

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD1413

### Title: Project to Reduce the Level of Council Tax Arrears in the London Borough of Haringey

#### Executive Summary:

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

The Council had £26.2 million of council tax arrears at 1 April 2015 – of which £5.2 million (20 per cent) relates to the sums owed in respect of the GLA's Precept based on 2015-16 tax shares. The Council has approached the GLA to seek funding to enable it to undertake a project delivered by a dedicated team to reduce the level of outstanding arrears. The GLA would contribute towards the project costs in proportion to its share of council tax which reflects the benefit it would receive from any incremental revenues which would result through the sharing of future collection fund surpluses.

This Decision seeks a contribution of up to £132,000 from the GLA equivalent to 20 per cent of the estimated £656,000 total project costs for the two years from October 2015 to October 2017. The proposed agreement with Haringey has set a minimum target to reduce arrears by £750,000 by the end of the first twelve months of the project and a further £500,000 in the second year – of which an estimated £250,000 would accrue to the GLA. The renewal of the project would only continue for the second year if there had been a demonstrable reduction in arrears in year 1.

#### Decision:

The Executive Director Resources approves up to £132,000 towards a project being undertaken by the London Borough of Haringey to reduce its level of council tax arrears by October 2017. Of this an estimated £30,000 is payable in respect of the 2015-16 financial year, £66,000 in 2016-17 and £36,000 in 2017-18 on a pro rata basis. The costs would be charged to the Mayor's Resilience Reserve – and be recoverable through expected higher future collection fund surpluses declared by the borough in respect of council tax. The project will set a minimum target to reduce the borough's council tax arrears by £1.25 million by 31 October 2017 of which an estimated £250,000 (20%) would accrue to the GLA.

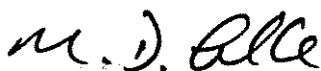
#### AUTHORISING DIRECTOR

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:

15.3.16

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

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

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

- 1.1 In 2015-16 the GLA will receive an estimated £20.9 million of income through the council tax precept from taxpayers in the London Borough of Haringey.
- 1.2 As a result of the significant increase in its taxbase in recent years arising from new developments, population growth and high population mobility the Borough Council has faced challenges in maximising council tax revenues and collection rates. As a result the Borough Council had a significant level of Council Tax arrears of some £26.2 million as at 1 April 2015. Based on the GLA's 20 per cent share of the council tax in 2015-16 (£295 out of £1,479) this level of arrears represents potential lost revenue to the GLA of around £5.2 million - equivalent to around one quarter of the total annual precept income from that borough.
- 1.3 The London Borough of Haringey has asked the Greater London to make a contribution towards a project which will set up a dedicated team focusing on reducing the level of council tax arrears. The team would be sourced locally and employed by the Council. The project commenced in October 2015 and the GLA's funding would support this project for two years with the second years funding being conditional on demonstrating a notable reduction of arrears in year 1. The estimated total cost of the project is forecast to be up to £328,000 per annum or £656,000 over the two years.
- 1.4 The GLA would contribute 20 per cent of the project costs in line with 2015-16 council tax shares – equating to up to £132,000 over the two years. This reflects the proportion of any reduction in arrears which would accrue to it through higher collection fund surpluses declared by Haringey in future years. Of this £30,000 is estimated payable in respect of the 2015-16 financial year, £66,000 in 2016-17 and £36,000 in 2017-18 on a pro rata basis although the precise sums may vary within the overall funding envelope. Haringey would contribute the balance of £524,000 in line with its 80 per cent share of council tax revenues.
- 1.5 The project team has a target to deliver a minimum £750,000 reduction in arrears in the first twelve months and £500,000 in year two – equating to a potential gain for the GLA of at least £250,000 and for Haringey of £1 million. Based on the expected additional revenues generated the project is therefore expected to be self financing – and potentially generate a significant surplus on the GLA's investment. For the GLA to break even on the project a reduction in the total outstanding arrears of around £666,000 – equivalent to around 2.5% of the £26.2 million balance at 31 March 2015.
- 1.6 This is a legitimate request for funding as council tax billing authorities such as the London Borough of Haringey 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 general government grant funding.

- 1.7 The funding requested equates to only 2.5% of the GLA's share of the outstanding arrears and it is anticipated that this would 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. Before releasing funding for the second year of proposed project the GLA would wish to be satisfied that the borough councils has delivered a material reduction in the level of arrears in the first twelve months. The agreement with Haringey will therefore require a review of progress and delivery to be undertaken after the first twelve months of the project (October 2016) once the audited outturn data is available showing the arrears position at 31 March 2016 along with the mid year data at 30 September 2016.
- 1.8 Subject to the project being successful the GLA could give consideration to extending the project for a further 12 months to October 2018 in order to reduce the outstanding level of arrears which is still expected to be in the region of £25 million.

