



Leicester  
City Council

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# ***Income Collection April 2018 – September 2018***

Decision to be taken by: N/A

Overview Select Committee date: 13<sup>th</sup> December 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 the first six months of 2018-19, together with debts outstanding and brought forward from the previous year. It also sets out details of debts written off under delegated authority that it has not been possible to collect after reasonable effort and expense.

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

## **2. Recommendations**

2.1 The OSC is recommended to:

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

## **3. Supporting information:**

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

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

## **4. Financial, legal and other implications**

### 4.1 Financial implications

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

Alison Greenhill, Director of Finance, Ext 37 4001

### 4.2 Legal implications

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

Jeremy Rainbow – Principal Lawyer (Litigation) Ext 37 1435

### 4.3 Climate Change and Carbon Reduction implications

No climate change implications.

### 4.4 Equality Impact Assessment

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

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

Finance Procedure Rules

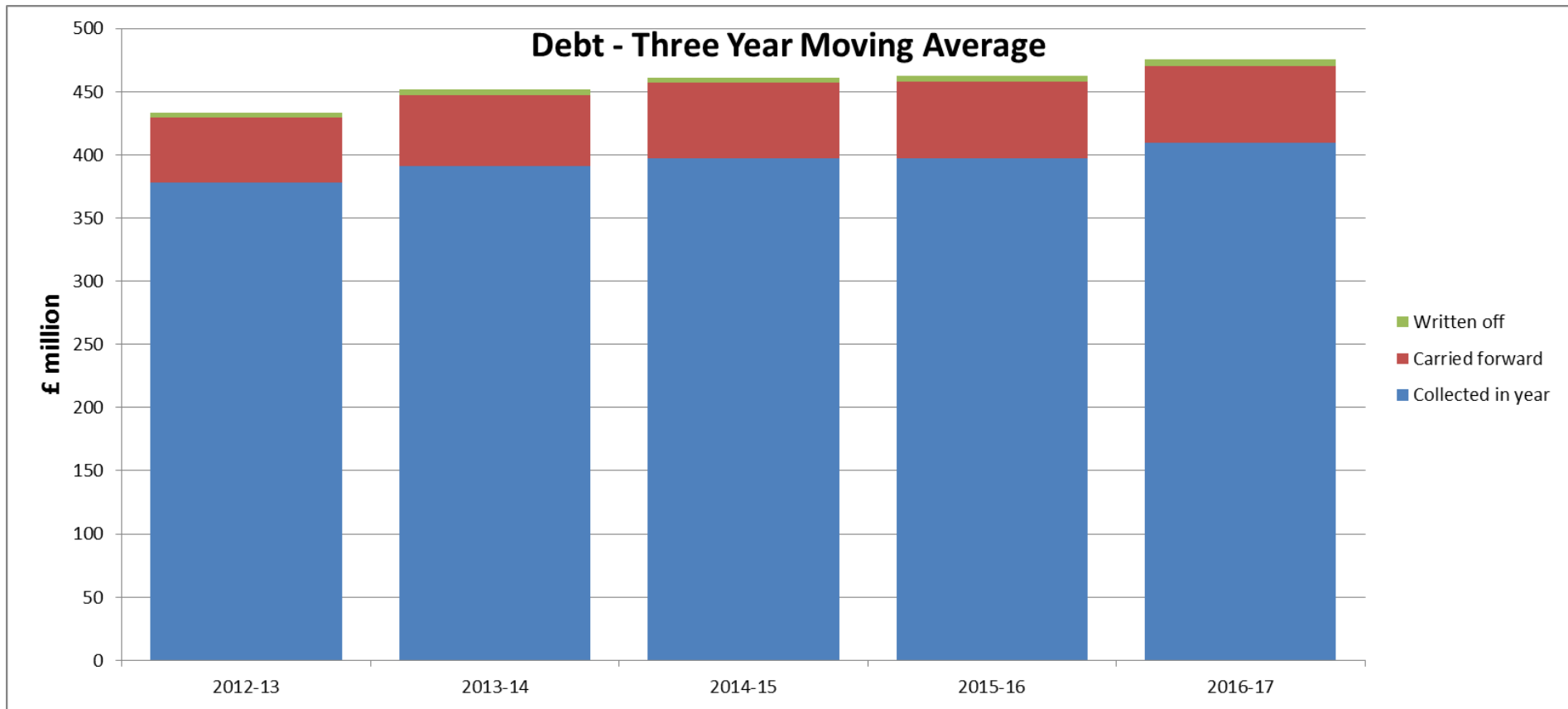
Debt Policy

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

No

**Summary of all Debt**

<b>Income Type</b>	<b>Debts brought forward @ 1/4/2018</b>	<b>Amounts raised 2018-19 (to 30/09/2018)</b>	<b>Amounts collected 2018-19 (to 30/09/2018)</b>	<b>Amounts written off 2018-19 (to 30/09/2018)</b>	<b>Debts outstanding @ 30/09/2018</b>	<b>Debts outstanding @ 30/09/2017 for comparison</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Non Domestic Rates (including Costs)	11.11	109.59	(61.44)	(0.86)	58.40	56.57
Council Tax (including Costs)	15.53	129.81	(71.47)	(0.61)	73.26	66.66
Housing Benefit Overpayments	17.09	3.27	(2.93)	(0.36)	17.07	17.94
Council House Rents – Current Tenant Arrears	1.30	40.37	(39.76)	(0.11)	1.80	1.84
On and Off-Street Car Parking fines	1.58	2.01	(1.17)	(0.49)	1.93	1.52
Bus Lane Enforcement	1.01	1.03	(0.74)	(0.23)	1.07	0.86
Other Income	10.74	42.86	(40.54)	(0.27)	12.79	14.90
<b>Totals</b>	<b>58.36</b>	<b>328.94</b>	<b>(218.05)</b>	<b>(2.93)</b>	<b>166.32</b>	<b>160.29</b>
<b>Summons Costs (for NDR and CT)-Information only as included in lines above.</b>	<b>1.56</b>	<b>0.91</b>	<b>(0.50)</b>	<b>(0.09)</b>	<b>1.88</b>	<b>1.80</b>



