

CABINET

22 June 2021

Title: Debt Management Performance 2020/21 (Quarter 4)	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Information
Wards Affected: None	Key Decision: No
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Accountable Strategic Leadership Director: Mark Fowler, Strategic Director of Community Solutions	
Summary This report sets out the performance of the Revenues service in the collection of revenue and debt management for the fourth 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 Covid-19 and welfare reform measures.	
Recommendation(s) The Cabinet is recommended to: (i) Note the performance of the debt management function carried out by the Council's Revenues service; (ii) Note the impact of COVID-19 on collection levels across all revenue streams; and (iii) Note the continued recovery techniques applied to reduce the impact of the pandemic.	
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 was operated by the Council's joint venture company, Elevate East London LLP (Elevate). This service returned to the Council on the 1st 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 fourth 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 Courts 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 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 March.

Month	UC claimants	Monthly increase
February 2020	13,913	
March 2020	14,544	631
April 2020	18,077	3,533
May 2020	26,405	8,328
June 2020	27,866	1,461
July 2020	28,620	754
August 2020	28,966	346
September 2020	29,405	439
October 2020	30,054	649
November 2020	31,279	1,225
December 2020	32,019	740
January 2021	32,206	187
February 2021	32,517	311
March 2021 (<i>provisional</i>)	33,034	517
Total increase		19,121

3.2 To support residents during 2020/21 the following discretionary payments and reductions to debt have been made:

Assistance	Value	Number
Council Tax hardship relief	£60,200	156
Discounts/exemptions	£23,897	-
Court costs removed	£24,723	-
Bailiff costs removed	£9,054	-
Council tax Covid hardship (£150 reduction to w/age CTS claimants)	£2,066,923	14,060
Discretionary Housing Payments	£1,572,378	1,326
Hardship fund awards	£317,936	525
Total	£4,075,111	16,067

4. Council Tax

4.1 Collection Rates

Current year		
Period	Percentage reduction	Payments delayed
Quarter 1	-1.9%	£1,651,979
Quarter 2	-2.2%	£1,866,019
Quarter 3	-2.3%	£1,939,640
Quarter 4	-2.5%	£2,083,791

4.2 Throughout the year collection rates have continued to reduce. However, after a considerable reduction in quarter 1, the decrease has been gradual and consistent.

4.3 Arrears

Arrears (debts prior to April 20)	
Period	Payment reduction (cumulative)
Quarter 1	-£362,139
Quarter 2	-£567,697
Quarter 3	-£733,502
Quarter 4	-£755,596

4.4 Many residents who are finding it difficult in the current year also have arrears from previous years. The Council Tax team continue to assist residents in financial difficulties. Alongside discretionary reductions to Council Tax, summons costs and bailiff costs have been removed where they residents are experiencing serious financial difficulty. In addition, many cases receive greater support through the Homes and Money Hub where benefit and budgeting advice is given.

5. Recovery actions

5.1 Throughout the course of 2020/21 the pandemic has had a profound effect upon the revenue collection process. Magistrates' court which is used to obtain liability orders for the purpose of Council Tax collection were closed until January 2021. County Court has remained closed throughout the year preventing any eviction action from taking place. Whilst both courts allow for further enforcement action to take place, they are used as a last resort and frequently prompt contact from residents to discuss repayment and avoid further action.

5.2 To ensure that residents remained informed of any arrears that may have accrued, recovery notices have continued to be sent. However, a more supportive approach has been taken, with reminders reviewed to emphasise the need to contact the Council to discuss arrears and to receive advice about the available support.

Outbound contact	Supportive reminders	Outbound calls
Council Tax	51,603	
Rent	16,061	50,400

- 5.3 Whilst eviction action will not be possible until July 2021 when County Courts re-opens, Magistrates' court re-opened in January 2021 to allow for the application of liability orders for Council Tax. Liability orders allow for further enforcement action, including the use of Enforcement Agents, attachments to earning or benefit and in cases of consistent refusal to pay, bankruptcy, charging orders or committal. Hearings are held virtually with a link established between the BLC and Barkingside Magistrates' court. Residents are strongly discouraged from attending these hearings in person and are advised to make contact prior to the hearing date. Summonses are sent with both a standard letter from the Magistrates' court and an additional flyer explaining the court process and advising debtor to make contact prior to the hearing.
- 5.4 The table below shows the number of statutory reminders and summonses sent in the final quarter of 2020/21. Even though attendance at court is strongly discouraged, 54 people attended the BLC on the hearing dates. All attendees were safely seen by Collection staff and their details taken for later contact. In addition, staff are stationed outside Barkingside Magistrates' court because even though the summons states the hearing will be at the BLC the summons is still issued via the Magistrates Court.

Statutory reminders	Summonses	Attendance at BLC
34,264	5,030	54

- 5.5 Where liability orders are obtained and the resident has failed to make contact or has refused to make payment, these cases will be referred to the new internal Ethical Enforcement service, Becontree Collection services for further action.

