

CABINET

14 December 2021

Title: Debt Management Performance 2021/22 (Quarter 2)	
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 second 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 second 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. Financial impacts upon residents

- 2.1. Data from Government shows a small reduction in residents receiving Universal Credit since June, but the August 2021 number remains 130% higher than February 2020. September's figure is provisional and is likely to reduce as DWP have historically overestimated unconfirmed figures.

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	32,441	-289
July-21	32,255	-186
August-21	32,005	-250
September-21*	32,117	112

3. Council Tax

- 3.1. Current Year Collection Rates

Council Tax – current year		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 2	+2%	+£1,837,947

Council Tax – current year		
Period	Increase/decrease 2019/20 %	Increase/decrease 2019/20 £
Quarter 2	-0.1%	-£87,321

- 3.2. Arrears Collection

Council Tax		
Period	Increase/decrease 2020/21 £	Increase/decrease 2019/20 £
Quarter 2	+£740,546	+£172,849

- 3.3. Collection rates for the current year remain 2% above 2020/21 and are almost in line with 2019/20.
- 3.4. At the end of quarter 1, council tax collection was 2.2% above 2020/21. This has reduced in quarter 2 due to the application of the Government's Covid-19 Covid hardship fund in August 2020, where £150 was applied to all working age council taxpayers accounts where they were in receipt of council tax support. This reduced the collectable amount by £1.8m and therefore increased the percentage of collection.
- 3.5. In addition, the net collectable debit increased in the quarter by £159,000 due to a mix of new properties and reviews of discounts and exemptions. It has increased by £423,000 since April 2021. We estimate that it will increase by approximately £1,200,000 by March 2022. Taking these into consideration council tax collection is significantly higher at the end of quarter 2 2021 when compared to 2020/21.
- 3.6. Many council taxpayers are paying arrears that accrued at the end of 2019/20 and throughout 2020/21. As a result, arrears collection is considerably higher.
- 3.7. The service is acutely aware of the financial impact of the pandemic upon taxpayers. Affordable repayment plans are being agreed with taxpayers to help them catch back up and minimise the risk of them taking out unaffordable loans.
- 3.8. 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. Business Rates

4.1. Current Year Collection Rates

Business Rates		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 2	+3.53%	+£1,924,467

Business Rates		
Period	Increase/decrease 2019/20 %	Increase/decrease 2019/20 £
Quarter 2	-3.9%	-£2,104,554

- 4.2. Quarter 2 collection rates are now exceeding rates in 2020/21. Debt recovery action restarted during quarter 2 with 1,000 summonses being issued for non-payment. However, only 400 cases progressed to court with all other businesses making contact to discuss repayment.

- 4.3. The amount of business rates charged is increasing and has increased by £1m in quarter 2. Whilst there are significant increases and decreases in business rates throughout the borough, the net effect is an increase in the amount being charged and indicates business growth in the borough.

5. Rents

5.1. Collection Rates

Rents		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 2	+0%	+£0

Rents		
Period	Increase/decrease 2019/20 %	Increase/decrease 2019/20 £
Quarter 2	-0.3%	-£279,665

- 5.2. Collection of rent in percentage terms is level with 2020/21 and 0.3% lower than 2019/20. However, tenants transitioning from Housing Benefit (HB) to Universal Credit (UC) has increased the amount of rent to collect.
- 5.3. The table below shows the quarterly reduction in council tenants claiming Housing Benefit

Month	HRA HB claimants	Reduction
Apr-19	7,997	
Jun-19	7,749	-248
Sep-19	7,499	-250
Dec-19	7,279	-220
Mar-20	7,060	-219
Jun-20	6,858	-202
Sep-20	6,723	-135
Dec-20	6,554	-169
Mar-21	6,372	-182
Jun-21	6,223	-149
Sep-21	6,068	-155
Total		-1,929

- 5.4. Housing benefit is paid directly to the rent account on a weekly basis. Universal Credit can take between 4 and 6 weeks to be paid and tenants should then pay any arrears that have accrued.
- 5.5. The table below compares the quarter 2 position and shows the reduction in total Housing Benefit paid to council tenants since 2019/20 and the additional rent collected.

