

CABINET

23 January 2024

Title: Debt Management Performance 2023/24 (Quarter 2)	
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, Head of Collections	Contact Details: E-mail: stuart.kirby@lbbd.gov.uk
Accountable Director: Stephen McGinnes, Director of Support and Collections	
Accountable Strategic Leadership Director: James Coulstock, Strategic Director Inclusive Growth	
Summary This report sets out the performance of the Collections service in the collection of revenue and debt management for the second quarter of the financial year 2023/24.	
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 improvements in collection in some areas and the challenges in others.	
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 2023/2024 financial year and covers the overall progress of each service element since April 2023.
- 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

Current Year

- 2.1. The table below shows the full amounts to be collected in the first two quarters. The collection rate in quarter 1 exceeded the amount required reflecting the decision by some residents to pay annually in advance.

	EXPECTED £	ACTUAL	DIFFERENCE	PERCENT COMPARISON
QUARTER 1	29,323,049	30,200,350	877,301	103.0%
QUARTER 2	58,646,097	56,262,785	- 2,383,312	95.9%

- 2.2. At the end of quarter 2 54.1% of the annual council tax has been collected. This is 0.8% lower than the same time last year.
- 2.3. Two factors have resulted in collection being different from the same point last year. The first is linked to the Government's £150 council tax rebate scheme which ran in the first 6 months of 2022 and the second relates to discount and exemption reviews undertaken this year.
- 2.4. In September 2022 the Government's £150 council tax rebate scheme was completed. A total of 63k £150 payments were made to taxpayers from April until September 22 totalling £9.4m. However, 11.5k residents failed to claim this payment and therefore, per Government guidance, 11.5k £150 payments were applied to those council tax accounts, totalling £1.7m. Although £1.7m was applied to council taxpayer accounts, approximately, £950k resulted in accounts falling into credit, with the remaining £750k paid to reduce council tax debt.
- 2.5. In addition, reviews have been undertaken into taxpayers claiming single person discounts and exemptions. As a result, the collectable amount has increased by £790k in September 23
- 2.6. The combined impact of these 2 factors is £1.5m or 1.4% of the collectable debt, and therefore the percentage of collection will be shown as less when compared with last year. This additional revenue will be collected between now and the end of the financial year.

Arrears

- 2.7. The arrears position has improved since the start of the year with a reduction of £5m from the start of the year, from £26.3m to £21.3m. The table below shows the amount collected and written off, other refers to backdated council tax support, discounts or exemptions.

	01/04/2023	PAID	WRITTEN OFF	OTHER	30/09/2023
ARREARS	£26,362,521	£1,504,036	£3,071,730	£415,015	£21,371,740

- 2.8. All outstanding debt is within the debt recovery process. The majority of which is currently with enforcement agents either for active enforcement or for tracing action.

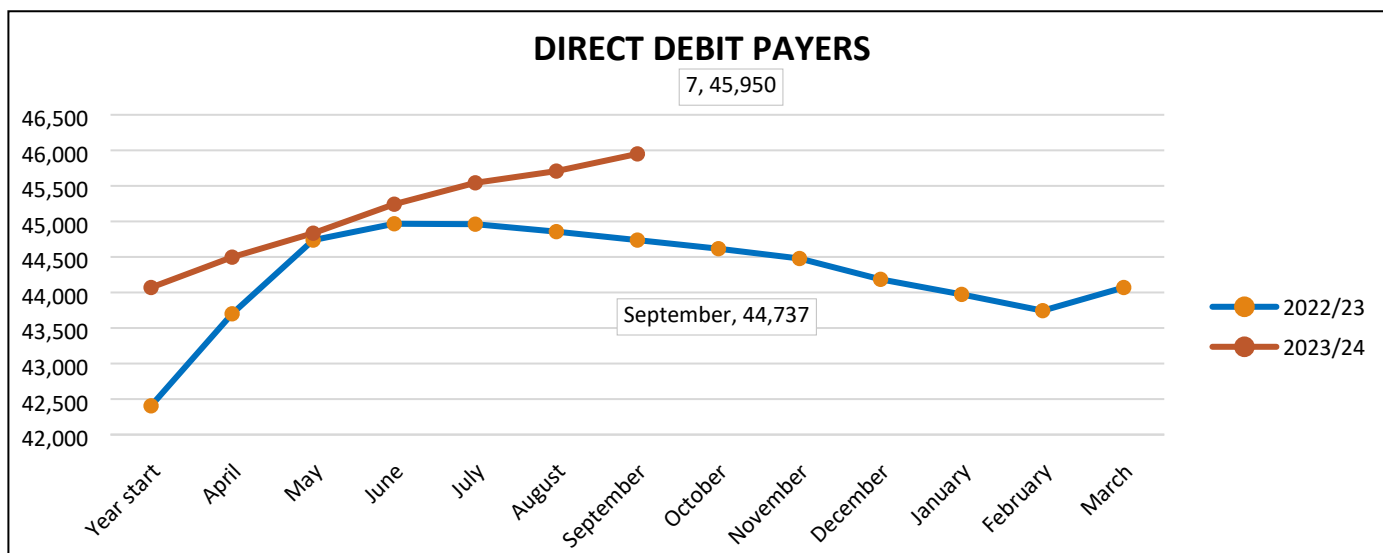
2.9. The table below includes all arrears (not just brought forward arrears) including new arrears cases for 2023/24 and is split between accounts which are open and closed.