Note: This chart is a moving average (eg 2014/15 is the average of 2013/14, 2014/15 and 2015/16). This treatment smooths anomalies in individual years and highlights trends. Consequently, 2016/17 is the latest year we can report.

## 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
11.11	109.59	(61.44)	(0.86)	58.40

### 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 within the year it is raised:-

- Collection to 30th September 2017 – 55.70%
- Collection to 30th September 2018 – 56.38%

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

As at 30th September 2018, we are 4th out of 13 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	8	44
Deceased – No Assets	0	0
Insolvent / Bankrupt/ Liquidated	77	812
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	7	4
<b>Totals</b>	<b>92</b>	<b>860</b>

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

##### Changes

The changes arising from the 2017 revaluation are being phased in, as transitional measures drop out.

#### 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
15.53	129.81	(71.47)	(0.61)	73.26

### 2.2 Background and comparator information

#### Background information

Council tax is a national tax, charged to 138,400 properties in Leicester.

#### Comparator information

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

- Collection to 30th September 2017 – 53.63%
- Collection to 30th September 2018 – 53.70%

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

As at 30th September 2018, we are 5th out of 13 authorities with comparable populations.

### 2.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	591	438
Deceased – No Assets	48	32
Insolvent / Bankrupt/ Liquidated	161	115
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	406	22
<b>Totals</b>	<b>1,206</b>	<b>607</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 6% increase in tax in 2018, (including a 3% precept to pay for Adult Social Care) does not appear to have affected collection.

The collectable debt as at 1st April 2018 was £155.5m compared to £145.5m as at 1st April 2017, an increase of £10.0m.

Universal Credit, full service was rolled out in Leicester on 13th June 2018. Early indications show that council tax payments are being maintained by customers affected by this change.

## 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 including costs

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
17.09	3.27	(2.93)	(0.36)	17.07

#### 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 £2.2bn at January 2018. By its nature, overpaid benefit is very difficult to collect. Of the £17.07m, we have outstanding, there are recovery processes in place wherever possible e.g. via deductions from ongoing benefit and instalment arrangements.

