

This report format is for scrutiny reports

London Borough of Enfield

Finance and Performance Scrutiny Panel

Meeting Date 14th September

Subject: Covid-19 impact on Council Tax and Business Rates Debt
Cabinet Member: Cllr Maguire
Executive Director: Fay Hammond

Purpose of Report

1. To provide Finance and Performance Scrutiny Panel with an understanding of how Covid-19 has impacted on Council Tax and Business Rates collection and debt. To set out the approach to managing and recovering this situation, with reference to the Council's new strategy 'A Progressive Approach to Managing Debt and Income in Enfield', and seek feedback on that plan. To provide assurance that non-collection of income due is minimised.

Background

2. In March 2021, Cabinet agreed a new strategy 'A Progressive Approach to Managing Debt and Income in Enfield'. This 3-year strategy takes into account the environment for the Council's customers and the Council itself, in terms of the economy, legislative changes, good practice, digital progress, and improvements in access to data that enables us to differentiate the customer base and support those that are struggling to pay. This strategy takes a progressive approach to the management of debt and income in Enfield, whose vision is to:
 - Modernise debt recovery
 - Maximise income
 - Deliver fair and equitable treatment of our customers
 - Improve access to benefit advice and debt support and reduce the escalation of debt charges.
3. The Council has a duty to recover outstanding debts, to charge for its services both efficiently and fairly, ensuring processes and decisions are equitable and proportionate. The strategy has 7 key objectives: maximise collection; increase income to the Council, minimise the cost of collection; protect vulnerable and low-income households; increase the provision of co-ordinated debt, benefit and other advice; provide accessible and consistent transactions for customers and; protect the public purse.
4. The Council had a good success rate in collection of Council Tax and Business Rates debt prior to the pandemic, with levels achieved over the past 3 years set out below (the charts at points 11 and 16). However, the economic impact of the Covid-19 pandemic on both individual households and businesses, in addition to national

policy changes about collection practice during the pandemic, has had a large impact both nationally and locally on collection levels for the financial year 20/21. For the MTFP, the suppressed levels of Council of Tax and Business Rates were assumed to remain in 2022/23 before recovering to pre- pandemic levels across the subsequent three years.

5. The government recently provided a guide on best practice to collect Council Tax which officers have reviewed to ensure this is featured in our existing approach <https://www.gov.uk/government/publications/council-tax-collection-best-practice-guidance-for-local-authorities/council-tax-collection-best-practice-guidance-for-local-authorities>
6. This report is set out in 6 sections:
 - Performance as at end of Q1, for Business Rates and Council Tax
 - Impact of Covid-19
 - Challenges/risks
 - Recovery and monitoring
 - Main considerations for Panel
 - Conclusions

