

CABINET

21 September 2021

Title: Debt Management Performance 2021/22 (Quarter 1)	
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: Mark Fowler, Strategic Director of Community Solutions	
Summary This report sets out the performance of the Revenues service in the collection of revenue and debt management for the first quarter of the financial year 2021/22. 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 note the performance of the debt management function carried out by the Council's Revenues service, including the improvement of collection rates and the continued recovery techniques applied to reduce the impact of the COVID-19 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. This report sets out performance for the first quarter of the 2021/22 municipal and financial year and covers the overall progress of each element of the service since April 2021.
- 1.2. 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 restrictions on court action for Council Tax were lifted in December 2020, and virtual courts were introduced. The ban on evicting tenants for non-payment of rent was lifted on the 1 June 2021.
- 2.2. After a trial court held in January 2021, the first major Council Tax court was held in February 2021 and have continued since monthly. Liability orders are obtained at the court, in bulk, and allow further enforcement action to be initiated, i.e., Enforcement Agents. Courts were initially limited by the Court Service to 1,500 summonses and have now been increased to 3,000.

3. Financial impacts upon residents

- 3.1. Data from Government shows a continued increase in residents claiming Universal Credit. However, the increase slowed in April and May but increased again in June.

Month	People on Universal Credit	Monthly change
Feb-20	13,913	
Mar-20	14,544	631
Apr-20	18,077	3,533
May-20	26,405	8,328
Jun-20	27,866	1,461
Jul-20	28,620	754
Aug-20	28,966	346
Sep-20	29,405	439
Oct-20	30,054	649
Nov-20	31,279	1,225
Dec-20	32,019	740
Jan-21	32,206	187
Feb-21	32,517	311
Mar-21	32,681	164
Apr-21	32,691	10
May-21	32,730	39
Jun-21 (provisional)	32,962	232

- 3.2. These statistics are taken from the DWP website and June is a provisional figure and is likely to change.

4. Council Tax

- 4.1. Collection Rates

Council Tax		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 1	+2.2%	+£2,017,096

Council Tax		
Period	Increase/decrease 2019/20 %	Increase/decrease 2019/20 £
Quarter 1	+0.3%	+£267,000

4.2. Arrears

Council Tax		
Period	Increase/decrease 2020/21	Increase/decrease 2019/20
Quarter 1	+£406,015	+£43,876

4.3. In 2019/20 a total of 12,354 summonses were issued for non-payment throughout the course of the year, whereas since January 2021, 11,532 have been issued. This placed significant pressure upon the service and additional resource has been brought in to assist. The table below shows the number of summonses issued since April 2020; summonses were not sent in March 2020 due to the pandemic.

Month	2019/20	2020/21	2021/22
April	614	0	1,854
May	3,493	0	545
June	1,455	0	5,957
July	1,047	0	
August	1,060	0	
September	939	0	
October	655	0	
November	887	0	
December	963	0	
January	970	99	
February	271	1,408	
March	0	1,669	
Total	12,354	3,176	8,356

4.4. Whilst summonses have been issued, care is being taken to ensure that residents are supported and where appropriate summonses are withdrawn to avoid unnecessary action and costs.

4.5. For residents still in financial difficulty, budgeting advice is being give and affordable payment agreements are being made.

4.6. Support is also given by the Homes and Money Hub where the resident may be experiencing more complex problems and the following assistance is also given:

- Budgeting assistance (income and expenditure)
- Training advice
- Referral to the Job shop
- Maximisation of benefit entitlement
- Tenancy sustainment

- 4.7. Collection rates have improved but it is still evident that some residents are experiencing financial difficulty because of the pandemic. However, the emphasis placed on supporting these residents has in many cases helped them to restart payment and better control their debts.

5. Business Rates

5.1. Collection Rates

Business Rates		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 1	-0.4%	-£235,026

Business Rates		
Period	Increase/decrease 2019/20 %	Increase/decrease 2019/20 £
Quarter 1	-4.6%	-£2,442,774

- 5.2. Quarter 1 collection rates are below the same time in 2020/21. This is as a result of the change in Retail, Hospitality and Leisure Rate Relief which took place in June. Prior to this adjustment, collection rates had improved and as a result both April and May returned a 1% increase compared with 2020/21.
- 5.3. Retail Rate relief existed prior to April 2020 and businesses received a 50% reduction. In 2020/21 the Government increased the relief to 100% and extended it to hospitality and leisure sectors. In 2021/22 the Government again amended this relief, giving businesses 100% relief for the first 3 months and then reducing this to 66% for the remainder of the year.
- 5.4. The 100% relief was adjusted to 66% in June to allow businesses to begin making payment in July. As a result, the amount to be collected for the year increased by £4.4m and the collection percentage reduced. This is expected to quickly improve in the second quarter.
- 5.5. All Government grants have now been paid. This includes the Additional Revenues Grant (ARG) of £6.1m. A further £1.2m will be allocated by Government and will partially fund the BEC business support project.
- 5.6. Recovery of Business Rates will recommence in July. Businesses will be sent a letter or called prior to the first reminder being sent to advise them that payment of contact is essential.

6. Rents

6.1. Collection Rates

Rents		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 1	+0.35%	+£360,740

Rents		
Period	Increase/decrease 2019/20 %	Increase/decrease £
Quarter 1	-0.2%	-£168,893

- 6.2. Collection rates have significantly improved in the first quarter of 2021/22. Additional resources have been used to increase the number of residents in arrears that can be contacted.
- 6.3. Whilst some tenants are still experiencing financial difficulty because of the pandemic, work continues to assist them in making regular payments and to work towards clearing arrears where this is possible.
- 6.4. Throughout 2020/21 and the first quarter of 2021/22, statutory reminders have not been sent due to the ban on evictions. Tenants have still been regularly contacted by phone and by letter but the process leading to eviction was suspended.
- 6.5. This process will be restarted in July 2021 and all cases with arrears reviewed and statutory reminders will be sent. This restarting of the process will allow for eviction action to commence for those tenants deliberately not paying their rent.

