formed in 2016 OccuTrace's core aim is to maximise revenue and mitigate financial risk for their clients. This concept is not new but how they achieve it is.

The team behind the tech has over 50 years of experience across a diverse range of sectors functions including Electricity & Gas, Credit Management, Debt Recovery, Call Centre, Business Process Outsourcing, Domestic and Non-Domestic Water. Their blend of experience, agent model and innovative technology enables clients to better manage their non-domestic occupancy data, resulting in increased revenue and reduced risk.



The OccuTrace team have used the efficiencies of the latest in mobile web technologies and integrated them with mobile GPS technology alongside the powerful Google Map API suite. OccuTrace's solutions integrate with business data to provide intelligent, effective and efficient data-driven solutions that optimise and enhance existing business processes.

Occupancy data challenges: The quietly revolving door

More than 335,000 new companies are registered each year in the UK, Scotland alone accounts for around

21,000 new company registrations. The number of companies that either close or cease to trade year across the whole of the UK is on average 230,000 each year.

There is currently no legal requirement on the directors of new starts-ups, or companies that are to be dissolved, to inform utility providers or local councils of the business' trading, or otherwise, status.

What is the cost of this?

Whilst the actual total cost is difficult to calculate accurately, undoubtedly the absence of an obligation to inform local authorities and utility service providers is resulting in lost revenue. It has been proven that the lack of legal requirement to inform leads to increase costs of collection, tracing, verification etc as the obligation is on the service provider to find out who is or who is not using their services.

There will also undoubtedly be a significant degree of wasted effort in chasing uncollectable debts – time that could be better spent elsewhere in collection departments, and a number of cases do lead to unrecoverable legal fees.

So it is fair to say that the costs both in money, time and effort for local authorities and utility service providers can be considerable.

Utilities Experience – Non domestic water case study

Our brief was to identify properties which are truly occupied; which were incorrectly marked as vacant; and to identify new occupier data where it is different from 'current customer' data held by the client.

The client was a high profile non-domestic water retailer with the potential to provide services to 180,000 properties across Scotland, with 20,000 of these properties currently marked as vacant.



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**Debt
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There is a significant and ongoing occupancy churn of commercial properties in Scotland, and as alluded to earlier, the occupiers of these properties have no legal requirement to inform the water service provider of occupancy status or otherwise.

The client had made many attempts to resolve the issue however each time they ran into significant challenges and obstacles. These challenges were coupled with the client having to deal with legacy data and significant data quality issues.

Our approach

We used our innovative technology to visualise and plot 180,000 properties within our app and deployed our ever growing agent pool across the country to visit

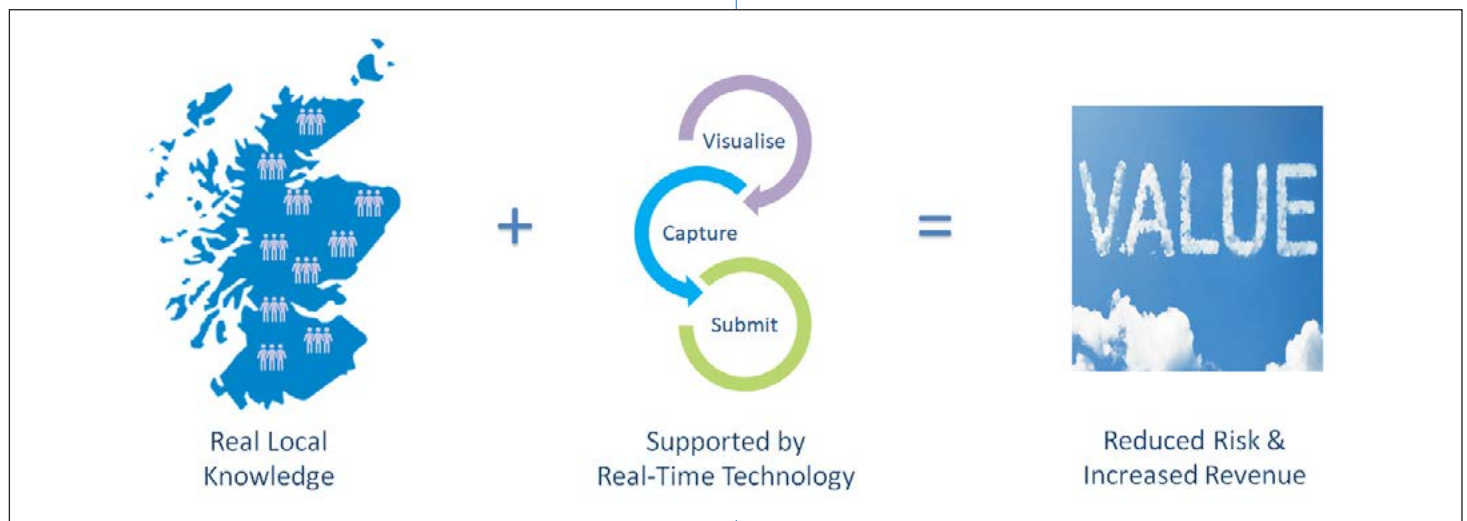
targeted properties.