Performance as at end of Q1

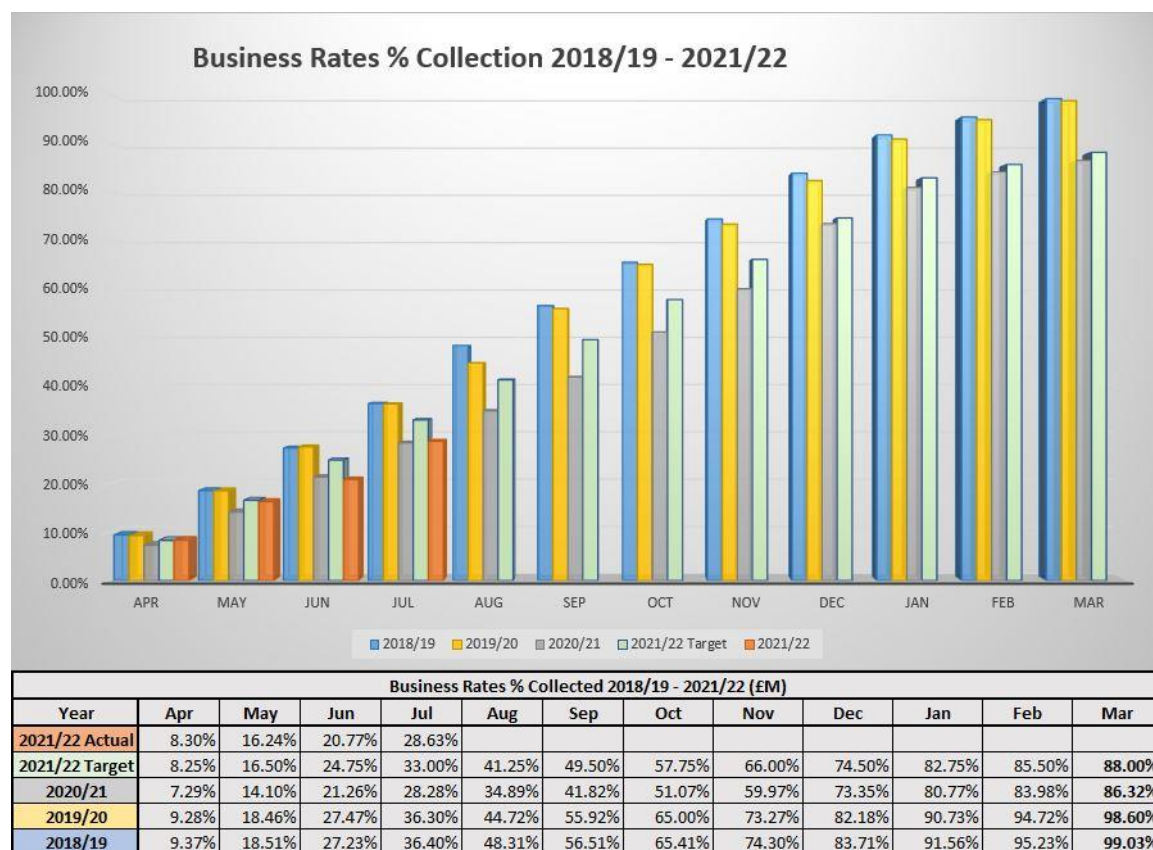
	Council Tax	Business Rates
Arrears b/f 2020-21	£ 32,757,964.75	£19,674,530.12
Raised 2021/22 Q1	£176,401,032.00	£98,583,832.94
Invoices not yet due		
Net raised	£176,401,032.00	£98,583,832.94
Payments/credits 21/22 Q1	£50,867,235.23	£20,479,852.71
Collection performance	28.84%	20.77%
Collection target	28.60%	21.32%
Plus/Minus	0.24%	-0.55%
Arrears c/f	£32,757,964.75	£19,674,530.12
Arrears as at 30th June 2021	£29,645,717.07	£11,960,290.74
Arrears reduction	£3,112,247.68	£7,714,239.38
Overall (exc credits)	£156,636,254.66	£96,831,009.97

7. This table above shows that Council Tax arrears increased by £7.1m, from £25.3m in 20/21 to £32.4m in 21/22 in despite £6.2m Council Tax Support (CTS) hardship funding provided to households on CTS during 20/21. Business Rate arrears increased by £4.2m, from £10.7m in 20/21 to £14.9m in 21/22 despite £47.9m rate retail relief.
8. It also demonstrates that as well as collection of tax due in this financial year, the collection of over £3m of Council Tax arrears and £7.7m Business Rates arrears has been achieved in Q1.

9. The sections below set out the detail of the performance up to the end of July 2021, how this compares to other London Boroughs and to past years, and how it compares to the targets set for 2021 in year performance for Council tax and overall end of year performance for Business Rates (which includes aged debt collection as well. It should be noted that collection of Business Rates is difficult to model due to change in rate reliefs that are still being implemented this year.