7. Reside

- 7.1. During the latter part of 2020/21 the methodology used to measure collection rates was reviewed. As a result, a more accurate measurement was devised and applied.
- 7.2. The table below shows performance against target for 2021/22.

RESIDE		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 1	+2.31%	+£323,209

- 7.3. The team continue to contact tenants that have fallen into arrears. Only 10 cases remain where contact cannot be established from an initial 70 case with arrears. All contacted cases are making payment to bring their accounts up to date.
- 7.4. Visits to the remaining tenants that have failed to pay or make contact will take place during quarter 2.
- 7.5. A full review of cases with large or increasing arrears will be undertaken during quarter 2 and where appropriate the process of eviction started.

8. General Income

8.1. Collection Rates

General income		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 1	+0.35%	+£360,740

General income		
Period	Increase/decrease 2019/20 %	Increase/decrease 2019/20 £
Quarter 1	-21.03%	-£2,946,072

- 8.2. General Income collection frequently varies depending on when invoices are issued during the quarter.
- 8.3. In preparation for the Oracle replacement system, issuing departments have been undertaking a cleansing exercise. This has resulted in significant changes to the invoicing structure within Oracle. This has made accurate comparisons between departments problematic.
- 8.4. Whilst changes to the invoicing structure has made comparisons difficult, the database cleansing exercise is an essential piece of work and will ensure that the new system operates correctly. The team continue to pursue unpaid invoices to ensure collection rates improve.

9. Homecare – Adult Social Care

9.1. Collection Rates

Homecare		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 1	+9.7%	+£34,679

Homecare		
Period	Increase/decrease 2019/20 %	Increase/decrease 2019/20 £
Quarter 1	-25.3%	-£90,783

- 9.2. Due to the cleansing exercise in Oracle, some invoices attributed to Homecare have been moved to different issuing departments and renamed. This has made collection comparisons problematic and only so collection rates shown in this report will have a level of error.
- 9.3. A review of these changes is being undertake with the intention of producing a collection rate from the end of July onwards, however it is unlikely that this will be comparable with previous collection rates.

10. Housing Benefit Overpayments

10.1. Collection Rates

Housing Benefit Overpayments		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 1	-0.69	-£176,426

Housing Benefit Overpayments		
Period	Increase/decrease 2019/20 %	Increase/decrease 2019/20 £
Quarter 1	-1.64%	-£423,122

10.2. Housing benefit overpayment collection has reduced because of the increase in debtors applying for Universal Credit.

10.3. A main source of Housing Benefit Overpayment income is via deductions from ongoing housing benefit or directly from earnings. The increase in Universal Credit claimants has had a direct effect upon this stream of income. The DWP prioritises deductions and Housing Benefit Overpayments are given a lower priority, below mortgage, rent, child maintenance, council tax, gas, electricity, fines etc.

10.4. Direct deductions from earnings are also lower than before the pandemic due to the increases in Universal Credit claimants.

10.5. The team is currently focusing upon identifying debtors that would normally be paying via these deductions to pursue direct payment.

11. Collection rates

11.1. The table below shows collection rates for quarter 1. Targets are based primarily upon 2020/21 collection rates and the stretch target 2019/20.

Collection Area	Collection Rate	Target	Stretch
Council Tax current year	29.83%	27.6%	29.5%
Council Tax arrears	£828,254	£422,239	£784,378
Rents	23.12%	22.77%	23.28%
Business Rates	26.63%	27.1%	27.1%
General Income	64.32%	62.02%	85.35%
Leasehold	44.41%	37.66%	38.43%
Commercial rent	53.74%	47.54%	51.40%
Homecare	43.34%	33.7%	68.6%
Housing Benefit Overpayment	3.58%	4.27%	5.23%
Reside	82.72%	82.40%	87.40%

11.2. In some cases, the stretch target has been adjusted due to external changes that are not within the control of the service i.e., Business Rates stretch target has been adjusted due to the change in the Retail Hospitality Relief.

12. Financial Implications

Implications completed by: Kofi Adu, Group Accountant

- 12.1. Compared to the same period last year, collection rates are higher across most categories of debt, 2019/20 pre-pandemic collection rates are slightly higher in a couple of areas, but collection rates are gradually improving. 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 on restrictions placed on the debt collection process as outlined in Section 2 above.
- 12.2. The Revenues team has been working closely with the wider 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. It is anticipated that the introduction of community banking in the borough will accelerate the wider support given to residents in financial difficulty and managing debt.
- 12.3. Collecting all debts due is critical to funding the Council and maintaining cashflow. Monthly performance monitoring meetings with the Strategic 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. The financial impact of court cases due to Covid-19 is also being monitored and reported regularly.

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 often suspend the possession order on condition the tenant contributes 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. Even though the vaccination programme has contributed to a recovery it is anticipated that it will not be until well into autumn before economic normality is approached and many businesses and activities may not return in the same form.
- 13.5. The inevitable debt management implications are that with the legal enforcement options being limited by Government measures preventing the resort to eviction as a means to enforcement of debt for all of the financial year 2020 to 2021 because of the national Covid 19 crisis, the short-term debts and more particularly irrecoverable debts inevitably increased despite the very best efforts of all the teams involved. Now this last option has been restored the message that debts will be pursued in due course is being pressed home however such action is tempered with targeted efforts to help citizens and businesses successfully manage their debts.

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

List of appendices: None