

CABINET

25 June 2013

Title: Debt Management Performance and Write-Offs 2012/13 (Quarter 4)	
Report of the Cabinet Member for Finance	
Open Report	For Information
Wards Affected: None	Key Decision: No
Report Author: Peter Cosgrove, Operations General Manager	Contact Details: Tel: 0208 227 3850 E-mail: peter.cosgrove@elevateeastlondon.co.uk
Accountable Divisional Director: Jonathan Bunt, Divisional Director Finance	
Accountable Director: Graham Farrant, Chief Executive	
Summary This report sets out the performance of the Council's joint venture company, Elevate East London, in carrying out the debt management function on behalf of the Council and covers the last quarter of the year 2012/13. It also includes details of debt written off in accordance with the write off policy approved by Cabinet on 18 October 2011.	
Recommendation(s) Cabinet is asked to: (i) Note the contents of this report as it relates to the performance of the debt management function carried out by the Revenues and Benefits service operated by Elevate East London, including the performance of bailiffs; and (ii) Note the debt write-offs for the fourth quarter of 2012/13 and that a number of these debts will be publicised in accordance with the policy agreed by Cabinet.	
Reason Assisting in the Council's Policy aim of ensuring a well run organisation delivering its statutory duties in the most practical and cost-effective way. It will ensure good financial practice and adherence to the Council's Financial Rules to report on debt management performance and total debt write-off each quarter.	

1. Introduction and Background

- 1.1 The Council's Revenues, Benefits, General Income and Rents Service is operated by the Council's joint venture company Elevate East London LLP (Elevate). The service is responsible for the management of the Council's debt falling due by way of statutory levies and chargeable services.

1.2 This report sets out the performance for the fourth quarter of 2012/13 and covers the overall progress of each element of the service for the year. In addition it summarises the debts that have been agreed for write off in accordance with the Council's Financial Rules. Write offs in the fourth quarter have been actioned in accordance with the Council's debt management policy agreed on 18 October 2011.

2. Proposal and Issues

2.1 Set out in table 1 below is the performance for quarter 4 of 2012/13 achieved by Elevate for each of the functions of the Revenues Service during the financial year.

Table 1: Collection Rate Performance - 2012/13

Type of Debt	Annual Target	Performance	Variance	Actual collected £m
Council Tax	94.5%	94.6%	+0.1%	49.421
NDR	97.1%	95.1%	-2.0%	53.297
Rent	96.80%	96.95%	+0.15%	96.425
Leaseholders	86.26%	90.43%	+4.54%	3.396
General Income	99.62%	99.13%	-0.49%	77.522

Council Tax collection performance

2.2 Council Tax collection at the end of the financial year was 0.1% above the target. The percentage collection was 94.6%, equating to £49.4m of the £52.3m Council Tax due for the full year. This continues the trend of improvement since the inception of Elevate with in-year collection improving by 1.7% since 2010.

2.3 Changes and improvements:

- i. The number of Council Tax payers paying by direct debit has increased by 5.3% at the end of quarter 4, taking those paying by direct debit from 26,422 to 27,820 since April 2012.
- ii. A greatly improved recovery schedule has been introduced, ensuring that residents are quickly and effectively informed of any missed payments.
- iii. Increased control has been introduced around the selection of the different methods of debt recovery. Unpaid debts are now screened and the most effective and secure methods of recovery are selected for each account.
- iv. Procedures have been documented and are version controlled to ensure staff have easy access to the information they need.
- v. The payment arrangement policy continues to ensure that those requiring more time to pay are managed correctly. Those that fail to adhere to the terms of the arrangement are quickly identified and debt recovery action initiated.
- vi. The segmentation of accounts before and after bailiff action has been significantly improved, ensuring that the use of bailiffs is kept to a

minimum and resulting in increased use of attachments to earning and benefits.

- vii. Having carried out quality monitoring of the call centre, the Council Tax team moved to co-locate with the call centre to concentrate on improving the quality of telephone responses. Support and training is delivered on an ongoing basis.

NNDR collection performance

2.4 NNDR was not direct income to the Authority in 2012/13 and was collected on behalf of central government and paid into a central pool. Collection at the end of the fourth quarter was 95.1% equating to £53.3m of the £56m debt due for the whole year. This was 2% below target and a reduction of 1.3% when compared with the previous year, and reflects an apparent general downward trend in Business Rate collection across London.

