
Income Collection April 2020 – March 2021

Decision to be taken by: N/A

Overview Select Committee: 27th May 2021

Lead director: Colin Sharpe

Useful information

- Ward(s) affected: All
- Report author: Amy Oliver
- Author contact details: 37 5667
- Report version number: V1

1. Summary

This report details progress made in collecting debts raised by the Council during 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 nearly £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 has been updated on this regularly through the usual budget monitoring reports.

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.

Appendix D provides a summary of Write Offs Over £2k for 2020/21

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

Mark Noble, Head of Finance, Ext 37 4041

6.2 Legal implications

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

Jeremy Rainbow – Principal Lawyer (Litigation) Ext 37 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;

Appendix D is a summary of Write Offs Over £2k for 2020/21;

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)?

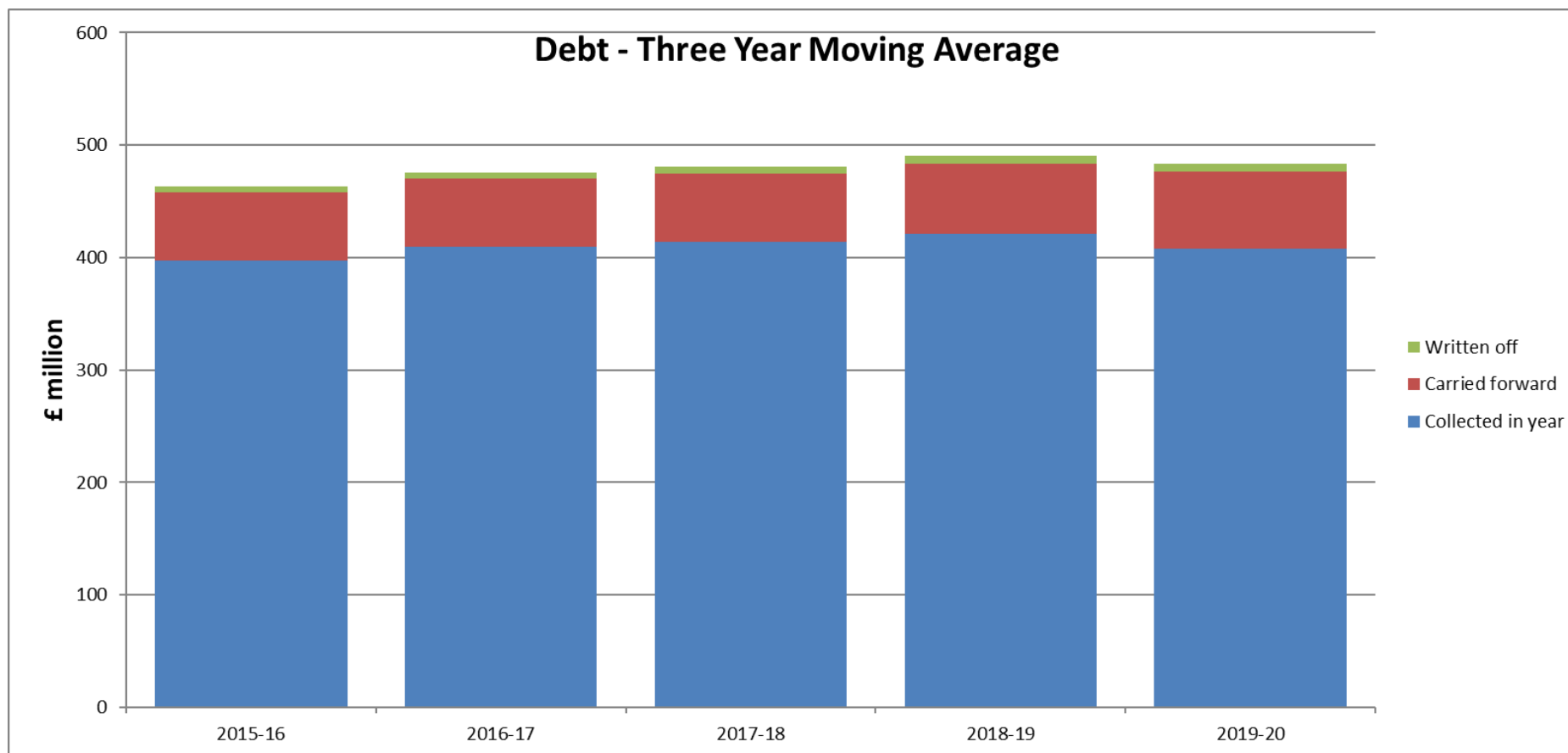
No

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

No

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 @ 31/03/2021 £m
Non Domestic Rates (including Costs)	12.07	64.01	(57.36)	(1.42)	17.30
Council Tax (including Costs)	18.52	143.06	(134.12)	(1.78)	25.68
Housing Benefit Overpayments	13.11	2.42	(3.63)	(0.28)	11.62
Council House Rents	3.62	78.57	(78.71)	(0.25)	3.23
On and Off-Street Car Parking fines	1.97	1.86	(0.95)	(1.12)	1.76
Bus Lane Enforcement	0.91	1.14	(0.82)	(0.28)	0.95
Other Income	17.31	104.18	(106.58)	(0.40)	14.51
Totals	67.51	395.24	(382.17)	(5.53)	75.05



Note: This chart is a moving average (e.g. 2016/17 is the average of 2015/16, 2016/17 and 2017/18). This treatment smooths anomalies in individual years and highlights trends. Consequently, 2019/20 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	64.01	(57.36)	(1.42)	17.30

1.2 Background and comparator information

Background Information

Business Rates are a national tax normally paid by approximately 12,800 businesses in Leicester.

Comparator Information

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

- Collection 2019/20 – 95.68%
- Collection 2020/21 – 89.66%

It should be noted that unpaid debt on 31st March continues to be collected in the following year, and is usually substantially caught up, but in these exceptional circumstances it is unlikely we will reach the same ultimate collection rate.

Other authorities, of course, share our predicament. As at 31st March 2021, our collection performance places us 9th out of 12 authorities with comparable populations.

1.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	42	446
Deceased – No Assets	0	0
Insolvent / Bankrupt/ Liquidated	163	1,023
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	26	(50)
Totals	231	1,419

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 of course has been paid in full which has offset losses due to ratepayers struggling to pay.

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.

All recovery action, including reminders and summonses were suspended from April 2020. Court hearings for liability order applications were also suspended by the Magistrates court from April 2020. Non-statutory ("soft") reminders were issued in September 2020 and statutory reminders and final notices resumed from October, but no summonses were issued.

