

CABINET

19 September 2017

Title: Debt Management Performance and Write-Offs 2017/18 (Quarter 1)	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	For Information
Wards Affected: None	Key Decision: No
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Accountable Director: Kathy Freeman, Finance Director	
Summary This report sets out the performance of the Council's partner, Elevate East London, in carrying out the contractual debt management function on behalf of the Council. This report covers the first quarter of the financial year 2017/18. The report also includes summaries of debt written off in accordance with the write off policy that was approved by Cabinet on 18 October 2011.	
Recommendation(s) Cabinet is recommended to: (i) Note the contents of this report as it relates to the performance of the debt management function carried out by the Revenues and Benefits service operated by Elevate East London, including the performance of enforcement agents; and (ii) Note the debt write-offs for the first quarter of 2017/18, as detailed in Appendix A to the report.	
Reason Assisting in the Council's Policy aim of ensuring an efficient organisation delivering its statutory duties in the most practical and cost-effective way. This ensures good financial practice and adherence to the Council's Financial Rules on the reporting of debt management performance and the total amounts of debt written-off each financial quarter.	

1. Introduction and Background

- 1.1 The Council's Revenues, Benefits, General Income and Rents Service is operated by the Council's joint venture company, Elevate East London LLP (Elevate). The service is responsible for the management of the Council's debt falling due by way of statutory levies and chargeable services. It also collects rent on behalf of Barking and Dagenham Reside. Council debts not collected by Elevate are not included in this report, for example parking and road traffic debt prior to warrants being granted and hostel and private sector leasing debt.
- 1.2 This report sets out performance for the first quarter of the 2017/18 municipal and financial year and covers the overall progress of each element of the service since April 2017. In addition, it summarises debts that have been agreed for write off in accordance with the Council's Financial Rules. All write offs are processed in accordance with the Council's debt management policy agreed on 18th October 2011.
- 1.3 The target for council tax current year collection has increased this year by 0.4% which equates to an additional £283k of revenue. The council tax arrears target has also increased by £130k this year. The general income target has increased by 0.4% to 96% which equates to an additional £400k of revenue and the former tenant arrears target has increased by £25k from £175k to £200k. These new targets have increased the amount of revenue to be collected by approximately £838k.

2. Proposal and Issues

- 2.1 Set out in Table 1 below is the performance for quarter one of 2017/18 achieved for the main areas of debt managed by Elevate.

Table 1: Collection Rate Performance – Quarter One 2017/18

Type of Debt	Year end target	Quarter 1 target	Quarter 1 Performance	Variance	Actual collected £m
Council Tax	96.0%	30.3%	30.2%	-0.1%	£21.351m
Council Tax Arrears	£2,122,000	£728k	£706k	£-22k	£706k
NNDR	98.2%	32.4%	30.7%	-1.7%	£18.926m
Rent	98.16%	23.93%	23.59%	-0.34%	£24.242m
Leaseholders	98.0%	31.93%	30.17%	-1.76%	£1.370m
General Income	96.0%	81.25%	77.80%	-3.45%	£11.462m

Council Tax Collection Performance

- 2.2 Council Tax collection ended the quarter 0.1% below the profile target at 30.2%, however this is 0.1% higher than last year at the same time.
- 2.3 Council tax support continues to drop and at the end of quarter 1 made up 16% of the overall charge compared with 17% in 16/17. This coupled with the increases in council

tax of £4.5m in 17/18 has put additional pressure on the service to maintain collection performance. However, good debt recovery practices are being maintained and the collection remains only marginally off target.

Council Tax Arrears

- 2.4 By the end of quarter one £706k had been collected; this is £22k below the target. Tax payers experiencing financial difficulties continue to pay their council tax outside the current year. However, the work carried out over the past two years to help payers to bring their accounts up to date has reduced this number and seen arrears payment begin to plateau.
- 2.5 The Council Tax team's ability to adapt to the challenges presented by the Council Tax Support scheme, the increasing number of properties within the borough and the increase in the Council Tax charge have improved collection rates year on year to the higher levels now seen in Barking and Dagenham.

Table 2:

Quarter 1 - 2017/18									
Year	Charge year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
2009/10	92.9	95.0	95.7	96.1	96.4	96.6	96.8	96.9	96.9
2010/11	92.9	95.0	95.7	96.1	96.3	96.6	96.7	96.8	
2011/12	94.1	95.7	96.3	96.6	96.8	97.0	97.0		
2012/13	94.6	96.2	96.6	96.9	97.1	97.2			
2013/14	94.1	96.0	96.6	96.9	96.9				
2014/15	94.3	96.1	96.7	96.7					
2015/16	94.8	96.4	96.6						
2016/17	95.5	96.1							

Business Rates (NNDR) Collection Performance

- 2.6 The NNDR collection rate reached 30.7% by the end of the first quarter. This is 1.7% below the target.
- 2.7 A combination of new business and changes to rateable values have increased the net collectable debit by £1.5m in the first quarter. These newly created debts will be paid off monthly over the remainder of the year. Taking these changes in account, it is estimated that the end of year target will be achieved.

