

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2287

Title: To Approve Funding for a Project to Reduce the Level of Council Tax Arrears in the London Borough of Islington

Executive Summary:

The London Borough of Islington has approached the GLA to extend its funding for a project which focuses on reducing the level of council tax arrears in the borough for a further year into 2018-19. This project has been in place since 2015-16 and up to March 2018 had resulted in the Council recovering an additional £3.4 million of outstanding council tax arrears of which the GLA's notional share is over £700,000. The GLA's financial benefit is more than four times the £155,000 contribution it has made to date towards the project costs and this does not take into account the impact of the project on reducing the accumulation of in year council tax arrears.

This decision seeks approval for the GLA contribute £90,000 in 2018-19 towards the overall cost of the project of £435,000 – in proportion to GLA's current 21 per cent share of the 2018-19 Islington council tax charge. The upfront cost will be charged to the GLA's business rates reserve. The project will focus on initiatives which seek to reduce the residual £27 million of outstanding arrears in the borough at 31 March 2018 of which the GLA's notional share is over £5.5 million. Subject to the continued success of the project the intention would be to extend this funding again into 2019-20.

Decision:

That the Executive Director of Resources approves:

A contribution from the Greater London Authority to the London Borough of Islington of £90,000 in 2018-19 to support the continuation of a project to reduce the level of council tax arrears in the borough. The upfront costs will be charged to the GLA's business rates reserve.

AUTHORISING DIRECTOR

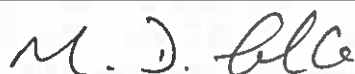
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Martin Clarke

Position: Executive Director, Resources

Signature:



Date:

6. 11. 18

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. In Mayoral Decision 1553 it was agreed that the GLA should support borough business rates and council tax revenue maximisation projects in principle and delegated authority to the Executive Director Resources to approve these on the condition that they should be self-financing and result in additional revenues on an ongoing basis.
- 1.2. In 2018-19 the GLA is forecast to receive over £23 million in council tax revenues through the Mayor's precept from council taxpayers in the London Borough of Islington. As a result of the significant increase in its taxbase in recent years arising from new developments and population growth borough council has faced increasing challenges in maximising council tax revenues and collection rates.
- 1.3. The London Borough of Islington established a dedicated team in 2015-16 to focus on reducing the level of council tax arrears. In line with the principle agreed in MD1553, the GLA agreed a funding contribution of up to £105,000 to the Council, to support this work. This allocation was approved by a Director's Decision (DD1436) and was based on the forecast cost of the team, which had a target to deliver a £1.5 million reduction in arrears in the first twelve months.
- 1.4. The team achieved a £1.4 million reduction in arrears in its first year of which the GLA share was around £320,000 albeit the contribution made by the GLA in line with actual staffing and related costs incurred was only £78,500 - £26,500 lower than the budgeted allocation approved in DD1436. The London Borough of Islington reported a collection fund surplus of £6 million in its 2015-16 accounts of which the GLA's share of around £1.6 million was paid to in during 2016-17.
- 1.5. In DD2057 approval was given for the GLA to contribute an additional £61,000 towards the continuation of the arrears project covering both the 2016-17 and 2017-18 financial years, with the Council providing a further £205,000 for the project. By 31 March 2018 the team had collected around £2.0 million in outstanding arrears of which the GLA's share was around £400,000. This demonstrates the clear net benefit to the GLA of supporting the project. These figures do not take into account the reduction in the level of in-year arrears which would otherwise have accrued had the team not been in place, as this figure is more difficult to quantify so the actual financial benefit is likely to be higher.
- 1.6. Based on the initial success of the dedicated team, the posts have now been established as permanent, with effect from February 2018. There are currently six full-time equivalent FTE members of staff dealing with council tax arrears, as part of a wider Aged Debt Team, with 11 FTEs. The GLA is also proposing to continue support to tackle business rates arrears through this team through a separate Decision DD2286.
- 1.7. Despite the work of the council tax arrears team, at the end of the 2017-18 financial year there were still council tax arrears of approximately £27 million of which the GLA's share is over £5.5 million - demonstrating a continued need for the team.
- 1.8. The London Borough of Islington has requested a further £90,000 of GLA funding to continue this project for a further 12 months which will be matched by an additional £345,000 funded by the Council - reflecting the GLA's 20.6 per cent share of the local Band D council tax. This will fund the costs associated with a dedicated team and the GLA's share of the additional costs associated with card payment processing fees which since January 2018 can no longer be recovered from council taxpayers.

- 1.9. The funding for 2018-19 will be split between a £57,500 contribution to a dedicated project team of 6 full time equivalent staff, working on council tax arrears as part of a wider aged debt team and £32,500 to fund the increased costs relating to card payments. Offering the ability to council tax payers to pay amounts owing by credit and debit card is intended to increase collection of council tax arrears and the GLA in effect receives at least forty times this sum in council tax revenues collected through this mechanism.
- 1.10. This is a legitimate request as billing authorities do not explicitly receive additional funding from central government to fund the costs of council tax collection and any investment they make to improve collection rates or reduce arrears benefits their preceptors on a proportional basis. The ability of billing authorities to meet the costs of such investment has of course become more challenging in recent years due to the impact of reductions in core grant funding from central government.
- 1.11. The funding requested equates to less than 2% of the GLA's share of the outstanding arrears and 0.4 per cent of the sum it is forecast to receive from Islington council taxpayers in 2018-19. It is anticipated – as in previous years – that the contribution will be recovered in full through an increase in the collection fund surplus for council tax declared in future years each January, which is available to support the Mayor's budget in the following financial year.

