



Leicester
City Council

Income Collection April 2019 – March 2020

Decision to be taken by: N/A

Overview Select Committee date: 29th July 2020

Lead Director: Alison Greenhill

Useful information

- Ward(s) affected: All
- Report author: Amy Oliver
- Author contact details: tel 0116 454 5667

1. Summary

This report details progress made in collecting debts raised by the Council during 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. It is currently estimated less than 2% is eventually written off.

It is worth noting that the 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 will be updated on this regularly through the usual budget monitoring reports. In particular, we have collected less business rates than expected in 2019/20.

Further to this, the Council is aware of the impact the COVID-19 pandemic is having on many households, individuals, businesses financially. The Council would encourage anyone with outstanding debt who is struggling pay to contact us as soon as possible.

2. Recommendations

2.1 The Overview Select Committee 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.

Appendix C is a summary of all write offs.

4. Financial, legal and other implications

4.1 Financial implications

The report details the Council's performance in collecting debts, and amounts which have had to be written off

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 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)

5. Background information and other papers.

Finance Procedure Rules

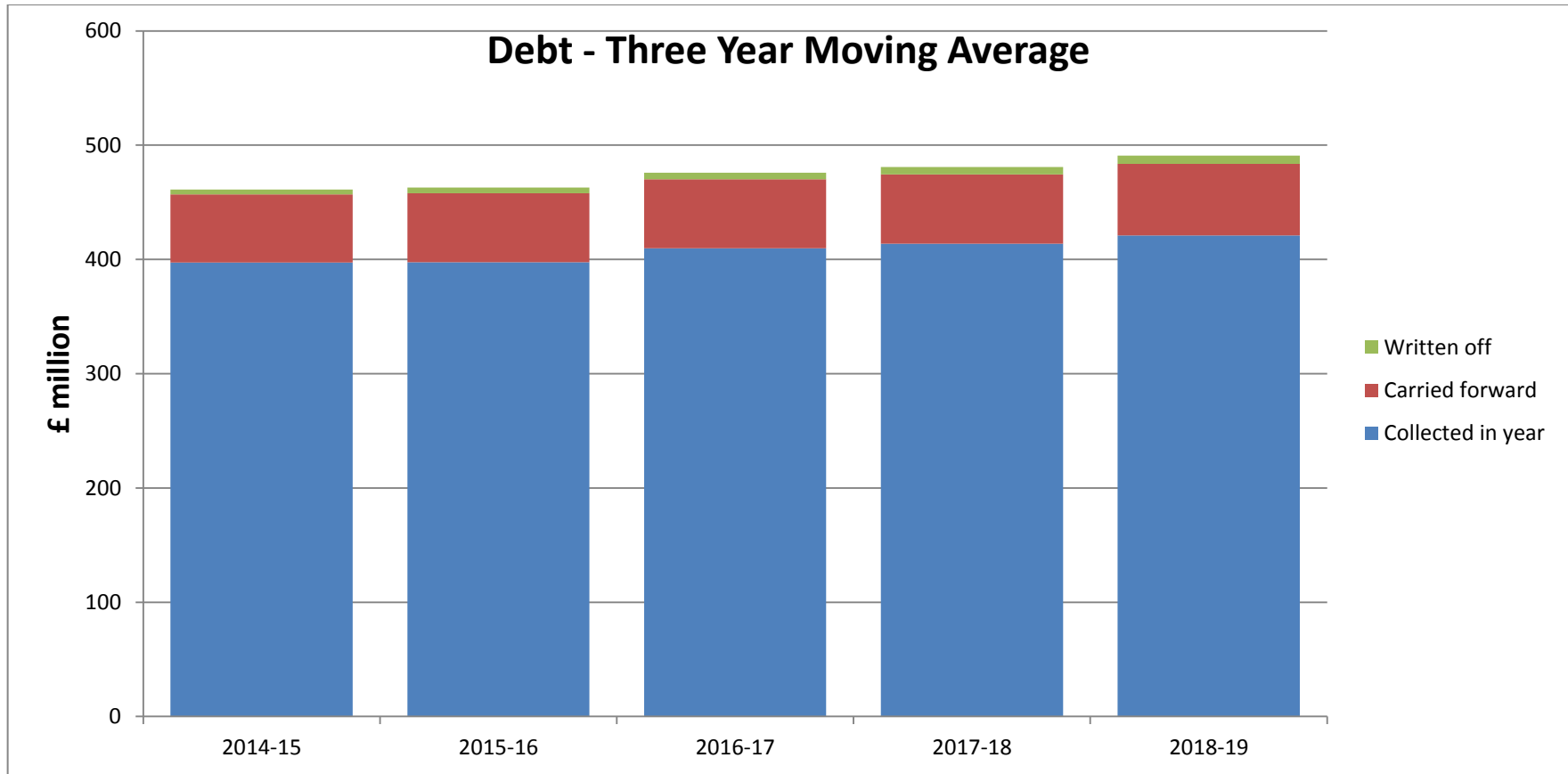
Debt Policy

6. Is this a private report?

No

Summary of all Debt

Income Type	Debts brought forward @ 1/4/2019 £m	Amounts raised 2019-20 £m	Amounts collected 2019-20 £m	Amounts written off/back 2019-20 £m	Debts outstanding @ 31/03/2020 £m
Non Domestic Rates (including Costs)	9.77	112.18	(107.99)	(1.89)	12.07
Council Tax (including Costs)	16.73	139.53	(136.09)	(1.65)	18.52
Housing Benefit Overpayments	15.50	3.83	(5.19)	(1.03)	13.11
Council House Rents	2.29	78.20	(76.71)	(0.16)	3.62
On and Off-Street Car Parking fines	1.95	3.64	(2.25)	(1.37)	1.97
Bus Lane Enforcement	0.83	2.07	(1.32)	(0.67)	0.91
Other Income	15.06	100.71	(97.98)	(0.48)	17.31
Totals	62.13	440.16	(427.53)	(7.25)	67.51



Note: This chart is a moving average (e.g. 2015/16 is the average of 2014/15, 2015/16 and 2016/17). This treatment smooths anomalies in individual years and highlights trends. Consequently, 2018/19 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	112.18	(107.99)	(1.89)	12.07

1.2 Background and comparator information

Background Information

Business Rates are a national tax paid by approximately 12,700 businesses in Leicester.

Comparator Information

We normally compare our performance against comparator authorities, but information from elsewhere has been difficult to collect due to the COVID-19 pandemic. Percentage Debt collection in the year it is raised: -