We created secure administration areas for our client to protect their data and as the assignment progressed, in collaboration with the client, we honed and refine the methodology to achieve required results.

The outcomes

Over 600 leads were submitted to the OccuTrace and 400 new occupiers were found which resulted in an additional £400,000+ of revenue.

The revenue was sourced from a broad range of sectors and business types, from large multi nationals to sole-trading retailers.



OccuTrace can help to increase Non-Domestic Rates Collection

According to Scottish Government statistics, from 2016 to 2017 the total number of private sector businesses in Scotland increased by over 11,000. The increase over the latest year was driven by a rise in the number of unregistered businesses. The number of unregistered businesses increased from 180,500 in 2016 to 189,200 in 2017 – an increase of 8,700 businesses (4.8%). The number of registered businesses (those registered for VAT and/or PAYE) increased over the latest year - from 173,995 businesses in 2016 to 176,400 businesses in 2017, a rise of 2,405 registered businesses (1.4%)

Between 2016 and 2017, the majority of local authority areas saw an increase in the number of registered enterprises. However, eight of Scotland's 32 local authority areas experienced a falling registered business count between 2016 and 2017 – including Aberdeen City (down 325 businesses, a reduction of 3.2%) and Aberdeenshire (down 160 businesses, a reduction of 1.1%). Glasgow City local authority area experienced the greatest increase with

a rise of 735 (up 3.9%) enterprises between 2016 and 2017 – followed by the City of Edinburgh local authority area with an increase of 415 enterprises (up 2.2%).

This constantly revolving door of new starts and businesses ceasing to trade, coupled with no legal requirement on company directors, sole proprietors or partners in the business to inform local authorities of the business' trading status, and potential low awareness amongst new business owners, will ultimately lead to non-billed (hidden revenue in effect) Non-Domestic Rates in most, if not all local authority areas in Scotland in 2018.

OccuTrace's proven app, mobile GPS technologies and agent field force is ideally suited to improving NDR collection values.

If you would like to find out more about how OccuTrace can help your local authority reduce risk and improve CT and NDR collection value and rates send David an email to arrange a meeting.

Email: david@occutrace.co.uk



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Cheryl Hynd,
Customer Manager, Transactions
City of Edinburgh Council



As part of the City of Edinburgh Council's (CEC) channel shift strategy, which has involved moving the Council's core customer interface activities into an online web environment, the CEC collections team was keen to embrace the strategy and to develop digital strategies and tactics that would help to improve customer engagement and collections performance.

The team discussed a range of ideas on how they could use web technologies to maximum effect and decided to develop a pilot campaign using smart mobile text messaging, which would be used to act as reminder prompt for CT payments.

A Privacy Impact Assessment (PIA) of the potential customer privacy implications of the text campaign project was carried out early in the project planning.

The PIA identified potential privacy risks surrounding the use of customers' data held on CEC's customer database. There were a number of pointers for the future which came out of the PIA with regards to how data is collected, processed, and ultimately what proportion of customer data CEC currently held could be used in the project (and CEC had confidence in). There was also a significant proportion of customer data on the CEC customer database that couldn't be used for the campaign due data quality, accuracy and privacy issues.

