

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2315

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

### Executive Summary:

The London Borough of Lewisham has faced significant challenges in relation to council tax collection in recent years due to the ongoing growth in its taxbase and the significant level of turnover in its population.

The Council had £39.9 million of council tax arrears with the GLA's notional share of this being over £7.8 million. Lewisham has approached the GLA to seek funding to enable it to undertake a project, delivered by a dedicated team, to reduce the level of arrears for an initial period of 14 months with the potential for extension.

The GLA would contribute towards the project costs in proportion to its 19.6 per cent share of the Lewisham Band D council tax in 2018-19. This reflects the benefit it would receive from any incremental revenues which it would receive through sharing of future year's collection fund surpluses.

### Decision:

That the Executive Director, Resources approves a contribution from the Greater London Authority to the London Borough of Lewisham of £54,000 to fund a project to reduce the level of council tax arrears in the borough. The up-front costs will be charged to the GLA's business rates reserve. This funding will be paid across the 2018-19 and 2019-20 financial years.

### 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:**

7.2.19

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. In Mayoral Decision 1553 (MD1553) it was agreed that the GLA should support borough business rates maximisation and council tax 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 £25.4 million in council tax revenues through the Mayor's precept from taxpayers in the London borough of Lewisham. As in other London boroughs, significant increases in Lewisham's taxbase in recent years, arising from new developments and population growth alongside the localisation of council tax support, have resulted in the council facing increasing challenges in maximising council tax and business rates revenues and collection rates. This was compounded by the impact of a change to the minimum percentage of council tax working age households on council tax support were required to pay in the borough from 2017-18 onwards. This change resulted primarily from the ongoing impact of the 10 per cent reduction made in funding to local authorities to provide council tax support to working age households on low incomes made by the Government in 2013-14.
- 1.3. The London Borough of Lewisham is establishing a dedicated team from February 2019, to focus on reducing the of council tax arrears. The team is made up of five temporary full-time equivalent (FTE) debt collection officers and one FTE team leader. The total costs for a full year of the project, including staff salaries, as well as recruitment and accommodation costs, are estimated at £271,000 over the initial 14 month planned life of the project team (from February 2019 to March 2020) – equivalent to £233,000 per financial year. The Council has approached the GLA requesting funding for the project in line with the principles set out in MD1553.
- 1.4. Based on the principles agreed for similar projects, the GLA would base its proportionate contribution to the costs of the project on its current share of council tax - 19.6 per cent. Based on this share, the GLA would contribute up to £54,000, with the remaining £217,000 funded by the Council itself.
- 1.5. As the staff are recruited on temporary contracts, there would be an opportunity to consider the effectiveness of the team's work, before considering whether the project should be continued for beyond March 2020. Subject to Lewisham demonstrating that it has made significant progress towards delivering a reduction in arrears, the GLA would have the option to continue funding, although this would be subject to a new Director's Decision and confirmation that the Council intended to continue this through its budget planning process.
- 1.6. This is a legitimate request for funding as billing authorities do no longer receive separately identifiable funding from central government to fund the costs of council tax collection. Any investment they make to improve collection rates or reduce arrears benefits their preceptors and in the case of business rates – central government - on a proportional basis. The ability of billing authorities to meet the costs of such investment has of course reduced in recent years, due to the impact of reductions in core grant funding from central government. The funding will not be used to resource the borough council's normal collection and enforcement work for council tax or business rates.
- 1.7. The funding requested equates to less than 0.7 per cent of the GLA's share of the outstanding arrears and only 0.2 per cent of the total council tax revenues it will receive from Lewisham in 2018-19.
- 1.8. It is anticipated that the contribution will be recovered in full through an increase in the collection fund surplus for council tax and business rates 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 project focuses on reducing Lewisham's current level of council tax arrears, which at the start of 2018-19 was just under £40 million, of which the GLA's share is £7.8 million. In designing the proposal for the project, Lewisham has based its plan on feedback from similar projects in other London boroughs.
- 2.2. The Council, by establishing an internal team to act as debt collection officers, can ensure that costs are more easily fixed and controlled and use staff sourced locally, rather than an external approach. Initial brief discussions with local Jobcentre Plus staff suggested skills were available locally, providing an opportunity to promote local employment.
- 2.3. The team is able to make use of appropriate tracing tools to contact debtors and maximise collection through telephone and SMS contact, personal visits to properties in arrears to determine residency and discuss payment arrangements, as well as tracing software, liaising closely with other teams within the Council's local tax and accounts receivable function. The team's work will also allow the Council to improve the data it holds on the number of void properties, those in multiple occupation, levels of overcrowding, irregular occupation and the sub letting of council properties. Officers focus solely on debt collection of the arrears; any queries related to council tax liability are referred to the existing teams established in the Council.
- 2.4. The team has been set a target to reduce the total level of arrears by £800,000 initially of which around £167,000 would notionally accrue to the GLA. On this basis, the project would represent a net surplus of around £113,000 on the GLA's investment. This does not, however, reflect the full benefit as the team will also seek to limit the level of in year arrears which accumulate. The aspiration would be to secure a higher level of reduction as the team becomes more experienced.
- 2.5. The arrears target has been determined by benchmarking against other authorities who have undertaken a similar targeted debt collection approach. The figure reflects that a considerable level of recovery action has already been undertaken relating to these arrears. Data on arrears is monitored internally within the Council, as well as being reported annually to the Ministry of Housing, Communities and Local Government.

## **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 Lewisham; staff employed on the project are recruited by it under its terms and conditions. The Council should have regard to appropriate 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 expected to be 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 over £7.8 million for council tax – and this in effect represents forgone revenue.

## **5. Financial comments**

- 5.1. The Mayor's precept for the London Borough of Lewisham will generate over £25.4 million of revenue for the GLA group this year. With the exception of this proposed project, the GLA makes no direct contribution towards the enforcement or collection of these revenues.

- 5.2. In light of the additional spending pressures on the council and growing level of arrears, it has invited the GLA to contribute to the costs of a project team with a remit to reduce existing council tax arrears levels.
- 5.3. The GLA's proposed contribution of up to £54,000 towards the project is also in direct proportion to its financial benefit from the scheme reflecting its share of the local Band D council tax in 2018-19. This will cover funding for the team for 14 months across the 2018-19 and 2019-20 financial years covering the period from 1 February 2019 to 31 March 2020. 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. Subject to the successful delivery of the project the aspiration would be to continue funding this work into 2020-21.

## 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 Lewisham. The London Borough of Lewisham 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 collection in the borough on the basis that, as noted above, it currently receives 19.6 per cent of any additional council tax revenues. 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 and business rates 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 Lewisham should be consistent with the GLA's standard format.

## 7. Planned delivery approach and next steps

- 7.1. The planned project delivery is set out below.

Activity	Timeline
Procurement of contract	Not applicable
Announcement [if applicable]	Not applicable
Delivery Start Date	February 2019
Evaluation of initial progress and submission of funding claim for 2018-19	Spring 2019
Consideration of approval to extend funding beyond April 2020	Early 2020
Final claim for funding under this approval	Spring 2020

## 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 – YES/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.

✓

**Corporate Investment Board**

This decision was agreed by the Corporate Investment Board on 4 February 2019.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. J. Gallie*

Date

7.2.19