Rent Collection Performance

- 2.8 Rent collection reached 23.59% by the end of the first quarter. This is 0.34% behind the target.
- 2.9 Housing benefit continues to reduce each year and is £800k (2%) less when compared with the first quarter of 2016/17.

- 2.10 Close working with Housing continues to ensure that a joined-up approach is taken where necessary. This includes taking payment and encouraging direct debit as a method of payment at sign-up.
- 2.11 Continuous monitoring of arrears cases continues with proactive engagement with tenants being a primary function of the rents teams. Affordability exercises are also undertaken with tenants if they are identified as falling into arrears and payment plans put in place to help bring their rent back up to date.

Reside Collection Performance

- 2.12 In addition to collecting rent owed on Council tenancies, Elevate also collects the rent for the B&D Reside portfolio.
- 2.13 Rent collection excluding former tenant arrears is stable with a collection rate of 99.62. This is 0.12% above the target.

Leaseholders' Debt Collection Performance

- 2.14 Leaseholder collection reached 30.17% by the end of the first quarter. This is 1.76% behind target.
- 2.15 The shortfall in collection at the end of the first quarter is £79k. To ensure that collection returns to target additional resource will be assigned to this area during the second quarter.

General Income Collection Performance

- 2.16 General income collection reached 77.8% by the end of the first quarter. This is 3.45% behind target.
- 2.17 A number of invoices, totalling £3m have been sent later in the first quarter when compared with 16/17. As a result, there has been less time to collect these debts and resulted in the target not being achieved. Work continues to pursue these debts and performance is expected to recover throughout the year.

A&CS Homes and A&CS Residential – Collection of Social Care Charges (home and residential)

- 2.18 Homecare collection reached 65.6% by the end of the first quarter. This is 0.07% above the target.
- 2.19 Residential collection reached 73.2% by the end of the first quarter.
- 2.20 The debt recovery process for these debts is similar to that of other debts, but with extra recognition given to particular circumstances. To ensure that the action taken is appropriate and to maximise payments, each case is considered on its own merits at each stage of the recovery process and wherever possible payment arrangements are agreed. In addition, a further financial reassessment of a client's contribution is undertaken where there is extraordinary expenditure associated with the care of the service user. The relevant procedures have been updated to take account of the Care Act.

Penalty Charge Notices (PCN) – Road Traffic Enforcement

- 2.21 Road traffic enforcement collection reached 18.2% by the end of the first quarter. This is 4.2% above the target.
- 2.22 This recovery work only includes debts due to Penalty Charge Notices (PCNs) for parking, bus lane and box junction infringements once a warrant has been obtained by Environmental and Enforcement Services (Parking Services) from the Traffic Enforcement Centre (TEC). Elevate enforce these warrants through enforcement agents acting on behalf of the Council and closely monitor the performance of these companies. Overall collection rates on PCNs would be reported by Parking Services

Housing Benefit Overpayments

- 2.23 Housing Benefit overpayment collection reached 55.7% by the end of the first quarter. This is 6.6% above the target.
- 2.24 Creation of Housing Benefit Overpayments remains comparable with 2016/17. However, collection rates remain buoyant as targeted action is taken by the team.

Enforcement Agent (Bailiff) Performance

- 2.25 Enforcement agent action is a key tool for the Council to recover overdue debts but is only one area of collection work and is always the action of last resort. The introduction of the CTS scheme in 2013/14 meant around 13,000 additional households became liable to pay a proportion of Council Tax. This number increased again in April 2015 with the revised CTS scheme meaning that there has been additional debt recovery action. The affected group of residents are working age but their circumstances vary as they move in and out of work. The ability to collect all sums due to the Council continues to be made progressively more challenging as welfare reforms continue to take effect. This is alongside the cumulative yearly effect of CTS on arrears which is increasing overall indebtedness.
- 2.26 Information on the performance of the enforcement agents is set out in the table below by type of debt for the first quarter of 2017/18.

