

<b>DECISION MAKER:</b> Corporate Finance and Performance Scrutiny Panel	<b>DATE:</b> 16 September 2021	<b>ITEM NO</b> 7
<b>REPORT TITLE:</b> Revenues and Corporate Debt Management Annual Performance 2020/21		<b>WARDS</b> All
<b>CHIEF OFFICER</b> Director of Finance	<b>CABINET MEMBER</b> Finance & Resources	

## 1 **Purpose of the report**

- 1.1 To report on the performance of the Revenues and Corporate Debt Management Services for the financial year 2020/21.
- 1.2 To report the in-year collection rate in respect of Council Tax for 2020/21.
- 1.3 To report the in-year collection rate in respect of Business Rates for 2020/21.

## 2 **Links to Royal Borough high level objectives**

- 2.1 This report is linked to the corporate objective of building a strong, vibrant and well-run Borough:

To work to deliver greater value for money where possible by:

- The effective collection of monies owed to the council
- Meeting the council's objectives in the Medium Term Financial Strategy

Supporting economic prosperity for all by:

- Supporting business growth in the Borough including start-ups to help to diversify employment opportunities
- Offering debt advice and promoting services to individuals who are at risk of entering into unaffordable debt, or are in, positions where they have unaffordable debt.

## 3. **Background**

- 3.1 This report provides members with details of three separate services / functions which together comprise the Council Tax, Business Rates and

Corporate Debt Management Services for the Royal Borough. The Covid-19 pandemic and the various resultant lockdowns has provided many different challenges for the services during the year.

#### Council Tax

- 3.2 The Council Tax Service is responsible for the annual billing and collection of approximately 122,000 properties, raising bills in respect of all households across the Royal Borough.
- 3.3 The Service is also responsible for granting a range of Council Tax discounts and exemptions and ensuring the accuracy of the database by opening and closing accounts as people move in and out of the Royal Borough.
- 3.4 The Service is responsible for collecting £133m per annum. Ordinarily, approximately 33% of properties in the Royal Borough have a change of occupiers during the financial year. During 2020/21 this figure was 21%. Covid-19 and the resultant lockdown will have impacted on this total.

#### Business Rates

- 3.5 The Business Rates Service is responsible for the billing, collection and recovery of Business Rates. The Royal Borough has approximately 5,500 commercial assessments (hereditaments). Ordinarily this will equate to £100m of Business Rates to collect per annum. However, in 2020/21, the Government supported businesses in the Retail Leisure and Hospitality sectors by way of an Expanded Retail Relief which significantly reduced the collectible business rate debit to £44m for 2020/21 by providing 100% rate relief for businesses in these sectors.
- 3.6 The Expanded Retail Relief scheme has been extended into 2021/22 although the parameters have been amended. The scheme now provides 100% rate relief in respect of the period April 2021 to June 2021 with a reduced rate relief of 66% being effective from July 21 for the remainder of the financial year for qualifying businesses.
- 3.7 The Business Rates Service apply reliefs for small business and charities and ensuring the accuracy of the database by opening and closing accounts as businesses move in and out of the Royal Borough. The Service works closely with other service areas in the Royal Borough to ensure that the rating process is efficient and maximises income.

### Corporate Debt

- 3.8 Debt and credit management is at the heart of a good organisation – essential for a service which is responsible for the raising and collecting of around £152m each year.
- 3.9 The Corporate Debt Service manages the recovery of unpaid debts on behalf of the Royal Borough. This includes Council Tax arrears and other miscellaneous debts owed to the Council, covering areas such as commercial rents, licensing fees, residential and non-residential care contributions.
- 3.10 A range of enforcement powers are available to help collect these debts, options would include attachment of earnings orders, attachments of benefits orders, charging orders, county court judgements, bankruptcy proceedings and orders for sale.