There were a number of lessons learned from the PIA with regards to how data is collected and the consents that need to be obtained from customers as to how their data may be processed now or in future for the purposes of Council Tax collection.

Going through this process also encouraged staff to consider privacy issues, not just in this project, but across all their daily collection activities at CEC by reminding them of how the data privacy issues impact in practice. It was an extremely useful process to go through, especially given the preparations CEC are also making ahead of the General Data Protection Regulations coming into force in May 2018.

The pilot: stage 1 – Text reminders only

In June 2017, CEC started a pilot of Council Tax payment reminders being sent to customers via mobile text/sms

messaging. Between June 2017 to August 2017 an average of 1,400 messages were sent each month.

The pilot: stage 2 – Text reminders with payment link

From September 2017, the text message contained functionality to allow the customer to pay the amount overdue directly from their mobile smart phone.

A total of 1,361 text messages were issued in first 24 hours and a total of £9,500 was paid. To date, customers have paid a total of £47,000 through text reminder.

What have been the benefits to CEC so far?

Cost: It is more cost effective to send a text message reminder than sending a paper reminder through the post. The costs roughly equate to: £0.11 per text Vs £11.80 per paper reminder.

Time: by text, the reminder reaches the customer a few seconds after being sent, whilst paper reminders can take up to a week to reach the customer.

Convenience: we live in a digital world, and this method offers CEC customers an alternative, possibly more convenient, channel for them to pay. Customers can also choose to save their payment card details for future (50% of customers have saved their payment details) adding another convenience factor for the customer.



Next Steps

CEC is looking at extending the Council Tax text campaign to issuing text payment alerts to all customers who have set up Council Tax instalment payment dates.

We are also looking at offering customers the opportunity to sign-up to receive a pre-instalment due date reminder which will prompt them to make payment on time.

Due to the initial success of the project we are also plan to extend text reminders to other service areas such as Sundry Debt Recovery and Council Rents.

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ArmstrongWatson®
Accountants, Business & Financial Advisers

Armstrong Watson is a 150 year old Chartered Accountancy firm based in Scotland & North of England. Operating 16 Offices including, Glasgow & Dumfries, the firm currently employs over 400 employees.

The firm aims to be the best accountancy and financial services firm to work for - bar none and the best accountancy and financial services to do business with- bar none. It is also aiming to be recognised as one of the most successful and innovative accountants, business and financial advisory service firms in the UK.

As well as providing accounting, statutory audit, tax, corporate finance and payroll services, the firm works with businesses of all shapes and sizes by helping them through difficult times through restructuring and

refinancing advice and support. They also assist individuals and companies to recover monies due and they undertake "traditional" insolvency appointments and are regularly instructed by HMRC and the Pensions Protection Fund (PPF).

