
Income Collection April 2021 – September 2021

Overview Select Committee

Date of meeting: 16th December 2021

Lead director: Colin Sharpe, Deputy Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Steven Cutler
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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 2021-22, 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. (Appendix A).

This is a routine report made to members twice each year. Overall performance for some sources of income has recovered from the pandemic in the first half of the year and is approaching pre-pandemic levels.

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 that less than 2% is eventually written off each year, although arrears arising during the pandemic may mean 2020/21 and 2021/22 are exceptional.

Debt collection has been affected during the pandemic period by restrictions on court activity, the financial challenges faced by many individuals and businesses, legal protection against eviction for business tenants, and the introduction of the 'Breathing Space' legislation which allows people within problem debt more time to manage their finances. Some income streams fell during the pandemic, for example car parking income and penalties, bus lane enforcement penalties, and business rates as the Government gave a rates 'holiday' to many businesses. Therefore, the overall level of collectable income reduced.

In relation to the Councils key income streams:

- Business rate collection rates have been impacted by changes to government reliefs for hospitality, leisure and retail sectors.
- Council Tax performance has significantly improved from last year and is returning to pre pandemic levels.
- Recovery of overpaid housing benefit has improved due to both increased collections of old overpayments and reduced overpayments being made as a result of Universal Credit.
- Housing rent collection is still low, this is due to a combination of the pandemic and impacts of Universal Credit.

Legislation commencing on 4th May 2021 (Breathing Space Moratorium Regulations) can provide a debt respite for someone who is struggling to repay debt. The Council has seen some take up in the use of this legislation but not to the levels that would significantly impact performance in relation to income collection.

2. Recommended actions/decision

2.1 The OSC is recommended to:

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

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 2021/22

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 must make every effort to collect its due debts. The Council's 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 2021/22.

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)?