- Collection 2018/19 – 97.53%
- Collection 2019/20 – 95.68%

It should be noted that unpaid debt on 31st March continues to be collected in the following year. COVID-19 has undoubtedly affected our collection performance at the end of the year.

1.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	15	47
Deceased – No Assets	0	0
Insolvent / Bankrupt/ Liquidated	149	1,839
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	76	5
Totals	240	1,891

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

Changes

The government introduced a retail discount scheme for all occupied properties with a rateable value of less than £51,000 for 2019-2020. The value of the discount was one-third of the bill after any reduction for other reliefs.

In 2020/21 this scheme has been extended to provide 100% reliefs for retail, hospitality and leisure properties, as part of the Government's response to the COVID-19 pandemic.

The high level of write offs arises from company bankruptcies.

1.5 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 understands the struggles businesses may currently be experiencing through the COVID-19 pandemic. Therefore, we have encouraged any business struggling to contact the Council as soon as possible.

A bill is sent early March detailing instalments that should be made. The ratepayer can either pay by 10 or 12 instalments.

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
16.73	139.53	(136.09)	(1.65)	18.52

2.2 Background and comparator information

Background information

Council tax is a national tax, charged to 140,900 properties in Leicester. The amount we collect includes sums charged by the fire authority and police commissioner.

Comparator information

Like rates, comparator information has not been possible to collect. Percentage of debt collected in the year it is raised: -

- Collection 2018/19 – 94.91%
- Collection 2019/20 – 94.64%

It should be noted that unpaid debt on 31st March continues to be collected in the following year. Collection held up in 2019/20 notwithstanding the emergence of COVID-19 in March.

2.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	1,302	961
Deceased – No Assets	104	68
Insolvent / Bankrupt/ Liquidated	258	194
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	1,756	430
Totals	3,420	1,653

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

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

The debt recovery measures detailed below are part of our normal process, but the Council understands the struggles households may currently be experiencing through the COVID-19 pandemic. Therefore, we have encouraged any household struggling to pay their Council Tax to contact the Council as soon as possible.

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.

We will not take immediate action to recover council tax where arrears are linked to COVID-19, as long as debtors get in touch with us.

