

CABINET

16 March 2021

Title: Debt Management Performance 2020/21 (Quarter 3)	
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 Director: Mark Fowler, Director of Community Solutions	
Accountable Strategic Leadership Director: Claire Symonds, Chief Operating Officer	
Summary This report sets out the performance of the Revenues service in the collection of revenue and debt management for the third quarter of the financial year 2020/21. The report demonstrates that performance is stable and continuing to improve year on year in terms of overall cash collection, though continuing to be impacted by Covid-19 and welfare reform measures.	
Recommendation(s) The Cabinet is recommended to: (i) Note the performance of the debt management function carried out by the Council's Revenues service; and (ii) Note the impact of Covid-19 on collection levels across all revenue streams and the continued recovery techniques applied to reduce the impact of the pandemic.	
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 The Council's Revenues, Benefits, General Income and Rents Service was operated by the Council's joint venture company, Elevate East London LLP (Elevate). This service returned to the Council on the 1st September 2020. 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 third quarter of the 2020/21 municipal and financial year and covers the overall progress of each element of the service since April 2020. 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 25 April 2017.

1.3 The Revenues 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 for unpaid parking debts

2. Covid-19 – debt recovery restrictions

2.1 The Covid-19 pandemic has had a significant impact upon businesses and residents living and working in the borough. It has also prevented many of the standard debt recovery practices utilised by the Revenues Service

2.2 The following restrictions have impacted collection rates:

- Magistrates' and County Court have not operated normally. It has not been possible for the Magistrates' court service to hold safe hearings for the application of Liability Orders for Council Tax or Business Rates. Similarly, it has not been possible for County Court to hold eviction hearings.
- Evictions were prohibited by Government legislation
- Enforcement agents were prohibited from visiting debtors, although they were permitted to continue writing and/or calling debtors.
- Payments being deducted from benefits to pay for Housing Benefit were halted whilst the DWP diverted resources to deal with the increase in Universal Credit applications.

2.3 As a result the Revenues service has changed its approach to debt recovery in the following ways:

- Reminder letters have been reviewed and have placed a much greater emphasis on the need for residents to make contact if they are experiencing financial difficulty.
- Instalments for Council Tax and Business Rates have been recalculated to start later in the year where payers are affected by the Covid.
- Residents experiencing financial difficulty have been advised to pay as much as they can afford and have been advised to apply for Discretionary Housing Payments, Council Tax discretionary relief and to contact the Homes and Money Hub for the following assistance:
 - Budgeting assistance

- Training advice
- Referral to the Job shop
- Maximisation of benefit entitlement
- Tenancy sustainment

3. Financial impacts upon residents

3.1 Data from Government and local sources indicate a significant increase in residents requiring support. The table below shows the number of residents in receipt of Universal Credit (UC) at the end of August.

Increases in the number of people claiming Universal Credit reduced through the Summer and early Autumn and then increased again in November and December. This may be linked to lockdown periods and tougher restrictions.

Month	UC claimants	Monthly increase
February	13,913	
March	14,544	631
April	18,077	3,533
May	26,405	8,328
June	27,866	1,461
July	28,620	754
August	28,966	346
<i>September</i>	<i>29,405</i>	<i>439</i>
<i>October</i>	<i>30,054</i>	<i>649</i>
<i>November</i>	<i>31,279</i>	<i>1,225</i>
<i>December (provisional)</i>	<i>32,244</i>	<i>965</i>

3.2 To further support residents, this year the following discretionary hardship payments have been made.

Discretionary Hardship Payments	Quarter 1	Quarter 2	Quarter 3
Number paid	179	355	462
Value Paid	£92,730	£209,399	£267,385

3.3 Discretionary Housing Payment have increased significantly compared with the same time last year. 93% of the Discretionary Housing Payment allocation has now been spent in comparison with 79% at the end of December 2019.

Discretionary Housing payments	2019/20	2020/21
Number paid	643	989
Value Paid	£762,440	£1,147,828

4. Council Tax

4.1 Collection Rates

Current year		
Period	Percentage reduction	Payments delayed
Quarter 1	-1.9%	£1,651,979
Quarter 2	-2.2%	£1,866,019
Quarter 3	-2.3%	£1,939,640

4.2 Throughout quarter 3 collection rates have not dropped significantly and remain relatively stable. This is mainly due to the continued contact being made with residents. Residents have been able to discuss realistic payment plans and receive assistance from the Homes and Money Hub.