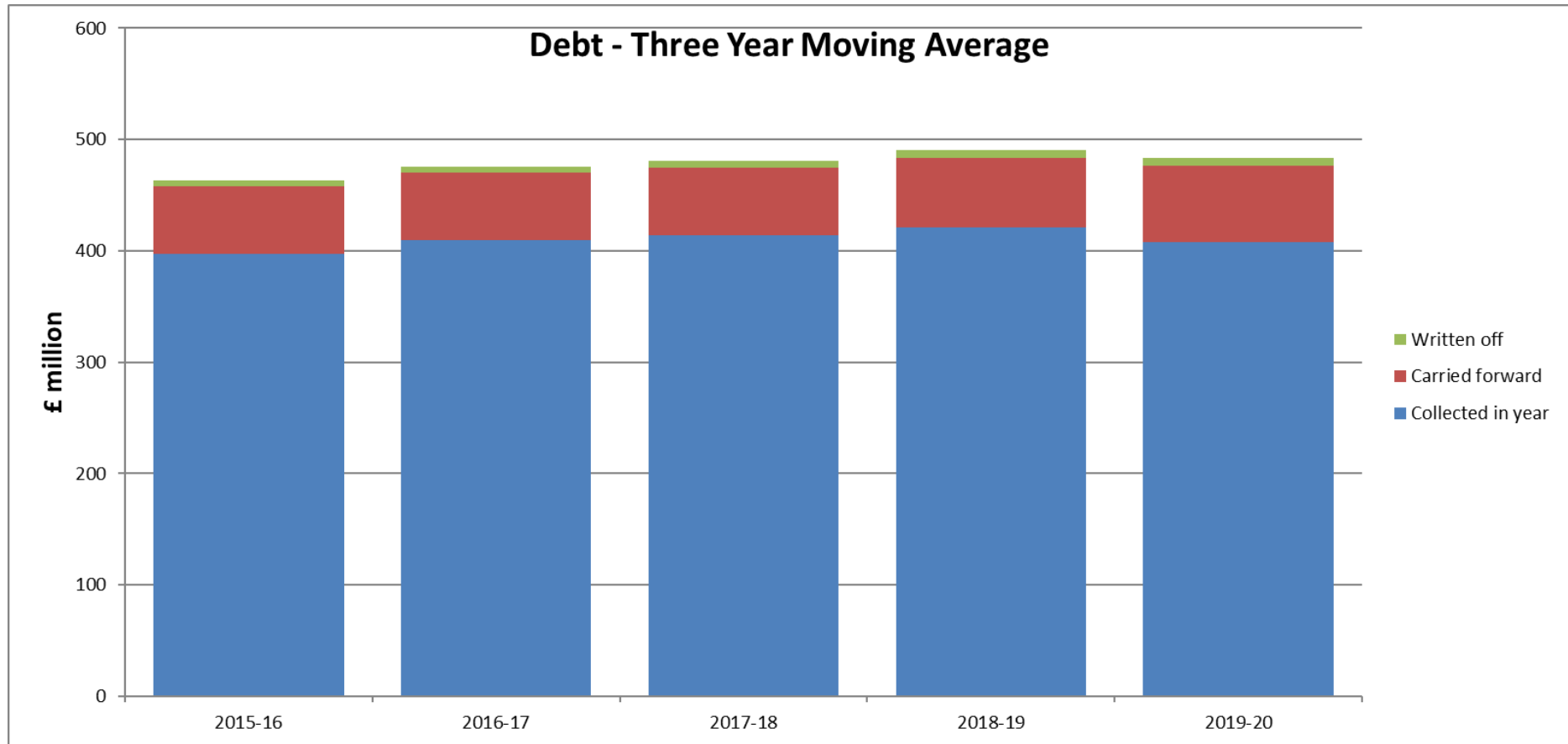
No

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

No

Summary of all Debt

Income Type	Debts brought forward @ 1/4/2021 £m	Amounts raised 2021-22 £m	Amounts collected 2021-22 £m	Amounts written off 2021-22 £m	Debts outstanding @ 30/09/21 £m
Non-Domestic Rates (including Costs)	17.30	91.51	(49.15)	(0.20)	59.46
Council Tax (including Costs)	25.68	153.85	(82.83)	(0.53)	96.17
Housing Benefit Overpayments	11.62	1.33	(1.76)	(0.17)	11.02
Council House Rents	3.23	44.95	(44.40)	(0.09)	3.69
On and Off-Street Car Parking fines	1.76	1.53	(0.85)	(0.23)	2.21
Bus Lane Enforcement	0.95	0.67	(0.50)	(0.33)	0.79
Other Income	14.51	41.48	(41.16)	(0.07)	14.76
Totals	75.05	335.32	(220.65)	(1.62)	188.10



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
17.30	91.51	(49.15)	(0.20)	59.46

1.2 Background and comparator information

Background Information

Business Rates are a national tax normally paid by approximately 12,900 businesses in Leicester.

Comparator Information

The table shows the effect on collection of the current year's debt when compared to pre-pandemic levels:

- Collection to 30th September 2019 – 55.30%
- Collection to 30th September 2020 – 50.40%
- Collection to 30th September 2021 – 51.84%

Collection rates this year appear to be low. However, the collection rate at the end of September is distorted due to Government changes in reliefs during the year. This should now settle, and year end performance is expected to be near to pre-pandemic levels.

It should be noted that unpaid debt on 31st March continues to be collected in the following year. To 30th September 2021 we had collected £3.47m of the £17.3m prior years' debt due.

As at 30th September 2021, our collection performance places us 4th out of 13 authorities with comparable populations.

1.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	3	4
Deceased – No Assets	0	0
Insolvent / Bankrupt/ Liquidated	62	356
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	14	(162)
Totals	70	198

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

Changes

The Government introduced reliefs in 20/21 to support businesses most affected by the pandemic, particularly in the retail, leisure and hospitality industry. In 21/22, reliefs have also been awarded, but the level of support is less generous, and changes were made during the year meaning the profile of debt being collected is uneven and unusual. This has impacted collection as those businesses in the retail, leisure and hospitality sectors, as well as childcare nurseries, have amounts to pay from the beginning of July 2021 whilst they are managing to come out of lockdown restrictions.

1.5 Summary of measures taken to recover debt

Debt recovery measures

Due to the pandemic, recovery action was paused in April 2020 and restarted progressively during the year. Normal recovery process resumed from April 2021.

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.

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
25.68	153.85	(82.83)	(0.53)	96.17

2.2 Background and comparator information

Background information

Council tax is charged to c.142,000 properties in Leicester. The amount we collect includes sums charged by the fire authority and the police and crime commissioner.

