



Leicester
City Council

Income Collection April 2018 – March 2019

Decision to be taken by: N/A

Overview Select Committee date: 20th June 2019

Lead Director: Alison Greenhill

Useful information

- Ward(s) affected: All
- Report author: Amy Oliver
- Author contact details: Ext 37 5667

1. Summary

This report details progress made in collecting debts raised by the Council during 2018-19, together with debts outstanding and brought forward from the previous year. It also sets out details of debts written off under delegated authority that it has not been possible to collect after reasonable effort and expense.

This is a routine report made to members twice each year.

Figures included in this report need to be seen in the context of the total amount of income collected by the Council from the public each year, which amounts to over £400m. Whilst some debt is difficult to collect, and some people find it difficult to pay, ultimately we collect nearly all of the money due to us. An exercise in 2016 suggested that around 1% is eventually written off.

Key issues reported are:-

- a) performance in local tax and rent collection;
- b) continued progress in reducing old debt for other sources of income;
- c) concerns about the impact of Universal Credit affecting the ability to recover debt.

2. Recommendations

2.1 The OSC is recommended to:

- Consider the overall position presented within this report and make any observations it sees fit.

3. Supporting information:

Appendix A is a summary of all debt and a three year moving average of debt.

Appendix B provides more detailed information and narrative for each main category of debt.

4. Financial, legal and other implications

4.1 Financial implications

The report details the current collection and write-off levels of sums payable to the City Council.

Alison Greenhill, Director of Finance, Ext 37 4001

4.2 Legal implications

Where appropriate debts are the subject of legal action through the courts.

Jeremy Rainbow – Principal Lawyer (Litigation) Ext 37 1435

4.3 Climate Change and Carbon Reduction implications

No climate change implications.

4.4 Equality Impact Assessment

The Council has to make every effort to collect its due debts. The Council adopted a new debt policy in June 2016. The new policy aims at ensuring that the Council collects debt in a fair, proportionate and respectful manner.

Copies of the policy are available on the Councils website

<https://www.leicester.gov.uk/your-council/how-we-work/debt-enforcement/if-you-are-struggling-to-pay>

Recovery action needs to strike a fair balance between sensitivity to debtors who are struggling to pay and the interests of the public as a whole. (the income expected is part of our budget)