4.3 Arrears

Arrears (debts prior to April 20)	
Period	Payment reduction (cumulative)
Quarter 1	-£362,139
Quarter 2	-£567,697
Quarter 3	-£733,502

4.4 Many residents who are finding it difficult in the current year also have arrears from previous years.

The Council Tax team continue to assist residents in financial difficulties. Alongside discretionary reductions to Council Tax, costs are removed wherever possible.

Council Tax discretionary award	Granted	Discounts awarded	Court costs removed	Bailiff costs removed	Total assistance
Council Tax discretionary award	£36,517	£19,088	£17,097	£6,117	£78,819

4.4 There have been 344 applications for support and 135 residents have been granted a reduction to their Council Tax. Those that have failed to qualify have been given budgeting advice and new payment plans put in place to help them out of debt.

5. Recovery actions

5.1 Since the start of the pandemic a “softer” approach to debt recovery has been taken. Statutory reminders and recovery action has been suspended and residents that have missed instalments have been issued with reminders encouraging them to make contact.

- 5.2 From November statutory debt recovery action recommenced and reminders have been sent. These reminders have been sent in stages based on the value of the debt accrued throughout the year.

Reminders			
Criteria	Date issued	Number	Value
>£900 (Current year)	13/11/2020	1,352	£1,473,186
>£500 (Current year)	20/11/2020	1,970	£1,419,377
>£200 (Current year)	27/11/2020	2,053	£712,839
>£100 (Current year)	04/12/2020	2,474	£384,553
Total		7,849	£3,989,955

- 5.3 The court service will allow Local Authorities to hold virtual courts from January. A pilot court will be held in February with 99 summonses being issued in January. The virtual court will be held at the BLC. The summons has been altered to discourage attendance. In addition, the Court Service has produced an insert explaining the court process and discouraging attendance and a further insert has been designed to explain that the resident should contact the Council rather than attending.

- 5.4 In case residents still go to the BLC Council Tax officers will attend and see any attendees outside the building. In addition, an officer will attend Barkingside Magistrates' Court as this is where hearings are normally held. The attendee's details will be taken, and contact made shortly after. Where the attendee

6. **Business Rates**

6.1 **Collection Rates**

Period	Current year	
	Percentage reduction	Payments delayed
Quarter 1	-3.4%	£1,601,265
Quarter 2	-7.3%	£3,248,761
Quarter 3	-9.3%	£3,805,525

- 6.2 Collection rates continue to reduce as businesses struggle to make payments this year.
- 6.3 Quarter 3 has seen a number of new Local Restrictions grant (LRSG) schemes introduced in line with lockdown and the tier system.

Scheme	Period	Description	Paid to date
LRSG (open)	17/10/20 – 04/11/20	Tier 2 impacted	£131,945
LRSG (closed)	05/11/20 – 02/12/20	National lockdown	£782,218
Wet led pubs	02/12/20 – 29/12/20	Pubs where drink generates more than 50% of income	£16,000

LRSO (open)	02/12/20 – 15/12/20	Tier 2 impacted but remain open	£0
LRSO (closed)	02/12/20 – 15/12/20	Tier 2 impacted but are required to close	£0
LRSO (open)	16/12/20 – 19/12/20	Tier 3 impacted	£0
LRSO (closed)	16/12/20 – 19/12/20	Tier 3 impacted but are required to close	£0
LRSO (closed)	20/12/20 – 04/01/21	Tier 4 impacted	£0
LRSO (closed) addendum	05/01/21 – 15/2/21	National lockdown	£0
Closed business lockdown payment	05/03/21 – 31/3/21	One off payment for lockdown	£0
Additional restrictions grant	05/11/20 – 3/3/22	Discretionary grant scheme	£360,140

Figures as of 8 February 21

- 6.4 The Additional Restrictions Grant is currently being partially used for businesses that failed to qualify for the open grants scheme. The total allocation from Government for this scheme is £6.1m to be used throughout the remainder of 20/21 and 21/22. A scheme is currently in development and will in part offer business support to applicants
- 6.5 The initial open and closed schemes required businesses to submit an application and these will be used to pay the remaining schemes. These payments will be issued in February.
- 6.6 The ministry responsible for grant schemes, the Department for Business, Energy & Industrial strategy (BEIS) continue to ask for regular detailed reports of progress. Although, BEIS have recently asked Local Authorities what slows the issuing of grants, and the level and frequency of reporting was cited as being one of the contributing factors, BEIS continues to request further layers of detail.
- 6.7 The team continue to process applications and issue grants as quickly as possible. It is estimated that all current grant schemes will be fully completed by mid-March.

