

CABINET

21 March 2023

Title: Debt Management Performance 2022/23 (Quarter 3)	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: No
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Accountable Director: Stephen McGinnes, Director of Support and Collections	
Accountable Strategic Leadership Director: Fiona Taylor, Acting Chief Executive	
Summary This report sets out the performance of the Revenues service in the collection of revenue and debt management for the third quarter of the financial year 2022/23. The report demonstrates that performance is becoming increasingly challenging as a result of the cost-of-living crisis.	
Recommendation(s) The Cabinet is recommended to note the performance of the debt management function carried out by the Council's Revenues service, including the pressure on collection rates as a result of the cost-of-living crisis.	
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.	

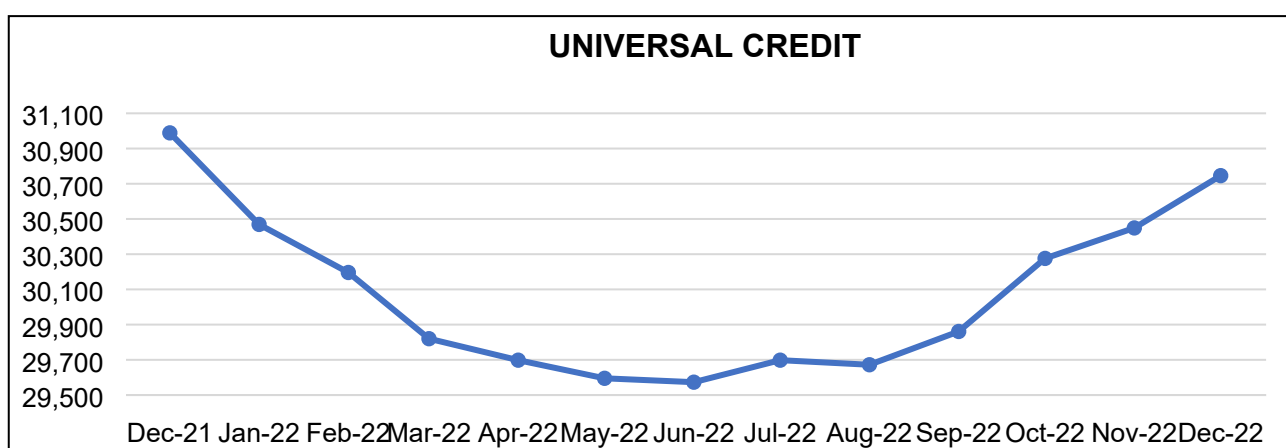
1. Introduction and Background

- 1.1. This report sets out performance for the third quarter of the 2022/23 financial year and covers the overall progress of each service element since April 2022.
- 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. Council Tax

- 2.1. Council tax collection is 1% behind last year, this is the equivalent of £1m in delayed payment.
- 2.2. The cost of living crisis, coupled with both the increase in the number of properties in the borough and the continued reduction in council tax support claimants is resulting in delayed payment.
- 2.3. The number of residents claiming Universal Credit had been steadily decreasing since December 2021 and by June 2022 had reduced by 5%. However, since July 22 this number has been increasing and has now almost returned to the same levels as December 2021. (See fig1)

Fig1



- 2.4. During the height of the pandemic, the number of people claiming universal credit reach 32k, if the current trend continues the number will return to pandemic levels by May 2023.
- 2.5. New properties in the borough have increased the total charge by £1.1m since the start of the year, whilst the amount of council tax support (CTS) paid has reduced by £500k.
- 2.6. The reduction in CTS would suggest that although there are more residents claiming Universal Credit, their income is above the threshold allowing for CTS to be awarded. Identifying those residents who are struggling but unable to receive CTS is problematic since there is limited information available.
- 2.7. To combat this growing issue, the Homes and Money hub have begun contacting cohorts of residents identified using Oneview. They are targeting residents with council tax and/or rent arrears. A range of debts have been selected and residents are contacted via email and text or letter. Residents are offered assistance, rather than demands for payment.
- 2.8. This process has now become BAU and the results will be reviewed periodically. Changes to the approach will be adapted based upon the findings of the reviews.

2.9. Residents are still frequently being referred to the Homes and Money Hub where they receive the following essential support:

- Budgeting assistance (income and expenditure)
- Training advice
- Referral to the Job shop
- Maximisation of benefit entitlement
- Tenancy sustainment

3. Business Rates

3.1. Business rates collection is 4.3% above last year for the same period.

3.2. Business rates collection continues to reduce gradually. Whilst still above the same time last year, a decrease has been seen since July. This is attributed to the increased cost of goods and services coupled with a reduction in trade.

