

CABINET

18 September 2018

Title: Debt Management Performance and Write-Offs 2018/19 (Quarter 1)	
Report of the: Cabinet Member for Finance, Growth, and Investment	
Open Report	For Information
Wards Affected: None	Key Decision: No
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Accountable Director: Claire Symonds, Deputy Chief Executive and 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 first quarter of the financial year 2018/19. 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>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Note the contents of the 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 first quarter of 2018/19.	
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 first quarter of the 2018/19 municipal and financial year and covers the overall progress of each element of the service since April 2018. 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 remains the same as 2017/18 at 96%. The Council Tax arrears target has increased by £180,300 to £2,302,300. The General Income target has increased by 0.2% to 96.2% which approximately equates to an additional £200k.

2. Proposal and Issues

- 2.1 Set out in Table 1 below is the performance for quarter one of 2018/19 achieved for the main areas of debt managed by Elevate.

Table 1: Collection Rate Performance – Quarter one 2018/19

Type of Debt	Year end target	Quarter 1 target	Quarter 1 Performance	Variance	Actual collected
Council Tax	96.00%	30.20%	29.80%	-0.40%	£22.672m
Council Tax Arrears	£2.302m	£0.845m	£0.917m	+£0.071m	£0.917m
NNDR	98.30%	30.70%	30.40%	-0.30%	£19.485m
Rent	96.75%	23.60%	23.64%	+0.04%	£23.788m
Leaseholders	98.30%	30.17%	30.20%	+0.03%	£1.305m
General Income	96.20%	77.80%	84.20%	+6.40%	£14.571m

Council Tax Collection Performance

- 2.2 Council Tax collection for Quarter 1 is 0.4% below the target.
- 2.3 The amount of Council Tax charged in 2018/19 has increased by £5.3m compared with 2017/18.
- 2.4 Alongside this increase in Council Tax charged, Council Tax Support has decreased month on month since the start of 2018/19. By the end of Quarter 1 of 2018/19 CTS

payments had dropped by £159k compared with an increase of £132k of the same period in 2017/18.

- 2.5 The CTS caseload continues to drop month on month. At the end of quarter 1 2017/18 CTS made up 15.8% of the total Council Tax charged, this has now decreased to 14.9% in 2018/19.
- 2.6 This reduction is the equivalent of £820k. This is the additional Council Tax that will be charged to Council Tax payers.
- 2.7 Council Tax Support will be carefully monitored over the coming months to determine whether this trend is likely to continue and its resulting impact on collection rates.

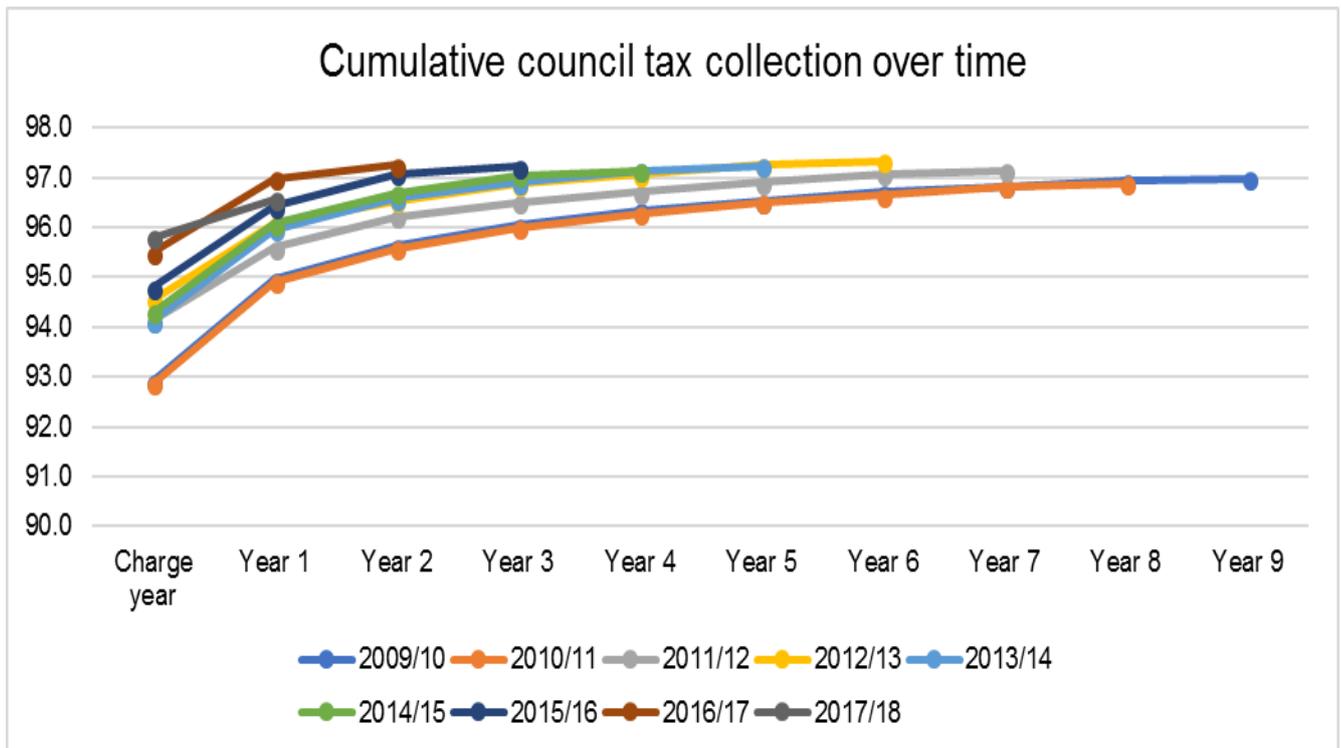
Council Tax Arrears

- 2.8 In quarter 1 arrears collection was £71k above the target.
- 2.9 The Council Tax Collection Team continues to face numerous challenges around Council Tax collection. These include the Council Tax Support scheme, the increasing number of properties within the borough increases in the Council Tax charge and the introduction of Universal Credit. The table below shows how Council Tax collection continues long after the initial charge year:

