

CABINET

19 September 2023

Title: Debt Management Performance 2023/24 (Quarter 1)	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: No
Report Author: Stuart Kirby, Head of Collections	Contact Details: E-mail: stuart.kirby@lbbd.gov.uk
Accountable Director: Stephen McGinnes, Director of Support and Collections	
Accountable Executive Team Director: Fiona Taylor, Acting Chief Executive	
Summary This report sets out the performance of the Collections service in the collection of revenue and debt management for the first quarter of the financial year 2023/24.	
Recommendation(s) The Cabinet is recommended to note the performance of the debt management function carried out by the Council's Collection service, including the improvements in collection in some areas and the challenges in others.	
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 first quarter of the 2023/2024 financial year and covers the overall progress of each service element since April 2023.
- 1.2. The Collection 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.

2. Council Tax

- 2.1. The target for collection this year is a 94.6%, which is a 1% increase. At the end of quarter 1 collection increased by 0.7% compared with the same time last year
- 2.2. Collection of arrears (debts prior to April 2023) has increased by £197k compared with the same time last year.
- 2.3. Whilst the arrears created by the pandemic and the cost of living crisis continue to make collection challenging, changes to process and new communication strategies have been implemented to improve collection rates.
- 2.4. Customers that fall behind have always been sent texts and emails (where contact details exist) but until this year they have been relatively basic in nature. The service is now using Telsolutions to send reminders to residents. These new messages contain links to allow residents to make payment, view their bills, find help etc.
- 2.5. Currently of the 79,649 accounts in the borough 45,242 pay by Direct Debit, which is a 3% increase since the start of the year. This represents 56.8% of residents paying by this method. Payment by Direct Debit is considerably cheaper than other methods and allows for better control over payments.
- 2.6. A campaign to increase the number of Direct Debit payers has been started in 23/24, including a prize draw of £1k to be made to one resident in December.
- 2.7. To further support residents and to ensure that at as many points of contact debt matters can be resolved, Universal staff working in the front line at libraries and hubs have been trained in council tax and rent debts.
- 2.8. Universal staff have been given access to Oneview so staff are now able engage residents in conversation about their debts. In this way any resident seeking help can discuss their debts and be given the appropriate advice.
- 2.9. The annual review of single person discounts started in June. There are 23k council tax accounts with the 25% discount. The process involves a credit check to establish occupancies and letters to residents. It is estimated that this will increase the taxbase by £300k.
- 2.10. Work continues to review historic bad debts; the table below shows the movement of debt since the start of the year:

ARREARS	01-Apr-23	31-Jul-23	VARIATION
1999/00	£8,678	£8,678	£0
2000/01	£14,775	£14,553	-£222
2001/02	£20,079	£19,204	-£876
2002/03	£30,646	£28,794	-£1,852
2003/04	£57,323	£53,679	-£3,644
2004/05	£95,370	£91,181	-£4,189
2005/06	£125,832	£117,672	-£8,160
2006/07	£193,071	£181,381	-£11,690
2007/08	£295,711	£278,129	-£17,583

2008/09	£354,660	£336,185	-£18,475
2009/10	£421,137	£403,488	-£17,649
2010/11	£466,684	£446,627	-£20,057
2011/12	£492,096	£473,084	-£19,013
2012/13	£556,227	£540,446	-£15,781
2013/14	£669,029	£648,776	-£20,252
2014/15	£691,337	£668,828	-£22,509
2015/16	£825,919	£802,323	-£23,597
2016/17	£1,022,200	£995,595	-£26,606
2017/18	£1,276,557	£1,240,592	-£35,966
2018/19	£1,691,604	£1,641,284	-£50,320
2019/20	£2,475,080	£2,397,379	-£77,700
2020/21	£3,393,282	£3,241,594	-£151,689
2021/22	£4,576,673	£4,318,786	-£257,888
2022/23	£6,607,443	£5,720,401	-£887,041
TOTALS	£26,361,415	£24,668,656	-£1,692,759

- 2.11. Since April 2022 council tax debt has been reduced by £14.8m and a further £5-£6m will be collected or written off as bad debt by the end of 23/24.
- 2.12. Enforcement action continues for all years, the table below shows a breakdown of actions excluding recovery costs.