5. Background information and other papers.

Finance Procedure Rules

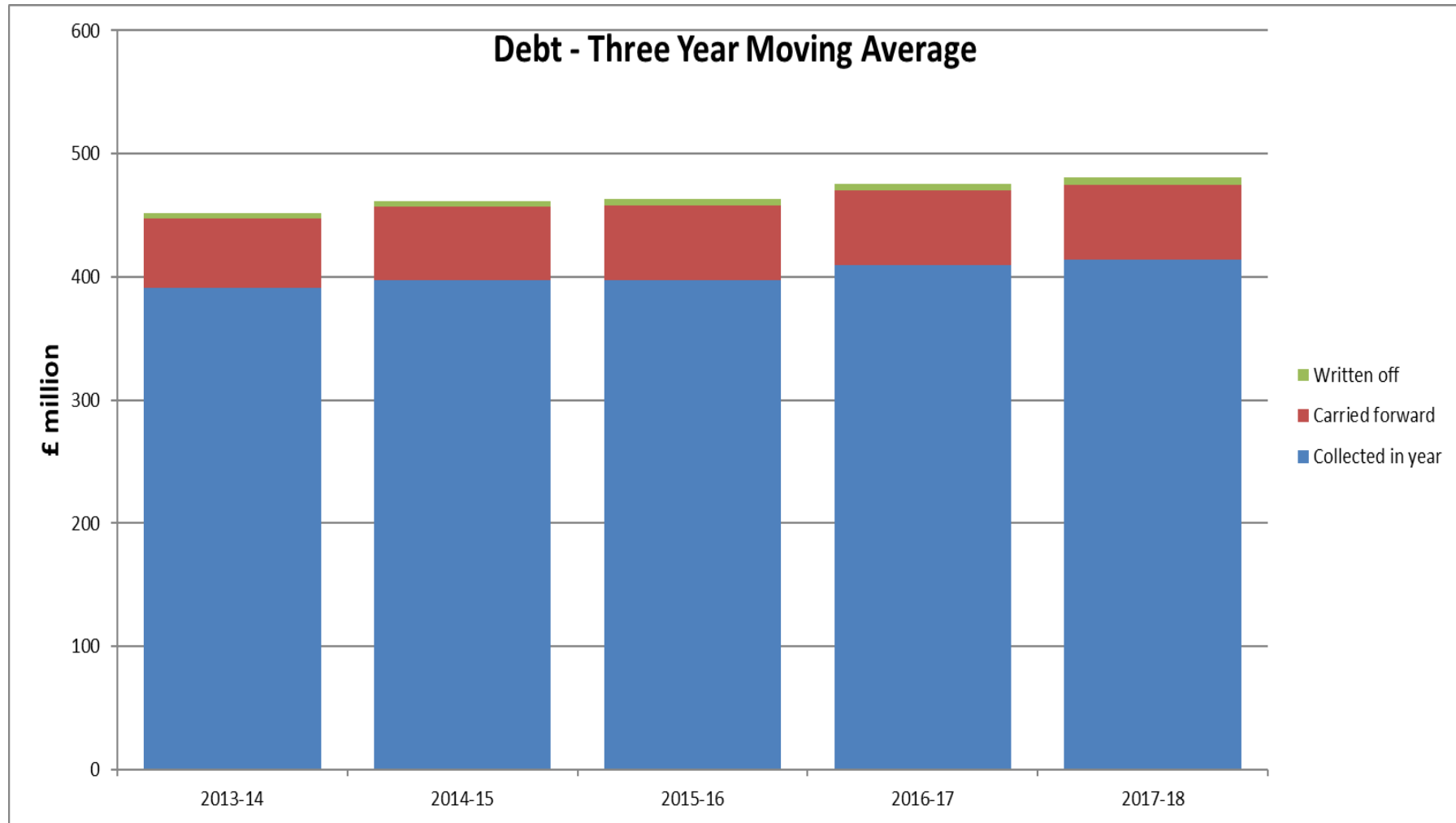
Debt Policy

6. Is this a private report?

No

Summary of all Debt

Income Type	Debts brought forward @ 1/4/2018 £m	Amounts raised 2018-19 £m	Amounts collected 2018-19 £m	Amounts written off 2018-19 £m	Debts outstanding @ 31/3/2019 £m
Non Domestic Rates (including Costs)	11.11	109.55	(108.34)	(2.55)	9.77
Council Tax (including Costs)	15.53	132.42	(129.66)	(1.56)	16.73
Housing Benefit Overpayments	17.09	5.25	(6.02)	(0.82)	15.50
Council House Rents *	1.85	79.87	(79.17)	(0.26)	2.29
On and Off-Street Car Parking fines	1.58	4.26	(2.50)	(1.39)	1.95
Bus Lane Enforcement	1.01	1.82	(1.35)	(0.65)	0.83
Other Income	10.67	92.61	(87.93)	(0.29)	15.06
Totals	58.47	426.15	(414.97)	(7.52)	62.13



Note: This chart is a moving average (eg 2014/15 is the average of 2013/14, 2014/15 and 2015/16). This treatment smooths anomalies in individual years and highlights trends. Consequently, 2017/18 is the latest year we can report.

1. Business Rates

1.1 Headline Figures for period under review including costs

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
11.11	109.55	(108.34)	(2.55)	9.77

1.2 Background and comparator information

Background Information

Business Rates are a national tax paid by approximately 12,600 businesses in Leicester.

Comparator Information

Percentage Debt collection in the year it is raised: -

- 2017/18 - 97.04%
- 2018/19 – 97.53%

It should be noted that unpaid debt on 31st March continues to be collected in the following year.

We are 8th out of 11 authorities with comparable populations, but performance tends to bunch (i.e there is little difference between authorities generally). This is different to Council Tax.

1.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	34	284
Deceased – No Assets	1	1
Insolvent / Bankrupt/ Liquidated	254	2,051
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	32	218
Totals	321	2,554

1.4 Volume/policy/statutory changes that have occurred during the period and their impact

Changes

The Government introduced three measures to help those businesses affected by the recent revaluation of all non-domestic properties. These reliefs are fully funded by the Government. In 2018/19 we awarded relief of £0.8m, assisting just over 1,000 ratepayers.