Comparator information

The following shows the percentage debt collection in the year it is raised. Pleasingly, debt collected is starting to approach pre-covid levels:

- Collection to 30th September 2019 – 53.28%
- Collection to 30th September 2020 – 49.85%
- Collection to 30th September 2021 – 52.11%

It should be noted that unpaid debt on 31st March continues to be collected in the following year. To 30th September 2021 we had collected £3.53m of the £25.68m prior years' debt due.

As at 30th September 2021, our collection performance places us 7th out of 13 authorities with comparable populations. However, performance is bunched, apart from the top performing authority which is an outlier. Our performance is just over 1% lower than the authority ranked second in the benchmarking group.

2.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	369	335
Deceased – No Assets	109	85
Insolvent / Bankrupt/ Liquidated	83	97
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	222	11
Totals	783	528

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

Changes

No Changes during the period.

2.5 Summary of measures taken to recover debt

Debt recovery measures

As with rates, recovery action was paused in April 2020 with normal processes not resuming fully until April 2021.

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, there are safeguards to protect the most vulnerable.

Leicester Magistrates Court has from May 2021 provided regular liability order hearing dates which are on average held twice monthly. Understanding the challenges households and businesses may be experiencing, we continue to encourage them to contact the Council as soon as possible so that a suitable payment arrangement or any entitlement to discounts, exemptions and discretionary relief can be discussed.

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
11.62	1.33	(1.76)	(0.17)	11.02

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 £11.02m outstanding, processes are in place to recover debt wherever possible. Overall, housing benefit debt continues to reduce, from £13.74m at September 2020 to £11.02m as at September 2021, due to improved collection and reduced debt being raised as a result of less overpayments following the move to Universal Credit.

Comparator information

Debt outstanding at:

- 30/09/2017 £17.63m
- 30/09/2018 £16.79m
- 30/09/2019 £14.86m
- 30/09/2020 £13.74m
- 30/09/2021 £11.02m

3.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	61	20
Deceased – No Assets	11	40
Insolvent / Bankrupt/ Liquidated	11	32
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	380	78
Totals	463	170

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

Changes

There are no changes to report on overpaid housing benefit.

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 a current entitlement to housing benefit.

Legislation permits us to deduct overpayments from other state benefits. DWP temporarily paused use of this method due to the pandemic. The DWP has now re-instated deductions.

If there is no current housing benefit entitlement, payment is requested from the customer in the first instance before an invoice raised.

Where no benefits are in payment, but the debtor is in employment, a direct earnings attachment is sought.

The Council continues to work with those struggling to pay on a case by case basis, offering 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
3.23	44.95	(44.40)	(0.09)	3.69

4.2 Background and comparator information

Background information

The Council currently collects rent from approximately 19,350 tenancies across the City. 7,700 of tenants (40%) are on full or partial Housing Benefit and 5,900 (30%) on Universal Credit.

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	187	90
Totals	187	90

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

Changes

Arrears have risen by £460k over the first 6 months of the year, with the pandemic continuing to have an impact. With furlough support having ended in September and the temporary uplift in Universal Credit (UC) having ended in October, there is the potential for a further adverse movement in rent arrears in the remainder of the year.

It is now nearly 3 years since the implementation of UC and it is anticipated that the full UC migration will be completed by 2024. However, due to the pandemic, full UC migration and roll-out is expected to be further delayed.

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

The continuing expectation is that tenants should be paying their rent and abiding by all terms of their tenancy agreement. Various support is available to assist tenants to pay their rent.

4.5 Summary of measures taken to recover debt

Debt recovery measures

The Housing Income Management Team works with the DWP and work coaches from the local Job Centre Plus to minimise any adverse impact of the 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 provides support to claim discretionary housing funds. Additional staff have been recruited in the expectation that more tenants may need to claim UC because of the pandemic.

Furthermore, a 6-month pilot commenced in April 2021 to support all council tenants in maximising income, claiming benefits and sustaining tenancies by negating the need for court action.

The ultimate sanction for rent arrears is eviction, 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
1.76	1.53	(0.85)	(0.23)	2.21

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.

- £25 or £35 if paid within 14 days.
- £50 or £70 if paid after 14 days.

Comparator information

The percentage of tickets issued during the year, paid at 30th September. This is now close to the position pre-pandemic (69% by September 2019).

