
Income Collection April 2020 – September 2020

For consideration by: Overview Select Committee

on: 3rd December 2020

Lead director/officer: Director of Finance

Useful information

- Ward(s) affected: All
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- Report version number: V1

1. Summary

This report details progress made in collecting debts raised by the Council during the first six months of 2020-21, 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. Performance has been substantially affected by the pandemic, with most areas responsible for collection having to do more to support those struggling to pay.

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. It is currently estimated less than 2% is eventually written off, although this is likely to be different this year.

Income collected by the organisation dropped off towards the end of 2019/20 due to the COVID-19 pandemic. This has continued into 2020/21: the committee will be updated on this regularly through the usual budget monitoring reports.

During the first six months of the year the Council had to write off £664k of debt to the Haymarket Consortium, included in the Other Income figures.

2. Recommended actions/decision

2.1 The OSC is recommended to:

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

3. Scrutiny / stakeholder engagement

N/A

4. Background and options with supporting evidence

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.

Appendix C provides a summary of all the write-offs during the period.

5. Detailed report

See appendices

6. Financial, legal, equalities, climate emergency and other implications

6.1 Financial implications

The report details the Council's performance in collecting debts, and amounts which have had to be written off

Alison Greenhill, Director of Finance, 0116 454 4001

6.2 Legal implications

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

Jeremy Rainbow – Principal Lawyer (Litigation), 0116 454 1435

6.3 Equalities implications

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

Copies of the policy are available on the Council's 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). Significant efforts have been made to be fair during the pandemic.

6.4 Climate Emergency implications

No climate change implications.

6.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

No other implications are noted as this is an Income Collection report, and therefore no policy changes are proposed.

7. Background information and other papers:

Finance Procedure Rules

Debt Policy

8. Summary of appendices:

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;

Appendix C is a summary of all write offs;

9. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

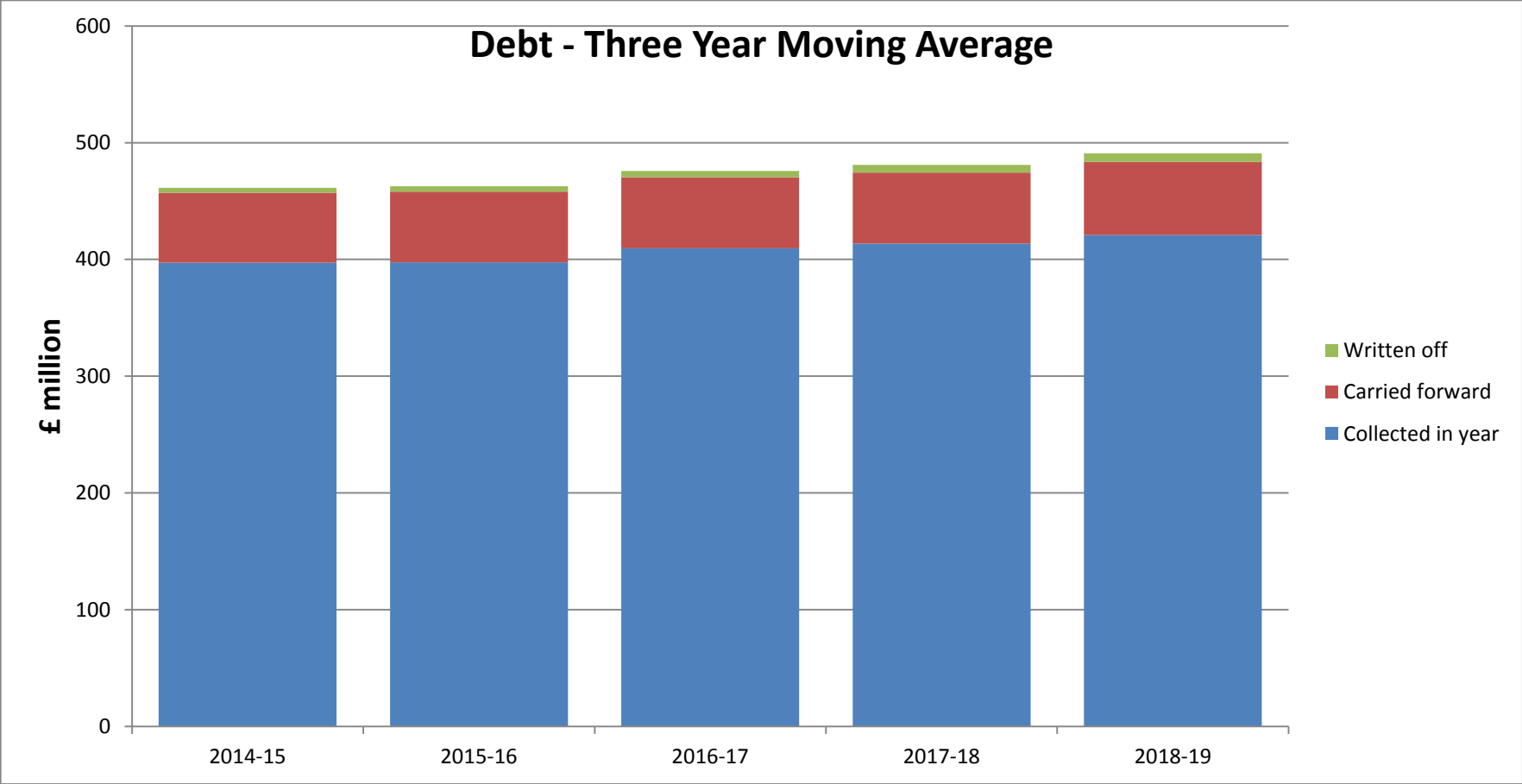
10. Is this a “key decision”? If so, why?