Table 2:

Quarter 1 18-19										
Year	Charge year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
2009/10	92.9	94.9	95.6	96.0	96.3	96.5	96.7	96.8	96.9	97.0
2010/11	92.9	94.9	95.6	96.0	96.3	96.5	96.6	96.8	96.9	
2011/12	94.1	95.6	96.2	96.5	96.7	96.9	97.1	97.1		
2012/13	94.6	96.1	96.5	96.9	97.1	97.3	97.3			
2013/14	94.1	96.0	96.6	96.9	97.1	97.2				
2014/15	94.3	96.1	96.7	97.1	97.1					
2015/16	94.8	96.4	97.1	97.2						
2016/17	95.5	97.0	97.2							
2017/18	95.8	96.6								

- 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 for quarter 1 was 0.3% behind target. LBBB have leased some of its property to other parties.
- 2.12 Business Rates was paid in full at the start of the year by LBBB for these properties and they will now be paid over 12 months. Therefore, collection is phased over a longer period. However, these payments will be received, and collection remains buoyant.

Rent Collection Performance

- 2.13 Rent collection for quarter 1 is 0.04% above target
- 2.14 Close working with My Place continues and referrals to the Homes and Money Hub for those tenants in most need of assistance started in Quarter 1.

Reside Collection Performance

- 2.15 In addition to collecting rent owed on Council tenancies, Elevate also collects the rent for the Barking & Dagenham Reside portfolio. Quarter 1 collection is 99.76% which is 0.26% above target.

Leaseholders' Debt Collection Performance

- 2.16 Leaseholder collection for quarter 1 is 0.03% above target.

General Income Collection Performance

- 2.17 General Income collection for quarter 1 is 6.4% above target. Fluctuations in invoicing can result in higher or lower percentages of collection. However, collection remains strong in this area.

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

- 2.18 Homecare collection for quarter 1 is 2.21% above target.
- 2.19 Residential collection for quarter 1 is 5.3%.
- 2.20 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

- 2.21 Road Traffic Enforcement collection for quarter 1 is 1.9% behind target.
- 2.22 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
- 2.23 In June 2017 Parking passed 2,306 warrants to Elevate to issue to Enforcement Agents. Collection rates are measured 12 months after they are passed to Elevate. Out of those warrants 97% were already over 12 months old and 74% had more than two PCNs. The age of the warrants has a significant impact upon the Enforcement Agents ability to collect the penalty. Where there are multiple PCNs, again the Agents ability to collect the penalty in full is reduced.

Housing Benefit Overpayments

- 2.24 Housing Benefit overpayment collection for 4.4% above the target.
- 2.25 Creation of Housing Benefit Overpayments (HBO) has begun to decrease in comparison with last year due to the conclusion of Real Time Information (RTI). This coupled with continued recovery action has shown an increase in collection rates. HBO may increase when Verify Earnings and Pensions Service (VEP) is introduced which will replace RTI.

Enforcement Agent (Bailiff) Performance

- 2.26 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.
- 2.27 Information on the performance of the Enforcement Agents is set out in the table below by type of debt for the first quarter of 2018/19.

Table 3: Enforcement Agent Collection Rates – 2018/19

Service	Value sent to enforcement agents £	Total collected by enforcement agents £	2018/19 Collection rate %
Council Tax	£2,566,723	£46,080	1.80%
NNDR	£1,178,227	£67,049	5.69%
Commercial rent	£0	£0	0%
General Income	£0	£3,268	21.73%

Debt Write-Offs: Quarter 1 2018/19

- 2.28 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 Chief operating Officer and subsequently approved for write off during the first quarter of 2018/19 totalled £140,573. The value and number of cases written off in first quarter is provided in Appendix A.
- 2.29 76 debts were written off in quarter 1 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 – 2018/19 Quarter 1

Absconded/not traced	Uneconomic to pursue	Debtor Insolvent	Deceased	Other reasons
£128	£11,050	£0	£17,526	£11,070
0.3%	28%	0%	44%	28%
1	6	0	61	8
1.3%	28%	0%	80%	11%

“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

2.30 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 Deputy Chief Executive and Chief Operating Officer

5. Financial Implications

Implications completed by: Lance Porteous, Finance Business Partner

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 1, performance has not achieved its targets in some key collection areas: Council Tax and Business Rates.

5.4 Performance on Council Tax is currently below the target by 0.4%, which is equivalent to a cash shortfall of £91k. NNDR is currently below the target by 0.3%, which is equivalent to a cash shortfall of £59k.

5.5 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 this reduces the funding available for other expenditure.

5.6 The level of write offs at the end of quarter 1 total £140,573. It is important that bad debts are written off promptly so that the Council can maintain the appropriate bad debt provision.

6. Legal Implications

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 1 2018/19
- **Appendix B** – Total debts written off in 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18