

## CABINET

22 March 2022

<b>Title:</b> Debt Management Performance 2021/22 (Quarter 3)	
<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
<b>Report Author:</b> Stuart Kirby, Revenues Manager	<b>Contact Details:</b> E-mail: <a href="mailto:stuart.kirby@lbbd.gov.uk">stuart.kirby@lbbd.gov.uk</a>
<b>Accountable Director:</b> Stephen McGinnes, Director of Support and Collections	
<b>Accountable Strategic Leadership Director:</b> Judith Greenhalgh, Strategic Director of Community Solutions	
<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 2021/22. 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.</p>	
<b>Recommendation(s)</b> <p>The Cabinet is recommended to note the performance of the debt management function carried out by the Council's Revenues service, including the improvement of collection rates and the continued recovery techniques applied to reduce the impact of the COVID-19 pandemic.</p>	
<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. This report sets out performance for the third quarter of the 2021/22 municipal and financial year and covers the overall progress of each element of the service since April 2021.
- 1.2. 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. Financial impacts upon residents

- 2.1. Data from Government shows a continued reduction in residents claiming Universal Credit since its peak at the beginning of 21/22. December's figure is provisional and is likely to reduce as DWP have historically overestimated unconfirmed figures.

<b>Quarterly</b>	<b>People on Universal Credit</b>
Mar-20	14,544
Jun-20	27,866
Sep-20	29,405
Dec-20	32,019
Mar-21	32,681
Jun-21	32,441
Sep-21	32,117
Dec-21	31,316

## 3. Council Tax

- 3.1. Current Year Collection Rates

<b>Council Tax – current year</b>		
<b>Period</b>	<b>Increase/decrease 2020/21 %</b>	<b>Increase/decrease 2020/21 £</b>
Quarter 3	+1%	+£940,351

<b>Council Tax – current year</b>		
<b>Period</b>	<b>Increase/decrease 2019/20 %</b>	<b>Increase/decrease 2019/20 £</b>
Quarter 3	-1.3%	-£1,186,088

- 3.2. Arrears Collection

<b>Council Tax</b>		
<b>Period</b>	<b>Increase/decrease 2020/21 £</b>	<b>Increase/decrease 2019/20 £</b>
Quarter 3	+£940,691	+£207,189

- 3.3. Collection rates for the current year remain 1% above 2020/21 but have not recovered to 19/20 rates
- 3.4. At the end of quarter 1, council tax collection was 2.2% above 2020/21. This has reduced in quarter 3 due to the application of the Government's Covid-19 Covid hardship fund in August 2020, where £150 was applied to all working age council taxpayers accounts in receipt of council tax support. This reduced the collectable amount by £1.8m and therefore increased the percentage of collection.
- 3.5. The Council Tax team has been working through this year to identify new properties, review single person discounts and other reductions. As a result, the

amount to collect (net collectable debit) in 21/22 has been increased by £874k since the beginning of the year.

- 3.6. This increase in the net collectable debit is positive and generates greater income for the council. However, as these new charges are paid monthly, the percentage of collection compared with previous years is likely to reduce.
- 3.7. Many residents were unable to pay their Council Tax in 20/21 and as a result the level of arrears (unpaid council tax in previous years) collected has increased significantly. The service remains acutely aware of the current financial situation of taxpayers in the borough and affordable repayment plans are agreed to ensure that residents are less likely to borrow money they cannot pay.
- 3.8. Where taxpayers clearly want to pay their council tax, summons and bailiff costs are often withdrawn to reduce the repayable amount. However, some taxpayers have serious issues where greater assistance is required. As a result, 130 taxpayers have been given a reduction by way of discretionary relief and/or have had costs removed totalling £88,129 in 2021/22 at the end of December 2021. Currently £43k of the allotted £50k budget has been given in relief.
- 3.9. The table below shows where this assistance has been given and the reasons why.

Issue	2018/19		2019/20		2020/21		2021/22 (Dec)	
	Cases	%	Cases	%	Cases	%	Cases	%
<b>Mental Health</b>	36	<b>43%</b>	52	<b>50%</b>	58	<b>33%</b>	69	<b>39%</b>
<b>Domestic Violence</b>	11	<b>13%</b>	10	<b>10%</b>	14	<b>8%</b>	15	<b>9%</b>
<b>Bereavement</b>	7	<b>8%</b>	17	<b>16%</b>	13	<b>7%</b>	16	<b>9%</b>
<b>Abuse</b>	12	<b>14%</b>	2	<b>2%</b>	1	<b>1%</b>	5	<b>3%</b>
<b>Addiction</b>	6	<b>7%</b>	4	<b>4%</b>	2	<b>1%</b>	4	<b>2%</b>
<b>Terminal Condition</b>	6	<b>7%</b>	13	<b>12%</b>	8	<b>5%</b>	5	<b>3%</b>
<b>Learning Disabilities</b>	5	<b>6%</b>	2	<b>2%</b>	2	<b>1%</b>	1	<b>1%</b>
<b>COVID-19 Impact</b>	0	<b>0%</b>	5	<b>5%</b>	78	<b>44%</b>	15	<b>9%</b>
<b>Total</b>	<b>83</b>		<b>105</b>		<b>176</b>		<b>130</b>	