No

Appendix A

Summary of all Debt

Income Type	Debts brought forward @ 1/4/2020 £m	Amounts raised 2020-21 £m	Amounts collected 2020-21 £m	Amounts written off/back 2020-21 £m	Debts outstanding @ 30/09/2020 £m
Non Domestic Rates (including Costs)	12.07	68.18	(33.78)	0	46.47
Council Tax (including Costs)	18.52	142.34	(71.19)	(0.03)	89.64
Housing Benefit Overpayments	13.11	2.53	(1.73)	(0.17)	13.74
Council House Rents	3.62	40.19	(39.64)	(0.15)	4.02
On and Off-Street Car Parking fines	1.97	0.56	(0.26)	(0.33)	1.94
Bus Lane Enforcement	0.91	0.52	(0.34)	(0.12)	0.97
Other Income	17.31	42.52	(42.37)	(0.03)	17.43
Totals	67.51	296.84	(189.31)	(0.83)	174.21



Note: This chart is a moving average (e.g. 2015/16 is the average of 2014/15, 2015/16 and 2016/17). This treatment smooths anomalies in individual years and highlights trends. Consequently, 2018/19 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
12.07	68.18	(33.78)	0	46.47

1.2 Background and comparator information**Background Information**

Business Rates are a national tax normally paid by approximately 12,700 businesses in Leicester.

Comparator Information

Debt collection has been affected by the pandemic. The table shows the effect on collection of the current year's debt:

- Collection to 30th September 2019 – 55.30%
- Collection to 30th September 2020 – 50.40%

It should be noted that unpaid debt on 31st March continues to be collected in the following year, but in these exceptional circumstances it is very unlikely we will completely catch up.

Other authorities, of course, share our predicament. As at 30th September 2020, our collection performance places us 7th out of 14 authorities with comparable populations.

1.3 Debt write-off

The amounts written off for business rates this year were minimal due to other work priorities.

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

Changes

For 2020/21 the Government introduced 100% business rate relief for retail, hospitality and leisure properties, as part of the Government's response to the COVID-19 pandemic. The Council is compensated for this loss of income through government grants.

Whilst collection performance has suffered due to the pandemic, around 40% of our usual collectible rates has been paid by the Government. This means the effect of slow collection is considerably diluted,

1.5 Summary of measures taken to recover debt

Debt recovery measures

Due to the pandemic, recovery action was paused in April 2020. Due to the local lockdown this was not restarted until September 2020 with the issue of non-statutory prompts in order to re-engage with ratepayers.

Our normal recovery process is:

- 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.

Understandably the delay in starting recovery action has had an impact on this year's collection and as at end of September it was 4.9% below that for last year and in cash terms we are expecting to be £3.5m short of our budgeted income by the end of the financial year. The extended retail discount scheme has softened the impact but nevertheless the pressure on our collection rate and the bad debt provision remains.

This will impact our budget for 2021/22 (although 50% of rates are paid to the Government who will therefore bear non-collection losses).

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
18.52	142.34	(71.19)	0.03	89.64

2.2 Background and comparator information**Background information**

Council tax is a national tax, charged to 141,000 properties in Leicester. The amount we collect includes sums charged by the fire authority and police commissioner.

Comparator information

Like rates, collection has been affected by the pandemic. Percentage of debt collected in the year it is raised: -

- Collection to 30th September 2019 – 53.28%
- Collection to 30th September 2020 – 49.85%

It should be noted that unpaid debt on 31st March continues to be collected in the following year. As with rates, we will inevitably end up writing off more than usual however.

As at 30th September 2020, we are 12th out of 14 authorities with comparable populations. However, we have been in lockdown longer than anyone else.