7. Rents

Period	Percentage reduction	Payments delayed
Quarter 1	-1.66%	£1,702,155
Quarter 2	-2.52%	£2,576,324
Quarter 3	-3.07%	£3,140,287

- 7.1 Rents collection continues to reduce as a result of the pandemic. The use of “soft” reminders also continues as evictions have currently been stopped by Government and cannot recommence until July.
- 7.2 The team is engaging with tenants by outbound calling and by reminder letters. To further increase contact with tenants’ additional resources will be brought in during the last quarter. New staff will work in two areas, they will look at lower debts to identify those falling into debt and to help assist with budgeting and payment

agreements and they will focus upon higher debts where court orders have been broken.

Reminders issued	
Period	Reminders issued
Quarter 1	4,401
Quarter 2	2,624
Quarter 3	5,834

- 7.3 The restrictions upon eviction action are having a detrimental effect upon collection rates. There are currently 949 cases with a value of £2m that have court orders where the tenant has been ordered by the court to pay. In 346 of these cases the court order is not being adhered to and would have been summoned to reappear at court.
- 7.4 Contact by phone has been attempted in these cases but new letters will be sent advising that action will continue later in the year if the order is not brought back up to date and further contact will be carried out by the new resource.
- 7.5 New reminders will be sent in Quarter 4 warning tenants of the consequences of continued non-payment. These letters will be sent to tenants who have failed to make contact or continue to pay less than require without acceptable reason.
- 7.6 The Rents Team contact tenants by reminder and by outbound calling. Since evictions will not now take place until July the team will focus more heavily upon outbound calling.
- 7.7 As recovery action has been suspended this year the Rents team have received fewer calls, 21k in 19/20 compared with 19k this year, however average handling times for these calls have increased by over 1 minute to 9 minutes per call. This is due to the more complex nature of the calls.
- 7.8 To allow staff to focus more upon about bound contact, incoming calls will be taken by the Contact Centre with the Rents team providing support if required. This will increase the capacity to target nonpayers and allow a greater length of time for budgeting assistance and benefit maximisation.

8. **Reside**

Period	Percentage reduction
Quarter 1	-0.32%
Quarter 2	-0.18%
Quarter 3	-0.21%

- 8.1 An alternative methodology for measuring collection is being developed and will be reported in quarter 4.
- 8.2 Reside residents have also experienced financial difficulties due to the pandemic and arrears have increased from £168k in February 20 to £397k in December.

- 8.3 To deal with this increase, resource has been doubled from two to four and all residents have been contacted to discuss repayment plans. The majority of residents in arrears have been contacted.
- 8.4 57 residents in arrears could not be contacted. Evening calls were made to try and make contact. Over a 12-hour period 43 of the 57 tenants were contacted. The results are shown below.
- 8.5 Where possible, alternative payment agreements were made with tenants. In 21 cases the tenants' financial situation did not allow them to make an agreement to pay regular payments. These tenants will be monitored and contacted on a regular basis.
- 8.6 Due to the success of this exercise, outbound calling has now been built into the process and so will continue.

Result	Tenants	Arrears
Arrears now clear	3	£0
Unable to commit to a payment plan but are paying as much as they can afford – monitoring to continue	21	£71,743
Current payment agreement will clear arrears by March 2021	1	£191
Current payment agreement will clear arrears by June 2021	2	£4,143
Current payment agreement will clear arrears by 2021	2	£2,815
Current payment agreement will clear arrears by 2021	1	£3,168
Current payment agreement will clear arrears by 2022	13	£54,584
TOTAL	43	£136,647

9. General Income

Period	Percentage reduction	Payments delayed
Quarter 1	-23.3%	£4,222,086
Quarter 2	-16.3%	£12,223,466
Quarter 3	-11.8%	£13,649,061

- 9.1 General Income collection has steadily improved throughout the year. The team have spent quarter 3 focusing on larger debts ensuring that delayed payments are paid.

