

CABINET

19 March 2024

Title: Debt Management Performance 2023/24 (Quarter 3)	
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 Strategic Leadership Director: James Coulstock, Strategic Director Inclusive Growth	
Summary This report sets out the performance of the Collections service in the collection of revenue and debt management for the third 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 third 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

Current Year

- 2.1. Council tax collection is 0.1% below the same time last year. The target for this year is to increase the percentage of collection by 1% to 94.6%
- 2.2. The table below shows the position in relation to that target

2023/24					
Month	Target	Collected	Variation	Projected YE	Cash variation from target
December	79.6%	79.4%	-0.25%	94.3%	-£260,037

- 2.3. Given the variations in percentages since September due the Government scheme to award £150 to council taxpayers in 2022 and this year's review of single person discounts and exemptions, predictions regarding the year end position are subject to a degree of variation. However, collection remains consistent, and an optimistic outcome is expected.
- 2.4. As a result of the dedicated campaign undertaken this year, the number of residents paying by Direct debit continues to improve with 45,947 (57.4%) of the 80,032 Council Tax paying properties paying by this method. This is the equivalent of another 1,284 payers compared with the same time in 2022/23.
- 2.5. Arrears collection has improved considerably and is now £381k above the same time last year. This already exceeds the end of year position last year (£1.8m) by £64k.
- 2.6. This indicates that the current approach to assist residents to pay their arrears in order that they may begin to pay their current year charge is working. Residents had fallen further into arrears due to the pandemic and the cost-of-living crisis but are beginning to recover because of the approach being taken to repayment.
- 2.7. The arrears position has improved since the start of the year with a reduction of £6m from the start of the year, from £26.3m to 20.2m. The table below shows the amount collected and written off, other refers to backdated council tax support, discounts or exemptions.

	01/04/2023	PAID	WRITTEN OFF	OTHER	31/12/2023
ARREARS	£26,362,521	£1,908,306	£3,435,041	£716,852	£20,287,253

- 2.8. The table below shows an age profile of Council Tax debt and the percentage reduction so far this year.

ARREARS	01-Apr-23	Quarter 3	VARIATION	PERCENTAGE REDUCTION
1999/2000	£8,678	£7,446	-£1,233	-14%
2000/01	£14,775	£13,049	-£1,727	-12%
2001/02	£20,079	£13,412	-£6,668	-33%
2002/03	£30,667	£21,750	-£8,917	-29%
2003/04	£57,331	£36,007	-£21,324	-37%
2004/05	£95,370	£68,260	-£27,109	-28%
2005/06	£126,905	£83,210	-£43,696	-34%
2006/07	£192,951	£127,622	-£65,330	-34%
2007/08	£295,834	£194,238	-£101,596	-34%
2008/09	£354,660	£256,721	-£97,939	-28%
2009/10	£421,137	£308,811	-£112,326	-27%
2010/11	£466,684	£308,902	-£157,782	-34%
2011/12	£492,096	£318,931	-£173,166	-35%
2012/13	£556,227	£344,418	-£211,809	-38%
2013/14	£669,029	£437,932	-£231,096	-35%
2014/15	£691,337	£484,092	-£207,245	-30%
2015/16	£825,919	£594,814	-£231,105	-28%
2016/17	£1,022,200	£747,657	-£274,544	-27%
2017/18	£1,276,557	£951,978	-£324,579	-25%
2018/19	£1,691,604	£1,306,590	-£385,014	-23%
2019/20	£2,475,080	£1,950,269	-£524,811	-21%
2020/21	£3,393,282	£2,728,125	-£665,158	-20%
2021/22	£4,576,427	£3,903,136	-£673,292	-15%
2022/23	£6,607,689	£5,079,884	-£1,527,805	-23%
TOTALS	£26,362,521	£20,287,253	-£6,075,268	-23%

3. Business Rates

3.1. Business rates collection is 0.7% above last year at 87.9% The target to increase collection rates by 1% to 97.5% is expected to be achieved.