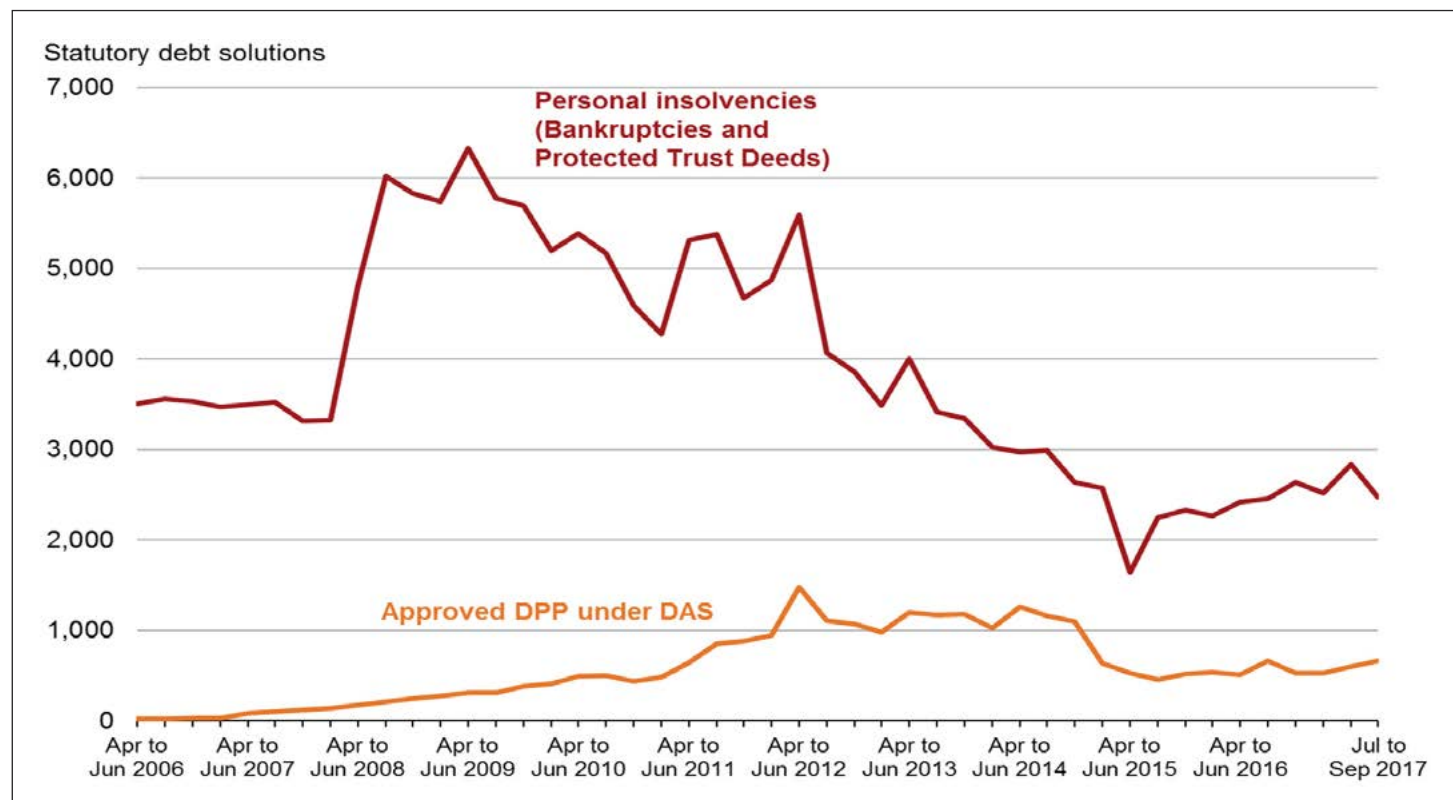
Current statistics: some worrying trends are emerging

A recent survey published by the Financial Conduct Authority (FCA) estimated that around 4.1 million people in the UK are currently facing financial difficulty due to missed domestic or credit bills.

These consumers are most likely to be in the 25 to 34 age range and have failed to pay bills in three or more of the last six months.

Furthermore, it is estimated that 15 million people have low levels of resilience to a bill shock, around 8 million were currently struggling with debt and 100,000 people had stated that they have used an illegal money lender in the last 12 months – and this was before interest rates rose in November 2017.

The insolvency market in Scotland has contracted in the past few years. Major banks are not appointing and are more focussed on debt sales. HMRC, though, has



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Table 1. Summary of Scottish Insolvency Statistics for July to September 2017 (2017-18 Q2): Scotland, quarterly data (table D1)

	2016-17				2017-18 (p)		2017-18 Q2 compared with 2016-17 Q2
	Q1	Q2	Q3	Q4	Q1	Q2	
Bankruptcies	1,159	1,150	1,137	1,116	1,289	1,124	-2.3%
Protected Trust Deeds	1,261	1,310	1,499	1,400	1,550	1,348	2.9%
Total personal insolvencies	2,420	2,460	2,636	2,516	2,839	2,472	0.5%
Approved DPP under DAS	511	663	528	531	597	662	-0.2%
Amount repaid under DAS (£ million)	9.3	9.2	9.6	9.2	9.4	9.4	1.2%
Total corporate insolvencies	265	216	210	155	200	225	4.2%

r: Previously published figures have been revised.

p: Figures for 2017-18 will remain provisional until validation following the end of the financial year.

become increasingly active in their pursuit of individuals and companies following the recession.

There is considerable uncertainty over Brexit in the UK and a growing uncertainty with regards to how quickly interest rates will rise now that they have begun to creep up again after being in stasis for 10 years.

