

CABINET

19 December 2012

Title: Debt Management Performance and Write-Offs 2012/13 (Quarter 2)	
Report of the Cabinet Member for Finance	
Open Report	For Information
Wards Affected: None	Key Decision: No
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Summary This report sets out the performance of the Council's joint venture company, Elevate East London, in carrying out the debt management function on behalf of the Council and covers the second quarter of the year 2012/13. It also includes details of debt written off in accordance with the write off policy approved by Cabinet on 18 October 2011.	
Recommendation(s) Cabinet is asked to: (i) note the contents of this report as it relates to the performance of the debt management function carried out by the Revenues and Benefits service operated by Elevate East London, including the performance of bailiffs; and (ii) note the debt write-offs for the second quarter of 2012/13 and that a number of these debts will be publicised in accordance with the policy agreed by Cabinet.	
Reason Assisting in the Council's Policy House aim of ensuring a well run organisation delivering its statutory duties in the most practical and cost-effective way. It will ensure good financial practice and adherence to the Council's Financial Rules to report on debt management performance and total debt write-off each quarter.	

1. Introduction and Background

- 1.1 The Council's Revenues, Benefits, General Income and Rents Service is operated by the Council's joint venture company Elevate East London LLP (Elevate). The service is responsible for the management of the Council's debt falling due by way of statutory levies and chargeable services.

1.2 This report sets out the performance for the second quarter of 2012/13 and covers the overall progress of each element of the service for the year so far. In addition it summarises the debts that have been agreed for write off in accordance with the Council's Financial Rules. Write offs in the second quarter have been actioned in accordance with the Council's debt management policy agreed on 18 October 2011.

2. Proposal and Issues

2.1 Set out below is the performance for quarter 2 of 2012/13 and highlights of the improvements made by Elevate for each of the functions of the Revenues Service during the year.

Table 1: Collection Rate Performance - 2012/13 Quarter 2

Type of Debt	Target 2012/13	Profiled target for Quarter 2	Quarter 2 Performance	Difference	Amount Collected Qtr 2 £m
Council Tax	94.5%	55.2%	55.5%	+0.3	£28.8
NNDR	97.1%	56.6%	55.5%	-1.1%	£31.8
Rents	96.80%	96.80%	96.56%	-0.24%	£48.1
Leaseholder	86.26%	42.27%	44.09%	+1.82%	£1.6
General Income	99.62%	62.96%	64.88%	+1.92%	£6.6

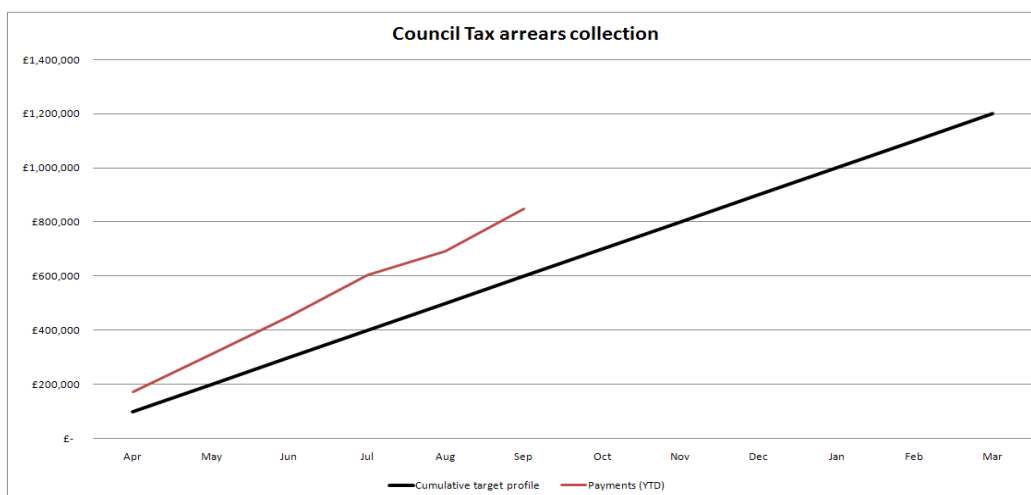
Council Tax performance and service improvements

2.2 Council Tax collection at the end of the second quarter finished 0.3% above the target. The percentage collection was 55.5%, equating to £28.8m of the £52.4m Council Tax due for the full year. This continues the trend of improvement from 2011/12 when Council Tax collection improved by 1.2% compared to an average increase of 0.4% amongst LBBD's family of councils^[1]. It was also the highest collection rate achieved in the last ten years despite the challenging economic climate. In the second quarter of 2012/13, collection remains above the new higher target.