9.2 Homecare – Adult Social Care

Period	Percentage reduction	Payments delayed
Quarter 1	-34.4%	£123,937
Quarter 2	-25.8%	£224,434
Quarter 3	24.8%	330,594

- 9.3 Whilst the percentage of collection has increased over the past two quarters, the value of delayed payments has also increased. This is due to the new charging

policy introduced in 20/21 and has increased charges by £686k compared with December 2019.

9.4 The team has increased collection by £164k compared with the same time last year and are focused upon helping residents to make affordable payments agreements.

10. Housing Benefit Overpayments

Period	Payments delayed
Quarter 1	-£350,870
Quarter 2	-£810,052
Quarter 3	-£1,180,594

10.1 The team continue to assist debtors that are struggling to maintain payment due to the pandemic. However, debtors with larger debts are being pursued. In December one of the larger debts was successfully settled and a payment in full of £99k was received with £7k of interest also paid.

10.2 The amount of Housing Benefit overpayment created this year is £3.3m, this is a reduction of £1.1m, and creation has been reducing steadily over the past two years.

11. Collection rates

11.1 The table below shows collection rates compared with the end of quarter 3 19/20

Revenue stream	Dec-19	Dec-20	Variation
Council Tax	81.8%	79.5%%	-2.3%
Council Tax arrears	£1,914,319	£1,180,817	-£733,502
Business Rates	79.7%	70.4%	-9.29%
Rents	71.46%	68.29%	-3.07
Former Tenants arrears	£146,819	£104,659	-£42,160
General Income	94.37%	82.53%	-11.84
Commercial rent	95.95%	81.99%	-13.97%
Homecare	72.14%	47.36%	-24.78%
Housing Benefit overpayments	£4,210,227	£3,398,692	-£1,180,594
Reside	99.68.%	99.46%	-0.21%
Leasehold	67.66%	72.64%	+4.98%

12. Financial Implications

Implications completed by: Kofi Adu, Group Accountant

12.1 Compared to the same period last year, collection rates are reduced across most categories of debt. This is due to the impact of the Covid-19 pandemic on the ability of residents and businesses to pay, given their reduced financial

circumstances and also on restrictions placed on the debt collection process as outlined in para 2.2 above.

- 12.2 The Revenues team has been working closely with Community Solutions to identify residents in financial difficulty and to provide support to assist in tackling financial problems and managing debt. In addition, a new data led approach is being taken which is more targeted.
- 12.3 Collecting all debts due is critical to funding the Council and maintaining cashflow. Monthly performance monitoring meetings with Director of Community Solutions focus on where the targets are not being achieved to improve prompt collection of Council revenues.
- 12.4 The Council maintains a bad debt provision which is periodically reviewed. Increases to the provision are met from the Council's revenue budget and reduce the funds available for other Council expenditure.
- 12.5 The risks to the council's general fund posed by covid-19 debt recovery restrictions are monitored regularly and reported to ensure mitigated actions are taken to minimise the financial impact to the council.

13. Legal Implications

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

- 13.1 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.
- 13.2 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.
- 13.3 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. The decision to write off debts has been delegated to Chief Officers who must have regard to the Financial Rules.

- 13.4 As observed the Covid 19 pandemic is having a detrimental effect on debt management with a combination of severe pressures on households and businesses due to the sudden reduction of economic activity compounded by the future uncertainty of when an effective vaccine will become widely available. The picture is that it is unlikely to be before spring 2021 at the earliest that any recovery will begin.
- 13.5 Furthermore the Government has provided in the Coronavirus Act 2020 in schedule 29 that there will be protection from eviction for residential tenancies. This includes Housing Act 1985 public sector tenancies and introductory tenancies. Notice of possession will need to be given for three months ahead. The Secretary of State has the power to extend the requirement. The Coronavirus Act 2020 (Residential Tenancies: Protection from Eviction) (Amendment) (England) Regulations 2020 has amended time span for these rules to run to 31 March 2021. Bearing in mind the Regulations were made effective on 28 August 2020, before the current measures, we should anticipate that the relevant time span date is bound to be extended later in 2021.
- 13.6 The inevitable debt management implications are that with legal enforcement options limited because of the national Covid 19 crisis, the short term debts and more particularly irrecoverable debts are anticipated to increase despite the very best efforts of all the teams involved nevertheless the message that debts will be pursued in due course is being pressed home.

Public Background Papers Used in the Preparation of the Report: None

List of appendices: none