We are also beginning to see personal debt increasing again, and when coupled with rising costs of everyday heat, light and power and food costs and weak wage growth, there is a potential cocktail of factors that could lead to significant collection challenges for local authorities in 2018.

Legislation Update: Personal

A major overhaul of bankruptcy legislation took place in 2016, with the introduction of the Bankruptcy (Scotland) Act 2016, which replaced the Bankruptcy (Scotland) Act 1985.

The primary aim of the overhaul was to make the legislation more structured, readable and accessible with the intention of save everyone involved in the process both time and money.

The Scottish Government's aim of making Scotland a world leader in personal insolvency and other debt solutions has been enacted through trust deeds being written into primary legislation and the Bankruptcy and Debt Advice (Scotland) Act 2014 ("BADAS") changes which were introduced in 2015.

The key BADAS changes are summarised in the following paragraphs.

Mandatory money advice should be provided to all debtors and financial education programmes should be made available to certain debtors.

It was also made mandatory for the common financial tool to be used by all debt advisers in Scotland to ensure consistency and continuity of the financial factors assessed in providing debt advice, thereby creating one standard of assessment for all. The common financial tool is also used to assess debtor's contribution in every sequestration.



Other changes included the AiB approving and varying the DCO, with the AiB also having the authority to set a DCO at zero. The Minimal Asset Process ("MAP") replaced Low Income Low Assets ("LILA"). Creditors would have 120 days to submit claims and a sequestration can be re-opened if assets of greater than £1,000 are subsequently discovered within 5 years of sequestration.

A moratorium on diligence was introduced. A moratorium comes into play following a written notice



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being issued to the AiB of debtor's intention to commence the process of sequestration, or enter into a trust deed or DAS. A moratorium over creditors executing diligence lasts for a period of 6 weeks from the AiB placing such notice on the Registers of Interest (ROI). Only one notice can be lodged in each 12 month period.

A discharge of the debtor is not automatic at 12 months, it is dependent on a report from the Trustee to AiB at the 10 months stage and the recall process must go to AiB.

Legislation Update: Corporate

There is not a great deal to report in Scotland as not much changed recently. However, we are expecting an overhaul of Companies Act in Scotland which is likely to mirror changes implemented in England & Wales in April 2017.

We do expect further legislation to disentangle Liquidations & Receiverships from the Bankruptcy Scotland Act and changes to Insolvency (Scotland) Amendment Rules 2014 – 30 May 2014.

Case Study: Glasgow City Council

Armstrong Watson has had a close working relationship with Glasgow City Council since 2015 and we have built up an excellent understanding of their debt collection processes internally and their policy aims and objectives in this area.

They meet with the GCC team quarterly to discuss all existing cases and cases in the pipeline and also to receive updates on the developing social and economic trends in the Glasgow area.



What do we do for GCC?

GCC debt management team refers corporate and personal debt cases to Armstrong Watson(AW). GCC provide AW with the debt details and any other relevant background GCC hold on the case.



AW prepare a full financial analysis on the debt and debtors circumstances from the information they access on private individuals and companies. For instance, AW analyse company accounts, run property searches and conduct current insolvency checks on individuals and companies. AW also review local area property values and discuss these with their local property contacts to establish if there might be equity available. AW then report their findings and make a recommendation on whether to pursue an insolvency action to the team at GCC.

Following a review of the AW report, GCC decide whether to pursue the individual/company further. If GCC decide to pursue, AW provide a consent to an appointment and petitions are then served. AW do not make any contact with debtor individuals or companies pre-appointment unless requested to do so by GCC.

AW can, however, take instructions on debt recovery prior to an appointment e.g. in cases where there is a substantial debt and/or "higher profile" company/individual but AW are not restricted to this. AW can use their vast contact base to set up meetings and discuss strategies for repayment.

AW's role is to construct as robust a financial and business case as possible to ensure that if action is taken further by the client then a recovery is likely. The majority of cases AW recommend for further action are dismissed following full payment after a petition is presented. Furthermore, with an IP appointed, there are additional opportunities to pursue assets transferred or to report rogue individuals.

Client Case Study: Mr & Mrs P

Mrs P – School Teacher/Married to Mr P a hairdresser. Mr P hid all the council tax/business rates notices and demands from Mrs P. GCC petitioned for sequestration and awarded against both.



