



Leicester  
City Council

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# ***Income Collection April 2017 – March 2018***

Decision to be taken by: N/A

Overview Select Committee date: 21<sup>st</sup> June 2018

Lead Director: Alison Greenhill

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## 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 2017-18, 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.

In an attempt to streamline the report and make its production more efficient, a set of proformas have been used for each type of debt. The approach can be refined in future reports to suit OSC's wishes.

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 approximately £0.4bn. 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) maintaining previous performance in local tax and rent collection;
- b) substantial progress in recovering old debt for other sources of income;
- c) concern about the future impact of Universal Credit.

## **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.

**5. Background information and other papers.**

Finance Procedure Rules

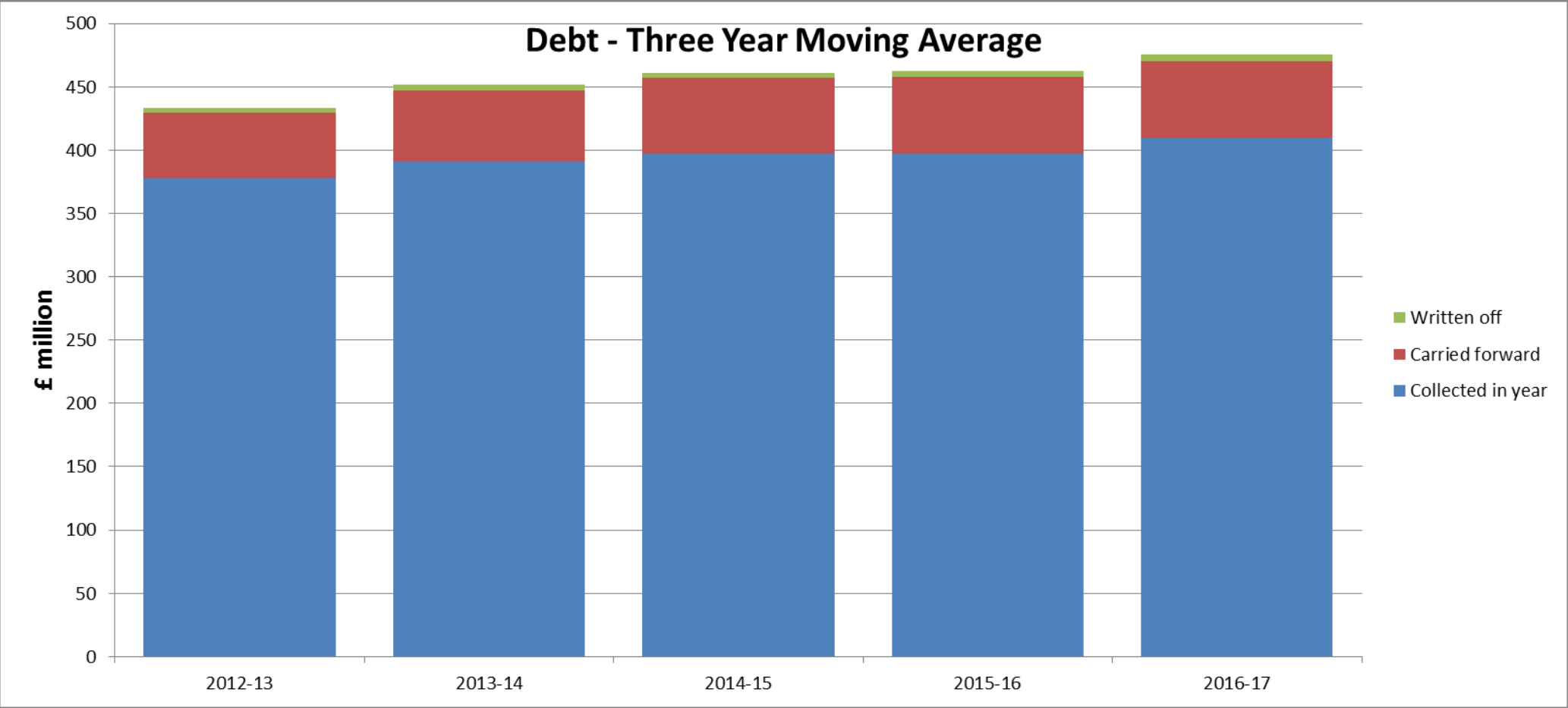
Debt Policy

**6. Is this a private report?**

No

**Summary of all Debt**

<b>Income Type</b>	<b>Debts brought forward @ 1/4/2017</b>	<b>Amounts raised 2017-18</b>	<b>Amounts collected 2017-18</b>	<b>Amounts written off 2017-18</b>	<b>Debts outstanding @ 31/3/2018</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Non Domestic Rates (including Costs)	9.76	100.65	(97.86)	(1.44)	<b>11.11</b>
Council Tax (including Costs)	14.82	121.46	(119.35)	(1.4)	<b>15.53</b>
Housing Benefit Overpayments	17.74	7.09	(5.97)	(1.77)	<b>17.09</b>
Council House Rents – Current Tenant Arrears	1.44	80.72	(80.7)	(0.16)	<b>1.30</b>
On and Off-Street Car Parking fines	1.30	2.98	(1.76)	(0.94)	<b>1.58</b>
Bus Lane Enforcement	0.49	2.60	(1.76)	(0.32)	<b>1.01</b>
Other Income	15.85	108.58	(112.8)	(0.89)	<b>10.74</b>
<b>Totals</b>	<b>61.40</b>	<b>424.08</b>	<b>( 420.20)</b>	<b>(6.92)</b>	<b>58.36</b>
<b>Summons Costs (for NDR and CT)-Information only as included in lines above.</b>	<b>1.52</b>	<b>1.22</b>	<b>(1.01)</b>	<b>(0.17)</b>	<b>1.56</b>



## 1. Non Domestic 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
9.76	100.65	(97.86)	(1.44)	11.11

### 1.2 Background and comparator information

#### Background information

National non-domestic rates (NNDR) are a national tax paid by approximately 12,400 businesses in Leicester.

#### Comparator information

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

- 2016/17 - 96.71%
- 2017/18 - 97.04%

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

We are 8<sup>th</sup> out of 11 authorities with comparable populations, but performance tends to bunch (i.e. there is little difference between authorities generally).

### 1.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	13	26
Deceased – No Assets	1	1
Insolvent / Bankrupt/ Liquidated	166	1,307
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	65	105
<b>Totals</b>	<b>245</b>	<b>1,439</b>

