

CABINET

19 March 2013

Title: Debt Management Performance and Write-Offs 2012/13 (Quarter 3)	
Report of the Cabinet Member for Finance	
Open Report	For Information
Wards Affected: None	Key Decision: No
Report Author: Jonathan Bunt, Divisional Director Finance	Contact Details: Tel: 0208 724 8427 E-mail: Jonathan.Bunt@lbbd.gov.uk
Accountable Divisional Director: Jonathan Bunt, Divisional Director Finance	
Accountable Director: Graham Farrant, Chief Executive	
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 third 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 third 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 third 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 third 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 3 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 3

Type of Debt	Annual Target	Profiled target	Performance	Variance	Actual £m
Council Tax	94.5%	81.9%	82.1%	+0.2%	42.9
NNDR	97.1%	79.8%	79.1%	-0.7%	45.1
Rents	96.80%	96.80%	96.24%	-0.56%	95.9
Leaseholder	86.26%	67.71%	68.74%	+1.03%	2.5
General Income	99.62%	92.52%	78.77%	-13.75%	43.9

Council Tax performance and service improvements

- 2.2 Council Tax collection at the end of the third quarter finished 0.2% above the target. The percentage collection was 82.1%, equating to £42.9m of the £52.3m 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 LBBB'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 third 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 4.74% at the end of quarter 3, taking those paying by direct debit from 26,422 to 27,675 since April 2012.

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

- Improvements in the debt recovery process, e.g. the arrangement policy and processing and segmentation of cases returned from the bailiff has seen a continued increase in arrears collection for quarter 3 so it is now £356k above the target.
- Having carried out quality monitoring of the call centre, the Council Tax team moved to co-locate with the call centre to concentrate on improving the quality of telephone answers.
- Saturday serving of bankruptcy proceedings was undertaken in Quarter 3 to ensure action is taken against habitual defaulters. Saturday serving increases the chance of finding the debtor,

NNDR performance quarter 3 and service improvements

- 2.4 NNDR collection at the end of the third quarter 79.1%, equating to £45.2m of the £57m debt due for the whole year. Whilst this is an improvement on the position at the end of quarter 2, this is still 0.7% 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 2013/14 and 2014/15 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 £210k has been deferred this year resulting in a reduction of 0.36% to the collection rate. Adjusting for this element, 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 has focused upon identifying businesses that have failed to pay in order that contact can be made earlier to attempt to avoid enforcement action.
- 2.7 The challenging economical times have resulted in many businesses struggling to make payment and in many cases closing completely. The service has concentrated upon being flexible with businesses that are clearly experiencing difficulty whilst balancing this with the need to collect the outstanding debts.

Rents collection performance and service improvements

- 2.8 At the end of quarter 3 rent collection achieved was 96.24%, which is 0.56% 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 BV66a making direct year on year comparisons difficult. When the collections for this year and last year are made like for like, collection is higher in 2012/13 though, again, below the target set. At the end of December the collection for the financial year so far is £95.9m of the £99.6m which is projected as the collectable amount for the whole year.
- 2.11 Collection performance declined by over 0.5% during December but this is the norm for the month. In the previous two years we have retrieved the position within 4 – 6 weeks and fully expect the same recovery of the position this year.

- 2.12 In close liaison with Housing staff, the new approach to considering whether to use the eviction option has seen the number of evictions fall by around 50% up to the end of December 2012 with 53 evictions compared to 101 at the same time last year.
- 2.13 The main improvements in rents in Q3 were:
- The housing benefit officer who is now attached to the Rents team won the Council's STAR award for excellence in customer service.
 - 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.
 - A winter campaign was launched in November 2012. Posters showing that over 140 households were evicted last financial year have been displayed in high density blocks and officers have visited in groups to deliver pre printed cards to tenants in arrears which carry messages about the need to clear their rent account if they wish to avoid being a household who we consider for eviction.

General Income

- 2.14 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 areas 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.
- 2.15 Collection is 13.75% below target at the end of December. Two of the main reasons for the shortfall are:
- 1) Schools failing to reimburse the Council for salaries paid by the Council, totalling over £3m at the end of December. Elevate are actively engaging with the schools concerned to improve the process; and
 - 2) PCT not having paid around £3.5m. The payment of this debt is being discussed with the PCT by officers in Adult and Community Services.
- 2.16 The collection of Leasehold Service Charges and Penalty Charge Notices are monitored through separate computer systems and the performance of these is reported separately as set out below.
- Leaseholders performance and service improvements*
- 2.17 For the charges for 2012/13 and for the arrears of previous years, collection at the end of December stood at a total of £2.5m from a debit of £3.7m, a collection rate of 68.74%. This is 1.03% above the target for the end of this quarter.
- 2.18 The main area of improvement in respect of leaseholder debt has arisen from the increase in the reminders sent to leaseholders who are behind with their payments.
- Penalty Charge Notices*
- 2.19 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).