Write offs have increased due to the number of insolvent and dissolved companies.

1.5 Summary of measures taken to recover debt

Debt recovery measures

A bill is sent early March detailing instalments that should be made. The ratepayer can either pay by 10 or 12 instalments.

A reminder will be sent if an instalment is missed;

- If the instalment is paid within 7 days of the reminder, the right to pay by instalments is maintained; if a subsequent instalment is missed a final notice will be issued stating that the right to pay by instalments has been lost and the full charge has become payable;
- If the instalment is not paid within 7 days of the reminder, the full charge becomes payable.
- If the full charge becomes payable and is not paid within 7 days, a summons will be issued and a liability order sought at the Magistrates' Court. Costs become payable at this stage.

At every stage of the recovery process the ratepayer payer is offered a formal payment arrangement

Recovery options after a liability order obtained

Referral to Enforcement Agent;
 Bankruptcy / liquidation;
 Charging Order (only with ratepayer's consent);
 Committal to Prison.

2. Council Tax

2.1 Headline Figures for period under review including costs

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
15.53	132.42	(129.66)	(1.56)	16.73

2.2 Background and comparator information

Background information

Council tax is a national tax, charged to 139,300 properties in Leicester. The amount we collect includes sums charged by the fire authority and police commissioner.

Comparator information

Percentage of debt collected in the year it is raised: -

- 2017/18 - 95.3%
- 2018/19 – 94.9%

We are 7th out of 12 authorities with comparable populations.

Collection does not stop at year end and eventually we collect over 98% of the debt for any specific year.

2.3 Debt write-off

	Reason for Write Off ↓	No.	Value £000
2.4	Unable to Trace	1,236	904
	Deceased – No Assets	97	49
	Insolvent / Bankrupt/ Liquidated	339	271
	All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	2,118	340
	Totals	3,790	1,564

Volume/policy/statutory changes that have occurred during the period and their impact

Changes

In 2018/19 the Government allowed Councils to increase tax to pay for Adult Social Care costs. The overall increase of 5.9% resulted in the Council needing to collect an additional £10m of income. This increase does not seem to have materially affected collection.

From 1st April 2018 the council also introduced 100% relief for care leavers up to the date they reach the age of 25. This applies to young persons who had been in the care of Leicester City Council at the point they left care.

2.5 Summary of measures taken to recover debt

Debt recovery measures

A bill is sent in early March, detailing instalments that should be paid. The council tax payer can either pay by 10 or 12 instalments.

A reminder will be sent if an instalment is missed;

- if the instalment is paid within 7 days of the reminder, the right to pay by instalments is maintained; if a further instalment is missed, another reminder can be issued; if a third instalment is missed, a final notice will be issued stating that the right to pay by instalments is lost and the full balance becomes payable;
- If the instalment is not paid within 7 days of the first /second reminder, the right to pay by instalments is lost and the full balance becomes payable;
- if the full balance becomes payable and is not paid within 7 days, a summons will be issued and a liability order sought at the Magistrates Court.

At every stage of the recovery process the council tax payer is offered a formal payment arrangement. Within the recovery process, safeguards have been put in place to protect the most vulnerable.

Recovery options after a liability order obtained

Attachment to Earnings;

Attachment to Income Support / Job Seekers Allowance / Employment Support Allowance / Pension Guarantee Credit / Universal Credit

Referral to Enforcement Agent (if an attachment is not possible)

If the options above are still not successful, then the following recovery actions are considered. An external supplier has been appointed who assists with recovery on difficult targeted cases.

Bankruptcy, where there are assets;

Charging Order application (is not made until after attempted enforcement agent action); or
Committal to prison

3. Overpaid Housing Benefit

3.1 Headline Figures for period under review including costs

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
17.09	5.25	(6.02)	(0.82)	15.50

3.2 Background and comparator information

Background information

The main cause of housing benefit overpayments is delays in recipients telling the Council of changes in their circumstances, meaning that too much benefit is paid in the interim. Nationally, outstanding over-payments stood at £2.1bn at July 2018. By its nature, overpaid benefit is very difficult to collect. Of the £15.5m, we have outstanding, there are recovery processes in place wherever possible e.g. via deductions from ongoing benefit and instalment arrangements.