2.5 This deterioration has occurred despite an increase in formal recovery activity, as shown in the table below:

Year	Reminders	Summonses	Liability Orders issued to bailiff
2011/12	4,012	849	349
2012/13	4,509	1,267	438

2.6 The collection rate is below the target for the year and has been seriously impacted by the financial environment in which businesses are operating. As a consequence of this environment:

- i. The challenging economic times have resulted in many businesses struggling to make payment and in some cases having to close with debts outstanding. In order to avoid this outcome, the service has concentrated upon being flexible with businesses that are clearly experiencing difficulty although balancing this with the need to collect the outstanding debts. Whilst historically there have always been businesses that have been slow to pay their NNDR, the experience in 2012/13 has shown that even long established businesses with good payment records have struggled to pay.
- ii. The government introduced a scheme in 2012/13 allowing business rates payers the option to defer payment on to 2013/14 and 2014/15 on an element of the charge related to the annual increase. A total of £210k has been deferred this year, resulting in a reduction of 0.4% to the collection rate.

2.7 Elevate management are looking closely at the collection process in this area and will continue to implement improvements. These will include improved payment arrangements, improved selection of cases for debt recovery action and improved inspections of properties by visiting officers to both maintain the Business Rates register and discuss payment issues with businesses. Work in quarter 4 focused upon identifying businesses that had failed to pay so that contact would be made earlier to attempt to avoid enforcement action.

2.8 Close working with the Environmental Health Service is being maintained in order to ensure that any improper use of business properties is minimised. The service continues to work with Housing Services on potential projects to bring unoccupied business properties into potential use for Housing services

Rent collection performance

2.9 At year end rent collection achieved was 96.95%, which is 0.15% above the target performance of 96.80% and represents £96.4m of the £99.4m collectable.

2.10 A direct comparison with previous year's performance is difficult as for 2012/13 a House Mark measure for rent collection has been adopted which is different from the previously used Rents performance indicator (PI), known as "BV 66a."

2.11 Exceeding the rent collection target is a consequence of several actions:

- i. Making better use of information and data to inform management action. For example, knowing that historically there has been a dip in collection during the winter months, a payment campaign was launched in November 2012. This included having posters displayed showing the possible impact of non-payment. Officers also visited properties to deliver pre-printed cards to tenants in arrears which carried messages informing of the need to clear their rent account in order to avoid further recovery proceedings.
- ii. Other actions included rent statements and messages on the on-line service that reminded tenants to put rent payment first and also highlighted the possible consequence of non payment.
- iii. Improved procedures at the sign up of new tenancies to maximise housing benefit take up from the start of tenancy and payment through Direct Debit.
- iv. A review of the interactions between tenants and both the rents (Elevate) and Housing Management (LBBB) services was undertaken to ensure that at each contact staff were mindful to provide advice that helped to prevent arrears. In particular, any potential action relating to eviction that was not the optimal solution to the Council was avoided.

Leaseholders' debt collection performance

2.12 Elevate achieved a further significant improvement on Leasehold Service Charges with a collection rate of 90.80% against the target of 86.26%, an increase of 4.54%.

2.13 The main area of improvement in respect of leaseholder debt has arisen from a more proactive engagement with leaseholders who are behind with their payments.

General Income collection performance - Total position

2.14 General Income is used to describe the ancillary sources of income available to the Council and which support the cost of local service provision. Examples of areas from which the Council derives income include: penalty charge notices; social care charges; housing benefit overpayments; rechargeable works for housing; nursery fees; trade refuse; truancy penalty notices; hire of halls and football pitches. Oracle

is used for the billing of these debts and collection performance by Elevate for its activities across all these debts is reported together.

- 2.15 Collection finished the year 0.49% (£383k) below the position achieved at the end of 2011/12 at 99.13%. However, following discussions between the council and a supplier on disputed invoices a payment of £745,483 was received on 22 April 2013.
- 2.16 Major Improvements in General Income collection included revised processes to ensure that income due from the PCT and school salaries were received and paid up to date.

Penalty Charge Notices

- 2.17 This recovery work only includes debts due to Penalty Charge Notices (PCNs) for parking, bus lane and box junction infringements once a warrant has been obtained from the Traffic Enforcement Centre (TEC). The majority of these relate to parking infringements and Elevate enforce these warrants through bailiffs and monitor their performance. Overall collection rates on PCNs will be reported by Environmental and Enforcement Services (Parking Services). Performance is set out in 2.24 below.

Collection of social (home and residential) care charges

- 2.18 The Council's Fairer Contribution Policy commenced from October 2011 and applies to home care. Residential care charges are covered by the Department of Health's *Charging for Residential Accommodation Guide* (CRAG).
- 2.19 Collections of debt for home and residential care are reported separately.
- 2.20 For both the agreed measure for performance reporting is the percentage collected on debt over 120 days old and is not particular to a financial year.
- 2.21 Residential care debt for which the Council has secured the debt with a charging order against the client's asset is not included in these figures.