- 3.10. As can be seen, there is a worrying increase in mental health cases which have already exceed the total in 20/21. Most of these taxpayers have been seen by the Homes and Money hub and the reduction in their council tax is one of the measures employed to help assist them.
- 3.11. Support is given by the Homes and Money Hub where the resident may be experiencing more complex problems and the following assistance is also given:
- Budgeting assistance (income and expenditure)
  - Training advice
  - Referral to the Job shop
  - Maximisation of benefit entitlement
  - Tenancy sustainment

## 4. Business Rates

### 4.1. Current Year Collection Rates

<b>Business Rates</b>		
<b>Period</b>	<b>Increase/decrease 2020/21 %</b>	<b>Increase/decrease 2020/21 £</b>
Quarter 3	+5.16%	+£2,855,307

<b>Business Rates</b>		
<b>Period</b>	<b>Increase/decrease 2019/20 %</b>	<b>Increase/decrease 2019/20 £</b>
Quarter 3	-4.1%	-£2,282,555

- 4.2. Quarter 3 collection rates are now exceeding rates in 2020/21 but are behind 19/20 rates. Debt recovery action restarted during quarter 2 and collection rates have steadily increased throughout the quarter.
- 4.3. Businesses will receive additional support in 21/22 by way of a discretionary relief scheme. This scheme was originally announced in the Spring budget; however, details were not published by Government until December.
- 4.4. The new relief scheme called Covid-19 Additional Relief Fund (CARF) will be available to businesses that have not received retail, hospitality, leisure, or nursery reliefs in 21/22. LBBB has been allocated £4.5m to apply in relief and a scheme is currently in development but it will assist businesses in both the industrial and supply chain sectors. This relief is only applicable for 21/22 and does not extend into 22/23.

## 5. Rents

### 5.1. Collection Rates

<b>Rents</b>		
<b>Period</b>	<b>Increase/decrease 2020/21 %</b>	<b>Increase/decrease 2020/21 £</b>
Quarter 3	-0.63%	£646,302

<b>Rents</b>		
<b>Period</b>	<b>Increase/decrease 2019/20 %</b>	<b>Increase/decrease 2019/20 £</b>
Quarter 3	-1.5%	£1,525,779

- 5.2. The cumulative effect of tenants transitioning from housing benefit to universal credit has reduced the percentage of collection in comparison to previous years.
- 5.3. The delay in payment of universal credit results in a 4-5 week wait for tenants to receive payment creating arrears to build over that period. In some cases, the tenant will pay those arrears upon receipt of their payment from the DWP, but in many cases they are unable to do so.

- 5.4. Compared with 20/21 an additional £3.2m of rent has been collected however housing benefit has reduced by 2.1m.
- 5.5. The table below shows that rent charged this year is comparable with last, but as a result of the pandemic an additional £2.6m of rent arrears were carried forward at the start of 21/22. Housing Benefit has decreased by £2.1m which rent collection has increased by 3.2m.

	<b>2020/21</b>	<b>2021/22</b>	<b>Variation</b>
Rent raised	£72,917,409	£72,783,313	-£134,095
Arrears cfwd	£3,821,482	£6,423,459	£2,601,977
<b>Collectable amount</b>	<b>£76,738,891</b>	<b>£79,206,772</b>	<b>£2,467,882</b>
Paid	£46,076,860	£49,289,494	£3,212,634
Housing benefit	£23,768,074	£21,581,200	-£2,186,874
<b>Total paid</b>	<b>£69,844,935</b>	<b>£70,870,695</b>	<b>£1,025,760</b>
Projected collectable amount to year end	£101,044,693	£103,467,877	£2,423,183
Total paid to rent (paid + HB)	£69,844,935	£70,870,695	£1,025,760
<b>Collection percentage</b>	69.1%	68.5%	-0.63%

- 5.6. Whilst transition to universal credit began before the pandemic it has dramatically increased over the last 2 years. The rent service has adapted to this new challenge and no longer focuses solely upon tenants in arrears. New reports have been developed to identify tenants where their arrears are worsening or where housing benefit has stopped abruptly indicating a possible move to universal credit. By contacting tenants at an earlier stage, it has been possible to mitigate some of the impact of the universal credit transition.

## 6. Reside

- 6.1. During the latter part of 2020/21 the methodology used to measure collection rates was reviewed. As a result, a more accurate measurement was devised and applied.
- 6.2. The table below shows performance against target for 2021/22.

<b>RESIDE</b>		
<b>Period</b>	<b>Increase/decrease 2020/21 %</b>	<b>Increase/decrease 2020/21 £</b>
Quarter 3	+1.1%	+£83,907

- 6.3. Reside tenants have been affected by the pandemic and as a result arrears have increased. However, tenants have been contacted and have agreed repayment plans.

