

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2057

Title: Funding for a Project to Reduce the Level of Council tax Arrears in the London Borough of Islington During 2017

Executive Summary:

The London Borough of Islington (LBI) has faced increasing 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. Its level of arrears at 1 April 2016 totalled £22 million of which the GLA's share was £5.0 million.

The GLA provided funding of £60,000 in 2015-16 to fund a dedicated project team to tackle the level of council tax arrears with Islington Council providing a further £205,000 reflecting each authority's respective share of council tax. Since the project commenced the level of historic and in year arrears has been reduced by £1.4 million of which the GLA's share is £300,000 – a net gain of £240,000.

This Director's Decision seeks to extend this project for a further two years and approve additional GLA funding of £61,000 to be added to £205,000 of funding by LBI with the objective of reducing the level of council tax arrears by a further £1.1 million.

Decision:

The Executive Director Resources approves payment of up to £61,000 towards a project to reduce the level of council tax arrears in Islington, to be added to funding of £205,000 from the borough council across the 2016-17 and the 2017-18 financial years. The costs would be charged to the GLA's Business Rates Reserve initially – and recoverable through expected future collection fund surpluses declared by the borough in respect of council tax. The project will set a target to reduce the borough's council tax arrears by a further £1.1m by the end of 2017-18 of which an estimated £225,000 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:

12.1.17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 In 2016-17 the GLA will receive an estimated £20.8 million of income through the council tax precept from taxpayers in the London Borough of Islington.
- 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 £24 m as at 1 April 2015. Based on the GLA's 23.1 per cent share of the council tax in 2015-16 this level of arrears represented potential lost revenue to the GLA of around £5.5 million – equivalent to over one quarter of the total annual precept income from that borough.
- 1.3 In 2015 the London Borough of Islington asked the GLA to make a contribution towards a project which set up a dedicated team focusing on reducing the level of council tax arrears. The team was sourced locally and employed by the Council. The GLA provided funding of £78,531.54 out of a total project cost of £341,441.49 with the balance of £262,909.95 being financed by the borough council in line with relative council tax shares. This funding was approved in Director's Decision DD1436.
- 1.4 The project team had a target to deliver a £1.5 million reduction in arrears in the first twelve months – of which £1.4 million was achieved albeit with the project cost to the GLA being around £26,468.46 lower than the £105,000 allocation approved in the original director's decision. The London Borough of Islington reported a collection fund surplus of £6 million in its 2015-16 accounts of which £1.3 million accrued to the GLA. This is being paid to the GLA by the Council through the council tax instalments process during 2016-17. The GLA's share of the outstanding arrears of around £23 million at 1 April 2016 was approximately £5.0 million – reflecting the impact of the project and to a lesser extent the decline in the GLA's share of the total precept in 2016-17.
- 1.5 The London Borough of Islington has requested a further £61,000 of GLA funding to continue this project for a further 12 months which will be matched by an additional £202,431 funded by the borough council with a start date no later than 1 January 2017. This will finance a dedicated project team of 7 staff including related IT and accommodation costs who will be supervised by a manager (operating on a 0.5 FTE equivalent basis). The team will have a target to reduce arrears by a further £1.1 million of which an estimated £225,000 would accrue to the GLA.
- 1.6 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 general government grant funding.
- 1.7 The funding requested equates to less than 2% 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.

- 1.8 Before approving funding for second year of the project the GLA has satisfied itself that the performance in year 1 has been sufficient to justify continuing the project for a further 12 months. The agreement with Islington will require an initial review of progress and delivery to be undertaken after the end of the 2016-17 financial year and at the end of the 12 month period – expected to be 31 December 2017.

2. Objectives and expected outcomes

- 2.1 The proposed project focuses on reducing Islington's current level of council tax arrears which exceeded £24 m at 1 April 2015 and had been reduced to £22m by 1 April 2016 following the completion of the first twelve months work of the project team. Islington 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 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 desk top 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 recontacting those who default on agreed payment plans
- 2.4 The annual cost of the project team and related costs is estimated at around £263,000 – with the additional funding being provided for a 12 month period commencing no later than 1 January 2017. 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 the project for a third year.
- 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 77% 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 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.
- 3.2 Staff employed in the project team have been sourced locally and therefore up to 8 additional jobs have been created for Londoners and where possible Islington residents. Due to the diversity of the borough's population a significant proportion of the staff recruited are from Black and Minority Ethnic groups.

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. There is a risk that council tax arrears might not be reduced in net terms as a result of the project but given the results achieved in year 1 of the project – when the project team was being recruited and trained – have matched forecasts, for a lower level of expenditure than originally planned, this is considered unlikely. The rewards compared to the planned investment, however, are significant given that the GLA's share of the outstanding arrears at 31 March 2016 is over £5 million.

5. Financial comments

- 5.1 The Mayor's council tax precept on the London Borough of Islington generates nearly £21 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. 22 per cent in 2016-17 representing the share which the Mayor's precept represents of the total council tax charge payable by Islington residents – £276 out of £1,276).
- 5.3 The estimated total cost of the arrears reduction project would be approximately £263,000 per annum with payments made quarterly in arrears. The GLA would contribute up to £61,000 over the project lifetime in proportion to its share of the council tax for 2016-17. The GLA has agreed a target with Islington to reduce arrears by at least £1.1 million by the end of 2017 (£225,000 of which would notionally accrue to the GLA through the sharing of future collection fund surpluses).
- 5.4 The agreed contribution equates to just over 1 per cent of the GLA's £5.0 million share of the existing council tax arrears in Islington as at 1 April 2016.

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 collection in the borough on the basis that, as noted above, it currently receives around 22 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 Islington should be consistent with the GLA's standard format which has been approved by the Commercial law team.

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	Not applicable
Delivery Start Date	Autumn 2016
Interim evaluation of progress and submission of funding claim for 2016-17	By mid 2017
Delivery End Date and submission of final claim	31 December 2017
Project Closure – albeit GLA would have the ability to extend it for a further 12 months by mutual agreement.	March 2018

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 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 the Group Finance team.

✓

Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 16 January 2017.

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

17.1.17