Table 3: Enforcement Agent Collection Rates – 2017/18

Service	Value sent to enforcement agents £	Total collected by enforcement agents £	2017/18 Collection rate %
Council Tax	£2,455,103	£19,953	1%
NNDR	£758,376	£43,927	6%
Commercial rent	£0	£0	0%
General Income	£10,585	£1,346	12.7%

Debt Write-Offs: Quarter 1 2017/18

- 2.27 All debt deemed suitable for write off has been through all the recovery processes and is recommended for write off in accordance with the Council's policy. The authority to "write off" debt remains with the Council. The value of debt recommended to the Strategic Director, Finance & Investment and subsequently approved for write off during the first quarter of 2017/18 totalled £140,573. The value and number of cases written off in quarter one is provided in Appendix A.
- 2.28 234 debts were written off in quarter one for which the reasons are set out below. The percentage relates to the proportion of write offs by value, or by number:

Table 4: Write off numbers – 2017/18 Quarter 1

Absconded/not traced	Uneconomic to pursue	Debtor Insolvent	Deceased	Other reasons
£14,718	£38,551	£17,593	£54,743	£14,968
10.47%	27.42%	12.52%	38.94%	10.65%

Absconded / not traced	Uneconomic to pursue	Debtor Insolvent	Deceased	Other reasons
24	67	6	113	24
10.26%	28.63%	2.56%	48.29%	10.26%

"Other reasons" include the following categories:

Insolvency

Remitted by court

Debtor outside UK

Prison sentence served in respect of debt

Benefit overpayment – unrecoverable in accordance with Housing Benefit General regulations 1987

The court refuses to make an order in respect of the debt

Statute barred due to age of debt

Small balance

Negotiated settlement of part of debt

Vulnerable

In prison

- 2.29 The figures in Appendix B show the total write-offs for 2011/12, 2012/13, 2013/14, 2014/15 and 2016/17

3. Options Appraisal

- 3.1 Not relevant to this report as its purpose is to provide information on debt management performance and write-offs.

4. Consultation

- 4.1 This report has been prepared by Elevate and finalised with the agreement of the Strategic Director of Finance and Investment.

5. Financial Issues

Implications completed by: Kathy Freeman, Finance Director

- 5.1 Collecting all sums due is critical to the Council's ability to function. In view of this, monitoring performance is a key part of the monthly meetings with Elevate.
- 5.2 The monthly meetings between Elevate and the Council mainly focus on the areas where the targets are not being achieved to discuss ways to improve collection.
- 5.3 At the end of quarter 1, performance targets have not been achieved in all key collection areas.
- 5.4 Similar to last year, performance on rent is currently below the target by 0.34%, which is equivalent to a cash shortfall of £340k.
- 5.5 The level of write offs at the end of quarter 1 total £140,573. It is important that bad debts are written off promptly so that the Council can maintain the appropriate bad debt provision.
- 5.6 If debts are not promptly collected, this has an adverse impact on the Council's overall financial position. Increases required to the Council's bad debt position are charged to the Council's revenue accounts and reduces the funding available for other expenditure.

6. Legal Issues

Implications completed by: Dr. Paul Feild, Senior Governance Lawyer

- 6.1 Monies owed to the Council in the form of debts are a form of asset that is the prospect of a payment sometime in the future. The decision not to pursue a debt carries a cost and so a decision not to pursue a debt is not taken lightly.
- 6.2 The Council holds a fiduciary duty to the ratepayers and the government to make sure money is spent wisely and to recover debts owed to it. If requests for payment are not complied with then the Council seeks to recover money owed to it by way of court action once all other options are exhausted. While a consistent message that the Council is not a soft touch is sent out with Court actions there can come a time where a pragmatic approach has to be taken with debts as on occasion they are uneconomical to recover in terms of the cost of process and the means of the debtor to pay. The maxim *no good throwing good money after bad* applies. In the case of rent arrears, the court proceedings will be for a possession and money judgement for arrears. However, a possession order and subsequent eviction order is a discretionary remedy and the courts will more often than not suspend the possession order on condition the tenant makes a contribution to their arrears.

- 6.3 Whilst the use of Introductory Tenancies as a form of trial tenancy may have some impact in terms promoting prompt payment of rent as only those tenants with a satisfactory rent payment history can expect to be offered a secure tenancy, people can fall behind and get into debt. The best approach to resolve their predicament is to maintain a dialogue with those in debt to the Council, to offer early advice and help in making repayments if they need it and to highlight the importance of payment of rent and Council tax. These payments ought to be considered as priority debts rather than other debts such as credit loans as without a roof over their heads it will be very difficult to access support and employment and escape from a downward spiral of debt.
- 6.4 The decision to write off debts has been delegated to Chief Officers who must have regard to the Financial Rules.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- **Appendix A** – Debt Write Off Table for Quarter 1 2017/18
- **Appendix B** – Total debts written off in 2011/12, 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17.