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	143.06	(134.12)	(1.78)	25.68

2.2 Background and comparator information

Background information

Council tax is a national tax, charged to 141,300 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 2019/20 – 94.64%
- Collection 2020/21 – 91.59%

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 31st March 2021, we are 11th out of 12 authorities with comparable populations. However, we are relatively deprived and have suffered lockdown for longer than any other authority in the country.

2.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	1,187	909
Deceased – No Assets	290	106
Insolvent / Bankrupt/ Liquidated	197	151
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	2,525	616
Totals	4,199	1,782

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

Changes

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 31/03/2021 were 28,099, (£28.7m paid), this compares to 27,272 (£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 31/03/21, £3.1m 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.

As with business rates, all recovery action was suspended for council tax from April 2020, including reminders and summonses. Court hearings for liability order applications were also suspended by the Magistrates court from April 2020. Non-statutory (“soft”) reminders were issued in September 2020 and statutory reminders and final notices resumed from October but no summonses were issued.

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	2.42	(3.63)	(0.28)	11.62

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 £11.62m, we have outstanding, there are processes in place to recover debt wherever possible. Overall, housing benefit debt continues to reduce, from £13.11m at 31/03/2020 to £11.62m as at 31/03/2021:

- 31/03/2019 £15.50m
- 31/03/2020 £13.11m
- 31/03/2021 £11.62m

This is a good achievement given the context of the pandemic.

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	59	27
Deceased – No Assets	8	3
Insolvent / Bankrupt/ Liquidated	62	23
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	1,129	226
Totals	1,258	279

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

Changes

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.

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. Currently, £0.71m is being collected from earnings.

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	78.57	(78.71)	(0.25)	3.23

4.2 Background and comparator information

Background information

The authority currently collects rent from approximately 19,700 tenancies across the City. 8,500 of our tenants (43%) are on full or partial Housing Benefit and 5,400 (27%) 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	650	252
Totals	650	252

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

Changes

Whilst the figures look like they have improved, this was due to arrears as at 31st March 2020 being artificially high. This was as a result of uncertainty for tenants surrounding rent holidays and other potential financial support. This position has stabilised during the year, although it should be noted that if furlough support is reduced we may see a rise in arrears again. Nonetheless, the final position is very creditable given the pandemic.