ACTION	Closed	Open	Grand Total
Recovery (pre court)	£628,034	£2,752,692	£3,380,726
Attached to benefits	£202,199	£299,778	£501,977
Attached to earnings	£121,719	£67,011	£188,730
Bankruptcy	£68,460	£5,659	£74,118
Charging Order	£66,182	£16,499	£82,680
Committal	£222,868	£57,721	£280,590
Complaint	£580	£0	£580
Deceased	£9,009	£1,311	£10,320
Enforcement Agent	£3,849,229	£11,443,499	£15,292,728
Enforcement Agent returned	£941,545	£137,224	£1,078,769
Enforcement Agent returned (Write off)	£1,623,752	£2,082,121	£3,705,873
Fraud	£67,919	£0	£67,919
Legal	£15,868	£135,326	£151,195
Write-Off	£663,069	£131,122	£794,191
Grand Total	£8,480,433	£17,129,964	£25,610,397

2.10. The current bad debt provision brought forward at the 1st April was set at £14.8m, giving 100% provision for debts over 4 years old. Based on the current level of debt reduction there will not be a requirement to increase this in 2024/25.

2.11. A campaign to increase the number of taxpayers paying via Direct Debit has been running throughout quarter 2. This includes a prize draw funded by our external enforcement agents.

2.12. In 2022/23 the number of Direct Debit payers peaked in June, mainly due to the £150 energy rebate scheme. Payments were made to Direct Debit payers first and this resulted in an increase in the uptake. However, the number of Direct Debit payers reduced gradually after June. This has not been the case this year, with Direct Debit continuing to increase.



- 2.13. Direct Debit as a payment method ensures that payment is received on time, and the transaction cost saving can be significant. For example, a single payment made via Paypoint costs 49p compared with 2p by Direct Debit.
- 2.14. At the start of the year 55.5% of council taxpayers paid by Direct Debit, this has increased to 57.4% at the end of quarter 2, that equates to an increase of 1,880 new payers by Direct Debit.
- 2.15. A number of actions have been undertaken to improve collection rates. Universal staff now have access to Oneview, they have been trained in issues related to debt and they are actively engaging with residents. Both the Head of Collections and Head of Support have attended a number of workshops to obtain feedback and further training in debt collection and support will be delivered in quarter 3.

The table below shows contact with residents in the hubs this year.

	Council tax	Housing benefit	Council tax support	Total
Resolved	601	407	324	1,332
Signposted	83	46	11	140
Referred	18	9	14	41
Escalated	2	3	3	8
Total	704	465	352	1,521

- 2.16. Reminders and final notices have been reviewed, language simplified and online translation functions highlighted. Advice and assistance from behavioural science has been used to review these important notices and they are due to be live by the end of October.
- 2.17. Improved sms and email messages have been sent to remind residents to pay. 25% of those contacted (5k) have clicked a link in the message to make a payment, view their account, set up a direct debit or repayment arrangement. This is a significant improvement on the previous process which only advised that payment was required.
- 2.18. Work continues to review historic bad debts; the table below shows the movement of debt since the start of the year. Council tax arrears have reduced by 4.9m, with 3m being written off as uncollectable bad debt.