2. Objectives and expected outcomes

- 2.1. The proposed project focuses on reducing Islington's current level of council tax arrears which was approximately £25 million at the end of 2018-19. When it originally approached the GLA for funding to tackle its level of council tax arrears in 2015, the Council had considered three different mechanisms to recover the outstanding debt:
- Commission a supplier to collect this debt – potentially on a commission-based contract with a minimum fee.
 - Sell the outstanding arrears for a percentage of the value to a private sector firm
 - Recruit staff on fixed term contracts and undertake the work in house
- 2.2. It considered that the final internal approach would be the most satisfactory as costs could be more easily fixed and controlled using staff sourced locally. This would also allow these staff to be flexibly employed to tackle other outstanding debts – albeit that the GLA's funding would only be flexibly redeployed in relation to maximising Non-domestic rating and Crossrail BRS revenues.
- 2.3. The team created will continue to use appropriate tracing tools to contact debtors and maximise collection through telephone and SMS contact including:
- Identifying debts outstanding through software system reports focusing on persistent debtors, absconders, those who had failed to make council tax payments for a period of time and property owners/landlords who would have sufficient assets to repay any sums owed.
 - Using desktop tracing tools to identify forwarding addresses and contact details for debtors
 - Pursuing debtors through a variety of contact methods
 - Negotiating arrangements for payments or settlement with debtors in compliance with council procedures
 - Ongoing monitoring of payments agreed including attachments of earnings and benefits and re-contacting those who default on agreed payment plans

- 2.4. The total annual cost of the project team and related costs (including payment card processing fees) for 2018-19 is estimated at around £435,000. As the majority of the costs are staffing related, the project costs can be predicted with relative certainty. Subject to Islington demonstrating that it had made significant progress towards delivering a reduction in arrears - with an interim review after eight months - the GLA would have the option to continue funding for 2019-20, although this would be subject to a new Director's Decision.
- 2.5. Billing authorities do not receive discrete funding from government grant to assist in maximising the levels of council tax income and collection. Without the GLA's support the borough would be required to pay 100% of the cost of this project but only receive 79% of the additional income which results. It is therefore perfectly legitimate that the GLA makes a contribution towards the project in proportion to the benefits it will receive.

3. Equality comments

- 3.1. There are no direct equality implications for the GLA as the project will be managed by the London Borough of Islington; staff employed on the project are recruited by it under its terms and conditions. The Council should have due regard to relevant equality considerations in its role as a public authority under relevant legislation including the public sector equality duty under section 149 of the Equality Act 2010.

4. Other considerations

- 4.1. The project is in effect self-financing over time with any costs being more than offset by additional council tax revenues collected. There is a risk that council tax arrears might not be reduced in net terms as a result of the project, but it is expected that the project will result in arrears levels being lower than they otherwise would have been. The rewards compared to the planned investment, however, are significant given that the GLA's share of outstanding arrears is around £5.2 million (based on the 2018-19 council tax share) – and this in effect represents foregone revenue.

5. Financial comments

- 5.1. The Mayor's precept for the London Borough of Islington generates over £23 million of revenue for the GLA group annually. With the exception of this proposed project the GLA makes no direct contribution towards the enforcement or collection of these revenues.
- 5.2. The Council collects council tax, non-domestic rates and Crossrail Business Rate supplement revenues on behalf of the GLA but in respect of the former does not receive discrete additional funding to support its billing and enforcement responsibilities. In light of the additional spending pressures on the council, it has invited the GLA to continue to contribute to the costs a project team with a remit to reduce existing council tax arrears levels.
- 5.3. The GLA's proposed contribution of up to £90,000 towards the project is also in direct proportion to its financial benefit from the scheme. The project also meets the objective as agreed in MD1553 as it will in effect be self-financing over time and result in additional revenues on an ongoing basis. The GLA has already derived over £700,000 in additional revenues from the work of the existing project team since it commenced work in 2015-16 for an investment of around £155,000.

6. Legal comments

- 6.1. The GLA is a major precepting authority under section 39 of the Local Government Finance Act 1992 (the LGFA) as amended by section 82 of the Greater London Authority Act 1999 (the GLA Act), and issues precepts to billing authorities in Greater London, including the London Borough of Islington. The London Borough of Islington is, within its area, the responsible local billing authority for council tax - including the collection and enforcement of council tax debt – under the LGFA.
- 6.2. The GLA has an interest in maximising council tax and business rates collection in the borough on the basis that, as noted above, it currently receives 21 per cent of any additional council tax revenues collected through reduced arrears. Under section 34 of the GLA Act, the GLA has the power to do anything calculated to facilitate the exercise of the GLA's functions. An increase in revenue is so calculated. This power is subject to the limitation that the GLA may not raise money by virtue of it, except in accordance with relevant legislation; in the present case any money to be raised is to be raised in accordance with the relevant legislation. Reasonable expenditure designed to achieve a better level of council tax payment for the GLA, through the reduction of arrears in a billing authority, is therefore within the power of the GLA.
- 6.3. The formal agreement with the London Borough of Islington should be consistent with the GLA's standard format.

7. Planned delivery approach and next steps

Activity	Timeline
Delivery Start Date	April 2018
Evaluation of progress and submission of funding claim for 2018-19	Spring 2019
Consideration of approval to extend funding for a further year to March 2020	Autumn 2019
Final claim for funding under this approval	Autumn 2019

Appendices and supporting papers:

None

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Martin Mitchell has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

David Gallie has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments. The Decision originates from Finance.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on the 5 November 2018.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

M. J. Allie

Date

6.11.18