

CABINET

20 June 2023

Title: Debt Management Performance 2022/23 (Quarter 4)	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	For Information
Wards Affected: None	Key Decision: No
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Accountable Director: Stephen McGinnes, Director of Support and Collections	
Accountable Executive Team Director: Fiona Taylor, Chief Executive	
Summary This report sets out the performance of the Collections service in the collection of revenue and debt management for the quarter of the financial year 2022/23. The report demonstrates that performance is becoming increasingly challenging because of the cost-of-living crisis and have not recovered to pre-pandemic levels.	
Recommendation(s) The Cabinet is recommended to note the performance of the debt management function carried out by the Council's Collection service, including the pressure on collection rates as a result of the cost-of-living crisis.	
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 fourth quarter of the 2022/23 financial year and covers the overall progress of each service element since April 2022.
- 1.2. The Collection 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.

2. Council Tax

- 2.1. Council tax collection finished 22/23 at 93.6% collected in year, this is the same collection rate as 21/22.
- 2.2. However, arrears collection reduced from £2.5m in 21/22 to 1.8m in 22/23. As a result of an exercise to identify uncollectable amounts, the overall council tax arrears debt has reduced by £9.9m
- 2.3. The cost-of-living crisis continues to have a detrimental effect upon the collection of council tax. Whilst collection rates for the current year have not reduced any further, they have still not returned to pre-pandemic levels.
- 2.4. Reductions in the payment of arrears suggests that residents are unable to pay their current council tax whilst clearing any previous debts.
- 2.5. Council tax payers in the most severe financial positions were awarded discretionary relief totalling £261k. 293 residents had their council tax reduced by an average of £891.
- 2.6. The table below shows the reasons for granting relief. As in previous years mental health is cited as being the main reason for financial difficulty. Whilst these categories give an indication of the reasons for relief, in most cases the resident will have multiple issues which can be complex.

Issue	%
Mental Health	55%
Bereavement	12%
Terminal Condition	9%
Domestic Violence	8%
Addiction	4%
Abuse	2%
COVID-19 Impact	4%
Learning Disabilities	1%
No Recourse to Public Funds	2%
Disaster	3%

- 2.7. The discretionary relief budget for council tax has been increased to £500k in 2023/24. This will be combined with the Household support fund and discretionary housing payments to ensure that when the resident approaches with financial difficulties all their needs are taken into consideration and not council tax debts alone.

3. Business Rates

- 3.1. Business rates collection finished the year at 96.5% which is an increase of 1.7% compared with 2021/22.

- 3.2. Reforms to business rates are being put in place. The most significant change is the increase in the frequency of revaluations. This has will now take place every 3 years rather than 5.
- 3.3. Business have been revalued for 2023/24 increasing the total amount to be collected from £59m to £66m. Whilst a transitional scheme exists to prevent steep increases in the charge, many businesses will still see an increase in 2023/24.
- 3.4. Changing the gap between revaluations from 5 to 3 years will result in a reduction in large increases in rates for businesses, however it will increase the frequency of the increase.

4. Rents

- 4.1. Rent collection ended 2022/23 at 92.2% compared with 93.8% in 2021/22.
- 4.2. Rent arrears have increased due to the pandemic and subsequent cost of living crisis. Collection of rent in the current financial climate continues to be challenging.
- 4.3. Residents continue to migrate from housing benefit to universal credit (UC). This delays payment of rent by 4 to 6 weeks whilst the tenant awaits their first payment.
- 4.4. The debt recovery process has undergone a rigorous review and many processes have now been automated. Within the automated process stages have been inserted allowing for direct contact with the tenant to be made. This ensures that as debt recovery action continues there are opportunities to speak to the tenant, discuss the reasons for non-payment and give support and/or agree repayment.

5. Reside

- 5.1. Reside collection finished at 96% which is 0.4% below 2021/22
- 5.2. Reside tenants are experiencing financial difficulties as a result of the cost-of-living crisis which has reduced collection.
- 5.3. Work continues with residents in financial difficulty to help to maintain payment and bring arrears up to date.

6. General Income

- 6.1. General income (sundry debt) finished the year at 90%, this is an improvement of 2.3% compared with 21/22.
- 6.2. Data has been successfully migrated from Oracle to E5 during 2022/23 and the new system has greatly improved debt recovery functionality.

7. Adult social care

- 7.1. The total amount charged for homecare and residential care in 2022/23 was £11.6m of which 42% was collected.

- 7.2. The move from Oracle to E5 resulted in changes to codes and description of charges, this makes comparison with the same charges in 2021/22 challenging and potentially inaccurate.
- 7.3. In January 2023 the collection of these charges moved from the Collections team to the Financial Assessments team with Welfare. Since the Financial Assessment Team calculate the amount to be charged and have closer links with Social Services the process of collection and responses to customer queries is greatly improved and the process streamlined overall.

8. Collection rates

- 8.1. The table below shows collection rates for quarter 4:

Collection Area	2022/23	2021/22	Variation
Council Tax current year	93.6%	93.6%	0%
Council Tax arrears	£1,844,645	£2,476,171	-631,525
Rents	92.2%	93.8%	-1.6%
Business Rates	96.5%	94.8%	+1.7%
General Income	90%	87.7%	+2.3%
Leasehold	86.9%	87.7%	+0.7%
Commercial rent	95.5%	87.4%	+8%
Care	42%	N/A	N/A
Housing Benefit Overpayment	15.6%	14.1%	+1.5%
Reside	96.1%	96.5%	-0.4%

9. Financial Implications

Implications completed by: Nurul Alom, Finance Manager

- 9.1. Collection rates are in-line with last year across most categories of debt. However, they have not recovered to pre-pandemic levels, 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.
- 9.2. The Collection team has been working closely with the wider Community Solutions service 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.
- 9.3. Collecting all debts due is critical to funding the Council and maintaining cashflow. Monthly performance monitoring meetings with the Director of Support & Collections focus on where the targets are not being achieved to improve prompt collection of Council revenues.

- 9.4. 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.
- 9.5. The arrears 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.

10. Legal Implications

Implications completed by: Dr Paul Feild, Principal Standard & Governance Lawyer

- 10.1. 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.
- 10.2. 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.
- 10.3. 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.

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

List of appendices: None