3.2. The table below shows arrears movement.

Year	01-Apr-23	Quarter 3	Variation	Percentage reduction
2002/03	£990	£990	£0	0%
2003/04	£0	£0	£0	0%
2004/05	£8,821	£8,821	£0	0%
2005/06	£14,232	£14,232	£0	0%
2006/07	£21,800	£21,800	£0	0%
2007/08	£15,009	£15,009	£0	0%
2008/09	£115,445	£115,445	£0	0%
2009/10	£148,478	£147,428	-£1,050	-1%
2010/11	£193,414	£193,414	£0	0%
2011/12	£316,864	£316,739	-£125	0%
2012/13	£658,304	£658,204	-£100	0%

2013/14	£650,292	£650,292	£0	0%
2014/15	£596,642	£596,219	-£423	0%
2015/16	£531,884	£531,244	-£640	0%
2016/17	£582,704	£577,676	-£5,029	-1%
2017/18	£633,849	£574,496	-£59,353	-9%
2018/19	£926,290	£831,088	-£95,203	-10%
2019/20	£1,230,811	£1,080,752	-£150,060	-12%
2020/21	£1,828,544	£1,615,691	-£212,853	-12%
2021/22	£1,132,506	£1,128,386	-£4,120	0%
2022/23	£2,173,526	£1,449,305	-£724,221	-33%
TOTALS	£11,780,406	£10,527,230	-£1,253,175	-11%

3.3. Total arrears have decreased by 11% since the start of the year. However, the revaluing of business this year has added additional charges of £1.2m.

3.4. Work to review older arrears is nearing completion and a further £3.5m of uncollectable debt will be written off for businesses that are no longer trading.

4. Rents

4.1. Rent collection for quarter 3 ended 1.5% above last year at 99.68%

4.2. Rent arrears have gradually decreased throughout the year. The table below shows the quarterly collection rates and the value of arrears.

	Collection %	Arrears
Quarter 1	97.20%	£9,321,826
Quarter 2	98.73%	£9,333,450
Quarter 3	99.68%	£9,247,472

4.3. To make the best use of resources in the targeting of action for arrears, the service commenced a trial of new software (Rentsense) from December 2023. This allows for the profiling of tenant payment history and early intervention on cases moving into arrears, at risk of moving into arrears or failing to make the required progress to reduce existing arrears. The new software provides this information in a live environment and broken down by geographical 'patch' to prioritise tasks for individual officers, with enhanced reporting on the progress and impact of those interventions.

4.4. Whilst this change has only recently been adopted the collection performance for January has demonstrated further improvement with a collection rate of 100.35% and arrears reduced to £9,194,889.

4.5. Improvement have been achieved through an increase in customer contact. This includes an increase in formal recovery letters sent (103% increase on same period 22/23) and targeted activity including door knocking campaigns with residents who had not engaged and had significant arrears. The door knocking campaign in November completed 55 home visits which prompted contact with 24 households

which resulted in either arrangement or payment of rent (44%) with the remaining cases being progressed for Court action.

5. Reside

- 5.1. Reside collection for quarter 3 is 92.93%, below the target for 2023/24 of 99%.
- 5.2. Collection has been impacted by key legacy issues outside of the control of the Rents Team which are now being addressed.
- 5.3. Following the case of Croydon v. Kalonga which started in 2017 and related to the possession process for Fixed Term Tenancies, the service received an instruction from Legal Services in 2020 not to take recovery action pending a Supreme Court decision, which was made in 2022, and subsequent legal advice. That advice was received, and recovery proceedings recommenced from July 2023. The advice created separate recovery processes for Fixed Term and Assured Shorthold Tenancies. While this has enabled recovery to recommence this means any opportunities for automation of process are limited.
- 5.4. Since July 2023 (recommencement of recovery action) to end of November 2023, 301 recovery letters have been issued to residents in arrears, 33 of these effectively a final warning before legal action commences. There are currently 23 cases where possession is being sought with Legal Services, including 3 cases where possession orders have already been obtained. Legal Services are applying for warrants in these cases.
- 5.5. An exercise is being undertaken using credit referencing data to trace and recover arrears from former tenants, with 90 former tenants owing £330k. Where tenants are traced and payment cannot be secured, legal action will be commenced.
- 5.6. Whilst recovery is now being actively pursued, progress continues to be delayed due to the number of manual checks required before notices can be issued. As well as the twin-track processes for Fixed Term and ASTs, there are also 9 cases at legal action stage where the tenancy agreement was signed-up in the wrong Reside company name. Legal Services have advised that Counsel advice is required before these cases can be progressed.
- 5.7. As a result of decisions taken early on, not all Reside companies were set up to be recognised within the housing, banking and financial systems. This prevented the offer of standard payment options such as automated telephone payments, online payments and Direct Debit. Many tenants were left with the only option to call the office each month/week during working hours and speak to a member of staff to make a manual payment. This also required payments to be manually transferred by an officer to the correct company to enable individual accounts to be administered. The service was allocated 1.4FTE for Reside collection (discussed further at 5.9) with at least 1 FTE being required to service the phone line during working hours.
- 5.8. A project is now nearing completion to fully remedy this situation with all but one of the companies capable of offering the full range of payment methods, with no need for manual intervention to allocate payments correctly. The technical

solution for the final company is currently being tested through the banking process and is expected to go live in March.