Residential care

	Invoices	Debit Raised	Total Collected	Collection rate	Target	Difference
Mar 13	120+ days	£3,654,859	£3,247,377	88.85%	90%	-1.15%

Homecare

	Invoices	Debit Raised	Total Collected	Collection rate	Target	Difference
Mar 13	120+ days	£1,095,788	£936,650	85.48%	90%	-4.52%

- 2.22 The recovery process of these debts is similar to that of other debts, but with added recognition given to particular circumstances. In order to ensure that the action taken is appropriate and to maximise payments each case is considered on its merits at each stage of recovery and wherever possible payment arrangements are

agreed. In addition a further financial reassessment of a client's contribution is undertaken where there is extraordinary expenditure associated with the care of the service user.

Housing Benefit Overpayments

2.23 For 2012/13 a target for collection of £2.648m was set. The target was exceeded by £524k, with a total of £3.172m collected by the end of March 2013.

Bailiff Performance

2.24 Bailiff action is a key tool for the Council to recover overdue debts but is only one area of collection work. Members have previously requested information on the performance of the Bailiffs and this is set out in the table below by type of debt for 2012/13:

Service	Value less returns	Total remitted	Collection rate
Council Tax	£4,426k	£613k	13.9%
NNDR	£760k	£309k	40.6%
General Income	£93k	£15k	16.3%
Commercial rent	£27k	£21k	80.4%
Road Traffic	£1,171k	£185k	15.8%

Note 1 General Income excludes £32k passed to Bailiffs on 28 March 2013

Debt Write-off: Quarter 4 2012/13

2.25 Any debt recommended for write off is in accordance with the policy of the Council who have the final decision with regard to write off. The value of debt recommended for write off for the fourth quarter of 2012/13 (January to March 2013) totals: £887,903 (Appendix A). This means the total debt recommended for write off in 12/13 was £2.748m (Appendix B) (£2.4m in 2011/12).

2.26 The figures in Appendix B identify a significant increase in the level of write-offs in Council Tax in 2012/13. This reflects a combination of a number of write-offs prepared in late 2011/12 but not processed until 2012/13, plus a more systematic and regular approach in 2012/13. The very low level of write-offs in Rents indicates that this is also needed in that area.

2.27 654 debts were written off in quarter 4 of which:

Absconded/not traced	Uneconomic to pursue	Debtor Insolvent	Other reasons
19.0%	65.9%	9.6%	5.5%

The Other reasons category includes examples such as: where a debtor is deceased; the debt is remitted by the court; and the debtor is living outside the jurisdiction of the English Courts and is unlikely to return.

Publication of individual details of debts written off (Appendix C)

2.28 In line with Council policy established in 2007 due to the difficulties of finding absconding debtors, a list showing the details of debtors who have had debts written off is attached to this report at Appendix C. The list has been limited to the ten largest debts only and can be used in the public domain.

3. Options Appraisal

3.1 This is not relevant for an information report.

4. Consultation

4.1 This is not relevant for this information report.

5. Financial Implications

Implications verified by: Jonathan Bunt, Divisional Director of Finance

5.1 Collecting all sums due to the Council is critical to its ability to function. In view of this, monitoring performance is a key part of the monthly meetings with Elevate.

5.2 The monthly meetings between Elevate and the Council focus on the areas where the targets are not being achieved and discuss other possibilities to improve collection. An example of this is the need to collect prior to or when a service is provided, thereby avoiding the need to raise an invoice and collect a debt.

5.3 These meetings also ensure that key activities to enable debts to be collected and accurately administered are being carried out. A key indicator of this is the processing of bad debts. At the end of Q4, the total of write-offs at £2.748m indicates that this is happening.

6. Legal Implications

Implications verified by: Eldred Taylor-Camara, Legal Group Manager

6.1 The pursuit of debts owed to the Council is a fiduciary duty. The Council seeks to recover money owed to it by the courts once all options are exhausted. Not all debt will be recovered and a pragmatic approach has to be taken with debts as being on occasions, uneconomical to recover in terms of the cost of process and the means of the debtor to pay. As observed in the body of this report, in the case of rent arrears, a possession and subsequent eviction orders are a discretionary remedy

and the courts will on many occasions suspend the possession order on condition the tenant makes a contribution to their arrears. The Council's decision to utilise Introductory Tenancies will over time begin to have an impact as only those tenants with a satisfactory rent payment history can expect to be offered a secure tenancy.

- 6.2 The decision to write off debts has been delegated to Chief Officers who must have regard to the Financial Rules.

7. Other Implications

- 7.1 **Risk Management** - No specific implications save that of this report acting as an early warning system to any problems in the area of write off's.

Background Papers Used in the Preparation of the Report:

- Continuous Service Improvement Plans (CSIPs) for Revenues Service areas.

List of appendices

- **Appendix A** – Debt Write Off Table for Quarter 4 2012/13.
- **Appendix B** – Debts written off in 2011/12 and 2012/13 totals.
- **Appendix C** – Ten Largest Debts Written Off in Quarter 4, 2012/13