ARREARS	01-Apr-23	30-Sep-23	VARIATION	PERCENTAGE
1999/2000	£8,678	£7,321	-£1,357	-16%
2000/01	£14,775	£13,258	-£1,517	-10%
2001/02	£20,079	£13,511	-£6,569	-33%
2002/03	£30,667	£22,036	-£8,630	-28%
2003/04	£57,331	£37,256	-£20,075	-35%
2004/05	£95,370	£70,389	-£24,981	-26%
2005/06	£126,905	£86,645	-£40,260	-32%
2006/07	£192,951	£130,058	-£62,893	-33%
2007/08	£295,834	£200,100	-£95,734	-32%

2008/09	£354,660	£260,895	-£93,765	-26%
2009/10	£421,137	£315,787	-£105,350	-25%
2010/11	£466,684	£316,046	-£150,638	-32%
2011/12	£492,096	£324,006	-£168,090	-34%
2012/13	£556,227	£365,971	-£190,256	-34%
2013/14	£669,029	£460,825	-£208,204	-31%
2014/15	£691,337	£494,678	-£196,658	-28%
2015/16	£825,919	£610,862	-£215,057	-26%
2016/17	£1,022,200	£776,626	-£245,575	-24%
2017/18	£1,276,557	£984,814	-£291,744	-23%
2018/19	£1,691,604	£1,357,596	-£334,008	-20%
2019/20	£2,475,080	£2,046,040	-£429,040	-17%
2020/21	£3,393,282	£2,920,561	-£472,721	-14%
2021/22	£4,576,427	£4,071,892	-£504,535	-11%
2022/23	£6,607,689	£5,484,566	-£1,123,123	-17%
TOTALS	£26,362,521	£21,371,740	-£4,990,781	-19%

3. Business Rates

- 3.1. Business rates collection is 1.3% above last year at 58.8%.
- 3.2. This year all business properties have undergone a revaluation process. This will occur every three years, previously this was carried out every five years. These revaluations are conducted by the Valuation Office Agency.
- 3.3. The table below shows arrears movement.

Year	01-Apr-23	Quarter 2	Variation
2000/01	£0	£0	£0
2001/02	£0	£0	£0
2002/03	£990	£990	£0
2003/04	£0	£0	£0
2004/05	£8,821	£8,821	£0
2005/06	£14,232	£14,232	£0
2006/07	£21,800	£21,800	£0
2007/08	£15,009	£15,009	£0
2008/09	£115,445	£115,445	£0
2009/10	£148,478	£147,628	-£850
2010/11	£193,414	£193,414	£0
2011/12	£316,864	£316,864	£0
2012/13	£658,304	£658,254	-£50
2013/14	£650,292	£650,292	£0
2014/15	£596,642	£596,364	-£278
2015/16	£531,884	£531,274	-£610
2016/17	£582,704	£578,046	-£4,659
2017/18	£633,849	£578,413	-£55,435
2018/19	£926,290	£858,402	-£67,888
2019/20	£1,230,811	£1,121,395	-£109,416

2020/21	£1,828,544	£1,690,331	-£138,214
2021/22	£1,132,506	£1,043,134	-£89,372
2022/23	£2,173,526	£1,677,067	-£496,459
TOTALS	£11,780,406	£10,817,175	-£963,231

3.4. Total arrears have decreased by 8% since the start of the year. However, the revaluing of business this year has added additional charges of £1.1m.

4. Rents

4.1. Rent collection for quarter 2 ended 1.1% above last year at 98.73%

4.2. However, in the absence of a 100% collection rate rent arrears have continued to increase. Whilst the value of rent arrears has increased (£742k), the number of tenants in arrears decreased from 15.4k to 13.3k. This is due to improvements in the debt recovery process ensuring a more targeted approach, as well as communication techniques which notify tenants by text or email of arrears and advise them of the best course of action.

4.3. To ensure that arrears are reducing the percentage of collection must exceed 100%, above this indicates that arrears are reducing. It is expected that this will be achieved by the end of quarter 3.

4.4. The current Direct Debit campaign has seen an increased in payers using this method. The cost-of-living crisis has resulted in a decline in Direct Debit payers through 2022 and 2023, this is due to tenants struggling to stick to specific payment date. This decline has been abated and number are beginning to slowly increase.

4.5. The recovery process has been fully reviewed and extensive changes have been made to the Capita system to optimise the automated process and continue to evict those refusing to pay their rent.

5. Reside

5.1. Reside collection for quarter 2 is 93.75%, 2.9% behind 2022/23.

5.2. The methodology for measuring Reside collection has been amended in 23/24 and is not comparable with 2022/23. However, the target for 2023/24 is 99%. Collection is down compared to the target.

