

CABINET

19 June 2018

Title: Debt Management Performance and Write-Offs 2017/18 (Quarter 4)	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Information
Wards Affected: None	Key Decision: No
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Accountable Strategic Leadership Director: Claire Symonds, Chief Operating Officer	
Summary <p>This report sets out the performance of the Council's partner, Elevate East London, in carrying out the contractual debt management function on behalf of the Council. This report covers the fourth quarter of the financial year 2017/18. The report also includes summaries of debt written off in accordance with the write off policy that was approved by Cabinet on 18 October 2011. The report demonstrates that performance is stable and continuing to improve year on year in terms of overall collection, though continuing to be impacted by welfare reform measures.</p>	
Recommendation(s) <p>Cabinet is recommended to:</p> <ul style="list-style-type: none">(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 enforcement agents; and(ii) Note the debt write-offs for the fourth quarter of 2017/18	
Reason <p>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.</p>	

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. It also collects rent on behalf of Barking and Dagenham Reside. Council debts not collected by Elevate are not included in this report, for example parking and road traffic debt prior to warrants being granted and hostel and private sector leasing debt.
- 1.2 This report sets out performance for the fourth quarter of the 2017/18 municipal and financial year and covers the overall progress of each element of the service since April 2017. In addition, it summarises debts that have been agreed for write off in accordance with the Council's Financial Rules. All write offs are processed in accordance with the Council's debt management policy agreed on 18th October 2011.
- 1.3 The target for Council Tax current year collection has increased this year by 0.4% which equates to an additional £283k of revenue. The Council Tax arrears target has also increased by £130k this year. The General Income target has increased by 0.4% to 96% which equates to an additional £400k of revenue and the Former Tenant arrears target has increased by £25k to £200k. These new targets have increased the amount of revenue to be collected by approximately £838k. The Council provided some additional baseline funding in 2015/16 to assist in achieving these annually increased Council Tax targets.

2. Proposal and Issues

- 2.1 Set out in Table 1 below is the performance for quarter four of 2017/18 achieved for the main areas of debt managed by Elevate.

Table 1: Collection Rate Performance – Quarter four 2017/18

Type of Debt	Year end target	Quarter 4 target	Quarter 4 Performance	Variance	Actual collected
Council Tax	96.0%	96%	95.8%	-0.2%	£68.071m
Council Tax Arrears	£2.122m	£2.122m	£2.328m	+£0.206m	£2.328m
NNDR	98.2%	98.2%	98.2%	0%	£58.413m
Rent	98.16%	98.16%	97.01%	-1.15%	£99.206m
Leaseholders	98.0%	98.0%	99.76%	+1.76%	£4.530m
General Income	96.0%	96%	97.52%	+1.52%	£102.728m

Council Tax Collection Performance

- 2.2 Council Tax collection ended the year 0.2% below the profile target at 95.8%, which means collection is 0.3% higher than 2016/17.

- 2.3 The overall amount to be collected increased from £66.7m in 2016/17 to £71m in 2017/18. In addition, payment of CTS reduced by another 1% in 2017/18 increasing pressure on the service to achieve the target.
- 2.4 Council Tax collection has improved by 2.9% since 2010. This is the equivalent in 2017/18 of an additional £2m in revenue.

