



Leicester  
City Council

---

# ***Income Collection April 2019 – September 2019***

Decision to be taken by: N/A

Overview Select Committee date: 28<sup>th</sup> November 2019

Lead Director: Alison Greenhill

---

## 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 2019-20, 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.

Figures included in this report need to be seen in the context of the total amount of income collected by the Council from the public each year, which amounts to over £400m. Whilst some debt is difficult to collect, and some people find it difficult to pay, ultimately we collect nearly all of the money due to us. 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.

Copies of the policy are available on the Councils 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)

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

Finance Procedure Rules

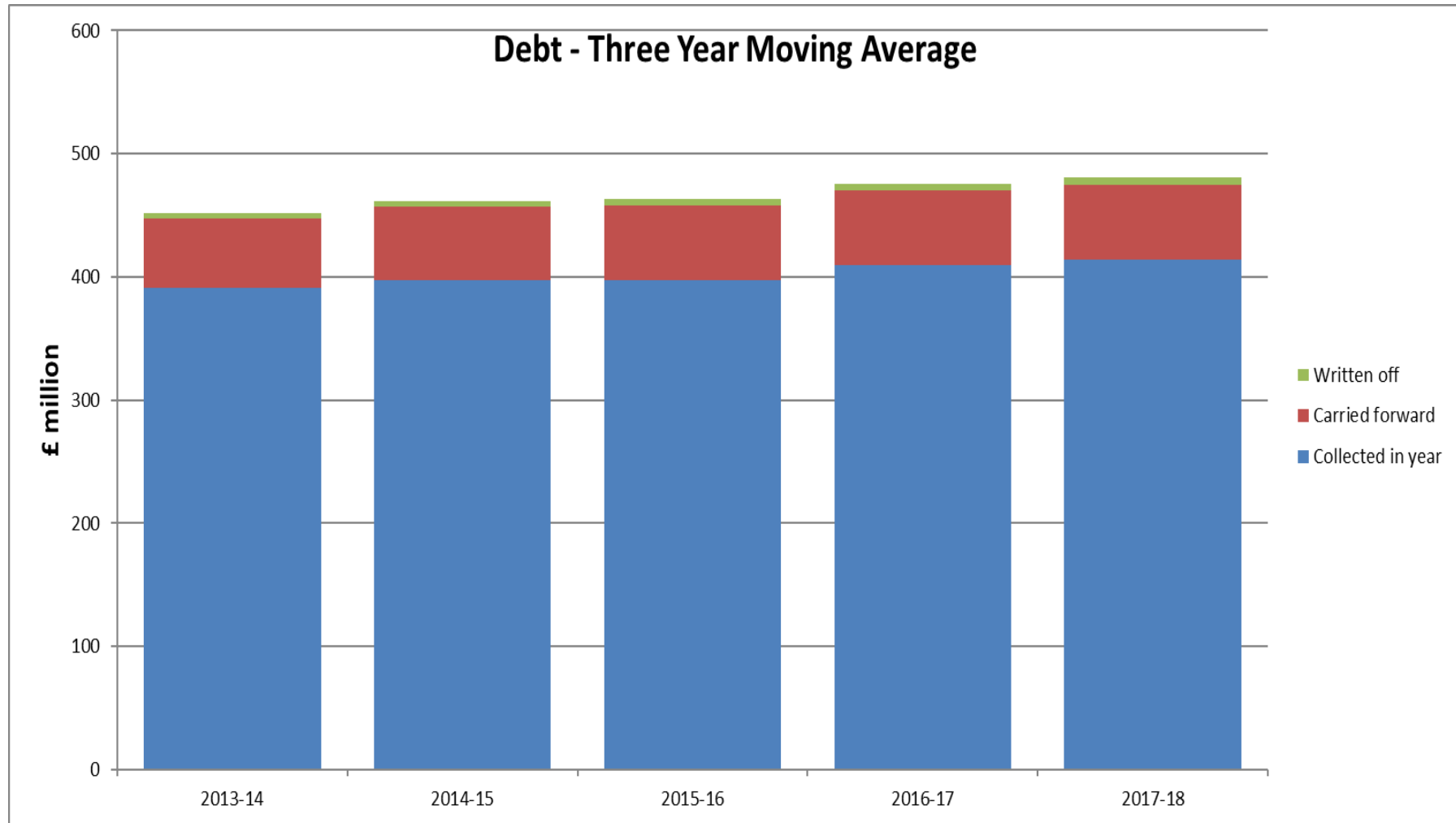
Debt Policy

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

No

**Summary of all Debt**

<b>Income Type</b>	<b>Debts brought forward @ 1/4/2019 £m</b>	<b>Amounts raised 2019-20 £m</b>	<b>Amounts collected 2019-20 £m</b>	<b>Amounts written off/back 2019-20 £m</b>	<b>Debts outstanding @ 30/9/2019 £m</b>
Non Domestic Rates (including Costs)	<b>9.77</b>	113.16	(62.02)	(1.46)	<b>59.45</b>
Council Tax (including Costs)	<b>16.73</b>	137.25	(74.76)	(0.60)	<b>78.62</b>
Housing Benefit Overpayments	<b>15.50</b>	2.47	(2.57)	(0.54)	<b>14.86</b>
Council House Rents	<b>2.29</b>	40.46	(39.57)	(0.13)	<b>3.05</b>
On and Off-Street Car Parking fines	<b>1.95</b>	2.04	(1.23)	(0.72)	<b>2.04</b>
Bus Lane Enforcement	<b>0.83</b>	0.50	(0.35)	(0.41)	<b>0.57</b>
Other Income	<b>15.06</b>	43.50	(44.58)	(0.33)	<b>13.65</b>
<b>Totals</b>	<b>62.13</b>	<b>339.38</b>	<b>(225.08)</b>	<b>(4.19)</b>	<b>172.24</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, 2017/18 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
9.77	113.16	(62.02)	(1.46)	59.45

### 1.2 Background and comparator information

#### Background Information

Business Rates are a national tax paid by approximately 12,600 businesses in Leicester.

#### Comparator Information

Percentage Debt collection in the year it is raised: -

- Collection to 30th September 2018 – 56.38%
- Collection to 30th September 2019 – 55.30%

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

As at 30th September 2019, we are 8<sup>th</sup> out of 14 authorities with comparable populations, but performance tends to bunch (i.e. there is little difference between authorities generally). This is different to Council Tax.

### 1.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	14	47
Deceased – No Assets	0	0
Insolvent / Bankrupt/ Liquidated	95	1,358
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	72	56
<b>Totals</b>	<b>181</b>	<b>1,461</b>

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

