

## CABINET

15 December 2020

<b>Title:</b> Debt Management Performance 2020/21 (Quarter 2)	
<b>Report of the Cabinet Member for Finance, Performance and Core Services</b>	
<b>Open Report</b>	<b>For Information</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
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<b>Accountable Director:</b> Mark Fowler, Director of Community Solutions	
<b>Accountable Strategic Leadership Director:</b> Claire Symonds, Chief Operating Officer	
<b>Summary</b> <p>This report sets out the performance of the Revenues service in the collection of revenue and debt management for the second quarter of the financial year 2020/21. The report demonstrates that performance is stable and continuing to improve year on year in terms of overall cash collection, though continuing to be impacted by welfare reform measures.</p> <p>The report also includes the proposal to vary the Council's Debt Management Policy in respect of the officers authorised to write off debt, to reflect that the Revenues service has transferred from Elevate to the Council, and the value of debt that those officers can approve.</p>	
<b>Recommendation(s)</b> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"><li>(i) Note the performance of the debt management function carried out by the Council's Revenues service;</li><li>(ii) Note the impact of the Covid-19 pandemic on collection levels across all revenue streams; and</li><li>(iii) Agree the revisions to the Council's Debt Management Policy in respect of write-off thresholds and authorised officers, as detailed in paragraph 9 and Appendix 1 of the report.</li></ul>	
<b>Reason</b> <p>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.</p>	

## **1. Introduction and Background**

- 1.1 The Council's Revenues, Benefits, General Income and Rents Service was operated by the Council's joint venture company, Elevate East London LLP (Elevate). This service returned to the Council on the 1<sup>st</sup> September 2020. 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 second quarter of the 2020/21 municipal and financial year and covers the overall progress of each element of the service since April 2020. 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 25 April 2017.
- 1.3 The Revenues service is responsible for the collection of Council Tax, Business Rates, Housing Benefit Overpayments, General Income, Rents and for the monitoring of cases sent to Enforcement Agents for unpaid parking debts

## **2. Covid-19 – debt recovery restrictions**

- 2.1 The Covid-19 pandemic has had a significant impact upon businesses and residents living and working in the borough. It has also prevented many of the standard debt recovery practices utilised by the Revenues Service
- 2.2 **The following restrictions have impacted collection rates:**
  - Magistrates' and County Court have not operated normally. It has not been possible for the Magistrates' court service to hold safe hearings for the application of Liability Orders for Council Tax or Business Rates. Similarly, it has not been possible for County Court to hold eviction hearings.
  - Evictions were prohibited by Government legislation
  - Enforcement agents were prohibited from visiting debtors, although they were permitted to continue writing and/or calling debtors.
  - Payments being deducted from benefits to pay for Housing Benefit were halted whilst the DWP diverted resources to deal with the increase in Universal Credit applications.
- 2.3 As a result the Revenues service has changed its approach to debt recovery in the following ways:
  - Reminder letters have been reviewed and have placed a much greater emphasis on the need for residents to make contact if they are experiencing financial difficulty.

- Instalments for Council Tax and Business Rates have been recalculated to start later in the year where payers are affected by the Covid.
- Residents experiencing financial difficulty have been advised to pay as much as they can afford and have been advised to apply for Discretionary Housing Payments, Council Tax discretionary relief and to contact the Homes and Money Hub for the following assistance:

Budgeting assistance  
 Training advice  
 Referral to the Job shop  
 Maximisation of benefit entitlement  
 Tenancy sustainment

### 3. Financial impacts upon residents

- 3.1 Data from Government and local sources indicate a significant increase in residents requiring support. The table below shows the number of residents in receipt of Universal Credit (UC) at the end of August. Based on the current rate of increase, the number of residents claiming UC will increase to over 50k by the end of the financial year, this does include any assumptions regarding the end of the Job Retention Scheme or future “lockdowns”.

Month	UC claimants
February	13,913
March	14,544
April	18,077
May	26,405
June	27,866
July	28,620
August	31,763
<i>September</i>	<i>34,906</i>
<i>October</i>	<i>38,049</i>
<i>November</i>	<i>41,192</i>
<i>December</i>	<i>44,335</i>
<i>January</i>	<i>47,478</i>
<i>February</i>	<i>50,621</i>
<i>March (Projected)</i>	<i>53,764</i>

- 3.2 The table below show the number of residents on the Job Retentions Scheme and Self-Employed Income Scheme.