2.3 The main improvements implemented so far this year are:

- Continuing to improve the number of Council Tax payers paying by direct debit with an increase of 4.7% at the end of quarter 2.
- The new payment arrangement policy introduced last year has seen an increase in arrears collection for quarter 2 by £120k:

^[1] Greenwich, Hackney, Haringey, Islington, Lambeth, Lewisham, Newham, Tower Hamlets, Southwark, Waltham Forest.



- Quality checking of the Council Tax team was undertaken in quarter 2 and workshops with staff undertaken.
- Attachments of earnings have increased since the beginning of the year with 1,130 attachments of earnings now in place compared to 897 at the end of quarter 4 2011/12.
- Quality checking of the call centre has taken place after a training needs analysis (TNA) was completed in quarter 1. Mentoring sessions for call centre staff have commenced to ensure Council Tax callers have their enquiry dealt with effectively and in full at first point of contact.
- A TNA was completed by the One Stop Shop staff in quarter 2 and plans are being set-up to deliver the above improvement to front line services.

NNDR performance quarter 2 and service improvements

- 2.4 NNDR collection at the end of the second quarter 55.5%, equating to £31.8m of the £57.3m debt due for the whole year. This is 1.1% below the target.
- 2.5 Although the collection rate is below the target for the year this has been affected by the government scheme allowing business rates payers the option to defer payment over 2012/13 and 2013/14 on an element of the charge related to the annual increase. This scheme was introduced during 2012/13 after collection targets for the year had been set. A total of £210,498 has been deferred this year resulting in a reduction of 0.36% to the collection rate. Allowing for this the collection rate is in line with the collection achieved last year, however, it is still below the target increase in collection required.
- 2.6 Work in quarter 3 will be focused on detailed analysis of accounts with arrears to ensure the correct recovery action is in place and that each recovery stage is moved through rapidly. Contact is made with businesses on a one to one basis to understand their financial situation and assist in payments arrangements being set up. Recovery activity has already increased this year reflecting the difficult economic climate businesses are facing.

2.7 The main improvements in NDDR are:

- All work now up to date
- Over 90% of calls answered.
- Quality checking of processed work was undertaken in quarter 2. Accuracy was good but staff workshops have been organised to improve accuracy further and ensure each piece of work is dealt with in full at first point of contact.
- Detailed analysis of accounts with arrears is underway to ensure the correct recovery action is in place.

Rents collection performance and service improvements

- 2.8 At the end of quarter 2 rent collection achieved was 96.56%, which is 0.24% below the target performance of 96.80%.
- 2.9 For 2012/13 the House Mark measure for rent collection has been adopted which is different from the former Rents performance indicator (PI), known as “BV 66a”.
- 2.10 The new PI measures collection performance in respect of current year collection and includes arrears brought forward from the previous financial year. The definition is different in a number of aspects to that of BV66a, so this year’s collection cannot be directly compared with 2011/12. At the end of September the collection for the financial year is £48.2m of the £99.7m which is projected as the collectable amount for the whole year.
- 2.11 Collection performance was slightly behind target at the end of September but during October the position improved with performance moving to 0.12% behind target at the end of the month.
- 2.12 An end to end process review to encompass all actions that affect rent collection commenced in April with a focus on ensuring income is maximised and unnecessary arrears are minimised. The processes that have been revised or are in progress so far are:
- sign up for new tenancies
 - settling in visits
 - tenancy closures
 - eviction process
- 2.13 One of the key aims of the review is to ensure that intervention for vulnerable tenants, that need help in managing their finances, is commenced at an earlier stage. Thus, sign up and settling procedures are now designed to identify when additional support is needed and to put in place additional assistance. This carries through to the eviction stage where the aim is to evict lower numbers of vulnerable tenants that would require further assistance from the Council following eviction. In the initial stages of this revision work a fall off of one-off payments has been seen from those threatened with potentially losing their property. The full year effect of this is estimated at 0.17% of collection. This is being monitored closely to ensure

that the needs of tenants and the requirement to collect rent owing to the Council are balanced appropriately.