- 5.9 The team were initially allocated 1.4FTE to manage the rent collection process for 1700 reside tenants. Due to the level of manual processes, including receipt of payments by phone, this provided limited capacity for proactive recovery action. A bid for additional resources (2 FTE) was agreed in October 2023 but due to delays in the recruitment process, the first additional member of staff will not be joining the team until March 2024. The second vacancy is in the process of being readvertised.
- 5.10 Whilst the above issues have added considerable work and complexity to the recovery process, the actions taken to date and additional staff resource committed put the service in a strong position to reduce arrears and improve the collection rate during 2024/25.

6. General Income

- 6.1. General income (sundry debt) collection is 80.6%, 23% above the same time last year. Although in 22/23 the introduction of E5 meant some delays in issuing invoices at the beginning of the year and so direct comparisons may not be accurate.
- 6.2. Considerable work has gone into examining arrears in this area, with a more robust calculation of outstanding debts. The table below shows debts outstanding on the 1 April 2023 and debts at the end of December 23.
- 6.3. It should be noted that invoices raised in March 2023 may not be due for payment until April 2023. Whilst this increases the amount shown as outstanding at year end it gives a clearer position at year end.

Year	2022/23	Quarter 3
2006/2007	892	0
2007/2008	4	0
2008/2009	145	0
2010/2011	0	0
2011/2012	4,824	2,297
2012/2013	0	0
2013/2014	4,477	2,048
2014/2015	13,823	6,980
2015/2016	10,673	7,595
2016/2017	76,325	41,101
2017/2018	266,511	168,615
2018/2019	350,224	259,852
2019/2020	508,841	311,768
2020/2021	913,504	425,255
2021/2022	4,023,662	1,822,341
2022/2023	22,022,847	2,539,411

Grand Total	28,196,752	5,587,263
--------------------	-------------------	------------------

7. Adult social care

- 7.1. The overall collection rate for homecare and residential debts is 50.9% of invoices raised as at the end of quarter 3. Homecare collection is 45.3% and residential 51%.
- 7.2. Whilst direct comparisons with last year are problematic due to the introduction of E5, the estimated collection rate at the end of quarter 3 in 22/23 was 39%.
- 7.3. Charges this year have increased from £9.5m in 2022/23 to £10m in 2023/24. The increase in collection equates to an additional £1.2m collected.
- 7.4. This improvement is as a result of the collection function being moved to the Financial Assessments Team which has ensured that queries or disputes are dealt with more swiftly.
- 7.5. In addition, an automated debt recovery process was introduced in E5 which notified customers of non-payment swiftly and prevents delays in payment.
- 7.6. The two tables below show all arrears for communities and residential care and other care charges. Other care charges include invoices to NHS etc.

CARE RESIDENTIAL AND COMMUNITIES		
YEAR	2022/23	Quarter 3
2011/2012	10,156	9,676
2012/2013	5,487	5,487
2013/2014	13,455	13,455
2014/2015	61,903	61,903
2015/2016	172,303	176,843
2016/2017	197,733	190,198
2017/2018	388,096	374,118
2018/2019	400,672	386,134
2019/2020	1,046,837	988,545
2020/2021	2,611,747	2,376,159
2021/2022	3,486,294	2,971,580
2022/2023	7,091,229	4,299,446
Grand Total	15,485,911	11,853,542

CARE - OTHER		
YEAR	2022/23	Quarter 3
2008/2009	3,735	0
2013/2014	0	0
2014/2015	0	0
2015/2016	41,297	35,970

2016/2017	40,194	40,144
2017/2018	82,113	51,727
2018/2019	196,919	151,569
2019/2020	616,801	380,421
2020/2021	275,535	199,086
2021/2022	583,356	467,131
2022/2023	3,386,848	917,120
Grand Total	5,226,799	2,243,170