Self-Employment Income Scheme		
Month	Claimants	Amount
June	15,300	£46.5m
July	17,600	£52.3m
August	18,300	£54m

Job Retention Scheme		
Month	Number	Amount
June	25,600	£46.5m
July	30,800	£52.3m
August	33,300	£54m

3.3 Although, the schemes have now been extended, the number of residents made redundant on the basis that the original scheme was due to end on the 31<sup>st</sup> October is not yet know.

3.4 Discretionary Hardship Payments have increase significantly since 2019/20.

<b>Discretionary Housing payments</b>	<b>2019/20</b>	<b>2020/21</b>
Number paid	393	739
Value Paid	£439,666	£803,235

3.5 Half the Council Tax discretionary budget has been spent and it is becoming increasingly difficult to avoid granting more than the budgeted amount. It is expected that it will no longer be possible to remain within the budget going forward.

<b>Council Tax discretionary award</b>	<b>Granted</b>	<b>Discounts awarded</b>	<b>Court costs removed</b>	<b>Bailiff costs removed</b>	<b>Total assistance</b>
<b>Council Tax discretionary award</b>	£23,792	£14,482	£11,439	£4,650	£54,363

#### **4. Response to the pandemic**

4.1 Since it has not been possible or in many cases appropriate to take enforcement action a “softer” approach to collection has been taken. All reminder letters have been redesigned, with the assistance of the behavioural science unit, to be informative and to emphasise the importance of making contact where there are problems with making payments

4.2 The team has taken a firm but fair approach to discussions with residents and have advised those experiencing financial difficulty to pay as much as possible. They have also recalculated instalments to be lower or to be paid later in the year.

4.3 The emphasis for the team has been to ensure that they understand the resident’s financial issues whilst being conscious of not allowing them to fall too far into arrears wherever that is possible.

4.4 Support from the Homes and Money Hub has greatly assisted the Revenues team. The Homes and Money Hub have seen the number of people coming into the hub seeking assistance on average double during the pandemic from 40 per week to 80, and phone calls increase from 5 per week to 150.

4.5 The table below shows the number of letters sent in the first 2 quarters of the year. The Rents team have continued to phone residents to obtain payment and identify vulnerability which has reduced the reliance on reminders.

<b>Reminders</b>	<b>Council Tax</b>	<b>Rents</b>	<b>Business Rates</b>
Quarter 1	11,644	4,401	0
Quarter 2	17,191	2,624	775

## 5. Collection rates

5.1 The table below shows collection rates compared with the end of quarter 2 19/20

Revenue stream	Sep-19	Sep-20	Variation
Council Tax	55.70%	53.40%	-2.2%
Council Tax arrears	£1,400,724	£833,027	-£567,697
Business Rates	55.70%	48.30%	-7.40%
Rents	48.26%	45.74%	-2.52%
Former Tenants arrears	£110,317	£67,486	-£42,831
General Income**	92.92%	76.64%	-16.28%
Commercial rent	94.01%	73.42%	-20.59%
Homecare	43.64%	69.40%	25.76%
Housing Benefit overpayments	£2,885,680	£2,075,628	-£810,052
Reside	99.71%	99.53%	-0.18%
Leasehold	47.00%	48.94%	1.94%

\*\* General income is due to late payment of larger debt which will be paid

5.2 The obvious pressure on residents' financial position as referenced in part 3 of this report coupled with the suspension of enforcement action has reduced collection in most areas of debt.

5.3 However, the sending of regular reminders and the approach to collection has prevented any further significant reductions (with the exception of Business rates).

## 6. Business Rates

6.1 The Business rates grant scheme has now closed. The team issued the following grants to qualifying businesses

Scheme	Number issued	Value issued
Small Business Grant	1,445	£14,450,000
Retail, Hospitality & Leisure Grant Scheme 2a (rateable value up to £15k)	233	£2,330,000
Retail, Hospitality & Leisure Grant Scheme 2a (rateable value between £15k and £51k)	401	£10,025,000
Discretionary Grant Fund	359	£1,291,000

6.2 To ensure that the correct businesses received these grants and to minimise fraudulent claims, the Business Rates team manually processed each payment. The Business Rates team consists of only 4 staff who have processed grants throughout the year to ensure that businesses are supported.

6.3 At time of writing the Government has announced another series of grant scheme to be paid during tier 2 and lockdown.

## 7. Reside

7.1 Reside residents have also experienced financial difficulties due to the pandemic and arrears have increased from £168k in February 20 to £370k in September.

7.2 To deal with this increase, resource has been doubled from two to four and all residents have been contacted to discuss repayment plans. Letters have been sent advising residents that they can get help and advice from the Revenues team or for the Homes and Money Hub.