## 7. General Income

### 7.1. Collection Rates

General income		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 3	-3.0	-£3,089,187

General income		
Period	Increase/decrease 2019/20 %	Increase/decrease 2019/20 £
Quarter 3	-14.8%	-£15,239,745

7.2. General Income collection frequently varies depending on when invoices are issued during the quarter. There has been a delay in payment from some schools this year and they have been contacted and the situation is being resolved. Similarly, there has been a delay in payment by the NHS, which will be paid. These delays account for a large portion of the difference in collection compared with 19/20.

7.3. In preparation for the Oracle replacement system, issuing departments have been undertaking a cleansing exercise. This has resulted in significant changes to the invoicing structure within Oracle. This has made accurate comparisons between departments problematic.

## 8. Homecare – Adult Social Care

### 8.1. Collection Rates

Homecare		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 3	+2.4%	+£31,982

8.2. Due to the cleansing exercise in Oracle, some invoices attributed to Homecare have been moved to different issuing departments and renamed. This has made collection comparisons problematic and only so collection rates shown in this report will have a level of error.

8.3. A review of these changes is being undertaken and an estimate made of comparative collection rates.

## 9. Housing Benefit Overpayments

### 9.1. Collection Rates

Housing Benefit Overpayments		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 3	-1.0%	-£253,257

<b>Housing Benefit Overpayments</b>		
<b>Period</b>	<b>Increase/decrease 2019/20 %</b>	<b>Increase/decrease 2019/20 £</b>
Quarter 3	-4.80%	-£1,215,139

- 9.2. Housing benefit overpayment collection has reduced because of the increase in debtors applying for Universal Credit and an overall reduction on overpayments being raised.
- 9.3. A main source of Housing Benefit Overpayment income is via deductions from ongoing Housing Benefit or directly from earnings. The increasing number of Housing Benefit claimants that have transitioned to Universal Credit has had a direct effect upon collection.
- 9.4. The DWP prioritises deductions from Universal Credit and Housing Benefit overpayments are given a lower priority, below mortgage, rent, child maintenance, council tax, gas, electricity, fines etc.
- 9.5. The creation of overpayments has also reduced significantly over the past 2 years.
- 9.6. The team is currently focusing upon identifying debtors that would normally be paying via these deductions to pursue direct payment.

## **10. Collection rates**

- 10.1. The table below shows collection rates for quarter 3. Targets are based primarily upon 2020/21 collection rates and the stretch target 2019/20.

<b>Collection Area</b>	<b>Collection Rate</b>	<b>Target</b>	<b>Stretch</b>
Council Tax current year	80.5%	+1%	-1.3%
Council Tax arrears	£2,121,508	+£940,691	+£207,189
Rents	68.5%	-0.63%	-1.5%
Business Rates	75.6%	+5.2%	-4.1%
General Income	79.5%	-3.01	-14.8%
Leasehold	77.1%	-4.3%	+9.4%
Commercial rent	87.4%	+5.4%	-8.6%
Homecare	49.8%	+2.4%	-22.3%
Housing Benefit Overpayment	10.6%	-1%	-4.8%
Reside	93.19%	+3.7	+3.7%

## **11. Financial Implications**

Implications completed by: Nurul Alom, Finance Manager

- 11.1. Compared to the same period last year, collection rates are higher across most categories of debt, 2019/20 pre-pandemic collection rates are slightly higher in most areas, but collection rates are gradually improving. 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 on restrictions placed on the debt collection process as outlined in Section 2 above.

- 11.2. The Revenues team has been working closely with the wider 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. It is anticipated that the introduction of community banking in the borough will accelerate the wider support given to residents in financial difficulty and managing debt.
- 11.3. Collecting all debts due is critical to funding the Council and maintaining cashflow. Monthly performance monitoring meetings with the Strategic Director of Community Solutions focus on where the targets are not being achieved to improve prompt collection of Council revenues.
- 11.4. 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.
- 11.5. 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.

## **12. Legal Implications**

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

- 12.1. 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.
- 12.2. 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 often suspend the possession order on condition the tenant contributes to their arrears.
- 12.3. 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.

- 12.4. 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 as contributed to a recovery it is anticipated that it will not be until well into autumn before economic normality is approached and many businesses and activities may not return in the same form.
- 12.5. The inevitable debt management implications are that with the legal enforcement options being limited by Government measures preventing the resort to eviction as a means to enforcement of debt for all of the financial year 2020 to 2021 because of the national Covid 19 crisis, the short-term debts and more particularly irrecoverable debts inevitably increased despite the very best efforts of all the teams involved. Now this last option has been restored the message that debts will be pursued in due course is being pressed home however such action is tempered with targeted efforts to help citizens and businesses successfully manage their debts.

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

**List of appendices: None**