



## Income Collection and Debt Management - Progress Update

<b>Corporate Priority:</b>	Ensuring the right conditions to support delivery (inward)
<b>Relevant Ward Member(s):</b>	N/A
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	No

### 1 Summary

- 1.1 Further to consideration of a debt management update by the Scrutiny Committee in January 2023, a progress update was requested specifically for council house rents, garage rents and sundry debts. This report provides that update.

### 2 Recommendation(s)

**That the Scrutiny Committee:**

- 2.1 **Notes the report and provide comments for consideration by Cabinet.**

### 3 Reason for Recommendations

- 3.1 Income collection is one of the key factors in ensuring that the Council is able to minimise the level of net expenditure falling on Council taxpayers and Council tenants. This report

provides an update as requested by the Scrutiny Committee in January 2023 on areas of lower performance.

## 4 Background

4.1 In January 2023, a [report](#) to the Scrutiny Committee provided details of income collection and debt management performance across a range of areas:

- Council Tax
- Business Rates
- Council House Rents
- Garage Rents
- Former Tenant Arrears
- Sundry Debts
- Write Offs

4.2 The Committee noted areas of positive performance in a number of areas, including highest quartile performance for council tax and business rates collection.

4.3 The Committee also considered actions underway to improve performance on income collection for council house rents, garage rents and sundry debts. The Committee requested a progress update on these areas. This report fulfils that request.

## 5 Main Considerations

5.1 An update on each of the requested areas is included below.

### 5.1.1 Council House Rents

The Council currently owns 1,788 homes which are rented by tenants. Separately, the Council has 30 leasehold properties.

5.1.2 As of 29 March 2023, the Council had 44 vacant (void) properties which is 97.85% occupation rate. This is an improving position (96.98% in January 2023).

5.1.3 The Council has a budgeted collection amount for the current financial year of £7,381,680 from rent for council dwellings (homes).

5.1.4 The percentage of rent collected in quarter 3 (October 2022 to December 2022) was 93.70% against a target of 95.50%. Quarter 4 performance data is currently being collated and will be included in the next corporate performance report.

5.1.5 A more detailed breakdown of income collection performance between September and February in 2022/23 is show below, alongside 21/22 performance:

Date	Target	% Rent collected (excluding arrears) 2022/23	% Rent collected (excluding arrears) 2021-22	Commentary (2022/23)
September	95%	92.21	93.22	
October		92.71	93.91	
November		92.90	94.15	Appointment of Income and tenancy Sustainment Officer
December		93.70	93.54	
January		93.98	94.34	Note: Delay in Christmas payment posting (system delay)
February		94.27	93.76	

5.1.6 The appointment of an Income and Tenancy Sustainment Officer alongside the introduction of improved policy, procedure and processes is improving the robustness of rent collection and arrears recovery. Since being appointed to this role on the 24 October 2022, action has been taken to recover £35,848. This includes payments received (£24,985.06) and closure of historic cases (£10,862.98). In addition, a range of payment agreements are in place and being monitored by the Income and Tenancy Sustainment Officer.

5.1.7 At the meeting of the Scrutiny Committee in January 2023, Members enquired about the wording of arrears letters to customers. Members were advised that a review of letters to customers at each stage of the arrears process was underway. To support with that review, a sample of arrears letters (templates) have been discussed with Council tenant representatives via the “Your Choice” group on 21<sup>st</sup> February 2023:

- Arrears Letter 1
- Arrears Letter 2
- Notice of Seeking Possession
- Warning of Court
- Warning of Eviction

5.1.8 Tenant feedback is being used draft an updated suite of letters, which will be further reviewed by the Your Choice group prior to use.

5.1.9 It is important that the Council’s ethos of ensuring that Melton Borough Councils’ approach to rent and sundry debt management is both firm and fair and acknowledges the additional

pressures which people are experiencing currently in view of the additional pressures resulting from the increases, across the board, in the cost of living.

5.1.10 Direct support and advice to tenants relevant to their individual circumstances is available in all cases. To assist tenants who are struggling with their household finances, the Council also provides support and practical guidance to link people to impartial financial advice services. A hardship scheme (budget approved by Council) is also in the final stages of development.

5.1.11 A new procedure for rent arrears management has been developed, which also focuses on supporting vulnerable customers. This includes a new customer contact sheet to ensure customer issues, concerns and vulnerabilities and income resilience are discussed fully and that a wider view is taken of a customer's financial situation to understand their ability to pay their rent and any agreements needed, alongside any support options.