6. Business Rates

6.1 Collection Rates

Period	Current year	
	Percentage reduction	Payments delayed
Quarter 1	-3.4%	£1,601,265
Quarter 2	-7.3%	£3,248,761
Quarter 3	-9.3%	£3,805,525
Quarter 4	-11.1%	£4,832,730

- 6.2 The impact of the pandemic on businesses in the borough has resulted in a significant reduction in Business Rates collection. Whilst government schemes will have provided some additional support it should be noted that these are focussed predominately on the retail, leisure, and hospitality sectors. Manufacturing and businesses in the supply chain have received no support through these schemes.
- 6.3 The tables below show the number and value of grants given to businesses since November 2020. This table is up to date at the point at which this report is being written.

Scheme	Grants	Value
Additional Restrictions grant (ARG)	2,149	£5,603,746
Closed grant (5th Nov-2nd Dec)	571	£930,254
Open grant (Tier 2 & 3)	421	£248,139
Closed grant (Tier 2 & 3)	19	£18,787
Closed addendum (Tier 4)	574	£532,911
Closed grant (Post 5th Jan)	1,136	£2,837,876
Lockdown grant	576	£2,812,000
Pub grant	19	£19,000
Restart grants	554	£4,018,706
Totals	6,019	£17,021,419

Additional Restrictions grant (ARG)	
Initial allocation	£6,149,375
BEC program cost	£85,000
ARG spent	£5,603,746
ARG balance (initial)	£460,629
Top up	£1,266,840
Balance	£1,727,469

- 6.4 The Additional Restrictions Grant (ARG) is a being used to give grants to those businesses that did not qualify for Government schemes. This is a discretionary scheme and was initially given to Local Authorities to distribute during the remainder of 2020/21 and then throughout 2021/22. However, the Government has now offered a further top of £1.2m providing all grants have been paid by 30 June 2021. This will be achieved and a further £1.2m will be available for distribution.
- 6.5 Whilst the vast majority of grants have now been paid to businesses, the Business rates team continue to deal with late applications as well as finishing payments from the ARG.
- 6.6 Recovery of unpaid Business Rates has been suspended through 2020/21. The Government's extension of the Retail, Hospitality and Leisure relief scheme means that 1,200 business currently have a 100%, however this will reduce to 66% in June. Therefore, debt recovery action will not recommence until July 21.

7. Rents

Period	Percentage reduction	Payments delayed
Quarter 1	-1.66%	£1,702,155
Quarter 2	-2.52%	£2,576,324
Quarter 3	-3.07%	£3,140,287
Quarter 4	-3.80%	£3,834,377

- 7.1 The pandemic has impacted tenants significantly during 2020/21. Arrears have increased from £3.6m in 2019/20 to £6.4m at the end of 2020/21. Arrears is defined as any tenants with more than 1 week's unpaid rent.
- 7.2 Whilst the financial impact of the pandemic upon residents has resulted in arrears, this is compounded by the delayed payment of Universal Credit which can be 4–6 weeks. Delays in Universal Credit payments have been causing increases in rent arrears since 2019. The increased number of tenants now in receipt of Universal Credit, coupled with the financial impact of the pandemic has resulted in the increase in 2020/21.
- 7.3 The Government prohibited eviction action at the beginning of the pandemic, and this has continued through the year. Courts are due to reopen in July 21. Preparations are being made to ensure that the correct process is used as new guidelines have been introduced by the Government.
- 7.4 Since the statutory process of recovery unpaid rent could not be used in 2020/21 and because the financial impact of the pandemic was apparent, tenants have been sent more supportive reminders to make payment or contact.

Reminders sent	Outbound calls to tenants
16,061	50,400

- 7.5 The Rents team continue to phone tenants that are in arrears to discuss repayment. Where possible this includes periodic checks on tenants to ensure that their circumstances have not worsened.
- 7.6 The Homes and Money Hub have been supporting tenants in rent arrears and all other debts by giving budgeting and benefit advice. A total of 2,995 residents have been seen this year in comparison with 1,721 in 2019/20.

8. Reside

- 8.1 A review of the measurement of Reside collection was undertaken during Quarter 3 of 2020/21. The intention of this review was to give a more detailed breakdown of collection rates across Reside properties and to move away from the previous collection method used by Elevate.
- 8.2 The table below shows the percentage of collection per month during 2020/21 including arrears carried forward from 2019/20.

Month	Percentage
April 2020	70.80%
May 2020	75.40%
June 2020	87.40%
July 2020	85.60%
August 2020	87.70%
September 2020	89.50%
October 2020	90.60%
November 2020	93.00%

December 2020	86.60%
January 2021	92.80%
February 2021	93.30%
March 2021	95.20%

Total rent collectable	Collected
£10,176,821	£9,692,853

- 8.3 Reside tenants have experienced financial difficulties due to the pandemic and collection rates reduced significantly at the beginning of the year.
- 8.4 Additional resource was allocated to deal with Reside collection with out of hours outbound calling being introduced. Reminder letters were revised to encourage tenants to make contact to discuss their financial situation.
- 8.5 Alternative payment agreements have been made with tenants experiencing financial difficulties and these are being monitored periodically to both ensure payment is being made and to identify any possibility of vulnerability.