##### Changes

The government has introduced a retail discount scheme for all occupied properties with a rateable value of less than £51,000 for 2019-2020 and 2020-2021. The value of the discount will be one-third of the bill after any reduction for other reliefs. So far £2.3m has been awarded to businesses this year. The council is fully compensated through the section 31 grant, for this additional relief.

Write offs have remained high due to the number of insolvent and dissolved companies.

#### 1.5 Summary of measures taken to recover debt

##### Debt recovery measures

A bill is sent early March detailing instalments 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
16.73	137.25	(74.76)	(0.60)	78.62

### 2.2 Background and comparator information

#### Background information

Council tax is a national tax, charged to 139,800 properties in Leicester. The amount we collect includes sums charged by the fire authority and police commissioner.

#### Comparator information

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

- Collection to 30th September 2018 – 53.70%
- Collection to 30th September 2019 – 53.28%

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

As at 30th September 2019, we are 6<sup>th</sup> out of 14 authorities with comparable populations.

## 2.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	636	446
Deceased – No Assets	23	14
Insolvent / Bankrupt/ Liquidated	134	102
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	195	38
<b>Totals</b>	<b>988</b>	<b>600</b>

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

Changes

From 1<sup>st</sup> April 2019, councils have new powers to increase council tax premiums on homes left empty for over two years. Last year a consultation was held about this and in November 2018 the council approved the following increases:

- From April 2019, homes **empty for more than two years** will be charged **double** the council tax of occupied homes.
- From April 2020, homes **empty for more than five years** will be charged **three times** the council tax of occupied homes.
- From April 2021, homes **empty for more than 10 years** will be charged **four times** the council tax of occupied homes.

The first of these changes came into effect from 1<sup>st</sup> April 2019.

The collectable debt as at 1st April 2019 after awards of council tax support was £138.9m compared to £130.5m as at 1st April 2018, an increase of £8.4m.

## 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); or

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
15.50	2.47	(2.57)	(0.54)	14.86

#### 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 £14.86m, we have outstanding, there are robust recovery processes in place to recover debt wherever possible. Overall, housing benefit debt continues to reduce, from £16.79m at 30/09/2018 to £14.86m as at 30/09/2019.