2.14 The main improvements in rents are:

- The Capita IT system has been stabilised with system reports on cases that need arrears action now working reliably. This means that tenants have received arrears letters on time and at an earlier stage this year. The rents team is now in a position to take action on debt at levels when there is still a realistic prospect of tenants making arrangements to clear the debt in the current financial year.
- Seeking to persuade tenants to make arrears clearance their priority to avoid Court action. A dedicated Rents / Benefits liaison officer ensures that tenants receive all housing benefit they are entitled to and rent officers direct them to money advice services where possible.
- The introduction of on line applications for court possession hearings reducing court costs and saving officer time.
- The Council has launched a quarterly prize draw to promote DD that offers one prize of £250 and two of £100. To qualify tenants must have been paying by DD for the previous 2 months and must not be in arrears. Two prizes have been awarded by Councillor Waker with publicity used to incentivise further sign up of direct debits in the second half of the year.
- The team continue to look at options to ensure smarter working and, in particular, ensuring offering a joined up service with Housing Management. The review of the end to end process has resulted in the implementation of new procedures with Housing management for sign up to tenancies and settling in visits to ensure that the prevention of rent arrears . Work is also nearing completion to ensure that tenancy closure procedures mitigate the risk of rent arrears arising.
- To ensure HB take up is maximised at tenancy sign up, Dagenham Library have recently joined the Barking Learning Centre in dealing with Housing Benefit assessments when customers sign up for new tenancies. Furthermore, a housing benefit officer has been attached to the Rents Team from early July 2012 to ensure that we maximise benefit payable and to broaden the knowledge of the team generally on claim criteria. The officer concerned won the Council's STAR awards for excellence in customer service.
- On line access to rent account balances and to order a Rent payment card became available from July 2012. SMS texting was introduced in quarter 3 of 2011/12 so that lower level arrears cases receive a text message in addition to a standard arrears letter and tenants can text to find out their rent account balance.

General Income

2.15 General Income is used to describe the ancillary sources of income available to the Council and which support the cost of local service provision. Examples of area from which the Council derives income include; charges for social care,

rechargeable works for housing, nursery fees, trade refuse, truancy penalty notices, hire of halls and football pitches. Oracle is used for the billing of these debts and collection performance across all these debts is reported together.

- 2.16 Collection is 1.92% above target at the end of September. All debts are monitored on a regular basis to ensure that appropriate action is being taken and that debt is pursued quickly.
- 2.17 The collection of Leasehold Service Charges and Penalty Charge Notices are monitored through separate computer systems and the performance of these is reported separately.

General Income: Leaseholders performance and service improvements

- 2.18 For the charges for 2012/13 and for the arrears of previous years, collection at the end of September stood at a total of £1.6m from a debit of £3.7m, a collection rate of 44.09%. This is 1.82% above the target for the end of this quarter 2.
- 2.19 The main area of improvement in respect of leaseholder arrears is the additional resource that has been added to the Court Team. This has enabled more detailed and pro-active recovery in a quicker time scale. Reminder letters with greater detail to advise debtors have been manually produced and mediation work has been carried out.

Penalty Charge Notices

- 2.20 This recovery work only includes debts due to Penalty Charge Notices (PCNs) for parking, bus lane and box junction infringements once a warrant has been obtained from the Traffic Enforcement Centre (TEC). The majority of these relate to parking infringements and Elevate enforce these warrants through bailiffs and monitor their performance. Overall collection rates on PCNs will be reported by Environmental and Enforcement Services (Parking Services).
- 2.21 The number of warrants related to PCNs from December to the end of September sent to bailiffs is 18,647 totalling £3.5m. The target is to collect 18% on each batch and the actual collection performance on a batch of warrants can only be measured when a warrant expires after 12 months. The first batch will expire in December 2012.
- 2.22 Performance monitoring of bailiffs is in place to improve collection and warrants for collection are sent to the bailiff with the better performance. Currently JBW have been provided with the latest batches following poor performance by Newlyn and on current performance will achieve a collection rate above 18%.

Fairer Contribution Charging

- 2.23 The Council's Fairer Contribution Policy commenced from October 2011.
- 2.24 These debts are reported separately to track the debt collection performance on the increased level of debt resulting from the new policy.
- 2.25 The agreed measure for performance reporting was the percentage collected on debt over 120 days old.
- 2.26 Detailed below is the performance as at the end of September 2012.

Residential care

Invoices	Debit raised	Total collected	Collection rate	Target	Difference	Uncollected
120+ days	£2,053,106	£1,717,857	83.67%	90%	6.33%	£335,249

Homecare

Invoices	Debit raised	Total collected	Collection rate	Target	Difference	Uncollected
120+ days	£432,510	£387,413	89.57%	90%	0.43%	£45,097

2.27 Direct Debits are now in place with the first payments taken in August and promotion of direct debits is underway to increase take up. End to end process reviews are underway to maximise collection from the start of the service provision. A case by case analysis of accounts in arrears is underway. Given the nature of the client group each case must be reviewed to ensure the next recovery action is appropriate in liaison with Adult services.