9. General Income

Period	Percentage reduction	Payments delayed
Quarter 1	-23.3%	£4,222,086
Quarter 2	-16.3%	£12,223,466
Quarter 3	-11.8%	£13,649,061
Quarter 4	-7.15%	£11,811,933

- 9.1 General Income collection continued its improvement through to year end, however collection rates still remained below 2019/20.
- 9.2 The table below shows some of the higher increases in invoicing in 2020/21. Be First invoices relate to building and design of Gascoigne and the film studios. Increases in care and support are related to charging reviews.

Department	Subjective Name	Additional charge
BE FIRST	FEES & CHARGES INCOME	£7,083,820
EDUCATION, YOUTH & CHILDCARE	OTHER CONTRIBUTIONS & REIMBURSEMENTS	£3,728,165
CORE	COMMERCIAL RENTS	£2,407,210
BE FIRST	PLANNING APPLICATIONS INCOME	£1,792,162
CARE & SUPPORT	CONTRIBUTIONS FROM HEALTH	£2,164,901
CARE & SUPPORT	RESIDENTIAL CARE INCOME	£1,506,588
CORE	SCHOOL BUY BACKS	£1,390,116
CARE & SUPPORT	NURSING CARE INCOME	£1,327,374
MY PLACE	FEES & CHARGES INCOME	£756,195
CORE	OTHER CONTRIBUTIONS & REIMBURSEMENTS (INCOME)	£628,518

9.3 Homecare – Adult Social Care

Period	Percentage reduction	Payments delayed
Quarter 1	-34.4%	£123,937
Quarter 2	-25.8%	£224,434
Quarter 3	-24.8%	£330,594
Quarter 4	-30.6%	£546,749

9.4 Homecare collection has experienced a decrease in collection, this is both related to the pandemic but also due to the increase in charges this year as shown in the General Income table above.

9.5 The General Income team continue to pursue residents for unpaid amounts however as mentioned the pandemic and increase in charge has made this more problematic. A review of Adult Social Care collection is being undertaken to improve the understanding of charging and to make query resolution more efficient.

10. Housing Benefit Overpayments

Period	Payments delayed
Quarter 1	-£350,870
Quarter 2	-£810,052
Quarter 3	-£1,180,594
Quarter 4	-£1,441,958

10.1 The team continue to assist debtors that are struggling to maintain payment due to the pandemic. However, debtors with larger debts are being pursued.

10.2 The amount of Housing Benefit overpayment created this year is £3.9m, this is a reduction of £965k compared with 2019/20. As the number of tenants move to Universal Credit the amount of housing benefit overpayment created will continue to reduce.

11. Collection rates

11.1 The table below shows collection rates compared with the end of quarter 4 2019/20.

Collection rates				
Revenue area	2019/20	2020/21	Variation	Cash variation
Council Tax - current year	95.70%	93.20%	-2.50%	-£2,083,791
Council Tax - arrears	£2,282,688	£1,527,092	-£755,596	-£755,596
Rent - HRA	96.74%	92.36%	-3.8%	-£3,834,377
Former tenants Arrears (FTA)	£202,497	£164,358	-£38,139	-£38,139
General Income (sundry debt)	96.34%	89.19%	-7.15%	-£11,811,933
Leaseholders	83.14%	87.79%	4.65%	£211,055
Homecare	80.03%	49.47%	-30.56%	-£546,479
Commercial rent	98.78%	83.34%	-15.44%	-£889,729

Housing Overpayments	£5,405,277	£3,963,319	-£1,441,958	-£1,441,958
Business Rates	98.00%	86.86%	-11.14%	-£4,832,730
Reside (new measure)		95.2%		

12. Financial Implications

Implications completed by: Kofi Adu, Group Accountant

- 12.1 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.
- 12.2 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.
- 12.3 Collecting all debts due is critical to funding the Council and maintaining cashflow. Monthly performance monitoring meetings with Director of Community Solutions focus on where the targets are not being achieved to improve prompt collection of Council revenues.
- 12.4 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.
- 12.5 The risks to the council's general fund posed by covid-19 debt recovery restrictions are monitored regularly and reported to ensure mitigated actions are taken to minimise the financial impact to the council. The financial impact of court cases due to Covid-19 is also being monitored and reported regularly.

13. Legal Implications

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

- 13.1 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.
- 13.2 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.

- 13.3 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.
- 13.4 As observed the Covid 19 pandemic is having a detrimental effect on debt management with a combination of severe pressures on households and businesses. Even though the vaccination programme has contributed to a recovery it is anticipated that it will not be until late summer before economic normality is approached and many businesses and activities may not return in the same form.
- 13.5 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 amended time span for these rules to run to 31 March 2021 and these were further extended by The Coronavirus Act 2020 (Residential Tenancies: Protection from Eviction) (Amendment) (England) Regulations 2021 to 31 May 2021 at time of writing.
- 13.6 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: None