2.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	2	1
Deceased – No Assets	0	0
Insolvent / Bankrupt/ Liquidated	38	24
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	47	4
Totals	87	29

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

This year due to COVID-19 pandemic, council tax support claims have increased more than in any year since its introduction. The total number of live claims at 4/10/2020 were 30,135, (£25.4m paid), this compares to 27,730 (£24.7m paid) claims at 1/4/2020.

Additional support has also been provided by the government for council tax claimants in the form of the Council Tax Support Hardship Fund, which has provided an additional £150 for CTS recipients. We were given £3.7m by the government and as at 4/10/20, and £2.95m has been paid (or, more correctly, set off against tax bills).

2.5 Summary of measures taken to recover debt

Debt recovery measures

As with rates, recovery action was paused in April 2020. Due to the local lockdown this was not restarted until September 2020 with the issue of non-statutory reminders, in order to re-engage with council tax payers.

The usual process after a reminder instalment has been missed is:

- 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 to protect the most vulnerable.

Understandably the delay in starting recovery action has had an impact on this year's collection performance and as at end of September it was 3.4% below that for last year and in cash terms we are expecting to be £9.4m short of our budgeted income by the end of the financial year. The Council Tax Support Hardship fund has softened the impact for customers receiving council tax support, but nevertheless the pressure on our collection rate and the provision for bad debt remains. This will impact our budget for 2021/22.

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
13.11	2.53	(1.73)	(0.17)	13.74

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, resulting in too much benefit being paid. By its nature overpaid housing benefit is difficult to collect. Of the £13.74m, we have outstanding, there are processes in place to recover debt wherever possible. Overall, housing benefit debt continues to reduce, from £14.86m at 30/09/2019 to £13.74m as at 30/09/2020:

- 30/09/2018 £16.79m
- 30/09/2019 £14.86m
- 30/09/2020 £13.74m

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	37	40
Deceased – No Assets	3	2
Insolvent / Bankrupt/ Liquidated	59	17
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	481	109
Totals	580	168

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

The migration to Universal Credit continues to impact on our ability to collect debt from ongoing benefit. Any claimant moving onto UC is notified of any outstanding balance immediately and given a range of options to make repayment.

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 housing benefit entitlement, payment is requested from the customer in the first instance before it is referred to the Business Services Centre and an invoice raised.
- Legislation permits us to deduct overpayments from other state benefits. DWP temporarily paused Council's collecting payments via this method due to the COVID-19 pandemic. These deductions recommenced on the 6th July 2020.

Where no benefits are in payment, but the debtor is in employment, we seek to obtain a Direct Earnings Attachment.

The Council continues to work with those struggling to pay due to the COVID-19 pandemic, on a case by case basis, offering moratoriums on payment and payment arrangements.

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
3.62	40.19	(39.64)	(0.15)	4.02

4.2 Background and comparator information

Background information

The authority currently collects rent from approximately 19,900 tenancies across the City. 8,400 of our tenants (42%) are on full or partial Housing Benefit and 4,700 (24%) on Universal Credit. The debt raised & collected includes the element paid by Housing Benefit.

4.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	0	0
Deceased – No Assets	0	0
Insolvent / Bankrupt/ Liquidated	0	0
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	392	150
Totals	392	150

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

Changes

The pandemic has affected our ability to collect rents – we estimate that arrears will be around £0.8m higher than usual by the end of the year.

It is now over 2 years since the implementation of Universal Credit (UC) and it is anticipated that the full UC migration will be completed by 2024.

Tenants in receipt of Housing Benefit can have it paid directly into their rent account. However, under UC money is paid directly to the claimant rather than the Council. Vulnerable tenants and those with a history of rent arrears or homelessness may be able to have their rent paid directly to the Council, as landlord, by applying for an Alternative Payment Arrangement (APA).

Some tenants in employment will be receiving reduced pay under the furlough scheme, affecting their ability to pay rent. There is also an increased risk for individuals in this group being made redundant. There has already been a 145% increase in Leicester City's residents claiming unemployment related benefit compared to the same time last year.

The government placed a ban on all rental possession and eviction cases since the first national lockdown in March 2020. This came to an end in September 2020. LCC are now engaging with tenants to recover any outstanding rent.

4.5 Summary of measures taken to recover debt

Debt recovery measures

The Income Management Team are working collaboratively with the DWP and work coaches from the local Job Centre Plus to minimise any impact of UC roll out. Tenants continue to be supported with income maximisation and claims for HB and UC, which can assist with rent payments. The team also provide support to claim Discretionary Housing funds.

An increase in the number of Rent Management Advisors (RMA) was approved in the summer to deal with potential surges in UC claims; these are now in post and have started to support our tenants.

The ultimate sanction for rent arrears is eviction as option of last choice, however the team works with tenants to prevent this.