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	3.83	(5.19)	(1.03)	13.11

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 £13.11m, we have outstanding, there are processes in place to recover debt wherever possible. Overall, housing benefit debt continues to reduce, from £15.50m at 31/03/2019 to £13.11m as at 31/03/2020:

- 31/03/2018 £17.09m
- 31/03/2019 £15.50m
- 31/03/2020 £13.11m

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	466	191
Deceased – No Assets	12	16
Insolvent / Bankrupt/ Liquidated	151	69
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	2,195	751
Totals	2,824	1,027

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

Changes

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. Currently, £0.83m is being collected in instalments from earnings.

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. Regular changes to the rules have impacted the options available to us.

3.5 Summary of measures taken to recover debt

Debt recovery measures

Under the current unprecedented situation (COVID-19) we will consider suspension of recovery for 3 months on a case by case basis for those customers who:

- contact us facing financial hardship due to COVID-19.

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 the customer in the first instance before it is referred to the Business Services Centre.
- Legislation permits us to deduct overpayments from other state benefits. For the time being DWP have suspended recovery from ongoing benefits.

Where no benefits are in payment, but the debtor is in employment we seek to obtain a Direct Earnings Attachments.

3.6. Processing backlogs

Backlogs

There remains a backlog of debt awaiting recovery; however it has significantly reduced from £0.7m in March 2019 to £0.4m in March 2020.

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	78.20	(76.71)	(0.16)	3.62

4.2 Background and comparator information

Background information

The authority currently collects rent from approximately 19,900 tenancies across the City. 8,900 of our tenants (45%) are on full or partial Housing Benefit and 3,700 (19%) 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	1,286	162
Totals	1,286	162

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 2024.

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 the financial year a total of 3,700 tenants had made a new claim for UC and the total value of arrears relating to UC claimants stood at £714k. 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 Credit they pay outstanding arrears.

4.5 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 understands the struggles housing tenants may currently be experiencing through the COVID-19 pandemic. We will not take immediate recovery action, nor evict people, whose inability to pay is linked to COVID-19 as long as debtors get in touch with us.

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	3.64	(2.25)	(1.37)	1.97

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

- 2018/19 – 75%
- 2019/20 – 73%

5.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	8,604	836
Deceased – No Assets	16	2
Insolvent / Bankrupt/ Liquidated	261	28
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	4,788	508
Totals	13,669	1,374

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	2.07	(1.32)	(0.67)	0.91

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.

- 2018/19 – 60%
- 2019/20 – 59%

6.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	3,251	109
Deceased – No Assets	3	0
Insolvent / Bankrupt/ Liquidated	36	3
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	6,199	553
Totals	9,489	665

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

Changes

Starting in October 2019 six new enforcement cameras were installed and put into operation. The sites are Lutterworth Road, Duns Lane (two cameras), Humberstone Road, Abbey Street and Narborough Road. In addition the clearway camera outside the London Road railway station was re-installed and re-activated following the London Road scheme completion, along with a bus lane camera at the same location.

Since mid March, income has been severely affected by the COVID-19 lockdown – there are considerably less infringements. This is reducing income by £0.1m per month.

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	100.71	(97.98)	(0.48)	17.31

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 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 old debt as the chief measure of performance.

The Council has been successful in reducing debt over 12 months old, for some 5 years. Aged debt is difficult to collect, and we now see this reduction gradually slowing.

Comparator information

Debt over 12 months old (aged debt) continues to reduce from £3.59m in March 2019 to £3.48m in March 2020.

- 31/03/2017 £4.85m
- 31/03/2018 £3.83m
- 31/03/2019 £3.59m
- 31/03/2020 £3.48m

7.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	224	21
Deceased – No Assets	307	135
Insolvent / Bankrupt/ Liquidated	79	21
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	1,927	303
Totals	2,537	480

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

<p><u>Changes</u></p> <p>None</p>

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 appreciates the struggles currently being experienced through the COVID-19 pandemic. Therefore, would encourage anyone struggling to pay an outstanding debt to contact the Council.

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.

Appendix C

Summary of all Write Offs

Income Type	Unable to trace £000	Deceased - no assets £000	Insolvent/ Bankrupt/ Liquidated £000	Irrecoverable at reasonable expense £000	Total Write Offs in 19/20 £000
Non Domestic Rates (including Costs)	47	0	1,839	5	1,891
Council Tax (including Costs)	961	68	194	430	1,653
Housing Benefit Overpayments	191	16	69	751	1,027
Council House Rents	0	0	0	162	162
On and Off-Street Car Parking fines	836	2	28	508	1,374
Bus Lane Enforcement	109	0	3	553	665
Other Income	21	135	21	303	480
Totals	2,165	221	2,154	2,712	7,252

The table below provides detail on the reasons why debt is written off during the year.