It is now nearly 3 years since the implementation of Universal Credit (UC) and it is anticipated that the full UC migration will be completed by 2024. However, due to COVID-19, full UC migration and roll-out may be further delayed.

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).

It's a year since the start of the pandemic and its impact on rent collection. The ongoing Government guidance is that tenants should continue paying rent and abide by all terms of their tenancy agreement to the best of their ability and have encouraged tenants and landlords to work together in these unprecedented circumstances. Various support is available to assist tenants to pay their rent as normal.

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. On 4th May 2021 the Debt Respite Scheme (Breathing Space) legislation will be enforced and will impact on rent collection. This will give tenants the right to legal protections from landlord action, with a standard breathing space giving legal protections from creditor action for up to 60 days. The protections include pausing most enforcement action and contact from creditors and freezing most interest and charges on debts.

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.

Appendix B

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	1.86	(0.95)	(1.12)	1.76

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 31st March

- 2019/20 - 73%
- 2020/21 - 68%

5.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	7,648	657
Deceased – No Assets	2	0
Insolvent / Bankrupt/ Liquidated	72	7
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	4,686	452
Totals	12,408	1,116

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 1st June 2020 issuing warning tickets for the first few weeks. Routine deployment and enforcement has continued since.

The number of tickets issued during 2020/21 was 33% lower than the previous year (38,600 compared with 58,100). March saw a recovery against this shortfall of 19.2% on the same period last year.

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

Payments and processing of Penalty Charge Notices has been impacted, with enforcement agencies recovery at reduced levels; the service is continuing to operate at statutory levels. However, it will take time for partner organisations and contractors to fully resume their operations.

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	1.14	(0.82)	(0.28)	0.95

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 March 31st.

- 2019/20 - 59%
- 2020/21 - 63%

6.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	1,334	121
Deceased – No Assets	1,293	39
Insolvent / Bankrupt/ Liquidated	0	0
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	1,581	117
Totals	4,208	277

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 1st June 2020, and have issued nearly 27,000 PCNs to the end of March. The current traffic levels are still low due to partial lockdown and the continued restrictions on travel.

Legislation commencing on 4th May 2021 (Breathing Space Moratorium and Mental Health Crisis Moratorium (England and Wales) Reg 2020) provides a debt respite for someone who is in debt. Those who have multiple PCNs and are unable to make payment can make an application through a debt advisor to place their case on hold for 60 days. The impact on collection rates of this legislation is mitigated by the fact that the bus lane enforcement team engage at an early stage to arrange a payment plan with debtors. We currently offer 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	104.18	(106.58)	(0.40)	14.51

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:

- 31/03/2018 £3.83m
- 31/03/2019 £3.59m
- 31/03/2020 £3.48m
- 31/03/2021 £4.33m

The level of debt over 12 months 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	116	15
Deceased – No Assets	201	80
Insolvent / Bankrupt/ Liquidated	45	208
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	808	97
Totals	1,170	400

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

Changes

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.

At the beginning of the pandemic central government also introduced legislation which gave protections to business premises when they were not able to pay commercial rent. These protections remain in place until the 30 June 2021. We are restricted as a commercial landlord from forfeiting a commercial lease for non-payment of rent or taking Commercial Rent Arrears Recovery until the total number of days' outstanding rent is 554 days in certain circumstances.

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 has continued 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.

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 @ 31/03/2021 £000
Non Domestic Rates (including Costs)	446	0	1,023	(50)	1,419
Council Tax (including Costs)	909	106	151	616	1,782
Housing Benefit Overpayments	27	3	23	226	279
Council House Rents	0	0	0	252	252
On and Off-Street Car Parking fines	657	0	7	452	1,116
Bus Lane Enforcement	121	39	0	117	277
Other Income	15	80	208	97	400
Haymarket Consortium	0	0	664	0	664
Totals	2,175	228	2,076	1,710	6,189

Write Offs Over £2k for 2020/21

Income Type	No. of Write Offs	Value £000
Non Domestic Rates (including Costs)	109	1,356
Council Tax (including Costs)	70	208
Housing Benefit Overpayments	22	88
Council House Rents	12	41
On and Off-Street Car Parking fines	8	35
Bus Lane Enforcement	0	0
Other Income	25	340
Haymarket Consortium	1	664
Totals	247	2,732