Business Rates Performance

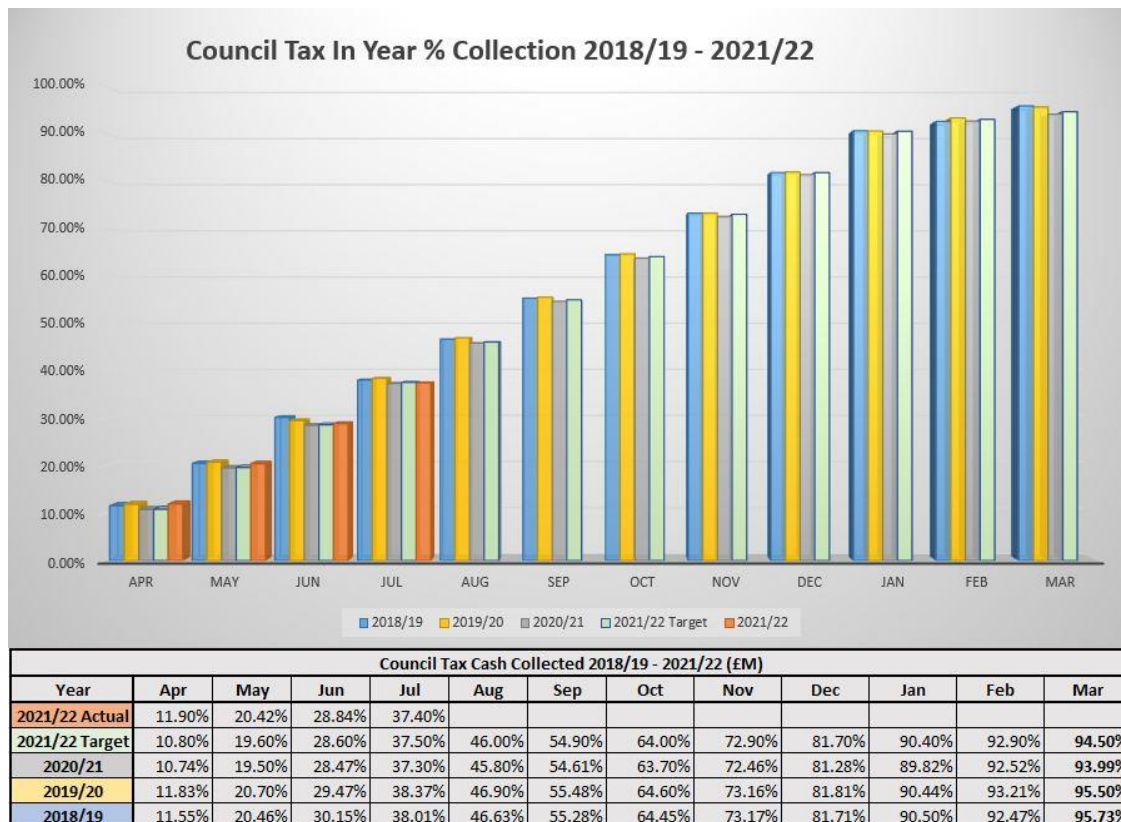
10. The Council collects business rates (also known as National Non Domestic Rates or NNDR) for every business in the borough; the level of business rates is set by the Valuation Office which is broadly determined by the rental value of the property and is called the rateable value (or RV), the government then sets the national rate applied to the RV. Nationally, relief schemes have been put in place during Covid-19 and in prior years (such as pub reliefs for example). The Council estimates the level of business rates it receives annually after considering growth, appeals and debt levels. At the end of the year, the actual business rates collected are compared to the planned rates and reported in the Statement of Accounts in a note called the Collection Fund. In the 2021/22 budget the Council has assumed business rate income of £94.241m of which the Council retains 30% (the government and GLA receive the remainder). The level of collection is agreed at Council in January in advance of the budget being agreed in February. For the financial year 21/22 this was agreed as 88%. Enfield suffered a 12.28% reduction in its collection rate between 19/20 and 20/21, one of the higher rates of loss experienced in London.
11. The chart below sets out the Councils performance for Business Rate collection over the last three years.



12. At the end of July, collection is much the same as it was last year. The July court hearing was the first run in nearly 18 months, and has resulted in c. £12m worth of debt being passed over to the Council's enforcement agents Newlyn's, to collect. This demonstrates that the impact of this activity (and subsequent recovery activity) is still to be fully understood.
13. A comparison of Enfield's Business Rates collection rate with that of other London Boroughs at the end of Q1, shows that at the end of June the average rate collected was 23%, with Enfield ranking at 9th lowest in London, but with a further 8 other authorities at only very slightly higher collection rates. It is useful to consider this in context of the fact that Enfield Business Rates collection levels were amongst the worst impacted in 20/21 by Covid.

Council Tax Performance

14. Total level of Council Tax assumed in the budget is £133m (Enfield's share), and £156.6m in total (with the GLAs share). This is estimated figure based on anticipated growth in homes, number of households in receipt of reliefs such as single person discount, Council Tax Support and levels of debt. The collection rate in 20/21 was 1.5% reduced compared to 19/20. Although a much lesser reduction than for Business Rates, this loss was still the 7th highest loss in London. Breaking down the collection rates for those that pay full Council Tax and those who receive Council Tax Support (CTS) is important to note – with 94.7% of non- CTS residents paying their bill in full, compared to 84.6% of residents in receipt of CTS paying their bill. During 20/21 the number of residents in receipt of CTS grew by over 2k, meaning a larger proportion of households that pay Council Tax are on CTS, therefore putting pressure on the overall rate of collection. An in-year collection rate of 94.5% has been targeted which is 1% lower than previous years as the impact of Covid-19 is expected to impact on this. We are currently broadly on track to achieve this target (currently showing behind target by 0.1%). The MTFP states an overall collection rate assumption of 96% for 21/22 – this is calculated using the in-year collection rate *plus* collection of previous years arrears added together.
15. The chart below sets out our performance in collecting Council Tax over the last three years for *in year* collection. (It does not recognise aged debt collected in the financial year which would bring collection levels up to the 96% target for end of year collection levels).



