CABINET

20 September 2022

Title: Debt Management Performance 2022/23 (Quarter 1)	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** No
Report Author: Stuart Kirby, Revenues Manager	**Contact Details:** E-mail: stuart.kirby@lbbd.gov.uk
Accountable Director: Stephen McGinnes, Director of Support and Collections	
Accountable Strategic Leadership Director: Judith Greenhalgh, 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 2022/23. The report demonstrates that performance is becoming increasingly challenging as a result of the cost-of-living crisis.

The report also proposes an amendment to the Council's uncollectable debts write-off arrangements to reflect the renaming of the Revenues and Benefits service to the Collections and Welfare service. The proposals are merely intended to reflect the responsibility changes at Head of Service level and do not vary the authorisation levels previously agreed by Cabinet.

Recommendation(s)

The Cabinet is recommended to:

(i) Note the performance of the debt management function carried out by the Council's Revenues service, including the pressure on collection rates as a result of the cost-of-living crisis;

(ii) Note progress of the £150 energy rebate distribution to residents and actions taken to ensure maximum uptake, as described in paragraph 3.5 of the report; and

(iii) Approve the amendment to the Council's uncollectable debts write-off arrangements to reflect the renaming of the Revenues and Benefits service to the Collections and Welfare service, as set out in paragraph 11.4 of the report.

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 2022/23 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 that residents in receipt of Universal Credit increased in May 2022 for the first time March 2021. The Government have not yet released figures for June.

Quarterly	People on Universal Credit
Mar-20	14,544
Jun-20	27,866
Sep-20	29,405
Dec-20	32,019
Mar-21	32,681
Jun-21	32,441
Sep-21	32,117
Dec-21	30,989
Mar-22	30,292
Apr-22	29,698
May-22	29,889

3. Council Tax

3.1. Council tax collection is 1.2% behind last year, this is the equivalent of £1.2m in delayed payment. Arrears collection is £90k behind last year.

3.2. This reduction is due to a number of factors

- the cost-of-living crisis is making it increasingly difficult for residents to pay their council tax, particularly if they were already in arrears;
- The £150 energy rebate currently being administered for the Government has added additional pressure on the collection service and contact centre;
- The amount to be collected is increasing significantly as new properties are brought into the register;
- The level of support able to be given through the council tax support scheme continues to reduce.

3.3. The cost-of-living crisis is placing an unprecedented level of financial pressure upon our residents. The level of financial support given to residents during this crisis is considerably less than that during the Covid-19 pandemic and there is no additional support for business.

3.4. To try and alleviate some of this additional pressure, adjustments have been made to the process of debt recovery allowing residents a longer period of time to pay. Previously, a reminder was sent 8 days after a missed instalment - this has been moved to the end of the month. This allows the resident a longer period of time to pay and means that they are less likely to lose their right to pay by instalments.

3.5. The Government's council tax energy scheme which gives £150 to all liable payers in bands A to D has resulted in circa 59,000 payments worth £8.7m, or 80% of those eligible as at the end of July. All residents that have not yet made a claim have been written to, hubs have been trained to assist those less able to use the internet and faith groups have been advised.

3.6. All payments must be made by the end of September. The application process is being closed at the end of August. Those that have still not claimed by the end of August will have the £150 applied to their council tax account.

3.7. The increase in the number of domestic properties has resulted in an increase in council tax charged. By the end of the first quarter this amount increased by £453k and is expected to continue to increase throughout the year. New residents will be given instalments to pay their council tax and so the percentage of collection will appear lower than 2021/22 where the increase was lower.

3.8. Council Tax Support (CTS) has reduced throughout the first quarter compared with an increase during the same period in 2021/22. At the end of the first quarter 2021/22, 12,140 working age residents had their council tax reduced via CTS, this is compared with 11,183 at the end of quarter 1 2022/23.

3.9. The number of working age recipients of CTS continues to reduce, and the amount of CTS applied to accounts has reduced by £300k by the end of quarter 1. The current scheme grants a maximum reduction of 75%. This means that a resident receiving the full 75% and living in a band C property with their family will be required to pay £396.63 per year, an increase of £16.06 compared with 2021/22.

3.10. Taking into account the increase in charges, the reduction in CTS and other smaller changes to discount and exemptions, the total increase in council tax to be collected in the first quarter is £843k.

3.11. Therefore, whilst an increase in the number of properties is of benefit to the Council in terms of council tax charged, the percentage of collection is lower when compared with the same period in 2021/22, and all the contributing factors detailed in this report should be considered.

3.12. Residents are still being referred to the Homes and Money Hub where they receive the following essential support:

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

4. Business Rates

4.1. Business rates collection is 1% above last year for the same period.

4.2. Grants to assist businesses finished in March 2022. With the exception of a 50% reduction for retail, hospitality or leisure, no further reliefs have been introduced.

4.3. Collection rates are slowly improving. However, they dropped significantly during the pandemic and many businesses received significant support packages from the Government.