Status	Balance
Enforcement agent	£17,445,401
Enforcement agent returned for further action	£2,029,238
Enforcement agent returned for write off	£1,365,371
Charging order	£83,126
Attachment of benefits	£478,655
Attachment of earnings	£255,384
Bankruptcy	£75,281
Repayment arrangement	£1,338,519
Potential fraud	£80,804
Identified for write off	£88,657
Total	£23,240,436

3. Business Rates

- 3.1. Business rates collection is 0.3% above last year at 27.9%.
- 3.2. The Government have revalued all businesses in 2023/24 which has in many cases increased the amount to be paid. Whilst there is a transitional relief scheme in place the reduction decreases each year.
- 3.3. The Government changed legislation in order that businesses are revalued every 3 years rather than 5. This will make the increases after revaluation smaller but more frequent.

- 3.4. The fraud team has been assisting the team by carrying out a review of businesses entitled to small business rates relief. This has involved a review of 1,600 business to ensure that they are still eligible. Whilst this review is continuing the net result is that an increase in business rates of £85k.
- 3.5. Arrears continue to reduce since the start of the year. However, business rates is subject to back dated changes as a result of appeals and amendments to the rateable values. Whilst back dated changes have increased the amount charged by £835k, although overall arrears have reduced by £769k.
- 3.6. The table below shows the debts by year:

ARREARS	01-Apr-23	31-Jul-23	VARIATION
2000/01	£0	£0	£0
2001/02	£0	£0	£0
2002/03	£990	£990	£0
2003/04	£0	£0	£0
2004/05	£8,821	£8,821	£0
2005/06	£23,754	£14,232	-£9,521
2006/07	£31,997	£21,800	-£10,197
2007/08	£27,720	£15,009	-£12,712
2008/09	£145,205	£115,445	-£29,760
2009/10	£198,279	£148,478	-£49,802
2010/11	£261,409	£193,414	-£67,995
2011/12	£447,583	£316,864	-£130,719
2012/13	£658,304	£658,254	-£50
2013/14	£650,292	£650,292	£0
2014/15	£596,642	£596,592	-£50
2015/16	£531,884	£531,293	-£591
2016/17	£582,704	£577,909	-£4,796
2017/18	£633,849	£637,209	£3,361
2018/19	£926,290	£941,465	£15,174
2019/20	£1,230,811	£1,199,548	-£31,263
2020/21	£1,828,544	£1,756,003	-£72,541
2021/22	£1,132,506	£1,098,058	-£34,448
2022/23	£2,173,526	£1,840,763	-£332,763
TOTALS	£12,091,112	£11,322,439	-£768,673

4. Rents

- 4.1. Rent collection for quarter 1 ended 0.54% behind.
- 4.2. The methodology used to calculate rent collection has been changed. In previous years the amount to be charged for the year was estimated and collection measured against that figure. The method has been changed to measure rent charged to date against what has been paid.

- 4.3. Rent arrears have increased due to the reduction in eviction action over the past three years. Collection of rent in the current financial climate continues to be challenging.
- 4.4. 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.
- 4.5. Rent collection is also utilising Telsolutions to send new and improved emails and texts to customers. As with council tax, this is giving customer direct access to online services and sign posting assistance.
- 4.6. The rent collection team has been merged with the tenancy sustainment team to increase the resource available from 23 to 35 staff focusing on non-payment as well as continuing to help residents to sustain their tenancies.
- 4.7. A Direct debit campaign has been started to increase the number of residents using this method of payment. This includes a competition with a prize of £1k to be drawn in December.
- 4.8. The recovery process has been fully reviewed and extensive changes have been made to the Capita system to optimise the automated process and continue to evict those refusing to pay their rent.

5. Reside

- 5.1. Reside collection for quarter 1 was 93.24%.
- 5.2. The methodology for measuring Reside collection has been amended in 23/24 and is not comparable with 2022/23. However, the target for 2023/24 is 99%. Collection is down compared to the target.
- 5.3. Improvements to the recovery process have been put in place and collection will improve throughout the year.
- 5.4. Payment by Direct Debit has now been introduced. All Reside tenants can now make payment by this method with the exception of Reside Regen as it is still awaiting a merchant code.
- 5.5. Online payment options will be available to residents in September followed by an automated telephone payment line.
- 5.6. After a delay due to some legal issues, which have now been resolved, eviction actions have restarted and those deliberately not paying will be evicted.