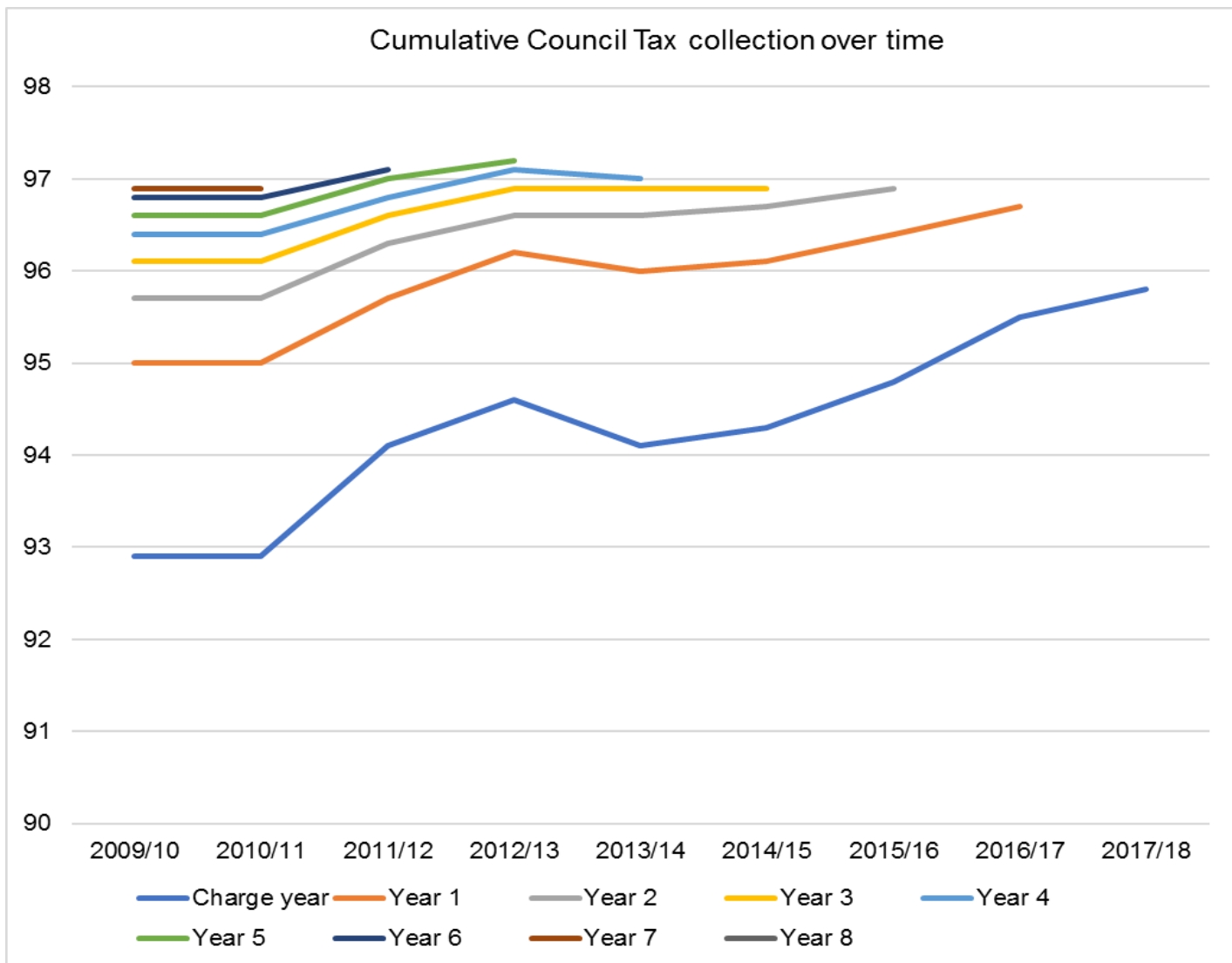
Council Tax Arrears

- 2.5 By the end of the year a total of £2.328m has been collected; this is £206k above the target.
- 2.6 The Council Tax Collection Team's ability to adapt to the challenges presented by the Council Tax Support scheme, the increasing number of properties within the borough and the increase in the Council Tax charge have improved collection rates year on year to the higher levels now seen in Barking and Dagenham.
- 2.8 The Council Tax Collection Team has initiated a project in tandem with I.T. to identify cases that require further debt recovery action. As a result, older cases that have fallen out of payment have now been referred for further action, this includes attachments to earnings and the use of Enforcement Agents and this is having a positive effect on collection rates.
- 2.9 The table below shows how Council Tax collection continues long after the initial charge year. The graph shows the performance in each year:

Table 2:

Quarter 4 - 2017/18									
Year	Charge year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
2009/10	92.9	95.0	95.7	96.1	96.4	96.6	96.8	96.9	97.0
2010/11	92.9	95.0	95.7	96.1	96.4	96.6	96.8	96.9	
2011/12	94.1	95.7	96.3	96.6	96.8	97.0	97.1		
2012/13	94.6	96.2	96.6	96.9	97.1	97.2			
2013/14	94.1	96.0	96.6	96.9	97.0				
2014/15	94.3	96.1	96.7	96.9					
2015/16	94.8	96.4	96.9						
2016/17	95.5	96.7							