- 2020/21 - 51%
- 2021/22 - 66%

5.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	1269	135
Deceased – No Assets	3	0*
Insolvent / Bankrupt/ Liquidated	51	5
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	891	93
Totals	2,214	233

* Total of £339

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

Changes

Parking enforcement and PCN recovery has operated as usual during the first 2 quarters of 2021/22. There has been a reduction in the number of PCN's being issued, which could be attributed to reduced on-street parking availability in the city.

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
0.95	0.67	(0.50)	(0.33)	0.79

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.

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 30th September.

- 2020/21 - 60%
- 2021/22 - 61%

6.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	2,077	65
Deceased – No Assets	6	1
Insolvent / Bankrupt/ Liquidated	22	2
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	2,692	259
Totals	4,797	327

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

Changes

Camera enforcement of Leicester's bus lanes and bus gates restarted on 1 June 2020, after being suspended throughout the coronavirus lockdown. With restrictions now being eased and more traffic returning to roads once again, there has been an increase in contravention, but not to pre-covid levels. All cameras are now active apart from Horsefair Street which is switched off due to city centre improvement works.

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
14.51	41.48	(41.16)	(0.07)	14.76

7.2 Background and comparator information

Background information

“Other Income” includes all income other than the sources described above. It covers a wide variety of income from various individuals and organisations. Examples include commercial property rent, adult social care relating to residential and non-residential care.

Unlike other sources of debt, the total debt value can fluctuate based on the type and timing of income being collected. Therefore, when reviewing this type of debt, we focus on aged debt as the main measure of performance rather than value.

Comparator information

Debt over 12 months old (aged debt) has increased for the second year running, increasing from £4.1m in September 2020 to £4.6m in September 2021, an increase of £0.5m.

- 30/09/2018 £3.68m
- 31/03/2019 £3.59m
- 30/09/2019 £3.28m
- 31/03/2020 £3.48m
- 30/09/2020 £4.08m
- 31/03/2021 £4.33m
- 30/09/2021 £4.63m

The main reasons for the increase in aged debt are due to not being able to recover commercial debt since the start of the pandemic and increasing debt on adult social care because of the pandemic. It is expected with recovery action commencing performance will improve.

Of the £4.63m at 30/9/21 £2.2m relates to ASC debt and £560k Commercial rent arrears. Most of the aged debt is either with Legal Services or the debt is secured by charges on properties.

7.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	32	3
Deceased – No Assets	89	19
Insolvent / Bankrupt/ Liquidated	7	2
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	348	46
Totals	476	70

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

Changes

In March 2020, the government introduced legislation to help protect businesses from eviction for non-payment of rent during the pandemic. This protection has been extended several times and will end on 25 March 2022.

However, to continue to afford some protection to businesses, the government will legislate to ringfence rent debt accrued during the pandemic by businesses affected by enforced closures. Landlords and tenants will be expected to negotiate an agreement to address these pandemic related debts. A process of binding arbitration will however be set out, to be used as a last resort where agreement has not been possible.

Landlords will be able to evict tenants for the non-payment of rent prior to March 2020 and after the end of restrictions for their sector and who have not been affected by business closures.

As a result, it could take some considerable time before overall debt for commercial rent arrears can be reduced.

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 to offer support where required for those suffering financial hardship. We also continue to adhere to the extended national restrictions on enforcement.

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 judgement or an order for recovery of an award and if payment is still not forthcoming, the next actions can 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/including adjustments for costs and write ons £000	Total Write Offs @ 30/09/2021 £000
Non Domestic Rates (including Costs)	4	0	356	(162)	198
Council Tax (including Costs)	335	85	97	11	528
Housing Benefit Overpayments	20	40	32	78	170
Council House Rents	0	0	0	90	90
On and Off-Street Car Parking fines	135	0	5	93	233
Bus Lane Enforcement	65	1	2	259	327
Other Income	3	19	2	46	70
Totals	562	145	494	415	1,616

Write Offs Over £2k for 2021/22

Income Type	No. of Write Offs	Value £000
Non Domestic Rates (including Costs)	35	360
Council Tax (including Costs)	73	249
Housing Benefit Overpayments	16	86
Council House Rents	3	7
On and Off-Street Car Parking fines	0	0
Bus Lane Enforcement	0	0
Other Income	9	43
Totals	133	738