5.1.12 At the meeting of the Scrutiny Committee in January 2023, officers outlined a range of actions underway and in progress, to improve the income management and arrears recovery. An update as of 03 April 2023 is shown below:

#### Actions Completed:

- Further to a review of resources, roles, and responsibilities; an Income & Tenancy Sustainment Officer role has been created. The postholder started in October 2022, and is responsible for the end-to-end process, to enable greater focus and grip on income management.
- An Income Management Policy has been developed and approved.
- Initiated and implemented the use of Possession Claims Online (PCOL). This is an HM Courts & Tribunals Service function which will allow us to make possession claims for rent arrears more effectively.

#### 5.1.13 Actions In Progress:

- Improved data collection on arrears to highlight trends and issues for early intervention.
- Review of processes and development of clear guidance and processes for staff and customers
- Procedure complete and process mapping underway, providing clear guidance and ways to highlight our vulnerable customer(s) and how we can support our customers with getting on top of their debts.
- Produce an up-to-date suite of letters for the stages of rent arrears collections in consultation with tenants and leaseholders.
- Provide appropriate training to all staff who might have a part in the process to collect income and support our customers, including ongoing specialist training for key staff.
- Collate a list of cases where a debt relief order has been put in place and take appropriate steps / action as required.
- Develop and implement a one-off hardship fund for council tenants.

#### 5.1.14 Actions Planned:

- Monitor income collection through the Housing Services Dashboard and service performance monitoring arrangements.
- Update the ICT systems to replicate and automated process where possible.

- Review ongoing resourcing requirements to enable effective and resilient income management arrangements.
- Move from monthly data collection to weekly. This will allow us to have a better understanding of real time trends and analysis.

## 5.2 **Garage Rents**

5.2.1 A review of garage arrears has been undertaken and case by case action taken. Since the meeting of the Scrutiny Committee in January 2023, arrears have reduced from £18,426.48 to £16,450.68 on 03 April 2023 (reduction of £1,975.80). This includes payments and write offs. Officers will continue to review garage arrears cases, continuing to prioritise the highest debts first to catch up on past legacy cases.

Alongside a review of garage arrears, a garage allocations and arrears policy has been developed. This sets out the process for allocating garages, managing income, and recovering debts. A copy of the draft policy is included in appendices as appendix A.

### 5.2.2 **Sundry Debts**

5.2.3 At the Committee meeting on 11<sup>th</sup> January 2023, the Interim Revenues & Benefits Manager updated Members with the current sundry debt position.

5.2.4 To reduce arrears, the Interim Revenues & Benefits Manager produced an Action Plan with the aim of:

- Reducing the debts owed to the Council.
- Ensuring performance is monitored.
- Ensuring write offs are processed.
- Improving collection performance.
- Changing the way performance information is reported to the Senior Leadership Team and Members.

## 5.3 Update on the above action points:

5.3.1 As at 31st March 2023 arrears totalled £753k, which is a reduction of £172k when compared to £925k reported at the Committee meeting.

5.3.2 **Wheels to Work** - after further investigation it was established numerous attempts have been made to collect these debts, including an officer solely tasked with collecting them. It has also been established that nearly all the debts are "statute barred" and therefore legally we can't collect them. There are a small number of debtors that still live in the Borough. In those cases, a letter has been sent regarding non-payment. In the remaining cases the Director for Corporate Resources confirms there is a 100% bad debt provision for these debts, which have now been written off.

5.3.3 The updated breakdown of the debt is included at Appendix B.

5.4 The Interim Revenues & Benefits Manager now reviews any debts over £3k on a weekly basis to ensure the most appropriate recovery action is taken.

5.5 A report was submitted to Cabinet on 8<sup>th</sup> February 2023 and £223,054.37 was submitted for write off, which £28,864.54 related to Sundry Debtors.

5.6 The constitution has been updated with increased delegated limits for write offs and this was approved by Council on 23<sup>rd</sup> March 2023. This will enable greater flexibility regarding write offs.

- 5.7 Work is still ongoing regarding obtaining a report from the IT system that will enable the performance to be reported as a percentage, rather than total outstanding, for both Sundry Debtors and Overpaid Housing Benefit.

## **6 Options Considered**

- 6.1 This report fulfils a request from the Scrutiny Committee. Therefore, no other options have been considered. The report details further changes and improvements made since January 2023.