5.3. Improvements to the recovery process have been put in place and collection will improve throughout the year.

5.4. Payment by Direct Debit has now been introduced. All Reside tenants can now make payment by this method with the exception of Reside Regen as it is still awaiting a merchant code. That issue is expected to be resolved during November.

5.5. Online payment options have been introduced and will be followed by an automated telephone payment line. An exercise is being undertaken to contact all tenants by text to inform and encourage adoption of the new automated payment methods.

- 5.6. Arrears recovery re-commenced following work with Legal on the 24/7/23 and between this date and end of September 148 recovery letters have been issued to residents in arrears, 23 of these effectively a final warning before legal action commences. There are currently 11 cases where possession is being sought, including 2 cases where possession orders have already been obtained. Warrants have been applied for in these cases and the Court has been requested to expedite these.
- 5.7. A review of the staffing requirement has been undertaken to reflect the continued growth of the portfolio and requirements to increase recovery action. This resulted in agreement for two additional staff to be funded by Reside, with recruitment currently underway.
- 5.8. An exercise is being undertaken using credit referencing data to trace and recover arrears from former tenants, with 90 former tenants owing £330k. Where tenants are traced and payment cannot be secured, legal action will be commenced.

6. General Income

- 6.1. General income (sundry debt) collection is currently 61.5%. This is 18% higher than the same time last year. Although in 22/23 the introduction of E5 meant some delays in issuing invoices at the beginning of the year and so direct comparisons may not be accurate until later in the year.
- 6.2. The second quarter has seen a reduction in arrears as work continues to review outstanding debts and collect or write off those uncollectable.
- 6.3. The table below shows debts prior to 2022/23 with £27k written off this year.

DEBTS PRIOR TO 2023/24			
SUNDRY DEBT	YEAR START	QUARTER 2	VARIATION
Sum of Overdue 2017	£270,692	£172,057	-£98,635
Sum of Overdue 2018	£145,164	£108,578	-£36,586
Sum of Overdue 2019	£268,935	£182,566	-£86,369
Sum of Overdue 2020	£759,021	£326,273	-£432,749
Sum of Overdue 2021	£2,764,415	£1,142,292	-£1,622,123
Sum of Overdue 2022	£7,526,611	£1,401,986	-£6,124,625
TOTAL	£11,734,838	£3,333,750	-£8,401,088

7. Adult social care

- 7.1. The overall collection rate for homecare and residential debts is 44% of invoices raised as at the end of quarter 2. Homecare collection is 38.1% and residential 47.6%.
- 7.2. Whilst direct comparisons with last year are problematic due to the introduction of E5, the estimated collection rate at the end of quarter 2 in 22/23 was 36.71%.
- 7.3. Performance this year has improved by 7.3% which equates to an increase in collection of £525k. The annual collection rate in 22/23 was 41.7% and this has already been exceeded in quarter 2 this year.

- 7.4. The total amount charged this year for homecare and residential care is £7.2m which is an increase of £642k compared with same time last year. A total of £1.3m in care charges have been deferred with agreement of the care recipient, to be settled upon the sale of their property.
- 7.5. Following the reintroduction of reminders, cases are now being progressed to Legal for further action, the Authorities largest single debtor (£270k) is now being managed by the Legal Service.
- 7.6. E5's Direct Debit capability is being reviewed & tested so that this method of payment can be considered in Residential placements with static fees.
- 7.7. Housekeeping of debts continues including re-contacting residents who have formerly not engaged with the financial assessment process & debts previously placed on hold by ASC.
- 7.8. The table below shows all arrears for Adults and Children, this includes homecare and residential care but also includes other care charges. There have been no significant write offs, however £2.9m of bad debt has been identified and will be written off in quarter 3.