- 2.20 The number of warrants related to PCNs from December 2011 to the end of December 2012 sent to bailiffs is 18,823 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 expired in December and the collection rate achieved was 16.07%.
- 2.21 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 and are targeted to achieve a collection rate of 18%.
- Collection of home and residential care charges*
- 2.22 The Council's Fairer Contribution Policy commenced from October 2011 and applies to home care. Residential care charges are covered by the Department of Health's *Charging for Residential Accommodation Guide* (CRAG).
- 2.23 Collection of debt for home and residential care are reported separately.
- 2.24 For both the agreed measure for performance reporting is the percentage collected on debt over 120 days old.
- 2.25 Detailed below is the performance as at the end of December 2012 for both residential and home care debt.

Residential care

	Invoices	Debit Raised	Total Collected	Collection rate	Target	Difference	Uncollected
Sep12	120+ days	£2,053,106	£1,717,857	83.67%	90%	-6.33%	£335,249
Dec12	120+ days	£2,669,928	£2,333,586	87.40%	90%	-2.60%	£336,342

Homecare

	Invoices	Debit Raised	Total Collected	Collection rate	Target	Difference	Uncollected
Sep12	120+ days	£432,510	£387,413	89.57%	90%	-0.43%	£45,097.00
Dec12	120+ days	£653,226	£614,968	94.14%	90%	4.14%	£38,258.00

- 2.26 A case by case analysis of accounts in arrears is being carried out. Given the nature of the client group each case must be reviewed to ensure the next recovery action is appropriate in liaison with Adult and Community Services.

Housing Benefit Overpayments

- 2.27 For 2012/13 a target for collection of £2.6m has been set. At the end of December the target has been exceeded by £374k, with a total of £2.4m collected so far this year.

Bailiff Performance

- 2.28 Bailiff action is a key tool for the Council to recover overdue debts but is only one area of collection work. Detail of bailiff performance by type of debt for quarter 1, 2 and 3 of 2012/13 is set out in the tables below.

Council Tax

Quarter	Value less returns	Total remitted	Collection rate
Apr – Jun	£969,564	£29,943	3.1%
Jul – Sep	£2,194,052	£84,448	3.9%
Oct - Dec	£3,815,266	£388,253	10.2%

Quarter 3 between October and December saw an increase in collection as the bailiffs worked through the debts provided to them in quarters 1 and 2.

NNDR

Year	Value less returns	Total remitted	Collection Rate
Q2	£151,208	£43,084	28.5%
Q3	£526,062	£159,151	30.3%

General Income

Year	Value of cases	Total remitted	Collection Rate
Q2	£47,397	£7,128	15.0%
Q3	£67,206	£9,609	14.3%

Commercial Rent

Bailiff Work (commercial rent)	Number referred to bailiff April to December	Value Referred to bailiff April to December	Amount Collected by bailiffs April to December	% Collected by bailiffs April to December
Q2	10	£23,243	£7,608	32.7% ¹
Q3	10	£23,243	£7,608	32.7% ²

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

Road Traffic Debt

Expired Warrants Date of issue	Net number of cases	Value less returns	Total paid	Percentage collection
7.12.2011	740	£144,336	£23,198	16.1%

Write offs

Debt Write-off: Quarter 3 2012/13

- 2.29 The value of debts written off for the third quarter of 2012/13, i.e. October to December 2012 total: £629,908 (Appendix A). This means the total debt written off to date this year is £1.86m (Appendix B) (c£2.4m in 2011/12).
- 2.30 Of the 683 debts written off the three main reasons were that for 30.01% the debtor had absconded and could not be traced, for 40.26% it was deemed uneconomical to pursue the debt and for 7.32% the debtor was insolvent.

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

- 2.46 In line with Council policy established in 2007 due to the difficulties of finding absconding debtors, a list showing the details of debtors who have had debts written off is attached to this report at Appendix C. The list has been limited to the top ten debts only and can be used in the public domain.

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 Collecting all sums due to the Council is critical to its ability to function. In view of this, monitoring performance is a key part of the monthly meetings with Elevate. Their cumulative performance across all areas is generally an improvement on what the Council was achieving prior to the creation of the partnership company. For example, Council Tax collection is on track to achieve this year's target of 94.5%, which is an increase of 1.6% since the start of Elevate.
- 5.2 The monthly meetings focus on the areas where the targets are not being achieved and discuss other possibilities to improve collection. An example of this is the need to collect prior to or when a service is provided, thereby avoiding the need to raise an invoice and collect a debt.
- 5.3 These meetings also ensure that key activities to enable debts to be collected and accurately administered are being carried out. A key indicator of this is the processing of bad debts. At the end of Q3, the total of write-offs at £1.86m indicates that this is happening.

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 Council's 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 3 2012/13 and totals for Quarter 1 and 2
- **Appendix B** – Debts written off in 2011/12
- **Appendix C** – Top Debts Written Off