

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2083

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

Executive Summary:

The London Borough of Enfield in common with other London Boroughs 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 and growth in its population.

The Council had £20.7 million of council tax arrears at 1 April 2016 – of which around £4.1 million (just under 20 per cent) relates to the sums owed in respect of the GLA's Precept based on 2016-17 tax shares. The Council has approached the GLA to seek funding to enable it to undertake a project delivered in partnership with an external contractor 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 initially up to 31 March 2018 of up to £9,500 equivalent to just under 20 per cent of the estimated £48,000 project costs in line with each authority's council tax share. The proposed agreement with Enfield has set a target to reduce arrears by at least £180,000 by the end of the project – of which around £40,000 would accrue to the GLA.

Decision:

The Executive Director Resources approves payment of up to £9,500 towards a project by the London Borough of Enfield to reduce its level of council tax arrears of which £2,500 is estimated payable in respect of the 2016-17 financial year and £7,000 in 2017-18. The costs would be charged to the Mayor's Business Rates Reserve initially – and recoverable through expected future collection fund surpluses declared by the borough in respect of council tax each year. The project will set a target to reduce the borough's council tax arrears by £180,000 by 31st March 2018 of which an estimated £40,000 would accrue to the GLA – more than 4 times the cost of the GLA's contribution.

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: 17.1.17

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 £26.0 million of income through the council tax precept from taxpayers in the London Borough of Enfield. A further £0.75m will be paid over in respect of surpluses achieved compared to the budgeted forecasts in respect of prior years. At present the GLA makes no direct contribution towards the collection or enforcement of these revenues.
- 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 in common with other London Boroughs has faced challenges in maximising council tax revenues and collection rates. The borough had Council Tax arrears of some £20.7 million as at 1 April 2016. Based on the GLA's 20 per cent share of the council tax in 2015-16 (£276 out of £1,420) this level of arrears represents potential lost revenue to the GLA of around £4.1 million - equivalent to around 15 per cent of the total annual GLA precept income from that borough.
- 1.3 The London Borough of Enfield has asked the Greater London to make a contribution towards a project which focusing on reducing the level of council tax arrears. The project is commencing in early 2017 and the GLA's funding would end in March 2018 with an option for extension should both parties agree. The estimated total cost is forecast to be up to £48,000 per annum.
- 1.4 The GLA would contribute just under 20 per cent of the project costs in line with 2016-17 council tax shares – equating to around £9,500. This reflects the proportion of any reduction in arrears which would accrue to it through higher collection fund surpluses declared by Enfield in future years. Of this £2,500 is estimated payable in respect of the 2016-17 financial year and £7,000 in 2017-18 on a pro rata basis.
- 1.5 Enfield has always had a high level of council tax arrears collection and achieved arrears cash collection of just under £8m in 2015-16, the 3rd highest in England and highest by some way in London. In common with many other London Boroughs it uses contracted Enforcement Agents for liability order collection and external legal specialists for charging orders, forced sales and insolvency work. The Council also considers there is a need for external debt collection support for debt returned by its enforcement agents but that is not suitable for legal referral.
- 1.6 The Council is engaging an external Collection service to pilot this work via a framework agreement. Initial estimates assume a collection rate of around 15% of the debt referred and it expects to refer some £1.2m. The contractor will do an initial diagnostic review of the debts to determine collectability and will charge commission on what they collect. The GLA's contribution would support this work.
- 1.7 This is a legitimate request for funding 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.

- 1.8 The funding requested equates to 0.2% of the GLA's share of the outstanding arrears and 0.04% of the sum expected to be collected from the borough's council taxpayers in respect of the GLA precept in 2016-17. This would be the only direct contribution which the GLA would make towards the collection and administration of the £26 million of council tax revenues it is forecast to receive from Enfield residents.
- 1.9 It is anticipated that the GLA's 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. Before releasing funding for the final four months of the proposed project the GLA would wish to be satisfied that it has delivered a material reduction in the level of arrears by 30 September 2017.

2. Objectives and expected outcomes

- 2.1 The proposed project focuses on reducing Enfield's current level of council tax arrears which exceeded £20.7 million at 1 April 2016.
- 2.2 The annual cost of the contractor – who is paid on a commission basis and related costs is estimated at around £48,000 – with initially funding being provided to 31 March 2018. Subject to Enfield demonstrating that it had made significant progress towards delivering a reduction in arrears - with an interim review after 9 months (to 30 September 2017) - the GLA would have the option to continue funding the project up to 31 March 2018.
- 2.3 The GLA would contribute up to £2,500 in proportion to its 20 per cent share of the council tax for 2016-17 of the project cost of up to £12,500. 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 remaining funding awarded on a pro rata basis if by 30 September 2017 the Council is unable to demonstrate a reduction in arrears in line with the project targets through their annual accounts and management reporting information.
- 2.4 The GLA has agreed a target with Enfield to reduce total arrears by at least £180,000 by 31 March 2018 (£40,000 of which would notionally accrue to the GLA through the sharing of future collection fund surpluses). Therefore for an investment of £9,500 over the project lifetime the GLA would expect to generate a net surplus of over £30,500 on its 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. It is worth noting that in 2015-16 Enfield generated an estimated collection fund surplus of £0.75 million which is being paid to the GLA in 2016-17.
- 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 80% 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.
- 2.6 The funding requested also equates to around 0.2 per cent of the GLA's share of the outstanding arrears and 0.04 per cent of the sum which will be collected via the GLA precept from Newham council taxpayers in 2016-17. It is anticipated that this would be recovered in full through an increase in the collection fund surplus for council tax in future years.

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 Enfield 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. 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 £4.1 million in respect of Enfield borough.

4. Financial comments

- 5.1 The Mayor's precept on the London Borough of Enfield is forecast to generate £26 million of revenue for the GLA group in 2016-17. 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 2016-17 representing the share which the Mayor's precept represents of the total council tax charge payable by Enfield residents).
- 5.3 The estimated total cost of the arrears reduction project would be approximately £800 per month or £9,500 per annum with payments made quarterly in arrears. The GLA would contribute up to £2,500 per quarter or up to £9,500 over the project lifetime in proportion to its share of the council tax for 2016-17. The GLA has agreed a target with Enfield to reduce arrears by at least £180,000 by 31st March 2018 (£40,000 of which would notionally accrue to the GLA through the sharing of future collection fund surpluses).
- 5.4 The agreed contribution equates to 0.2 per cent of the GLA's £4.1 million share of the existing council tax arrears in Enfield and 0.04 per cent of the £26 million of revenues the GLA receives from local taxpayers in that borough annually.

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 Enfield. The London Borough of Enfield 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 just under 20 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 is therefore within the power of the GLA.
- 6.3 The formal agreement with the London Borough of Enfield 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	Winter 2016
Commencement	Early 2017
Delivery Start Date	Early 2017
Interim evaluation of progress and submission of funding claim for 2016-17	30 September 2017
Delivery End Date and submission of final claim	31 March 2018
Project Closure – albeit GLA would have the ability to extend it for a further 12 months by mutual agreement.	31 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. Allce

Date

17.1.17