DEBTS PRIOR TO 2023/24			
ADULTS + CHILDREN	YEAR START	QUARTER 2	VARIATION
Sum of Overdue 2017	£1,004,837	£949,814	-£55,023
Sum of Overdue 2018	£597,591	£518,001	-£79,590
Sum of Overdue 2019	£1,663,638	£1,174,853	-£488,785
Sum of Overdue 2020	£2,886,821	£2,670,368	-£216,453
Sum of Overdue 2021	£4,055,161	£3,541,425	-£513,736
Sum of Overdue 2022	£10,399,788	£5,628,244	-£4,771,544
TOTAL	£20,607,837	£14,482,705	-£6,125,132

8. Collection rates

- 8.1. The table below shows collection rates for quarter 1:

Collection area	2023/24	2022/23	Variation
Council tax current year	54.1%	55.0%	-0.8%
Council tax arrears	£1,350,802	£1,309,515	+£41,287
Rent	98.73%	97.59%	+1.1%
Business rates	58.8%	57.5%	+1.3%
General Income	61.5%	43.9%	+17.6%
Leasehold*	48.8%	53.8%	-4.9%
Commercial rent**	42.3%	51.5%	-9.1%
Care	44.4%	N/A	
Housing Benefit Overpayments	7.8%	7.3%	+0.5%
Reside	93.75%	96.67%	-2.9%

*Finalised charges for 2022/23 applied in September 23 adding £500k debit.

**£2.9m payment received in October for Place apart. This is for commercial rent, delayed due to discussions regarding the calculations surrounding the amount being charged.

9. Arrears

9.1 The table below shows arrears at the end of quarter 2. Except for rent, Reside and former tenants, arrears all debts are defined as debts raised prior to 2023/24.

9.2 Rent, Reside and former tenant debt cannot be defined by year, and these are debts that have been outstanding for more than 1 week.

9.3 Arrears have significantly reduced since the start of 2022/23; however, it should be noted that the amounts shown below include arrears for 2023/24 and will continue to reduce throughout the year.

ARREARS				
	Year start	Quarter 2	Variation £	Variation %
Council tax	£26,362,521	£21,371,740	-£4,990,781	-19%
Business rates	£11,780,406	£10,817,175	-£963,231	-8%
General income	£11,734,838	£5,040,637	-£6,694,201	-57%
Adults & children	£20,607,837	£18,118,413	-£2,489,424	-12%
HB Overpayments	£19,926,437	£18,788,111	-£1,138,326	-6%
Rent	£8,591,121	£9,333,450	+£742,329	9%
Reside	£982,741	£1,821,039	+£838,298	85%
Former tenants	£2,491,923	£2,821,088	+£329,165	13%
Total	£102,477,824	£88,111,653	-£14,366,170	-14%

10. Bad Debt Provision (BDP)

10.1 The table below shows estimated year end bad debt provisions based on quarter 2 figures.

10.2 As the 2-year arrears project enters its final 6 months, this figure may reduce further depending upon the outcome.

10.3 Most notable improvements in the BDP are Sundry debt and Adult Social care (ASC), as a result of improved debt recovery processes in E5 and movement of ASC collection to the Financial Assessments team in Welfare

10.4 Council tax has also seen an improvement, and this is expected to improve throughout the year. Due to the revaluation in Business Rates this year, changes to rateable values have resulted in fluctuations in the arrears and so is currently showing an increase, however this may change in the remaining 6 months of the year.

	BAD DEBT PROVISIONS		
	BDP	Quarter 2	Variation
Council tax	£13,024,989	£12,888,105	-£136,884
Court costs	£1,868,527	£1,499,400	-£369,127
Business rates	£9,127,037	£9,444,369	£317,332
Sundry debt + ASC	£15,655,162	£14,138,117	-£1,517,046
HB Overpayments	£12,705,296	£12,426,954	-£278,342
HRA	£8,036,419	£8,679,941	£643,522
Total	£60,417,430	£59,076,886	-£1,340,545

11. Financial Implications

Implications completed by: Nurul Alom, Finance Manager

- 11.1. Compared to the same period last year, collection rates have improved 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. Communication with debtors has also changed with the introduction of Telsolutions allowing customers direct access to accounts and payment options.
- 11.2. The Collection 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.
- 11.3. 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.
- 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. A mid-year review will be carried out and any movement in the provision will be reported in the next quarter.
- 11.5. 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.

12. Legal Implications

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

- 12.1 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. The courts held at common law the Council holds a fiduciary duty to its residents to act as a trustee and to the government to make sure money is spent wisely and to recover debts owed to it.
- 12.2 The Accounts and Audit Regulations 2015 require the Council's statement of accounts to be prepared in accordance with proper accounting practice. The CIPFA Code of Practice on Local Authority Accounting, requires the council's statement of accounts to include sufficient provision for bad debts to be determined by the S.151 Local Government Act (the Chief Finance Officer).
- 12.3 If requests for payment are not complied with then the Council will seek to recover money owed to it by way of court action once all other options are exhausted. 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