3.3. Businesses that have fallen behind with their payments are contacted and appropriate repayment plans agreed. The team pay great attention to ensuring that their actions do not unduly jeopardise the future of each business they deal with. Enforcement action is only initiated where no other option is available.

4. Rents

4.1. Rent collection is 0.66% behind 2021/22 at the end of the quarter.

4.2. Rent arrears have increased due to the pandemic and subsequent cost of living crisis. Collection of rent in the current financial climate continues to be challenging.

4.3. Residents continue to migrate from housing benefit to universal credit (UC). This delays payment of rent by 4 to 6 weeks whilst the tenant awaits their first payment.

4.4. As mentioned previously in this report, the number of residents claiming universal credit is increasing again, and the Homes and Money hub are making contact with selected residents to offer help.

4.5. The debt recovery process has undergone a rigorous review and many processes have now been automated. Within the automated process stages have been inserted allowing for direct contact with the tenant to be made. This ensures that as debt recovery action continues there are opportunities to speak to the tenant, discuss the reasons for non-payment and give support and/or agree repayment.

5. Reside

5.1. Reside collection rates are 1.9% above the same time last year.

5.2. Reside tenants have been equally affected by the pandemic and cost of living crisis. The team are working with tenants to help through the financial crisis and ensure that payment is received.

5.3. As with all revenue streams, some residents fell into arrears during the pandemic. The cost-of-living crisis has therefore made it difficult for them to recover. The team

are dedicated to assisting these residents and to agree payment plans that are affordable and will ensure that debts are cleared.

6. General Income

- 6.1. General income is 21% behind the same time last year.
- 6.2. Negotiations between the Council and NHS regarding funding for partnership work were completed in December 2022. This resulted in over £14m of retrospective billing issued in December. This will be paid in quarter 4.

7. Adult social care

- 7.1. The collection of Adult Social Care has now moved to the Financial Assessments team (FATS) within Welfare.
- 7.2. A full review of outstanding charges is being undertaken including which specific charges should be collected by the FATS team.
- 7.3. The movement of all debts from Oracle to E5 has made identification of these charges more accurate. As a result, all such charges are being reviewed in order that the FATS and collection team are able to concentrate in the correct areas.
- 7.4. Previously reported collection performance included all elements of Adult Social Care. As a result of this review it has become clear that some charges are not related to the Financial Assessment Team and should remain the responsibility of the Collections team. Therefore, in order that performance be reported accurately, further work is being undertaken to split those charges between the two teams.
- 7.5. Adult Social care performance is not shown in this report and will be reported in Quarter 4. This will ensure that more accurate performance can be reported. Adult Social Care is included in the overall General Income collection shown above.

8. Housing Benefit Overpayments

- 8.1. Housing Benefit Overpayment collection is 0.3% above 2021/22 for the same period, this is the equivalent of £79k.
- 8.2. Alongside normal activity, the team is focusing on a review of arrears to remove or collect older debts.

9. Collection rates

- 9.1. The table below shows collection rates for quarter 3:

Collection Area	2022/23	2021/22	Variation
Council Tax current year	79.5%	80.5%	-1%
Council Tax arrears	£1,528,161	£2,121,508	-593,348
Rents	69.03%	70.79%	-0.66%
Business Rates	79.9%	75.5%	+4.3%

General Income	57.55%	79.52%	-21.97%
Leasehold	73.98%	77.06%	-3.08%
Commercial rent	94.09%	87.36%	+6.73%
Care	N/A	N/A	N/A
Housing Benefit Overpayment	10.91%	10.56%	+0.35%
Reside	92.55%	90.61%	+1.94%

10. Financial Implications

Implications completed by: Nurul Alom, Finance Manager

- 10.1. Compared to the same period last year, collection rates are lower across most categories of debt. This is due to the impact of the Cost-of-living crisis and transition of residents from Housing Benefit to Universal Credit. To try and alleviate some of this additional pressure, adjustments have been made to the process of debt recovery allowing residents a longer period of time to pay, given their reduced financial circumstances.
- 10.2. The largest variation is in General Income of 22% which is mainly due to delay in NHS partnership negotiations. This is not a concern as payment will be received.
- 10.3. 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.
- 10.4. 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.
- 10.5. 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.
- 10.6. The arears project will review historic debt and where these are recoverable the necessary action will be taken. Where debt is no longer recoverable, they will be written off. Vast majority of these debts are more than three years old, and a 100% provision has been allowed for these debts.

11. Legal Implications

Implications completed by: Dr. Paul Feild, Principal Standard & 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 often suspend the possession order on condition the tenant contributes 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.

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

List of appendices: None