- 2.10 The graph below shows the improved performance in each year, except for 2013/14 when welfare reform had a marked effect on collection rates. Each line shows performance within that year, the bottom line (blue) shows collection for the charge year (the year in which the tax was first raised), the next (orange) shows performance in year 1 (the first year after the charge year) and so on. As can be seen overall collection of Council Tax continues year on year and has steadily improved since 2010/11.



Business Rates (NNDR) Collection Performance

- 2.11 The NNDR collection rate reached 98.2% by the end of the year.
- 2.12 Changes to the net collectable debt cause the percentage of collection to fluctuate throughout the year. However, the target was achieved as expected.

Rent Collection Performance

- 2.13 Rent collection reached 97.01% by the end of the year. This is 1.15% behind the target.
- 2.14 Housing benefit reduced by £2.7m in 2017/18.
- 2.15 Rent collection excluding housing benefit ended up £467k higher than at the same time last year.

- 2.16 Close working with My Place continues to ensure that a joined-up approach is taken where necessary. This includes taking payment and encouraging Direct Debit as a method of payment at sign-up.
- 2.17 Take up of Direct Debit has increased by 7% since the beginning of the year
- 2.18 Continuous monitoring of arrears cases continues with proactive engagement with tenants the primary function of the rents teams.
- 2.19 Affordability exercises are being undertaken with tenants if they are identified as falling into arrears and payment plans are being put in place to help them to bring their rent back up to date.

Reside Collection Performance

- 2.20 In addition to collecting rent owed on Council tenancies, Elevate also collects the rent for the Barking & Dagenham Reside portfolio.
- 2.21 Rent collection excluding former tenant arrears ended the year at 99.77% which is 0.27% above target.

Leaseholders' Debt Collection Performance

- 2.22 Leaseholder collection reached 99.76% by the end of the year. This is 1.76% above target.

General Income Collection Performance

- 2.23 General Income collection reached 97.52% by the end of the year. This is 1.52% above target.

Adult Social Care – Collection of Social Care Charges (home and residential)

- 2.24 Homecare collection reached 81.5% by the end of the year. This is 1.52% above the target.
- 2.25 Residential collection ended at 96.59% by the end of the year.
- 2.26 The debt recovery process for these debts is similar to that of other debts, but with extra recognition given to particular circumstances. To ensure that the action taken is appropriate and to maximise payments, each case is considered on its own merits at each stage of the recovery process and wherever possible payment arrangements are agreed. In addition, a further financial reassessment of a client's contribution is undertaken where there is extraordinary expenditure associated with the care of the service user. The relevant procedures have been updated to take account of the Care Act.

Penalty Charge Notices (PCN) – Road Traffic Enforcement

- 2.27 Road Traffic Enforcement collection reached 14.3% by the end of the year. This is 0.3% above the target.

2.28 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 by Environmental and Enforcement Services (Parking Services) from the Traffic Enforcement Centre (TEC). Given the various legal stages required to be exhausted before a warrant can be obtained, this debt is regularly more than six months old before it is released to Elevate for enforcement. Elevate enforce these warrants through Enforcement Agents acting on behalf of the Council and closely monitor the performance of these companies. Overall collection rates on PCNs would be reported by Parking Services.

Housing Benefit Overpayments

2.29 Housing Benefit overpayment collection reached 64.4% by the end of the year. This is 12.4% above the target.

2.30 Creation of Housing Benefit Overpayments has begun to decrease in comparison with last year. This coupled with continued recovery action has shown an increase in percentage collection rates.