## **7 Consultation**

- 7.1 Officers have engaged with the Council's Tenant Engagement Panel (Your Choice) on the letters used at each stage of the debt recovery process for council house rents. Their feedback will directly inform changes so the way in which letters are written (see section 5 of this report).

## **8 Next Steps – Implementation and Communication**

- 8.1 Council Teams will continue to take a proactive and proportionate approach to collecting income and managing debts owed to the council.

## **9 Financial Implications**

- 9.1 It is important for the Council's financial health that debts are pursued and levels and write offs minimised. For housing and garage rents, this income is required to invest in homes and to deliver an effective landlord service to tenants. The sustainability of the Housing Revenue Account (HRA) is directly impacted by reduced income collection.
- 9.2 Payment of rent is a tenancy obligation and failure to do so could result in tenancy management action being taken.
- 9.3 In collecting debts (arrears), affordability for tenants is also a key consideration. It is important debt recovery efforts take account of individual needs and vulnerabilities on a case-by-case basis. People applying to join the Councils Housing Register who have an outstanding debt will generally only be considered if a repayment plan has been in place and been honoured, for at least 12 weeks other than in exceptional circumstances.
- 9.4 In relation to Sundry Debts, there are now procedures in place to ensure performance is monitored on a weekly basis and appropriate action is being taken to collect the debts. The write off guidance has been re written so officers are aware what checks and documentation is required before a debt can be considered for write off. I am therefore satisfied the Sundry Debt collection is under control but will ensure its closely monitored and reports provided to appropriate managers with debts in their area on a monthly basis with performance reports provided quarterly to the Senior Leadership Team and Portfolio Holder.

**Financial Implications reviewed by: Director for Corporate Services**

## **10 Legal and Governance Implications**

- 10.1 Maximum income collection should be sought through the use of all collection and enforcement practices available.
- 10.2 All collectable debts should be pursued in accordance with legislative timescales employing the appropriate remedies to secure the debt. The Limitation Act provides timescales within which debts should be collected. Failure to take action within these

timescales will result in the debt being statute barred and a write off will need to be considered. Cabinet approval is required for the write off of debts in excess of £2,500 as per the Council's Financial Procedure Rules.

- 10.3 Enforcement action should be prompt and effective. There may be other circumstances where it would not be proportionate to continue recovery action such as where residents cannot be traced, where customers are insolvent or there are vulnerabilities affecting the customer's ability to repay the debt.
- 10.4 All debt recovery should be undertaken in line with the Council's Debt Recovery Policy and Housing Income Management Policy.

**Legal Implications reviewed by: Monitoring Officer**

**11 Equality and Safeguarding Implications**

- 11.1 The Authority must comply with the public sector equality duty as set out in S149 of the Equality Act.
- 11.2 The previously approved Corporate Debt Policy was subject to an equality impact assessment prior to its approval. As no changes are being proposed to that policy there are no further implications as a result of this report.
- 11.3 It is important debt recovery efforts take account of individual needs and vulnerabilities on a case-by-case basis.

**12 Community Safety Implications**

None arising directly from this report.

**13 Environmental and Climate Change Implications**

- 13.1 None arising directly from this report.

**14 Risk & Mitigation**

Risk No	Risk Description	Likelihood	Impact	Risk
1	That the new procedures and adherence to policy do not reduce the level of debt	Low	Marginal	Low
2	That there are insufficient resources in place to recover the backlog of debt	Significant	Critical	Medium
3	That the level of write offs required will result in a negative impact on the Councils finances	High	Critical	High



		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High			3	
	4 Significant			2	
	3 Low		1		
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	Regular performance reporting and monitoring to ensure procedures are adhered to and are effective
2.	Should resources be insufficient these will need to be highlighted and considered as part of future budget setting. A business case for resourcing arrangements is currently being finalised in housing to achieve this,
3	This will need to be addressed as part of budget monitoring procedures, but it is likely that this risk will materialise and result in an increase in expenditure that will need to be managed alongside other financial pressures

## 15 Background Papers

- 15.1 [Report](#) to the Scrutiny Committee, January 2023
- 15.2 Scrutiny Committee [feedback](#) to Cabinet, January 2023
- 15.3 Corporate Debt Policy
- 15.4 Sundry Debtor Action Plan
- 15.5 Income Management Policy – Housing

## 16 Appendices

- 16.1 Appendix A: Garage Allocations and Arrears Policy (Draft)
- 16.2 Appendix B: Sundry Debt Breakdown March 2023



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