8. Collection rates

8.1. The table below shows collection rates for quarter 3:

Collection area	2023/24	2022/23	Variation
Council tax current year	79.4%	79.5%	-0.1%
Council tax arrears	£1,908,306	£1,741,856	+£41,287
Rent	99.68%	98.14%	+1.54%
Business rates	80.6%	79.9	+0.7%
General Income	80.6%%	57.6%	23%
Leasehold	63.4%	74%	-10.6%
Commercial rent*	93.87%	88.83%	+5.05%
Care	44.4%	38.8%	+12%
Housing Benefit Overpayments	12.71%	10.91%	+1.8%
Reside	94.28%	96.20%	-1.92%

*January figures, Place apart delay in payment in December, paid in January.

8.2. The tables below show the charges raised so far this year and the collected amounts.

8.3. Overall collection rates have increased by 7% which equates to an additional £21.6m.

CHARGED	2022/23	2023/24	VARIATION
COUNCIL TAX	£97,495,681	£103,956,682	£6,461,001
BUSINESS RATES	£59,564,787	£66,243,932	£6,679,145
SUNDRY DEBT	£90,501,930	£102,313,290	£11,811,360
CARE	£8,146,388	£8,798,495	£652,107
HB OVERPAYMENTS	£22,339,411	£18,148,556	-£4,190,855
RENT	£65,756,706	£70,402,008	£4,645,302
COMMERCIAL RENT	£6,421,741	£8,243,240	£1,821,499
RESIDE	£9,297,418	£13,019,164	£3,721,746
LEASEHOLD	£8,146,964	£8,798,495	£651,531
TOTALS	£367,671,026	£399,923,862	£32,252,836

COLLECTED	2022/23	2023/24	VARIATION
COUNCIL TAX	£77,489,567	£82,531,210	£5,041,643
BUSINESS RATES	£47,580,352	£53,405,858	£5,825,506
SUNDRY DEBT	£52,083,861	£82,474,743	£30,390,882
CARE	£3,163,242	£4,474,915	£1,311,672
HB OVERPAYMENTS	£2,437,230	£2,306,681	−£130,548
RENT	£64,533,631	£70,176,722	£5,643,090
COMMERCIAL RENT	£6,042,216	£5,856,822	−£185,394
RESIDE	£8,944,116	£12,098,709	£3,154,593
LEASEHOLD	£6,027,124	£5,572,087	−£455,037
TOTALS	£268,301,339	£318,897,747	£50,596,407
COLLECTION %	73%	80%	7%

9. Arrears

- 9.1 The table below shows arrears at the end of quarter 3. Except for rent, Reside and former tenants, arrears all debts are defined as debts raised prior to 2023/24.
- 9.2 Rent, Reside and former tenant debt cannot be defined by year, and these are debts that have been outstanding for more than 1 week.
- 9.3 Arrears have significantly reduced since the start of 2022/23; however, it should be noted that the amounts shown below include arrears for 2023/24 and will continue to reduce throughout the year.

ARREARS				
	Year start	Quarter 3	Variation £	Variation %
Council tax	£26,362,521	£20,287,253	−£6,075,268	-23%
Business rates	£11,780,406	£10,527,230	−£1,253,176	-11%
Sundry debt	£28,196,752	£5,587,263	−£22,609,489	-80%
Adults & children	£20,607,837	£16,339,881	−£4,267,956	-21%
HB Overpayments	£19,926,437	£17,858,214	−£2,068,223	-10%
Rent	£8,591,121	£9,247,472	£656,351	8%
Reside	£982,741	£1,968,224	£985,483	100%
Former tenants	£2,491,923	£2,921,773	£429,850	17%
Total	£118,939,738	£84,737,310	−£34,202,428	-29%

10. Financial Implications

Implications completed by: Nurul Alom, Finance Manager

- 10.1. 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.

- 10.2. Collecting all debts due is critical to funding the Council and maintaining cashflow. A Debt Steering Group has been established to monitor performance and focus on where the targets are not being achieved to improve prompt collection of Council revenues.
- 10.3. The Council maintains a bad debt provision which is periodically reviewed. A full review of the bad debt provision is currently underway, and an update will be provided to the Debt Steering Group in March 2024. Increases to the provision are met from the Council's revenue budget and reduce the funds available for other Council expenditure.
- 10.4. The arrears 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

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