## **4. Council Tax Performance 2020-21**

- 4.1 The Council Tax Service provides monthly performance reports to the Director of Finance in relation to the national key performance indicator detailing the amount of Council Tax collected during the current financial year which measures the in-year collection rate.
- 4.2 During 2020/21 the Council Tax Service & Corporate Debt Service focussed on engagement with residents who may have experienced difficulty paying their Council Tax as a direct result of the Covid-19 pandemic.
- 4.3 This report provides an opportunity to advise Members of the impact of the Covid-19 pandemic on the in-year collection rate on the Council Tax Service.
- 4.4 In the last annual performance report provided to the Panel in respect of 2019/20, Members may recall that the Council Tax Service and Corporate Debt Service achieved the highest ever in-year collection rate for the Royal Borough of 94.7%. The Service was hoping to further improve on that achievement, but this was not possible due to the pandemic.
- 4.5 As would probably be expected with the financial uncertainty of being in the midst of a pandemic and lockdown the ‘in-year’ collection rate for 2020/21 was not as high. The in-year collection rate was 93.1% representing a decrease of 1.6%. This decrease was impacted by many factors detailed in this report. However, outstanding amounts continue to be collected after the financial year end and at the time of writing, the ongoing collection rates had improved to 97.0% for 2019/20 and 94.5% for 2020/21.

- 4.6 In April 2020, as a direct response to the pandemic, a decision was taken to suspend the process of issuing Council Tax reminders and final notices.
- 4.7 Later in the year, in August 2020, the decision was taken to recommence the issue of reminders. However, in recognition of the unprecedented circumstances we introduced a “soft reminder” process.
- 4.8 This process focused on seeking engagement with Council Tax payers who had fallen behind with their instalments. The emphasis was on seeking longer term affordable payment arrangements and offering benefits advice for those experiencing short term financial difficulties.
- 4.9 The lockdown required the Magistrates Courts to cease Council Tax Liability Order Hearings. As a result, no Council Tax summonses were issued. This situation remained in place throughout the whole of 2020/21.
- 4.10 All enforcement agent action was suspended from April 2020 with only limited action resuming on a handful of existing cases where there were Council Tax arrears.
- 4.11 The visiting officers who monitor newly completed properties were unable to conduct their visits in the early part of 2020/21 resulting in a lower number of completion notices being served than normal. This was also impacted by the closure of building sites early in the pandemic.
- 4.12 During the year a total of 1,219 completion notices were served on new properties. This is in comparison to 2019/20 when 2,541 completion notices were served. This directly impacted on the Council Tax Service’s ability to collect income on Unoccupied Council Tax dwellings.
- 4.13 The lockdown resulted in Council Tax staff working from home. This initially caused issues with connectivity to the office IT. Prior to the pandemic and the subsequent lockdown Council Tax staff were fully office based. Council Tax management responded to the challenges faced in almost immediately requiring staff to move from being fully office based to being fully home based. The Service, in line with the rest of the organisation, is reviewing the optimum working solution in order to deliver the most effective service to residents.

#### Council Tax Debt

- 4.14 The lack of summonses and liability order hearings in 2020/21 impacted on the Council Tax Service’s ability to progress and chase in year arrears. Instead

focus shifted to supporting colleagues in the collection area ensuring that post from concerned residents was responded to quickly and efficiently and seeking positive engagement with residents with pre-existing arrears.

- 4.15 The Service continues to seek and secure charging orders on properties in private ownership that have substantial arrears of Council Tax. As at the 31st March 2021 a total of £1,704,140 in unpaid Council Tax debt was secured on properties. This demonstrates the Service's commitment to maximise income collection on behalf of the Royal Borough.
- 4.16 In cases where charging orders have been obtained, legislation allows for local authorities to pursue Orders for Sale. However, whenever possible the Royal Borough will always enter into negotiations to try and avoid this action being taken.
- 4.17 As a result it is highly unusual for the Service to follow this course of action. However, in certain circumstances this can be beneficial both to the Royal Borough and to the local community.
- 4.18 In one particular case the Council Tax Service has progressed an Order for Sale in respect of a long-standing empty leasehold property in SE18 that has been infested by pigeons for many years. The leaseholder could not be located in the UK. A court order in favour of the Royal Borough was granted for the possession of the property which will be sold at auction to settle the Council Tax debt of £ 20,000, plus associated costs. The sale of the flat will result in an abandoned and dilapidated property being returned to residential use and the removal of potential public health and anti-social behaviour issues.
- 4.19 The work of the special project team that was created in 2016 to trace and collect debts marked as gone away was significantly hampered in 2020/21 as a result of the pandemic. Resources were diverted from pursuing absconded debtors to providing help and support to other areas of Revenues. However, the team still managed to collect over £520,000 during the year as a result of previously agreed arrangements. This brings the total amount collected since its inception to over £2m. If it were not for the creation of the project team the debts would not have been recovered.