16. The end of July collection position is slightly improved on last year at 37.4%. This collection level is broadly similar in comparison to the London average. Much progress has been made to maximise financial support to those that need it, with a new approach to additional customer engagement letters prior to court proceedings having generated very pleasing results. This is planned to continue throughout the year. Recent court hearings, the first run in nearly 18 months, will have an impact that is still to be fully understood. 4,000 cases of previous years council tax debt have been sent to enforcement agents. It is to be noted that this chart does not take the collection of arrears into account from past years. This activity is ongoing and will be added to the overall collection rate reported at year end – which for 21/22 is set at 96%.

17. A comparison of Enfield’s Council Tax collection rate with that of other London Boroughs at the end of Q1, shows that at the end of June the average rate collected was 28%, the same as the Enfield rate, with Enfield ranking at 14th highest in London and with 8 other authorities delivering only very slightly higher rates of collection.

Impact of Covid on Tax Payers (Households and Businesses)

18. Covid impact nationally and locally: The latest information from The Money Advice Trust identifies that a third of adults in Britain (31%) report being financially worse off as a direct result of the pandemic. It is estimated that close to 5.5 million adults in Great Britain, or 11% of the population, are behind with one or more household bill or personal credit commitment due to Covid-19. The scale of the economic strain brought about by Covid-19 has resulted in a significant increase in the unemployment rate with many people losing their jobs or on reduced hours. While unemployment in Enfield fell in July 2021 for the fourth month in a row at 18,600 people unemployed this constitutes 8.7% of the local working-age population, so is

still proportionately higher than in London and the UK as a whole. Enfield's unemployment rate is the 7th highest of the thirty-three London boroughs. Similarly, the number of Enfield households requiring state help to pay their rented housing costs peaked at 48,551 in April 2021, before falling to 47,320 in May (figures for March to May this year are still provisional will be subject to revision). The number of households taking up Council Tax Support (CTS) is a reflection on the number of people struggling with their housing costs. These numbers rose from 35,700 in Q4 of 19/20 to a high of 37,384 during the height of lock down, and are now reduced to 36,836. Since the average collection rate for residents on CTS is about 10% lower than the overall average, the higher the proportion of households on CTS, the lower the over collection rate will be.

19. Another variable effecting our success in collection of Council Tax and pressure on the Council's finances in terms of applications for Council Tax Support is the impact of the ending of the Government's furlough scheme (end of September). While the number of Enfield residents and businesses reliant on this scheme continues to fall, from a peak in July 2020 of 22% of employees, the rate of furloughed workers is still 10 or 14,300 employees - higher in Enfield than the averages for London and England. The take up of the furlough scheme is a reflection of the health and confidence of local businesses, and there is no assurance about how many of these businesses will continue after the end of the furlough scheme.
20. For many people in self-employment and running businesses, the impact has been significant and sustained, leaving businesses unsure about the future. The pandemic has also led to some residents finding themselves in problem debt for the first time in their lives. During the pandemic the Government suspended courts and so no liability orders were sought and no enforcement action took place. With regard to Council Tax, the last court hearing date prior to Covid-19 was 5 March 2020 and the first one subsequently was 27 May 2021. With Business Rates there was a similar gap with the last one prior to Covid-19 on 5 March 2020 and a long gap with the courts resuming on the 22 July 2021.
21. Commercial premises have been severely impacted by the Covid-19 pandemic with many closing for periods and remaining shut with ongoing lasting effects. The Valuation Office Agency have seen a vast increase in Rateable Value appeals because of the pandemic as appeals can be made using the 'Check, Challenge, Appeal' process to reduce the Rateable Value of a business property on the grounds that the assessment has seen a substantial and prolonged reduction in use through a material change in circumstances. If agreed, this results in a reduction to the businesses liabilities, and in turn a loss to the Council's Non-Domestic Rate collection with the requirement to refund considerable sums in cases of backdated devaluations. Government has recognised the implications of this and issued a Bill in response to prevent reductions in Rateable Value's from a material change in circumstances due to the coronavirus as published in the budget. The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill is currently at report stage with MP's - <https://bills.parliament.uk/bills/2861>. The bearing of Rateable Value reductions to the Council and the criteria for the above Bill is unknown and causes significant uncertainty about whether the revenue recovered is secure, or whether there will be further widespread retrospective repayments that need to be accounted for from the Non-Domestic Rates income stream. Revaluations were in any case already beginning to increase pre-covid, examples being a local warehouse has a £70k p.a. rateable value decrease backdated to April 2017, and a fuel provider has had a £210k p.a. rateable value decrease backdated to March 2017.
22. All enforcement activity was suspended during the pandemic and the visiting team unable to keep on top of new developments or changes due to the physical restrictions of the pandemic, and the Income and Debt service focussed on the payment of Business Grants and Rates Reliefs to businesses, while the Financial Assessment service focussed on the application of the Government funded hardship funding for residents struggling with paying Council Tax (through provision of additional Council Tax Support) and the development of the new Welfare Advice and Debt Team and their provision of casework support and additional hardship payments.