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
1.97	0.56	(0.26)	(0.33)	1.94

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 30th September

- 2019/20 – 69%
- 2020/21 – 51%

5.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	1,451	156
Deceased – No Assets	0	0
Insolvent / Bankrupt/ Liquidated	26	3
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	1,892	173
Totals	3,369	332

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

Changes

Parking enforcement was suspended in Leicester from 24th March 2020. However, tickets continued to be issued if a vehicle was considered to be dangerously parked or contravening disabled bay requirements. A resumption of on- and off-street parking enforcement commenced on Monday 1st June 2020 issuing warning tickets for the first few weeks.

Tickets issued over the period compared with the same period last year are significantly down: 9,000 rather than 38,000. However, in the month of September, we have seen a reduction of only 20% compared with September last year.

NHS and Care Workers

Like most local authorities we have continued to provide free parking (both on street and off street) for NHS staff and care workers.

5.5. Summary of measures taken to recover debt

Usual 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
0.91	0.52	(0.34)	(0.12)	0.97

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 clearways outside London Road Train Station are levied at the rate of £75, which is discounted to £35 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 September 30th.

- 2019/20 – 55%
- 2020/21 – 60%

6.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	806	29
Deceased – No Assets	0	0
Insolvent / Bankrupt/ Liquidated	5	1
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	1,251	93
Totals	2,062	123

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

Changes

Since the lockdown announcement on March 23rd 2020, LCC switched off all 16 cameras. This was due to traffic levels being low due to the national lockdown and also due to less use of public transport. Further to this, guidelines provided by the British Parking Association stated that it would be best practice to stop all traffic enforcement due to the pandemic and it would not be in the public interest to carry out traffic enforcement due to the reduction of traffic on the roads.

LCC resumed CCTV enforcement on 1 June. Over the last four months the Council issued 12,788 PCNs.

A number of tickets (394) relating to the weeks prior to the lockdown were written off. This is due to us not being able to issue the ticket within 14 days of the DVLA supplying us with the registered keeper details.

We are currently offering an early payment discount if people are struggling financially, especially if they have more than one fine. We continue to review each case on its own merits and to work with the clients.

6.5 Summary of measures taken to recover debt

Usual 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/back £m	Uncollected debt c/f £m
17.31	42.52	(42.37)	(0.03)	17.43

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 rent, adult social care costs relating to residential and non-residential care, and repairs & maintenance charges relating to council property.

Unlike other sources of debt, we are never too concerned about the actual amount outstanding, this is because debt can be raised at any time of the year. Consequently, we focus on aged debt as the main measure of performance.

Comparator information

Debt over 12 months old (aged debt) has increased for the first time in 5 years. Increasing from £3.28m in September 2019 to £4.08m in September 2020. Which is a £0.8m increase.

- 30/09/2017 £4.42m
- 30/09/2018 £3.68m
- 30/09/2019 £3.28m
- 30/09/2020 £4.08m

The level of debt over 12months old is believed to have increased due to the Council suspending its debt recovery processes. The Council is now actively engaging to collect this outstanding debt.

7.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	89	5
Deceased – No Assets	91	17
Insolvent / Bankrupt/ Liquidated	25	5
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	467	6
Totals	672	33

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

Policy changes in non-residential care resulted in a review of all service users' contributions, and an increase in the level of invoiced charges. In March 2020 central government introduced emergency changes to the charging regulations, due to the pandemic, and for those being discharged from hospital, care has been provided for free locally for approx. 700 service users. This temporary change has now ceased.

Locally, in response to the COVID-19 pandemic, to support business and individuals affected, on a case by case basis we have offered support to those struggling to pay;

- pausing the need to make payments or
- agreeing instalment arrangements, or
- suspending debt enforcement.

7.5 Summary of measures taken to recover debt

Debt recovery measures

The debt recovery measures detailed below are part of our normal process, but the Council continues during 2020-2021 to offer support where required for those suffering financial hardship.

Normally:

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 an 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.

Appendix C

Summary of all Write Offs

The table below provides detail on the reasons why debt is written off during the year.

Income Type	Unable to trace £000	Deceased - no assets £000	Insolvent/ Bankrupt/ Liquidated £000	Irrecoverable at reasonable expense £000	Total Write Offs @ 30/09/2020 £000
Non Domestic Rates (including Costs)	0	0	0	0	0
Council Tax (including Costs)	1	0	24	4	29
Housing Benefit Overpayments	40	2	17	109	168
Council House Rents	0	0	0	150	150
On and Off-Street Car Parking fines	156	0	3	173	332
Bus Lane Enforcement	29	0	1	93	123
Other Income	5	17	5	6	33
Haymarket Consortium	0	0	664	0	664
Totals	231	19	714	535	1,499