Housing Benefit Overpayments

2.28 For 2012/13 a target for collection of £2.6m has been set. At the end of September the target has been exceeded by £199k, with a total of £1.5m collected so far this year.

2.29 A review of working methods has been undertaken and a number of changes have been made aimed at improving collection. The changes include:

- Shortening the cycle of demand letters so customers receive more prompt reminders to pay
- Enhanced use of county court judgements with the follow up actions of charging orders, forced sales and warrants of execution being utilised
- The process and recovery events have been reviewed and streamlined

Bailiff Performance

2.30 Currently Elevate use three bailiff companies, Newlyn, Equita and JBW. Bailiffs are used to collect for the following debts:

- Council Tax
- National Non Domestic Rates
- Benefit Overpayments
- Sundry Debts
- Commercial Rents
- Benefit overpayments.
- Car Parking

- 2.31 For Council Tax bailiff firms Newlyn and Equita are used to enforce non payment and Newlyn are used for the non payment of NNDR. A bailiff cannot be instructed to carry out this work until the Council has obtained a liability order at court. The bailiff will visit the property with the intention of collecting the debt or removing goods to the value of the debt.
- 2.32 Day to day working arrangements are in place so that the Council Tax team have access to the bailiff's computer system and update individual cases in real time. Changes include amendments to debts, the recall of cases where appropriate and the making and updating notes on the system. Bailiffs will not remove goods without direct authorisation from the Council Tax manager. Bailiffs have direct access to council tax staff to check information and where swift action is required the Council Tax team can contact the bailiff companies by phone. The same arrangements exist for Business Rates.
- 2.33 Throughout the course of the year regular meetings are held with the bailiff companies to discuss performance and resource. Bailiffs are challenged to improve their performance and as part of this they are provided with information on how the other bailiffs are performing. Where necessary, the amount of work going to a bailiff will be reduced where performance is deemed to be too low. Bailiffs only collect their fees when they successfully recover debt for the Council.
- 2.34 Bailiff companies have by request ensured that where new cases are sent they increase the number of bailiffs working in the area to ensure that there is a minimal delay between the cases referral and first contact.
- 2.35 Below a certain level sundry debt cases are deemed to have too low a balance to make court action economically viable. Such debts are referred to the bailiff for collection who seek to recover the debt using letters and phone calls to make contact in order to collect the debt. Where internal methods of collection have failed, benefit overpayments are referred to the bailiff for collection. They will write to and phone the debtor and where this proves unsuccessful they will visit the property with the intention of collecting the debt.
- 2.36 In most cases once a debt has been referred to the bailiff and the bailiff has been unable to collect the debt and where other available avenues are not possible the only route left is to write the debt off. Details of the write offs in quarter two of 2012/13 are in paragraphs 2.43 to 2.45 and in **appendices A, B and C**.
- 2.37 Bailiff action is a key tool for the Council to recover overdue debts but is only one area of collection work.
- 2.38 Detail of bailiff performance by type of debt for quarter 1 and 2 of 2012/13 is set out in the table below.
- 2.39 Road traffic debt shows all work issued to the bailiff since 7 December 2012. This is because, unlike most court orders such as a liability order for council tax, a warrant for a road traffic parking or moving traffic offence has a 12 month time limit applied to it after which it can no longer be enforced.

Council Tax

Quarter 1 & 2	Value of cases less returns	Total remitted	Collection rate %
April – June	969,563.53	29,842.93	3.07%
July – September	2,194,052.29	84,448.11	3.85%

NNDR

Year	Value of cases less returns	Total remitted	Collection rate %
2012/13	£151,208	£43,084	28.49%

General Income

Year	Value of cases	Total remitted	Collection Rate (%)
2012/13	47,397.18	7,128.17	15%

Commercial Rent

Bailiff Work (commercial rent)	Number referred to bailiff April to September	Value Referred to bailiff April to September	Amount Collected by bailiffs April to September	% Collected by bailiffs April to September
2012/13	10	23,243.15	7,607.68	32.73% ¹

Road Traffic Debt

Warrants issued from	Number of batches	Value of cases less returns	Total remitted ²
7.12.2011	15	£3,148.115	£371,827

Write off process

2.40 In some instances, despite all the measures that have been taken to collect the monies owed to the Council, it is the case that some debts will remain unpaid. In such cases, when all available economic avenues of collection have been exhausted, debts have to be considered for write off.