#### Direct Debit

- 4.20 The Council Tax service continues to promote the "any day" Direct Debit facility allowing taxpayers to pay their Council Tax on a day of their choice. A number of taxpayers cancelled their direct debits in 2020/21 due to a change in their financial circumstances. Despite this as at 31st March 2021 the

number of residents paying by Direct Debit increased by 5% on the previous year to an overall total of 65%.

- 4.21 This represents the highest percentage of Council Tax accounts making payment via direct debit achieved to date.
- 4.22 Payment via Direct Debit continues to be promoted to new residents moving into the Royal Borough via an automated text / email campaign. This is a cost-effective way to reach out to new residents encouraging them to pay by Direct Debit.

#### Council Tax Self-Service

- 4.23 Work continues within the Service to improve the ways that we communicate and engage with our residents about their Council Tax. The Service is working closely with colleagues in the I.T. department to develop a new self-service platform for our taxpayers. This will enable residents to create a secure account that will allow them to view information about their Council Tax account.
- 4.24 This platform will be developed over the coming months to expand the functionality and will enable more residents to access their Council Tax account on-line. This will over time reduce the number of telephone calls and post received by the Service making good on a commitment that was previously made to Members of the Panel to explore different methods of engaging with taxpayers.

### **5 Business Rates Performance 2020-21**

- 5.1 The Covid-19 pandemic has drastically affected businesses across all sectors. This in turn has impacted on the collection of business rates. Generally, the Royal Borough is required to collect approximately £100m annually in Business Rates. The Government announced various packages of support for businesses including a “business rates holiday” in the form of an expanded rate relief representing a reduction in the business rates payable for retail, nursery and leisure sector businesses. Overall, this resulted in the Business Rates due to be collected by the Royal Borough reducing to £44m in respect of 2020/21. The rate relief was fully funded by the Government.
- 5.2 Despite the support provided to certain businesses, the in-year collection rate was badly affected by the lockdown. The collection rate fell from 98.2% for 2019/20 to 90.3% for 2020/21. However, outstanding amounts continue to be collected after the financial year end and at the time of writing, the

ongoing collection rates had improved to 99.2% for 2019/20 and 92.0% for 2020/21.

- 5.3 Many businesses (some of whom were ineligible for assistance from the government schemes) were struggling to pay business rates due to the abrupt loss of income. Indeed, there has been a significant increase in Hardship Relief applications submitted to the Business Rates Team.
- 5.4 At the start of the year, in April 2020, as a direct response to the pandemic a decision was taken to suspend the process of issuing reminders and final notices.
- 5.5 The lockdown required the Magistrates Courts to cease Business Rate Liability Order Hearings. As a result, no summonses were issued. This situation remained in place throughout the whole of 2020/21.
- 5.6 Similar to Council Tax, all enforcement agent activity in respect of Business Rates was suspended from April 2020.
- 5.7 The visiting officers who monitor newly completed commercial properties were unable to conduct visits in the early part of 2020/21 resulting in a lower number of completion notices being served. This was also impacted by the closure of building sites early in the pandemic. The visiting officer was also unable to monitor empty business properties to ensure they are brought into Rating as soon as they become occupied.
- 5.8 The lockdown resulted in Business Rates staff working from home. There were some initial teething problems with connectivity to the office as prior to lockdown staff were fully office based.
- 5.9 The Business Rates management team have been heavily involved in administering the government response to the pandemic via the Business Grants Scheme. There is a detailed report on this work elsewhere on the agenda for this panel meeting.
- 5.10 During the pandemic, the Business Rates Service formed closer working relationships with other services to help support local businesses. The service collaborated with the Chamber of Commerce, the Business Engagement Team, Internal Audit & Anti-Fraud and others to ensure support was provided to businesses and that grants were provided in a timely fashion.