6. General Income

- 6.1. General income (sundry debt) collection is currently 31.8%. Due to the introduction of E5 at the start of last year percentage comparisons will not be entirely accurate. However, the reported collection rate at the end quarter 1 last year was 19%.
- 6.2. The first quarter has seen a reduction in arrears as work continues to review outstanding debts and collect or write off those uncollectable.

6.3. The table below shows debts prior to 2022/23:

DEBTS PRIOR TO 2023/24			
SUNDRY DEBT	YEAR START	QUARTER 1	VARIATION
Sum of Overdue 2017	£270,692	£200,264	-£70,428
Sum of Overdue 2018	£145,164	£137,048	-£8,117
Sum of Overdue 2019	£268,935	£224,347	-£44,588
Sum of Overdue 2020	£759,021	£345,571	-£413,449
Sum of Overdue 2021	£2,764,415	£1,751,306	-£1,013,109
Sum of Overdue 2022	£7,526,611	£1,778,427	-£5,748,184
TOTAL	£11,734,838	£4,436,962	-£7,297,876

7. Adult social care

- 7.1. The overall collection rate for homecare and residential debts increased to 26.4% at the end of quarter 1. Homecare collection was 24.4% and residential 27.7%.
- 7.2. This improvement in collection has continued with performance at the end of August being 50.9%, a 16% improvement on same period last year. The target for 2023/24 is 60% and collection rates are improving month on month to achieve/better this.

COMBINED - ASC SUMMARY 2023/24					
MONTH	NO OF INVOICES	NET COLLECTABLE DEBIT	TOTAL PAID	%	BALANCE
APRIL	730	£1,049,997	£220,747	21.02%	£829,250
MAY	1,432	£2,148,096	£594,425	27.67%	£1,553,671
JUNE	4,459	£4,368,746	£1,153,891	26.41%	£3,214,855
JULY	5,597	£5,361,944	£2,249,450	41.95%	£3,112,494
AUGUST	6,736	£6,522,688	£3,323,649	50.96%	£3,199,039

7.3. Action taken or planned to increase the collection rate include:

- Improved collection process – First point of contact on billing is now at the financial assessment stage, prior to invoice. Service users are advised of the invoices, payment schedule and options to pay.
- Reminders – Outstanding invoice reminders have now been re-introduced, one at 29 days after invoice production and a final reminder a further two weeks after that.
- Direct debit – Testing continues for fixed and variable invoices by direct debit with the target to go live by end of year for service users with fixed contributions.
- Non engagement – Service Users who have elected not to undertake a Financial Assessment are being visited with the aim of reducing debts owed by assessing their needs against their income. 35% success rate on visits completed to date.

- Data Quality – Interim resource in place to review and correct errors in provision loaded by ASC which are preventing billing or service users paying due to inaccurate bills.
Separate projects running to review cases where charges have been suspended by ASC; where financial assessment has not been possible due to an outstanding mental capacity assessment; and where ASC has requested no charges to be applied.
- Legal Process - Case are now being escalated for legal action. 148 cases to date and up to a further 1200 debts identified for legal action.

7.4. Prior year arrears have continued to reduce as aged debts are reviewed, with £1.9m (12.5%) collected in the first quarter of 23/24

8. Housing Benefit overpayments

8.1. Housing benefit overpayment occurs when the claimant has failed to disclose changes in their circumstances resulting in benefit being overpaid.

8.2. This is one of the most challenging debts to collect as the debtor is usually on a low income. Where the debtor has not paid or entered into a repayment agreement, attachments are utilised. However, in recent years the DWP has de-prioritised the collection of overpayments and it is therefore not always possible to use this method of recovery. The table below shows the current status of overpayment debts.