Challenges and Risks

23. Team Capacity

- The team that collects business rates and council tax debts (the Collection Team) works closely alongside the teams that calculate housing benefit and council tax benefit. Over the last year these teams have been under significant pressure delivering new grants – self-isolation payments, additional hardship payments to households on Council Tax Support (CTS), large increase in CTS caseload, business rate reliefs and grants, welfare advice and support. The team also work closely with 'Civica on Demand' who provide telephony and front-line services for Council tax, and front-line services for Business Rates. This partnership is a finalist in the October 2021 IRRV 'excellence in partnership working' award.
- During and since the pandemic recruitment challenges have been an issue across these teams, specifically in the Business Rates team. Since March 21 we have seconded a Business Rates Team Leader in from another London Borough. The teams have vacancies that are proving hard to fill (which is anecdotally also experienced by other London boroughs) and so a twin track approach is now being pursued; more Civica on Demand support for Business Rates to provide telephony and clerical support, plus agency staff on fixed term contracts, coupled with a plan to develop our in-house training expertise and take on our own IRRV apprenticeships to ensure longer term stability.

24. Ongoing impact on household and business financial health on ability to pay Council Tax and Business Rates

- The Council has a partnership with Policy in Practice, a think tank expert in welfare, which in August has modelled the impact of the removal of the £20 a week Universal Credit uplift on our Housing Benefit and CTS caseload, and the impact of the ending of the job retention scheme (furlough). As with any modelling this is subject to many national and local variables and can only be used as an indication of the challenges to come. However, it is indicating that we should expect to experience a significant increase in households being affected by the Benefit Cap and to also expect that those older workers in the 50-69 age group that are not in work are less likely to secure re-employment than younger households.

Recovery Plan and Monitoring Progress

25. A recovery plan for the collection of Council Tax and Business Rates, based on the Councils strategy (A Progressive Approach to Managing Debt and Income in Enfield) was developed and implemented once the final/last lock down ended in June 2021. In addition to our usual recovery methods the following have recently or are now being developed:

26. Maximise collection:

- Early intervention- Additional methods of engagement outside the standard recovery process have already been set up to nudge or remind residents or businesses of their debts. These additional methods include texts and a softer more engaging email/text or letter to encourage contact and payment. The early results of these exercises have provided very pleasing results with over £1m in additional payments in business rates the day after the new engagement correspondence was sent out. This approach is also being successfully applied

to Council Tax debt, which generated an additional £380k in one day, as well as many phone-calls making payment arrangements.