- 5.11 Businesses that did not qualify for assistance under the Covid-19 Business Grant Schemes were allowed to re-schedule their instalments to later in the financial year.
- 5.12 Generally, the Service has implemented longer payment terms to assist small businesses. This now means that these businesses are able to spread their payments to the Royal Borough over twelve months instead of ten. This should hopefully enable businesses to manage their cash flows more effectively, without any adverse impacts on the Royal Borough's own resources or collection targets.
- 5.13 Members will be pleased to note that despite the pandemic and increased pressure of work, a member of the Business Rates Team has successfully completed their IRRV qualification exams (Institute of Revenues Rating and Valuations). Hopefully, further staff will be encouraged to follow suit as a result of this success.

## **6 Corporate Debt**

- 6.1 The Corporate Debt Service raises and recovers debt for a variety of Royal Borough service areas including commercial rents, licensing fees, residential and non-residential care contributions, waste services etc.
- 6.2 The customer base is both complex and diverse, resulting in various recovery options being utilised. There are currently no nationally accepted performance indicators for this area of debt recovery.
- 6.3 Unlike the majority of Council Tax and Business Rates invoices, the Corporate Debt Service team raises invoices daily throughout the financial year as and when services are provided and payment becomes due.
- 6.4 A total of 40,120 invoices were issued by the Corporate Debt Service during 2020/21. This is a slight reduction on the previous year of 41,311. It is to the credit of the team that despite having to adapt working methods as a result of the pandemic and lockdown that they still managed to raise every invoice request that was submitted in a timely manner.
- 6.5 Work continued throughout 2020/21 to increase the number of invoices that were being raised automatically; increasing efficiency on the team and allowing more time to be spent on recovery. In excess of 11,000 invoices were raised in this way compared to the previous year of 1,383 representing a substantial increase.

- 6.6 Each year Council departments carry out a reconciliation process in preparation for their end of year closedown, this results in an influx of invoices to be raised as service departments reconcile their charges / accounts to ensure that all services and income is accounted.
- 6.7 The influx of invoice requests received in March each year has a negative impact on the Corporate Debt Service's ability to collect charges / debts in the financial year in which they are raised. £31.0m which represents 20% of the total value of debt raised in the 2020/21 financial year was raised in March 2021.

*Table 1 – Comparison of number of invoices raised*

	Invoices raised in year	Value raised in year	Invoices raised in March of each year	Value raised in March of each year	Invoices outstanding at year end	Value outstanding at year end	Invoices still outstanding as at March 2021	Value still outstanding as at March 2021
2018/19	37,868	£108.1m	3,346	£19.8m	8,955	£27.8m	2,569	£2.2m
2019/20	41,311	£102.3m	3,150	£13.9m	10,070	£24.4m	4,899	£6.3m
2020/21	40,120	£152.8m	4,262	£31.0m	12,567	£42.9m		

- 6.8 The overall value of debts raised in year as at 31st March 2021 (£152.8m) is higher than previous years, largely due to a number of one offs around COVID and capital sums, which have been since been paid and at the time of writing, the value of 2020/21 debt outstanding had almost halved from £42.9m to £23.2m.
- 6.9 The outstanding debt for invoices raised in 2020/21 as at 31st March 2021 is £42.8m which is a debt recovery rate of 72%. This is a decrease on the previous year performance of 76%. However, the level of performance needs to be balanced against the financial uncertainties brought about by the pandemic and associated lockdowns and the increase in the value of invoices raised.
- 6.10 Recovery of aged debt continues and as at 31st March 2021 the 2018/19 debt outstanding was £2.2m, representing a recovery rate of 98 %. The 2019/20 debt outstanding, as of the same time, has delivered a collection rate of 94%. Work continues to collect these debts by way of on-going arrangements or by utilising the recovery enforcement options available.
- 6.11 The Corporate Debt Service continues to work closely with colleagues across all Directorates. Please find overleaf two examples of the collaborative working taking place.

#### *Example One*

A residential care debt of £8,202 was identified. The client had passed away and the family were seeking to administer the estate. It was subsequently established the client had hidden assets overseas and as a result of further enquiries conducted by Internal Audit & Anti-Fraud and the Corporate Debt Service a payment of £83,893 has been recovered from the estate.