4.4. The effects of the cost-of-living crisis and cessation of support packages is yet to be realised. However, this is being closely monitored and a supportive approach is and will be taken where required.

5. Rents

5.1. Rent collection is 0.36% behind 2021/22 at the end of the quarter.

5.2. The increase in arrears as a result of the pandemic coupled with the cost-of-living crisis and the continued transition of tenants from housing benefit to universal credit has made collection challenging in the first quarter of the year.

5.3. The increase in the rent alone has increased the annual amount to be collected by £1.1m.

5.4. By the end of 2020/21 arrears had increased by £3.8m to £6.1m, a 164% increase. At the end of 2021/22 this had increased to £6.4m (a 5% increase) and, due to the factors already mentioned, is likely to increase further, although as in 2021/22 this will be at a controlled rate.

5.5. Tenants continue to transition to Universal Credit from Housing Benefit and when compared with 2021/22 the first quarter has seen a total reduction in housing benefit of £486k. However, the amount collected has increased by £206k. The delay in Universal Credit payments made to tenants delays payment of rent and effects the collection percentage when compared with previous years.

6. Reside

6.1. Reside collection is 1.5% above 2021/22.

6.2. Reside tenants, as with many residents, were equally affected by the pandemic. Reside tenants adversely affected have been recovering from their rent arrears through payment agreements with the Rents team.

7. General Income

7.1. The migration from Oracle to E5 was successfully completed. However, as with all major migrations some processes required fixing and re-testing.

7.2. The migration process delayed the issuing of invoices at the start of the year. As a result the majority of invoices were sent in May and June. In addition, the total amount invoiced in quarter 1 was £20.1m compared with £14m at the same time last year.

7.3. Therefore, collection rates in quarter 1 this year are not comparable with 2021/22.

7.4. Collection is expected to improve during the course of the year as the benefits of the new system are fully realised.

8. Homecare – Adult Social Care

8.1. Homecare is collected using E5 and, as with General income collection rates, are not comparable.

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 so collection rates shown in this report will have a level of error.

8.3. Debt recovery action was not possible in March due to the transition to E5.

9. Housing Benefit Overpayments

9.1. Housing Benefit Overpayment collection is 0.1% below 2021/22 for the same period, this is the equivalent of £26k.

9.2. As more tenants migrate to Universal Credit the value of overpayments reduces and is expected to continue to do so during the course of the year.

9.3. Alongside normal activity, the team is focusing on a review of arrears to remove or collect older debts and this is scheduled to be completed by year end.

10. Collection rates

10.1. The table below shows collection rates for quarter 1:

Collection Area	2022/23	2021/22	Variation
Council Tax current year	28.6%	29.8%	-1.2%
Council Tax arrears	£737,685	£828,254	-£90,569
Rents	23.04%	23.42%	-0.36%
Business Rates	27.6%	26.6%	+1%
General Income	19.04%	64.32%	-45.29%
Leasehold	35.10%	44.41%	-9.31%
Commercial rent	20.13%	53.74%	-33.62%
Homecare	18.84%	43.34%	-24.50%
Housing Benefit Overpayment	3.48%	3.58%	-0.1%%
Reside	84.19%	82.72%	+1.5%

11. Write off authorisation

11.1. Uncollectable debts are approved based on upon the following rules:

Value of Debt	Staff Authorised to Write Off Debt
Up to £10,000	Head of Revenues and Head of Benefits
£10,000.01 to £20,000	Director of Community Solutions
Over £20,000	Chief Financial Officer

11.2. The above was approved shortly after Revenues and Benefits returned from Elevate to LBBD. A number of changes have occurred since that time that require an update to the approvals.

11.3. Revenues and Benefits have become Collections and Welfare. Rent collection has moved from Collections to Support Lifecycle and a new Director of Support and Collections has been appointed.

11.4. The table below shows the proposed revision to authorisations:

Value of Debt	Staff Authorised to Write Off Debt
Up to £10,000	Head of Collections / Head of Welfare / Head of Support (as appropriate)
£10,000.01 to £20,000	Director of Support and Collections
Over £20,000	Chief Financial Officer

12. Financial Implications

Implications completed by: Nurul Alom, Finance Manager

12.1. Compared to the same period last year, collection rates are lower across most categories of debt. This is due to the impact of the Cost-of-living crisis and transition of residents from Housing Benefit to Universal Credit. To try and alleviate some of this additional pressure, adjustments have been made to the process of debt recovery allowing residents a longer period of time to pay, given their reduced financial circumstances.

12.2. The migration from Oracle to E5 has been successful. However, due to delays in issuing invoices the data is not comparable to 2021/22.

12.3. 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.

12.4. 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.

12.5. 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.

12.6. The arears project will review historic debt and where these are recoverable the necessary action will be taken. Where debt is no longer recoverable, they will be written off. Vast majority of these debts are more than three years old, and a 100% provision has been allowed for these debts.

13. Legal Implications

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

13.1. Monies owned 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 as 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