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It was quickly established that Mrs P could recall sequestration and pay debt in full. Her employment would be affected if she did not. AW/GCC worked with Mrs P to enable a recall of the sequestration, which resulted in GCC receiving payment in full.

Mr P circumstances were slightly different and he is paying a substantial contribution towards his estate. AW/GCC established and agreed an equity repayment plan & Mr P has undertaken financial education course.

AW expect GCC to be paid the remaining amount in full in respect of the business debts from Mr P.

Client Case Study: Company J

This case involved a well-known serial offender for business rates. The individual in question had over 20 company appointments and a long history of phoenix business practices.

As a point of principal, GCC were keen to for a liquidation of the company.

AW compiled a detailed report on the director’s

conduct, in conjunction with GCC and subsequently requested for disqualification proceedings to be commenced against the director.

AW/GCC are currently awaiting the ultimate outcome, however, it is expected that director will be barred from holding office of director in the UK.

Client Case Study: Mr Landlord

AW were appointed following a petition by GCC. The rent had been diverted to a third party and no tenancy agreements were in place. The properties were over secured and there was no cooperation from the debtor.

AW are working with GCC to enable the purchase of the properties and following the compilation of the report on debtor it has led to debtor’s discharge being deferred and a potential Bankruptcy Restriction Order being put in place.

The debtor has since been struck off approved Glasgow landlord register and AW have worked with GCC to remove tenants and take control of the properties back.

Things to look out for: Personal	Things to look out for: Corporate
<ul style="list-style-type: none">● 120 day claim limit on Bankruptcies● Trustee’s debtor discharge report - around month 10● Heritable Assets● Financial education● Landlord cases	<ul style="list-style-type: none">● Administrator’s Proposals/S138 Reports/S98 Reports● Leasehold properties● Pre Packaged Sales● Phoenix Companies

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David Walker



Chris Bell



James Walker



Dorothy Lowe



Angela Lowe



Julie Swan

The workshop discussion session hosted by Walker Love team, David Walker, Dorothy Lowe, Chris Bell, James Walker, Angela Lowe and Julie Swan.

Utilising Digital Technologies: Challenges, Opportunities and Lessons Learned

A range of digital strategies and tactics were discussed, including a number of observations regarding the issues experienced during implementation

- Online customer portals for self-service: e-forms and automated back end systems.
- Text message campaigns for overdue notices & dynamic diary reminders for appointments and meetings.
- Issues using email campaigns – watch out for consent issues, especially if the authority did not request consent to use electronic communication at the data capture stage.
- Email addresses and mobile telephone numbers – a number of delegates cited the accuracy and quality of this information could be found to be lacking, especially with email addresses which do change.
- More clarity is required in authorities as to how email addresses and use of other electronic channels should be verified and kept up to date.
- Text messaging campaigns underway for council tax reminders, sundry debt payment prompts, conventional debts and NDR. This method is also being used by a number of authorities to remind customers about appointments. This is freeing up staff time to focus in other areas.
- Pre-filled online forms (using the data the authority currently holds) an ambition for most authorities, but a realistic aim to improve customer convenience aspects.
- Other channels mentioned during the discussion include: setting up a landlord online account within the authorities website, soft text reminders for NDR, auto direct debit implementation.
- Using social media e.g. facebook to build up customer profiles is being used and on the flip side, there was mention of using YouTube videos to target students with 'pay up for your city' messaging.
- Among the challenges mentioned: lack of investment and budget cuts are reducing the scope of what authorities can do online. A lack of staff technology understanding and skill set is also seen by some as significant obstacle that has to be overcome.
- And the benefits of adopting new and emerging technologies
 - Less expensive than traditional methods used – electronic communication is far more cost effective than paper based communication.
 - Improved customer engagement, understanding and interaction.
 - Increase in-bound traffic to the authorities website.
 - The preparation and research required to ensure online campaigns pass the data protection and privacy tests is good preparation for GDPR.

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34 Sheriff Officers and offices in 8 cities and towns across Scotland
Offices in: Aberdeen, Edinburgh, Glasgow, Hawick, Inverness, Kilmarnock, Kirkcaldy and Paisley