DEDUCTIONS AND AGREEMENTS			
Debt recovery stage	Balance	Invoices	Percentage
Being Paid - deductions via DWP	£4,493,729	2,099	23.3%
Being Paid - Payment Arrangement	£3,654,509	1,702	19.0%
Being Paid - deductions LBBD HB	£2,888,495	2,366	15.0%
Being Paid - by Salary Deductions	£458,814	186	2.4%
Being Paid - Salary Deductions Applied For	£164,086	97	0.9%
TOTAL	£11,659,634	6,450	60.6%

FURTHER ACTIONS			
Debt recovery stage	Balance	Invoices	Percentage
Debt Review Underway - further action to be taken	£2,333,335	1,320	12.1%
Recent Notice Sent To Demand Payment	£1,141,563	600	5.9%
On hold due to Appeal or HB reassessment	£1,029,118	132	5.3%
Awaiting Payments from Insolvency	£464,487	189	2.4%
Corresponding with Customer	£384,798	38	2.0%
Court Proceedings Underway	£306,138	30	1.6%
Traced - Notice Sent	£155,366	65	0.8%
New Debt Within 28 Days	£120,499	56	0.6%
Hold - Under Breathing space	£14,779	13	0.1%
Aged debt being reviewed (potential write off)	£1,635,936	1,500	8.5%
TOTAL	£7,586,020	3,943	39.4%
GRAND TOTAL	£19,245,653	10,393	

9. Collection rates

9.1. The table below shows collection rates for quarter 1:

Collection Area	2023/24	2022/23	Variation
Council Tax current year	29.4%	28.5%	+0.7%
Council Tax arrears	£853,346	£736,685	+116,661
Rents	97.2%	97.7%	-0.54%
Business Rates	27.9%	27.6%	+0.3%
General Income	31.8%	19.0%	+12.8%
Leasehold	34.5%	35.1	-0.6%
Commercial rent	19.8%	20.1%	-0.3%
Care	26.4	19%	+7%
Housing Benefit Overpayment	3.7%	3.5%	+0.2%
Reside	93.24%		

10. Arrears

10.1. The table below shows arrears at the start end of quarter 1. With the exception or rent, Reside and former tenants, arrears are defined as debts raised prior to 2023/24.

10.2. Rent, Reside and former tenant debt cannot be defined by year, and these are debts that have been outstanding for more than 1 week.

10.3. Arrears have significantly reduced since the start of 2022/23; however, it should be noted that the amounts shown below include arrears for 2022/23 and will continue to reduce throughout the year.

ARREARS (PRIOR TO 2023/24)			
	YEAR START	QUARTER 1	VARIATION
Council tax	£26,361,415	£24,668,656	-£1,692,759
Business rates	£12,091,112	£11,322,439	-£768,673
General income	£16,814,748	£6,366,278	-£10,448,470
Homecare & residential	£15,527,927	£14,559,166	-1,929,316
HB overpayments	£19,926,437	£19,245,653	-£680,784
Rents	£8,591,121	£9,321,826	£730,705
Reside	£982,741	£1,483,157	£500,416
Former tenants	£2,491,923	£2,705,262	£213,339
TOTAL	£102,787,424	£89,672,437	-£13,114,987

11. Financial Implications

Implications completed by: Nurul Alom, Finance Manager

- 11.1. Compared to the same period last year, collection rates have improved across most categories of debt. However, they have not recovered to pre-pandemic levels, 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. Communication with debtors has also changed with the introduction of Telsolutions allowing customers direct access to accounts and payment options.
- 11.2. The Collection 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 Director of Support & Collections 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. A mid-year review will be carried out and any movement in the provision will be reported in the next quarter.
- 11.5. 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. The vast majority of these debts are more than three years old and a 100% provision has been allowed for these debts.

12. Legal Implications

Legal Implications completed by: Dr. Paul Feild, Principal Standard & 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. The courts held at common law the Council holds a fiduciary duty to its residents to act as a trustee and to the government to make sure money is spent wisely and to recover debts owed to it.
- 12.2. The Accounts and Audit Regulations 2015 require the Council's statement of accounts to be prepared in accordance with proper accounting practice. The CIPFA Code of Practice on Local Authority Accounting, requires the council's statement of accounts to include sufficient provision for bad debts to be determined by the S.151 Local Government Act (the Chief Finance Officer).

12.3. If requests for payment are not complied with then the Council will seek to recover money owed to it by way of court action once all other options are exhausted. 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