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

### Changes

The Government introduced three discretionary measures to help businesses affected by the revaluation of non-domestic properties, which came into effect from 1 April 2017. These reliefs are fully funded by the Government. For these measures we have awarded £1.5m worth of relief, assisting just over 2,000 ratepayers: this may have improved collection performance.

## 1.5 Summary of measures taken to recover debt

### Debt recovery measures

A bill is sent in early March each year, detailing instalment payments 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.

An external supplier has been appointed who assists with recovery on difficult targeted cases.

### **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
14.82	121.46	(119.35)	(1.40)	15.53

### 2.2 Background and comparator information

#### Background information

Council tax is a national tax, charged to 138,000 properties in Leicester.

#### Comparator information

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

- 2016/17 – 95.2%
- 2017/18 - 95.3%

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

We are 6<sup>th</sup> out of 12 authorities with comparable populations.

### 2.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	971	670
Deceased – No Assets	115	27
Insolvent / Bankrupt/ Liquidated	250	149
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs	2,094	553
<b>Totals</b>	<b>3,430</b>	<b>1,399</b>

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

### Changes

From 1st April 2016 the Government allowed Councils to raise an additional amount to pay for Adult Social Care costs. The 5% increase in tax does not appear to have affected collection.

## 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 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 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 (not made until after attempted enforcement agent action);

Committal to prison.

### 3. Overpaid Housing Benefit

#### 3.1 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
17.74	7.09	(5.97)	(1.77)	17.09

#### 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 £2.0bn at January 2017. By its nature, overpaid benefit is very difficult to collect. Of the £17.1m we have outstanding, some is being deducted from ongoing benefit. Our accounts assume a large proportion of the rest of the debt will not be possible to collect.

##### Comparator information

There is no like with like comparator information available

#### 3.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	1,238	495
Deceased – No Assets	132	68
Insolvent / Bankrupt/ Liquidated	260	134
All recovery options exhausted / irrecoverable at reasonable expense	3,922	1,077
<b>Totals</b>	<b>5,552</b>	<b>1,774</b>

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

##### Changes

Changes to Universal Credit will (for all practical purposes) remove our ability to collect debt from ongoing benefit. We are prioritising this type of debt whilst this option is still open to us.