- 30/09/2019 £14.86m
- 30/09/2018 £16.79m
- 30/09/2017 £17.63m

The changes to the benefits system, with the introduction of Universal Credit Full Service (UCFS), means it is more important than ever to ensure that where possible the creation of Housing benefit overpayments are kept to a minimum and, where created, they are quickly identified, and all recovery options pursued.

##### Comparator information

There is no like for like comparator information available

## 3.3 Debt write-off

<b>Reason for Write Off</b> ↓	<b>No.</b>	<b>Value £000</b>
Unable to Trace	304	117
Deceased – No Assets	6	4
Insolvent / Bankrupt/ Liquidated	69	26
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	1,452	392
<b>Totals</b>	<b>1,831</b>	<b>539</b>

## 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. Further to this regular changes to the rules surrounding who should claim Universal Credit impact on our ability to recover and forecast effects.

### 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.
- 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.

### 3.6. Processing backlogs

#### Backlogs

There remains a backlog of debt awaiting recovery; however it has significantly reduced from £1.4m in September 2018 to £0.3m in September 2019.

## 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
2.29	40.46	(39.57)	(0.13)	3.05

### 4.2 Background and comparator information

#### Background information

The authority currently collects rent from approximately 20,100 tenancies across the City. 9,800 of our tenants (49%) are on full or partial Housing Benefit and 2,800 (14%) 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	-	-
Deceased – No Assets	-	-
Insolvent / Bankrupt/ Liquidated	-	-
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	535	130
<b>Totals</b>	<b>535</b>	<b>130</b>

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

##### Changes

Universal Credit Full Service (UCFS) commenced in June 2018. The categories of people that can claim Universal Credit is broad and it is anticipated that UC migration will be completed by 2023.

Tenants receiving Housing Benefit from the Local authority can have it directly paid into their rent account. However, UCFS means tenants apply for support with housing related costs from the DWP. This means that money is paid directly to the claimant rather than us as the landlord. 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).

By the end of Quarter 2 a total of 2,800 tenants had made a new claim for UC and the total value of arrears relating to UC claimants stood at £916k. There is an average increase of 50 UC cases per week. The emerging trend is that tenants are already in arrears when moving on to UC and as the claim takes up to 5 weeks to process this puts the tenant further behind. This increases to 8-9 weeks if we apply for an APA. However, we are finding that once tenants receive their Universal Credits they pay outstanding arrears.

#### 4.5 Summary of measures taken to recover debt

##### Debt recovery measures

Rent Arrears for current tenants are managed by the Housing 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.

The council have also put advisors in job and advice centres to work with tenants, to help reduce potential future debts arising from the Universal Credit payments process.



## 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
1.95	2.04	(1.23)	(0.72)	2.04

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

- 2018/19 – 67%
- 2019/20 – 69%

### 5.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	4,996	451
Deceased – No Assets	6	1
Insolvent / Bankrupt/ Liquidated	154	16
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	2,411	256
<b>Totals</b>	<b>7,567</b>	<b>724</b>

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

Changes

None

**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
0.83	0.50	(0.35)	(0.41)	0.57

### 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>.

- 2018/19 – 56%
- 2019/20 – 55%

### 6.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	943	32
Deceased – No Assets	3	0
Insolvent / Bankrupt/ Liquidated	17	2
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	4,253	374
<b>Totals</b>	<b>5,216</b>	<b>408</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/back £m	Uncollected debt c/f £m
15.06	43.50	(44.58)	(0.33)	13.65

### 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.

The council continues to be successful in reducing debt over 12 months old. However, we are now seeing the debt over 12 months beginning to plateau, as the debt that remains is difficult to collect.

#### Comparator information

Debt over 12 months old (aged debt) continues to reduce from £3.68m in September 2018 to £3.28m in September 2019.

- 30/09/2016 £6.65m
- 30/09/2017 £4.42m
- 30/09/2018 £3.68m
- 30/09/2019 £3.28m

## 7.3 Debt write-off

<b>Reason for Write Off</b> ↓	<b>No.</b>	<b>Value</b> <b>£000</b>
Unable to Trace	28	11
Deceased – No Assets	202	115
Insolvent / Bankrupt/ Liquidated	21	12
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	3,195	194
<b>Totals</b>	<b>3,446</b>	<b>332</b>

## 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.

## 7.5 Summary of measures taken to recover debt

Debt recovery measures

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 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.