- Where customers wish to dispute a charge, or feel they are unable to pay, we are extending payment plans over a longer period if required, in addition exploring additional support (see below)
- Additional resources x 3 for Council tax and 3 for Business Rates – covid-19 funded for 1 year – plus additional visiting resources to maximise income from growth of Business and Council Tax base

27. Protect vulnerable and low-income households:

- Pilot further work to use a range of external data to identify those customers that are unable to pay due to their wider financial circumstances as opposed to those that have the ability to pay but are choosing not to. For those that can't pay, we will ensure they are supported by the Welfare Advice and Debt team and/or appropriate sources of independent advice (such as Citizens Advice/Step Change) to access guidance on maximising benefit entitlement, skills and prospects. We will act where individuals "Won't Pay" using the normal debt recovery methods.
- The newly created Welfare Advice and Debt Team (established in 2020) is currently being expanded to 8 staff. The advice provided is in the form of casework, so that those customers struggling with debt and poverty are given the best possible advice about how to manage their circumstances and improve their financial situation. This support is accessible on the phone and also by appointment through extended provision from the new Community Hubs in Edmonton Green and Enfield Town. The following are examples of the outputs from this team between September 2020 and August 2021, when 2297 clients were supported
 - o Total amount supported with emergency cash payments up to £100.00 - 89 Households
 - o Total sum of benefits maximised - £124k (this figure is made up of UC, Personal Independence Payment, Housing Benefit, CTS, Attendance Allowance, Carers Allowance, Legacy benefits and Pension Credit – not including sum from Pension Credit Campaign)
 - o Total Amount of income maximised including pension credit campaign - £217k
 - o Healthy Start take up campaign – led to a 5% increase in take up across the borough
 - o New Benefit cap campaign – currently underway and working with the Housing teams to proactively target residents who are affected or will become affected by the Benefit Cap to improve their financial, housing and personal circumstances.

28. Protect the public purse:

- Fraud checks on Business rates and Council Tax by the Councils Counter Fraud Team are regular and ongoing. Examples of the results of this are that between April and July 2021 : over £41k of Business Support Grants became recoverable (from a total of over £40m distributed); £24k in additional Business Rates liability was identified; and benefits savings of £28k were identified. ;
- The new Council Tax Review team (formed in 2021) will check eligibility for discounts and exemptions and ensure that they are applied appropriately.

29. Monitoring progress

- A new officer debt and income board was established in March 2021 and meets monthly. This board has developed debt scorecards for Council Tax and Business Rates, in addition to other areas of debt, and these are currently being refined. The position as regards collection, risks and issues and progress on the recovery plan (below) is reported to the portfolio holder on a regular basis.

Main Considerations for the Panel

30. Historically the Council has delivered good collection rates albeit always looking to improve and innovate hence the development of the new Strategy and the Welfare and Debt Team before the Covid-19 pandemic. However, Covid19 has brought additional and new risks to our collection from residents and businesses. These risks concern the overall longer-term impact of Covid-19 on the financial health of residents and businesses, in a borough that has experienced a higher than average negative impact on unemployment, furlough and business rates collection loss in 20/21. In addition, collection team resourcing capacity is a clear and current risk. There have been a number of achievements in 2021, such as the development and embedding of the new Welfare Advice and Debt Team, new pre summoning engagement to encourage tax payers to engage in conversation with the Council, establishment of the Debt Board and paypoint roll out making it easier to pay locally. However, although we are doing more, there is more to do and the recovery plan sets this out.
31. The Council has a new strategy 'A Progressive Approach to Managing Debt and Income in Enfield', agreed in March 2021, that provides a framework for structuring the recovery plan to improve the collection of Council Tax and Business Rates debt ethically. This recovery is both critical since a large proportion of Council services depend on this income, and also for those tax payers that have become indebted. There are still many unknowns that will impact on the rate of this recovery, such as the extent that the end of furlough will have on the rate of unemployment locally, and the impact of post pandemic economic recovery on the health of local businesses. Other risks include commercial property devaluations and staffing capacity.
32. It is proposed that this item returns to F&P in the new year with an update since this is a live risk.

Conclusions

33. The reality for many who have been financially impacted by the outbreak, is that the resulting debt burden will be with them for many years to come. Equally, the MTFP is anticipating that the loss of collection performance will take 3 years to completely rectify. However, we are in a reasonable position having already recognised the need to collect debt fairly and proportionately, understanding that early intervention and communication are key to supporting our residents and businesses as we start to move forward out of the pandemic. The Income and Debt Service and the Financial Assessment Service are building up capacity where needed, adapting and improving processes and contact with customers and monitoring the situation closely. It is clear that there are many variables that will impact on our ultimate goal to recover debt and collection levels, some of which are within our control locally and some of which are to be determined at a national level.

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Appendices

None

Background Papers

The following documents have been relied on in the preparation of this report: A
Progressive Approach to Managing Debt and Income in Enfield
<https://governance.enfield.gov.uk/mgIssueHistoryHome.aspx?IId=57152>