

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2303

Title: To Approve the Extension of Funding for a Project to Reduce the Level of Council Tax Arrears in the London Borough of Haringey for 2018-19

Executive Summary:

The London Borough of Haringey 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. In 2015-16 the council put in place a project team to focus on reducing the level of council tax arrears which was part-funded by the GLA. Following the success of this project which reduced the level of arrears by around £5 million - of which the GLA's notional share is around £1 million - the Council is seeking funding from the GLA to continue this work in 2018-19.

This Decision requests a contribution of up to £59,000 from the GLA as a contribution to the costs of the project team in 2018-19. This equates to 18.4 per cent of the total project cost of £319,000, in line with the GLA's share of the overall Band D council tax in the Haringey borough in 2018-19.

Decision:

That the Executive Director, Resources approves a contribution from the Greater London Authority to the London Borough of Haringey of £59,000 in 2018-19 to support the continuation of a project to reduce the level of council tax arrears in that borough. The costs will be charged to the GLA's business rates reserve.

AUTHORISING DIRECTOR

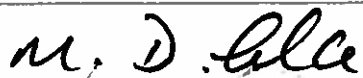
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Martin Clarke

Position: Executive Director, Resources

Signature:



Date:

3.12.18

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 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 £22.7 million in council tax revenues through the Mayor's precept from council taxpayers in the London Borough of Haringey. As a result of the significant increase in its taxbase in recent years arising from new developments and population growth, the council has faced increasing challenges in maximising council tax revenues and collection rates.
- 1.3. The London Borough of Haringey 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 £132,000 to the Council, to support this work, over two years from October 2015 to October 2017. This allocation was approved by a Director's Decision (DD1413) and was based on a 20 per cent share of the forecast cost of the team, which had a target to deliver a £1.25 million reduction in arrears over the two years of the project.
- 1.4. The team achieved a £1.8 million reduction in arrears up to 31 March 2017, of which the GLA share was around £338,000, a net surplus to the GLA of £290,000 compared to its contribution at that date. As a result of this success, the project was extended up to 31 March 2018, funded by underspends in the project in its initial phase. The team had a target for 2017-18 to reduce council tax arrears by £1 million as of 31 March 2018. At the end of 2017-18, the project had collected £1.5 million in additional revenue.
- 1.5. The project has successfully reduced the level of arrears from £26.2 million in April 2015 to around £21 million as at the end of 2017-18. Historically the level of arrears has increased by an average of £5 million per annum.
- 1.6. The Council has approached the GLA requesting funding so that the project can be extended for a further financial year. It is proposed that the GLA provide funding of up to £59,000, towards the total expected project cost of £319,000 in 2018-19 in line with its 18.4 per cent share of the local Band D council tax. The Council will contribute the remaining £260,000 from its internal 'Transformation Fund'.
- 1.7. 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.
- 1.8. The funding requested equates to less than 3 per cent of the GLA's share of the outstanding arrears and 0.3 per cent of the sum it is forecast to receive in council tax from Haringey's 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 Haringey's current level of council tax arrears which was approximately £21 million at the end of 2017-18. The existing team will continue to focus on its remit

of tracing debtors and maximising collection. In particular the project will concentrate on the following key activities:

- 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 referral to secondary enforcement agencies where limited opportunities available to secure debt recovery by alternative means; and
- The use of telephone recovery methods for smaller arrears balances where there is history of propensity to pay. This will also be used to identify forwarding addresses and revised contact details.

- 2.2. The 'lessons learnt' from the successes of the project are also being applied to the Council's 'business as usual' activities to improve in-year council tax collection rates, although these activities are not funded by this project.
- 2.3. The team, made up of six full-time equivalent (FTE) recovery officers and one FTE manager, expects to collect an additional £1.5 million in council tax arrears in 2018-19. The total annual cost of the project team and related costs is expected to be £319,000, as stated above. 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, the GLA would have the option to continue funding for 2019-20, although this would be subject to a new Director's Decision and consideration in the Council's budget planning process.
- 2.4. 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 81 per cent 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 Haringey; 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 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 £4 million (based on the current council tax share) – and this in effect represents foregone revenue.

5. Financial comments

- 5.1. The Mayor's precept for the London Borough of Haringey generates over £22.7 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 £59,000 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 in 2015-16 for an investment of around £155,000.
- 5.4. The costs of £59,000 will be funded from the GLA's business rates reserve.

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 currently receives 18 per cent of any additional revenues collected through reduced arrears and improved council tax collection rates. 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 improvement of the collection rates in a billing authority, is therefore within the power of the GLA.
- 6.3. The formal agreement with the London Borough of Haringey should be consistent with the GLA's standard format.

7. Planned delivery approach and next steps

Activity	Timeline
Procurement of contract	Not applicable
Announcement [if applicable]	Not applicable
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	Spring 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 proposal originates from Finance

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 3 December 2018

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Belle

Date

3.12.18