Overall housing benefit debt is slowly decreasing:

- Outstanding debt at 30/09/2017 £17.94m
- Outstanding debt at 30/09/2018 £17.07m

##### 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	198	40
Deceased – No Assets	4	3
Insolvent / Bankrupt/ Liquidated	31	42
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write offs	1,877	279
<b>Totals</b>	<b>2,110</b>	<b>364</b>

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

#### Changes

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

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

### 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.
- a training programme has enabled all benefit officers to implement ongoing benefit deduction or to send a payment request;
- Legislation permits us to deduct overpayments from other state benefits. Requests have been made to the DWP, but response times are poor as to whether deductions can or cannot be made. These cases are monitored closely: no other action can be taken until a response has been received.
- The overpayment team is prioritising high value debt and debt which can be recovered from ongoing benefit.

### 3.6. Processing backlogs

#### Backlogs

There remains a backlog of debt awaiting recovery; however it continues to be targeted and has reduced from £2.9m in September 2017 to £1.4 in September 2018.

## 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
1.30	40.37	(39.76)	(0.11)	1.80

### 4.2. Background and comparator information

The Council currently collects rent from approximately 20,600 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. Outstanding rent traditionally increases in the first half of the year, and the position is consistent with 30/09/2017.

### 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	607	109
<b>Totals</b>	<b>607</b>	<b>109</b>

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

Universal Credit Full Service (UCFS) commenced 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 are expected to make a new claim for Universal Credit (UC). It is anticipated that UC migration will be completed by 2022. Currently 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 own rent. 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.

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

## 5. Parking Fines (Penalty Charge Notice)

### 5.1 Headline Figures for period under review

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
1.58	2.01	(1.17)	(0.49)	1.93

### 5.2 Background and comparator information

#### Background information

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

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

#### Comparator information

The percentage of tickets issued during the year, paid at the 30<sup>th</sup> September;

- 2017/18 -66%
- 2018-19- 67%

### 5.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	2,769	292
Deceased – No Assets	27	3
Insolvent / Bankrupt/ Liquidated	30	3
All recovery options exhausted / irrecoverable at reasonable expense	1,868	195
<b>Totals</b>	<b>4,694</b>	<b>493</b>



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

Changes

Recruitment of Civil Enforcement Officers in the latter half of 2017-18 has meant more PCN's being issued city-wide.

**5.5. Summary of measures taken to recover debt**

Debt recovery measures

- Reminder letters
- Legal action

## 6. Bus Lane Enforcement Fines

### 6.1 Headline Figures for period under review

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
1.01	1.03	(0.74)	(0.23)	1.07

### 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 September 30<sup>th</sup> ;

- 2017/18- 58%
- 2018/19- 56%

### 6.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	1,944	67
Deceased – No Assets	4	0
Insolvent / Bankrupt/ Liquidated	45	4
All recovery options exhausted / irrecoverable at reasonable expense	1,797	157
<b>Totals</b>	<b>3,790</b>	<b>228</b>

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

Changes

None

**6.5 Summary of measures taken to recover debt**

Debt recovery measures

- Reminder letters
- Legal action

## 7. Other Income

### 7.1 Headline Figures for period under review including costs\*

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
10.74	42.86	(40.54)	(0.27)	12.79

\* Includes former tenant & non dwelling rent arrears not yet invoiced.

### 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. Over the last five years the council has been successful in reducing debt over 12 months old. But the old debt outstanding is the difficult to collect and we may not continue to see this reduction going forward.

#### Comparator information

Aged debt (that over 12 months) continues to decrease, from £4.42m in September 2017 to £3.68m in September 2018.

- 30/09/2016 £6.65m
- 30/09/2017 £4.42m
- 30/09/2018 £3.68m

## 7.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	112	61
Deceased – No Assets	166	72
Insolvent / Bankrupt/ Liquidated	63	24
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	904	113
<b>Totals</b>	<b>1,245</b>	<b>270</b>

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

<u>Changes</u>
None

## 7.5 Summary of measures taken to recover debt

<p><u>Debt recovery measures</u></p> <p>A first reminder is issued at 14 days; when an invoice remains unpaid. Seven days later a second reminder is issued.</p> <p>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;-</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Referral to enforcement agent</li> <li><input type="checkbox"/> Third party debt order</li> <li><input type="checkbox"/> Attachment to earnings</li> <li><input type="checkbox"/> Charging Order</li> </ul>
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