Overall housing benefit debt is decreasing:

- Outstanding debt at 31/03/2019 £15.50m
- Outstanding debt at 31/03/2018 £17.09m

Comparator information

There is no like for like comparator information available

3.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	441	143
Deceased – No Assets	23	38
Insolvent / Bankrupt/ Liquidated	61	104
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	3,332	540
Totals	3,847	825

3.4 Volume/policy/statutory changes that have occurred during the period and their impact

Changes

The migration to Universal Credit removes our ability to collect debt from ongoing benefit. We are closely monitoring the effect of this change; any claimant moving onto UC is notified of any outstanding balance immediately and given a range of options to make repayments.

The launch of the HB Debt Service Project allows LCC to submit cases to HMRC to gain details of any employment, so that subsequent applications can be made to employers for Direct Earnings Attachments. This obligates employers to recover any overpayments from their employees' earnings.

The reduction in outstanding debt is due to:

- More rigorous processes inhouse to target old debt and pursue recovery where current year debt is identified
- The use of the DWP HB Debt Management Service as an intelligent tool on recovery methods
- Introduction of the DWP Direct Earnings Attachments
- Use of Civica On Demand Offsite processing
- The implementation of the Universal Credit Full Service has resulted less debt being created

3.5 Summary of measures taken to recover debt

Debt recovery measures

Debt is collected by means of deduction from ongoing benefit payments, if there is current entitlement;

- If there is no current entitlement, payment is requested from customer in the first instance before it is referred to the Business Services Centre.
- Legislation permits us to deduct overpayments from other state benefits. Requests have been made to the DWP, but response times are poor as to whether deductions can or cannot be made. These cases are monitored closely: no other action can be taken until a response has been received.
- Where enforcement takes place in the County Court and orders are obtained we consider;
 - A Charging Order
 - A Third-Party Debt Order
 - Referral to High Court Enforcement Officers.

3.6. Processing backlogs

Backlogs

There remains a backlog of debt awaiting recovery; however it continues to be targeted and has reduced from £1.4m in September 2017 to £0.7m in March 2019.

4. Housing Rent

4.1. Headline Figures for period under review

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
1.85	79.87	(79.17)	(0.26)	2.29

4.2 Background and comparator information

Background information

The authority currently collects rent from approximately 20,200 tenancies across the City. 12,000 of our tenants (60%) are on full or partial Housing Benefit. The debt raised & collected includes the element paid by Housing Benefit.

The debt figures above include the following;

- Hostels
- Former Tenants Arrears
- Non Dwellings
- Gypsy & Travellers Sites.

These have not previously been reported in the income collection reports. This debt represents £0.7m of the carried forward amount in the headline figures shown above.

4.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	-	-
Deceased – No Assets	-	-
Insolvent / Bankrupt/ Liquidated	-	-
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	878	260
Totals	878	260

4.4. Volume/policy/statutory changes that have occurred during the period and their impact

Universal Credit Full Service (UCFS) commenced in June 2018. The categories of people that can claim Universal Credit is broad and it is anticipated that UC migration will be completed by 2023. Any tenant on benefits or low income can apply for Housing Benefit with the Local authority and have their award paid directly into the rent account. Following the introduction of UCFS anyone claiming help with housing related costs are required to claim from the DWP and

expected to pay their Housing Costs award directly to the landlord. Vulnerable tenants and those with a history of rent arrears or homelessness may be able to have their rent paid directly to the landlord by applying for an Alternative Payment Arrangement (APA).

Since September 2018 the number of current tenants who have transferred to UC has now doubled to 1,900 and this has increased the rent arrears. The emerging trend is that tenants moving onto UC are already in arrears and as the claim takes 4-5 weeks this puts the tenant further behind. This increases to 8-9 weeks if we apply for managed payments through an APA. It is anticipated this increase will be higher during the transition period but is likely to reduce thereafter.