¹ Bailiff performance is higher for this line of debt as failure to pay will lead to a loss of tenancy by the business.

² Performance is measured on a batch basis on the expiry of each batch when it is 12 months old. The first batch will expire in December 2012.

- 2.41 The write-off of debt allows the service to focus on debts that are more likely to be recovered. At the same time the Council makes provision within its accounts for debts that are likely to be written-off.
- 2.42 The write-offs presented in this report fall into two broad categories. Firstly, debts Elevate is unable to collect on the Council's behalf because for example the customer is deceased and there is no estate, the customer has gone away and cannot be traced, or the age of the debt precludes recovery. Secondly, there are cases where it is uneconomic to collect.

Debt Write-off: Quarter 2 2012/13

- 2.43 The value of debts written off for the second quarter of 2012/13, i.e. July to September 2012 total: £765,984 (see **Appendix A**). In the first quarter £464,486 was written off (Appendix A).
- 2.44 Of the 504 debts written off the three main reasons were that for 21.78% the debtor had absconded and could not be traced, for 32.67% it was deemed uneconomical to pursue the debt and for 9.11% the debtor was insolvent.
- 2.45 In 2011/12 almost £2.4m was written off (**Appendix B**).

Publication of individual details of debts written off (**Appendix C**)

- 2.46 A number of local authorities publicise the details (names, addresses etc.), of residents who have had debts written off. In the majority of cases, these debts have been written off where the debtor has absconded.
- 2.47 The Council agreed in November 2007 (Minute 69, 6 November 2007) that a list showing the details of debtors, who have had debts written off, would be attached to this report. A list has been attached at Appendix C. The list has been limited to the top ten debts only.
- 2.48 As was previously outlined within the 6th November 2007 Cabinet report, it was recommended that the following types of debt write offs are excluded from this publicised list:
- a) Debts that have been written off following a corporate complaint being upheld;
 - b) Debts that have been written off due to the debtor falling within one of the vulnerable groups (e.g. elderly, disabled, infirm etc.);
 - c) Where the original debt was raised in error;
 - d) Where debts have been written off, but no legal action has been taken to prove that the debt was legally and properly due;
 - e) Where the debt has been written off following bankruptcy or insolvency action (the majority of these cases will be individually publicised).
- 2.49 The exclusion of the category of debts listed above will eliminate the possibility of any unnecessary and potentially costly legal challenges from debtors, who take issue with their details being publicised. It is intended that where the details or whereabouts of debtors become known following publication, those debtors will be pursued as far as is possible, to secure full payment of the debt.
- 2.50 The list provided at Appendix C does not include debts or debtors that fall within categories a-e above, so the list as it stands can be publicised.

3. Options Appraisal

3.1 This is not relevant for an information report.

4. Consultation

4.1 This is not relevant for this information report.

5. Financial Implications

5.1 As part of the closure of the Council's accounts each year, a review of outstanding debts is made and an estimate of bad and doubtful debts is provided for. All write offs in year are made against that provision. The level of bad debts proposed and agreed for write off is monitored quarterly against the provision made at year end.

5.2 Improvements in the pursuit and collection of debt enables the Council to make a lower provision and improves the level of balances and reserves though debts are only pursued to the point that it is economically sensible to do so.

6. Legal Implications

6.1 The pursuit of debts owed to the Council is a fiduciary duty. The Council seeks to recover money owed to it by the courts once all options are exhausted. Not all debt will be recovered and a pragmatic approach has to be taken with debts as being on occasions, uneconomical to recover in terms of the cost of process and the means of the debtor to pay. As observed in the body of this report, in the case of rent arrears, a possession and subsequent eviction orders are a discretionary remedy and the courts will on many occasions suspend the possession order on condition the tenant makes a contribution to their arrears. The Councils decision to utilise Introductory Tenancies will over time begin to have an impact as only those tenants with a satisfactory rent payment history can expect to be offered a secure tenancy.

6.2 The decision to write off debts has been delegated to Chief Officers who must have regard to the Financial Rules.

7. Other Implications

7.1 **Risk Management** - No specific implications save that of this report acting as an early warning system to any problems in the area of write off's.

Background Papers Used in the Preparation of the Report:

- Continuous Service Improvement Plans (CSIPs) for Revenues Service areas.

List of appendices

Appendix A – Debt Write Off Table for Quarter 2 2012/13 and totals for Quarter 1

Appendix B – Debts written off in 2011/12

Appendix C – Top Debts Written Off