Whilst amounts in respect of Council Tax and Council Tenancy rent arrears were recovered, of particular note was that the enquiries established that the client had received housing benefit to which they were not entitled given the hidden assets held. The housing benefit “overpayment” was recovered in full via the estate and under housing benefit subsidy legislation this represents an additional payment of £25,012 in subsidy income for the Royal Borough.

#### *Example Two*

A derelict property in SE7 had remained empty for over 20 years, Council Tax was not payable as the property was exempt from charges as probate had not been granted even though the former resident and owner had passed away over 20 years previously.

Enquiries conducted by Internal Audit & Anti-Fraud and the Corporate Debt Service linked the property to an outstanding residential care debt in respect of the deceased owner’s partner. As a result of a charge being placed on the property a sum of £21,500 has now been recovered clearing the residential care debt.

The derelict property is now being sold and will be available for residential use and the Council will be able to charge Council tax on the property for the first time in 20 years.

- 6.12 The Service worked closely with colleagues in Property Services to support commercial rent tenants in 2020/21 adjusting accounts to provide rent free periods for our tenants during the Covid-19 pandemic and making long term arrangements to support tenants who had pre-existing arrears or who have built up arrears over the year .
- 6.13 The Service continues to offer support and training to the decentralised debt teams and works closely with Internal Audit and Anti-Fraud to ensure that where prosecutions take place on behalf of the Royal Borough that appropriate compensation orders are sought at Court.

- 6.14 A review of the high-level debts is undertaken each month by the senior management team, ensuring that timely action is taken where appropriate.
- 6.15 The number of invoices being issued via email continues to increase resulting in increased efficiency and cost savings to the Royal Borough.

**7. Service Improvements**

7.1 The management team have identified the following areas of service provision that will be subject to review during the next 12 to 18 months.

Council Tax Service

- “Smart” forms for discount and exemption applications are being explored
- E-billing
- Self-service for taxpayers to view their Council tax accounts on line.
- Issue of automatic refunds to tax payers

Business Rates Service

- To let a contract to identify business properties not on the rating list to increase income.
- Increased automation of processes e.g. direct debits
- Small Business Rate Relief review

Corporate Debt Service

- To further increase the number of ‘e-invoices’ produced
- To further increase the number of invoices raised automatically.
- To automate the production of Credit Notes

**8 Cross-Cutting Issues and Implications**

Issue	Implications	Sign-off
Legal including Human Rights Act	The purpose of this report is to provide the Panel with information on the performance of the Revenues and Corporate Debt Management Services for the financial year 2019/2020. No formal decision will be taken. As such, no legal implications arise from the report however the Panel may wish to	Azuka Onuorah Head of Legal Services 26th August 2021

	<p>note that the Council is under a duty to take all reasonably practicable steps to recover monies owing to it and to this end to establish and maintain an effective debt collecting system. The only qualifications to this overriding duty are:-</p> <p>a) the need in each case to balance the cost of collection against the prospect of recovery</p> <p>b) whether the cost (including officer time and resources) is disproportion in economic terms to the debt; and</p> <p>c) the need to take into account the individual circumstances of the debtor before embarking on any course of action</p>	
<b>Finance</b> and other resources including procurement implications	<p>This report covers the arrangements for the billing and collection of council tax, business rates and corporate debts. There are no new financial implications arising as a result of this report. However, the performance of these functions impacts upon the borough's ability to secure Value for Money.</p>	<p>Damon Cook, Director of Finance, 8 September 2021</p>
<b>Equalities</b>	<p>Each decision around the Royal Borough's billing, collection, discounts, exemptions and reliefs is subject to proper decision making and is therefore subject to have an Equality Impact Assessment. As this report presents the performance of the service, no new equalities impacts have been identified.</p>	<p>Cathy Howell Head of Debt &amp; Financial Support Services. 26th August 2021</p>
<b>Climate change</b>	<p>The decisions recommended through this paper have a remote or low relevance to the substance of the Greenwich Carbon Neutral Plan.</p>	<p>Cathy Howell Head of Revenue &amp; Debt 26th August 2021</p>

## 9 **Background Papers**

Background Papers: None other than published papers

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