Year	Housing Benefit	Reduction
2019/20	£17,175,755	
2020/21	£16,029,364	£-1,146,391
2021/22	£14,538,230	£-1,491,135
Total		£-2,637,526

Year	Collected	Increase
2019/20	£30,270,043	
2020/21	£30,782,999	£512,956
2021/22	£33,385,048	£2,602,049
Total		£3,115,005

5.6. The amount of rent collected has increased, however the transition to universal credit and the pandemic resulted in an overall increase in rent arrears of £2.6m by the end of 2020/21.

5.7. The service continues to work with tenants to help them to recover and to assist them with the transition to Universal Credit. There are a number of tenants that have received Housing Benefit for a considerable period of time and have not been responsible for paying rent. The team alongside the Homes and Money Hub have been helping those tenants to budget and where required deduct rent directly from their Universal Credit.

6. Reside

6.1. 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.

6.2. The table below shows performance against target for 2021/22.

RESIDE		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 2	+3.7%	+£213,408

6.3. The team continue to contact tenants that have fallen into arrears and action to evict those refusing to pay will start in quarter 3.

7. General Income

7.1. Collection Rates

General income		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 2	-2.0%	-£976,824

General income		
Period	Increase/decrease 2019/20 %	Increase/decrease 2019/20 £
Quarter 2	-18.3%	-£8,930,279

7.2. General Income collection frequently varies depending on when invoices are issued during the quarter.

- 7.3. 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.
- 7.4. The overall collection position is improving month on month. Issues still remain with the timeliness of invoicing by departments; however this is in part due to the pandemic as well as the cleansing exercise.

8. Homecare – Adult Social Care

8.1. Collection Rates

Homecare		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 2	+3.4%	+£28,588

- 8.2. 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.
- 8.3. A review of these changes is being undertaken and an estimate made of comparative collection rates.

9. Housing Benefit Overpayments

9.1. Collection Rates

Housing Benefit Overpayments		
Period	Increase/decrease 2020/21 %	Increase/decrease 2020/21 £
Quarter 2	-1.01%	-£255,650

Housing Benefit Overpayments		
Period	Increase/decrease 2019/20 %	Increase/decrease 2019/20 £
Quarter 2	-3.44%	-£873,623

- 9.2. Housing benefit overpayment collection has reduced because of the increase in debtors applying for Universal Credit and an overall reduction on overpayments being raised.
- 9.3. A main source of Housing Benefit Overpayment income is via deductions from ongoing Housing Benefit or directly from earnings. The increasing number of Housing Benefit claimants that have transitioned to Universal Credit has had a direct effect upon collection.

- 9.4. The DWP prioritises deductions from Universal Credit and Housing Benefit overpayments are given a lower priority, below mortgage, rent, child maintenance, council tax, gas, electricity, fines etc.
- 9.5. This has resulted in a reduction of £342,000 in payment via deductions. Although cash collection has increased by £45,000, it is a significantly longer process to collect overpayment directly from the debtor then to deduct payments from benefits.
- 9.6. The team is currently focusing upon identifying debtors that would normally be paying via these deductions to pursue direct payment.

10. Collection rates

- 10.1. The table below shows collection rates for quarter 2. 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	53.4%	+2%	-0.1%
Council Tax arrears	£1,573,573	+£740,564	+172,849
Rents	46.24%	0%	-0.3%
Business Rates	51.8%	+3.5%	-3.9%
General Income	76.64%	-2%	-18.3%
Leasehold	64.12%	+6.3%	+17.1%
Commercial rent	87.92%	+14.5%	-6.1%
Homecare	47.05%	+3.4%	-22.3%
Housing Benefit Overpayment	7%	-1%	-3.4%
Reside	93.19%	+3.7	+3.7%

11. Financial Implications

Implications completed by: Kofi Adu, Group Accountant

- 11.1. 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.
- 11.2. 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.
- 11.3. 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.

- 11.4. 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.
- 11.5. 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.

12. Legal Implications

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

- 12.1. 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.
- 12.2. 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.
- 12.3. 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.
- 12.4. 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.

12.5. 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:

Appendix 1 – London Collection Performance Comparisons 2020-21