4.5 Summary of measures taken to recover debt

Rent Arrears for current tenants are managed by the Income Management Team. The team closely monitors and maintains regular contact with those tenants having the highest level of arrears. The ultimate sanction for non-payment is eviction, but this is only pursued as a last resort. Arrears of rent are not written-off for live tenancies; this is considered for former tenants where the debt is uneconomical to pursue or where tenants cannot be traced.

The Income Management Team are working collaboratively with the Department of Works and Pensions and work coaches from the local Job Centre Plus to minimise any impact of Universal Credit.

5. Parking Fines (Penalty Charge Notice)

5.1 Headline Figures for period under review

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
1.58	4.26	(2.5)	(1.39)	1.95

5.2 Background and comparator information

Background information

The Council issues penalty notices for both on-street and off-street parking charge evasion, as well as illegal parking. There are two nationally set rates based on the seriousness of the offence, details below;

- (a) £25 or £35 if paid with 14 days;
- £50 or £70 if paid after 14 days.

Comparator information

The percentage of tickets issued during the year, paid at the 31st March;

- 2017/18 -74%
- 2018-19- 75%

5.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	10,125	924
Deceased – No Assets	30	3
Insolvent / Bankrupt/ Liquidated	132	14
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	4,304	450
Totals	14,591	1,391

5.4 Volume/policy/statutory changes that have occurred during the period and their impact

Changes

Recruitment of Civil Enforcement Officers in 2018-19 has meant more PCN's being issued city-wide.

5.5. Summary of measures taken to recover debt

Debt recovery measures

- Reminder letters
- Legal action

6. Bus Lane Enforcement Fines

6.1 Headline Figures for period under review

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
1.01	1.82	(1.35)	(0.65)	0.83

6.2 Background and comparator information

Background information

The Council issues fines for driving in bus lanes with enforcement schemes. Fines are levied at the rate of £60, which is discounted to £30 if paid within 14 days.

The debt collection for bus lane enforcement debt is collected on our behalf by Nottingham City Council.

Comparator information

The percentage of tickets issued during the year, paid at the 31 March;

- 2017/18- 60%
- 2018/19- 60%

6.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	3,437	122
Deceased – No Assets	8	1
Insolvent / Bankrupt/ Liquidated	81	8
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	5,638	515
Totals	9,164	646

6.4 Volume/policy/statutory changes that have occurred during the period and their impact

Changes

The London Road clearway camera were suspended the latter part of February, to enable road works.

6.5 Summary of measures taken to recover debt

Debt recovery measures

- Reminder letters
- Legal action

7. Other Income

7.1 Headline Figures for period under review including costs*

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
10.67	92.61	(87.93)	(0.29)	15.06

7.2 Background and comparator information

Background information

“Other Income” includes all income other than the sources described above, and is collected by the Business Service Centre. It covers a wide variety of income from various individuals and organisations. Examples include: commercial rents, adult care costs for service users, and repairs & maintenance charges relating to Council property.

The Council has been successful in reducing debt over 12 months old, for some 5 years. Aged debt is difficult to collect, and we may not continue to see this reduction going forward.

It is worth noting the uncollected debt carried forward includes invoices that were raised close to the year end. In this area it is important to concentrate on the performance of the debt collection by looking at the aged debt over 12 months, rather than total outstanding debt.

Comparator information

Debt over 12 months old (aged debt) continues to reduce from £7.2m in March 2016 to £3.6m in March 2019.

- 31/03/2017 £4.9m
- 31/03/2018 £3.8m
- 31/03/2019 £3.6m

7.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	202	93
Deceased – No Assets	355	195
Insolvent / Bankrupt/ Liquidated	157	42
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	1,728	272
Small balance credit write offs	1,710	(312)
Totals	4,152	290

7.4 Volume/policy/statutory changes that have occurred during the period and their impact

Changes

None

7.5 Summary of measures taken to recover debt

Debt recovery measures

A first reminder is issued at 14 days; when an invoice remains unpaid. Seven days later a second reminder is issued.

A letter before action known as a letter of claim follows if the case is suitable for enforcement in the county court. If the Council obtains a judgment or an order for recovery of award and if payment is still not forthcoming the next actions, we can take include;

- Referral to an enforcement agent
- Third party debt order
- Attachment to earnings
- Charging Order

Cases not suitable for enforcement through county court procedures are referred to enforcement agents for collection.