## 8. Arrears

8.1 The tables below show arrears for quarter 2. The definition of arrears is shown in the description. Whilst Council Tax, Business Rates and Leasehold show unpaid charges raised before the 31 March 2020, Housing Benefit Overpayments and Rent show unpaid debts up the end of quarter 1. This is because these debts are not annually charges.

8.2 The definition of arrears is different for each of the revenue streams. The table below shows the amount of unpaid debt at the end of the year compared with the same time in 2018/19.

	2020/21 Q1 (000)	2020/21 Q2 (000)	Description
<b>Council Tax</b>	£25,114	£24,628	Debts raised and unpaid which are not for the current year
<b>Housing Benefit overpayments</b>	£25,692	£25,597	Currently outstanding for all years
<b>General Income</b>	£5,703	£	Debts raised and unpaid which are not for the current year
<b>NNDR</b>	£8,276	£8,219	Debts raised and unpaid which are not for the current year
<b>Leasehold</b>	£495		Debts raised and unpaid which are not for the current year
<b>Rent</b>	£5,221	£5,344	Rent that has not been paid for 1 week or longer

## 9. Amendment to Staff Authorised to approve Debt Write-Offs

9.1 Write-off of irrecoverable debt relating to Revenues and Benefits is agreed in line with the Revenues and Benefits Write-offs Policy. The existing policy is set out in an Appendix to the Council's Debt Management Policy. This sets out the officers who are approved to write off debt and the approval thresholds as follows:

Value of Debt/Credit	Staff Authorised to Write Off Debt
Up to £2,000	Head of relevant service area, i.e. Benefits, Revenues, Rents (Elevate)
£2,000.01 to £10,000	Authorised Officer of Council Client Unit
Over £10,000	Strategic Director of Finance and Investment

- 9.2 The policy requires an update now that Revenues and Benefits have transferred from Elevate to the Council. It is proposed that the officers authorised to write off debt are amended and the thresholds increased as follows:

Value of Debt	Staff Authorised to Write Off Debt
Up to £10,000	Head of Revenues and Head of Benefits
£10,000.01 to £20,000	Director of Community Solutions
Over £20,000	Chief Financial Officer/ s151 Officer

- 9.3 The updated Appendix 1 to the Debt Management Policy is attached as an appendix to this report.

## 10. Financial Implications

Implications completed by Sandra Pillinger Group Accountant

- 10.1 Compared to the same period last year, collection rates are reduced across most categories of debt. This is due to the impact of the Covid-19 pandemic on the ability of residents and businesses to pay, given their reduced financial circumstances and also on restrictions placed on the debt collection process as outlined in para 2.2 above.
- 10.2 The Revenues team has been working closely with Community Solutions to identify residents in financial difficulty and to provide support to assist in tackling financial problems and managing debt. In addition, a new data led approach is being taken which is more targeted.
- 10.3 Collecting all debts due is critical to funding the Council and maintaining cashflow. Monthly performance monitoring meetings with Elevate focus on where the targets are not being achieved to improve prompt collection of Council revenues.
- 10.4 The Council maintains a bad debt provision which is periodically reviewed. Increases to the provision are met from the Council's revenue budget and reduce the funds available for other Council expenditure.

## 11. Legal Implications

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

- 11.1 Monies owned 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.
- 11.2 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 should 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.

- 11.3 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. The decision to write off debts has been delegated to Chief Officers who must have regard to the Financial Rules.
- 11.4 As observed the Covid 19 pandemic is having a detrimental effect on debt management with a combination of severe pressures on households and businesses due to the sudden reduction of economic activity compounded by the future uncertainty of when an effective vaccine will become widely available. The picture is that it is unlikely to be before spring 2021 at the earliest that any recovery will begin.
- 11.5 Furthermore the Government has provided in the Coronavirus Act 2020 in schedule 29 that there will be protection from eviction for residential tenancies. This includes Housing Act 1985 public sector tenancies and introductory tenancies. Notice of possession will need to be given for three months ahead. The Secretary of State has the power to extend the requirement. The Coronavirus Act 2020 (Residential Tenancies: Protection from Eviction) (Amendment) (England) Regulations 2020 has amended time span for these rules to run to 31 March 2021. Bearing in mind the Regulations were made effective on 28 August 2020, before the current measures, we should anticipate that the relevant time span date is bound to be extended later in 2021.
- 11.6 The inevitable debt management implications are that with legal enforcement options limited because of the national Covid 19 crisis, the short term debts and more particularly irrecoverable debts are anticipated to increase despite the very best efforts of all the teams involved nevertheless the message that debts will be pursued in due course is being pressed home.

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

**List of appendices:**

- **Appendix 1: Write Off Policy**