Enforcement Agent (Bailiff) Performance

2.31 Enforcement Agent action is a key tool for the Council to recover overdue debts but is only one area of collection work and is always the action of last resort. The introduction of the CTS scheme in 2013/14 meant around 13,000 additional households became liable to pay a proportion of Council Tax. This number increased again in April 2015 with the revised CTS scheme meaning that there has been additional debt recovery action. The affected group of residents are working age but their circumstances vary as they move in and out of work. The ability to collect all sums due to the Council continues to be made progressively more challenging as welfare reforms continue to take effect. This is alongside the cumulative yearly effect of CTS on arrears which is increasing overall indebtedness.

2.32 Information on the performance of the Enforcement Agents is set out in the table below by type of debt for the fourth quarter of 2017/18.

Table 3: Enforcement Agent Collection Rates – 2017/18

Service	Value sent to enforcement agents £	Total collected by enforcement agents £	2017/18 Collection rate %
Council Tax	£14,523,452	£1,322,080	9.10%
NNDR	£2,012,806	£506,376	25.16%
Commercial rent	£0	£0	0%
General Income	£15,036	£3,268	21.73%

Debt Write-Offs: Quarter 4 2017/18

- 2.33 All debt deemed suitable for write off has been through all the recovery processes and is recommended for write off in accordance with the Council's policy. The authority to "write off" debt remains with the Council. The value of debt recommended to the Finance Director and subsequently approved for write off during the fourth quarter of 2017/18 totalled £284,312. The value and number of cases written off in quarter four is provided in Appendix A.
- 2.34 56 debts were written off in quarter four for which the reasons are set out below. The percentage relates to the proportion of write offs by value, or by number:

Table 4: Write off numbers – 2017/18 Quarter 4

Absconded/not traced	Uneconomic to pursue	Debtor Insolvent	Deceased	Other reasons
£14,629	£50,308	£86,919.71	£111,656	£20,799.33
5.1%	17.7%	30.6%	39.3%	7.3%

Absconded/not traced	Uneconomic to pursue	Debtor Insolvent	Deceased	Other reasons
20	147	86	149	47
4.5%	32.7%	19.2%	33.2%	10.5%

"Other reasons" include the following categories:

Insolvency

Remitted by court

Debtor outside UK

Prison sentence served in respect of debt

Benefit overpayment – unrecoverable in accordance with Housing Benefit General regulations 1987

The court refuses to make an order in respect of the debt

Statute barred due to age of debt

Small balance

Negotiated settlement of part of debt

Vulnerable

In prison

- 2.35 The figures in Appendix B show the total write-offs for 2011/12, 2012/13, 2013/14, 2014/15, 2016/17 and 2017/18

3. Options Appraisal

- 3.1 Not relevant to this report as its purpose is to provide information on debt management performance and write-offs.

4. Consultation

- 4.1 This report has been prepared by Elevate and finalised with the agreement of the Finance Director.

5. Financial Issues

Implications completed by: Lance Porteous, Business Partner, Corporate Finance

- 5.1 Collecting all sums due is critical to the Council's ability to function. In view of this, monitoring performance is a key part of the monthly meetings with Elevate.
- 5.2 The monthly meetings between Elevate and the Council mainly focus on the areas where the targets are not being achieved to discuss ways to improve collection.
- 5.3 At the end of quarter 4, performance has not achieved its targets in key collection areas: Council Tax and Rent.
- 5.4 Performance on Council Tax is currently below the target by 0.2%, which is equivalent to a cash shortfall of £80k. Rent is currently below the target by 1.15%, which is equivalent to a cash shortfall of £1,150k.
- 5.5 The level of write offs at the end of quarter 4 total £284,312.25, £708,359 for 2017/18. It is important that bad debts are written off promptly so that the Council can maintain the appropriate bad debt provision.
- 5.6 If debts are not promptly collected, this has an adverse impact on the Council's overall financial position. Increases required to the Council's bad debt position are charged to the Council's revenue accounts and reduces the funding available for other expenditure.

6. Legal Issues

Implications completed by: Dr. Paul Feild, Senior Governance Lawyer

- 6.1 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.
- 6.2 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 more often than not suspend the possession order on condition the tenant makes a contribution to their arrears.

- 6.3 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.
- 6.4 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:

- **Appendix A** – Debt Write Off Table for Quarter 4 2017/18
- **Appendix B** – Total debts written off in 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18