## **2. Objectives and expected outcomes**

- 2.1 The proposed project focuses on reducing Haringey's current level of council tax arrears which exceeded £26.2 million at 1 April 2015. Haringey has 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 considers 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 use appropriate tracing tools to contact debtors and maximise collection through telephone and SMS contact. The majority of the staff – estimated at up to seven – have been recruited already.
- 2.4 The annual cost of the project team and related costs is estimated at around £328,000 – with funding being provided for a two year period covering expenditure up to 31 October 2017. As the majority of the costs are staffing related the project costs can be predicted with relative certainty. Subject to Haringey demonstrating that it had made significant progress towards delivering a reduction in arrears in year one - with an interim review in October 2016 - the GLA would continue funding the project after the 12 months to October 2017.
- 2.5 The GLA would contribute up to £132,000 in proportion to its 20 per cent share of the council tax for 2015-16 of the project cost of up to £656,000. The actual sum payable would be based on actual costs incurred up to this cap. This Directors Decision asks for approval to provide this funding subject to it having the ability to withhold the funding for the final year months of the project if by 31 October 2016 the Council is unable to demonstrate a material reduction in arrears in line with the project targets through their annual accounts and management reporting information.

2.6 The project will focus resources in the following areas:

- The identification of arrears cases where insolvency or charging orders are an appropriate means of recovery. This would focus on homeowners and landlords where the debt exceeds £5,000 and a history of non payment is evident rather than on low income or vulnerable groups;
- proactive contacting of debtors rather than a reactive approach which is expected to result in more arrangements to pay;
- the use of telephone recovery methods for smaller arrears balances where there is some history of propensity to pay. This will also be used to identify forwarding addresses and revised contact details supported by the use of other third party data sources; and
- the referral to secondary enforcement agencies where limited opportunities available to secure debt recovery by alternative means.

2.7 The GLA has agreed a target with Haringey to reduce total arrears by £750,000 by 31 October 2016 (£150,000 of which would notionally accrue to the GLA through the sharing of future collection fund surpluses) and a further £500,000 from November 2016 to October 2017 (£100,000 of which would accrue to the GLA). Therefore for an investment of up to £132,000 over the project lifetime the GLA would expect to receive at least £250,000 in council tax revenues – a net surplus of at least £118,000 on the GLA's investment. Once the team becomes established the aspiration would be that a higher level of arrears reductions would be achieved given the investment being made. The team will also focus on minimising the build up of new arrears in the current financial year.

### **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 Haringey and any staff will be 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.

### **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. Staff will be recruited on fixed term contracts for the duration of the project. 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 potential rewards compared to the planned investment, however, are significant given that the GLA's share of outstanding arrears is around £5.2 million.

### **5. Financial comments**

5.1 The Mayor's precept for the London Borough of Haringey generates around £20.9 million of revenue for the GLA group annually. In light of its recent rapid population growth and increase in new developments the authority has experienced challenges in maximising council tax collection rates.

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 contribute to the costs of a new project team with

a remit to reduce existing council tax arrears levels. The GLA's funding will be provided in proportion to its share of any additional council tax revenues which might result (i.e. 20 per cent in 2015-16 representing the share which the Mayor's precept represents of the total council tax charge payable by Haringey residents).

- 5.3 The estimated total cost of the arrears reduction project would be approximately £27,000 per month or £328,000 per annum with payments made quarterly in arrears. The GLA would contribute the equivalent of £5,500 per month or up to £132,000 over the project lifetime in proportion to its share of the Haringey council tax for 2015-16. The GLA has agreed a target with Haringey to reduce arrears by £1.25 million by October 2017 - £250,000 of which would notionally accrue to the GLA through the sharing of future collection fund surpluses.
- 5.4 The agreed contribution equates to less than 2.5 per cent of the GLA's £5.2 million share of the existing council tax arrears in Haringey.

## 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 Haringey. The London Borough of Haringey 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 receives 20 per cent of any additional revenues collected through reduced arrears and improved council tax collection rates based on 2015-16 relative council tax shares. 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 is therefore within the power of the GLA.

## 7. Planned delivery approach and next steps

- 7.1 The planned project delivery is set out below:

Activity	Timeline
Recruitment of project team	Winter 2015-16
Delivery Start Date	Winter 2015-16
Interim evaluation of progress and submission of final funding claim for 2015-16	Summer 2016
Review of delivery for year one of the project and subject to this confirmation of funding for year two	October/November 2016
Project Closure – albeit GLA would have the ability to extend it for a further 12 months by mutual agreement.	October 2017
Delivery End Date and submission of final claim	October 2017

**Appendices and supporting papers:** None

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 approval 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 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be 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, GLA Group Finance Manager has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

David Gallie, Assistant Director Finance 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.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. D. Gallie*

Date

*15.3.16*