### 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, and treated as “other income”;
- a training programme has enabled all benefit officers to implement ongoing benefit deduction or to request an invoice;
- Legislation permits us to deduct overpayments from other state benefits. Requests have been made to the DWP, but responses are poor, with very little information to advise whether deductions can or cannot be made. These cases are monitored closely: no other action can be taken to recover sums outstanding once they have been referred to the DWP;
  - The overpayment team is prioritising high value debt and debt which can be recovered from ongoing benefit.

### 3.6. Processing backlogs

#### Backlogs

There is a backlog of debt awaiting processing, which has increased since April 2017. This is due to more claimant changes notified by the DWP that has an impact on our processing as well as the number of overpayments to be recovered. However, work has been targeted as per the measures outlined under point 6 above.

## 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
1.44	80.72	(80.70)	(0.16)	1.30

### 4.2. Background and comparator information

The Council currently collects rent from approximately 20,800 tenancies across the City. 60% of the tenants are on full or partial Housing Benefit. 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		
Deceased – No Assets		
Insolvent / Bankrupt/ Liquidated		
All recovery options exhausted / irrecoverable at reasonable expense	354	165
<b>Totals</b>	<b>354</b>	<b>165</b>

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

Universal Credit Full Service (UCFS) is due to commence in June 2018. Tenants who would like to make a new claim for legacy benefits or are already in receipt of an existing benefit and have a major change in their circumstances will be expected to make a new claim for Universal Credit (UC). It is anticipated that UC migration will be completed by 2022. At this moment in time anyone requiring assistance with housing related costs receive Housing Benefit which is paid directly to Social Landlords. With the introduction of UCFS anyone claiming help with housing related costs will have to make a claim with the DWP and they will be expected to pay their Housing Costs element directly to the landlord themselves from their UC payment. 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).

#### **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.

## 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
1.30	2.98	(1.76)	(0.94)	1.58

### 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;
- (b) £50 or £70 if paid after 14 days.

#### Comparator information

The percentage of tickets issued during the year, paid at the 31<sup>st</sup> March;

- 2016/17 – 75%
- 2017/18 – 74%

### 5.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	5,846	505
Deceased – No Assets	219	22
Insolvent / Bankrupt/ Liquidated	96	8
All recovery options exhausted / irrecoverable at reasonable expense	3,811	400
<b>Totals</b>	<b>9,972</b>	<b>935</b>

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

##### Changes

In the latter half of 2017/18, more Civil Enforcement Officers (CEOs) were recruited, leading to an increase in the number of PCNs issued. In March 2018, there were 47 CEOs.

#### **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
0.49	2.60	(1.76)	(0.32)	1.01

### 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<sup>st</sup> March;

- 2016/17 – 58%
- 2017/18 – 60%

### 6.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	4,226	143
Deceased – No Assets	31	3
Insolvent / Bankrupt/ Liquidated	40	4
All recovery options exhausted / irrecoverable at reasonable expense	2,604	169
<b>Totals</b>	<b>6,901</b>	<b>319</b>

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

##### Changes

The scheme was extended in 2017/18, when enforcement outside London Road Railway Station commenced after the installation of new cameras in September 2017.

#### **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

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
15.78	108.58	(112.80)	(0.89)	10.67

### 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.

#### Comparator information

Overall debt has decreased, but this is not a meaningful comparison, as new debt can be raised at any time. However, positively, old debt is reducing significantly as can be seen in the table of debt over 12months old below;

	£m
31 <sup>st</sup> March 2016	7.2
31 <sup>st</sup> March 2017	4.9
31 <sup>st</sup> March 2018	3.8

For each of the last five years, the amount collected has exceeded the amount of new debt raised as arrears are tackled.

### 7.3 Debt write-off

<b>Reason for Write Off ↓</b>	<b>No.</b>	<b>Value £000</b>
Unable to Trace	283	155
Deceased – No Assets	527	195
Insolvent / Bankrupt/ Liquidated	108	86
All recovery options exhausted / irrecoverable at reasonable expense	2,338	455
<b>Totals</b>	<b>3,256</b>	<b>891</b>

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

#### Changes

- Changes to Civil Procedural Rules for the collection of debt introduced in October 2017.
- Welfare benefits being capped over recent years for the working age population has also impacted on many individuals ability to discharge debt(s).

### 7.5 Summary of measures taken to recover debt

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