
Income Collection April 2021 – March 2022

Decision to be taken by: N/A

Overview Select Committee
Date of meeting: 30th June 2022

Lead director: Colin Sharpe,
Deputy Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Amy Oliver
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- Report version number: V1

1. Summary

This report details progress made in collecting debts raised by the Council during 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.

This is a routine report made to members twice each year. Performance was affected by the pandemic, with most areas responsible for collection having to do more to support those struggling to pay. However, it is positive to note that performance is going back to 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, in 2021/22 this was £445m. 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. Although it should be noted debt is continuing to be impacted by the pandemic, but it is positive to note arrears and debt collection are improving.

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.

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 £5k 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

Amy Oliver, Head of Finance

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.

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 £5k 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 @01/04/2021 £m	Debt Raised £m	Collected £m	Written Off £m	Debts Outstanding @ 31/03/2022 £m
Non-Domestic Rates (including Costs)	17.30	89.59	(92.25)	(0.98)	13.66
Council Tax (including costs)	25.68	156.14	(151.40)	(1.20)	29.22
Housing Benefit Overpayments	11.62	2.66	(3.69)	(0.49)	10.10
Council House Rents-Current Tenant arrears	3.23	79.59	(79.55)	(0.19)	3.08
On & Off-Street car parking fines	1.76	3.18	(1.66)	(1.34)	1.94
Bus Lane Enforcement	0.95	1.37	(1.27)	(0.34)	0.71
Other Income	14.51	123.64	(115.55)	(0.30)	22.30
TOTALS	75.05	456.17	(445.37)	(4.84)	81.01

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	89.59	(92.25)	(0.98)	13.66

1.2 Background and comparator information

Background Information

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

Comparator Information

Debt collection was significantly affected by the pandemic; however it is positive to note the improvements in collection during 2021/22. Below shows the collection rate over the last three years and shows it is back to pre-pandemic levels:

- Collection 2019/20 – 95.68%
- Collection 2020/21 – 89.66%
- Collection 2021/22 – 95.86%

Although during the year a large number of businesses continued to receive business rate relief, reducing the amount to be collected.

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

As at 31st March 2022, our collection performance places us 8th out of 13 authorities with comparable populations.

1.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	9	129
Deceased – No Assets	0	0
Insolvent / Bankrupt/ Liquidated	121	770
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	75	83
Totals	205	982

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

Changes

For 2021/22 the expanded retail and nursery discounts were applied at 100% for the first three months, 1 April 2021 to 30 June 2021, and at 66% for the remaining period this year.

From 1 July 2021 there was also a cap applied to the relief per business in the retail, leisure and hospitality sectors, set at £105K or £2M, depending on whether the business in occupation was closed or would have been required to close based on Government guidance as at 5 January 2021. For eligible childcare nurseries the relief cap was £105,000, applicable again from 1 July 2021. Consequently, the amount of collectable debt increased.

Businesses continued to face further pressure due to Omicron variant and whilst further grant support was provided by the Government, collection of overdue debt was challenging. The outstanding debt may be reduced by the application of retrospective rates reliefs during 2022/23.

1.5 Summary of measures taken to recover debt

Debt recovery measures

Due to the pandemic, recovery action was paused in April 2020, normal recovery action 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	156.14	(151.40)	(1.20)	29.22

2.2 Background and comparator information

Background information

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

Comparator information

The following shows the percentage debt collection in the year it is raised. It is pleasing to note debt collected is starting to approach pre-covid levels.

- Collection 2019/20 – 94.64%
- Collection 2020/21 – 91.64%
- Collection 2021/22 – 92.97%

It should be noted that unpaid debt on 31st March continues to be collected in the following year. To 31st March 2022 we had collected £8.4m of the £25.68m prior years' debt due.

As at 31st March 2022, our collection performance places us 8th out of 13 authorities with comparable populations.

2.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	744	668
Deceased – No Assets	168	138
Insolvent / Bankrupt/ Liquidated	250	235
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	432	158
Totals	1594	1,199

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

Changes

The Council Tax Discretionary Relief policy was also reviewed at the beginning of the 2021/22, to ensure that the process of applying for relief was made as simple as possible. During 2021/22, £1.1m relief was paid.

In May 2021, the Debt Respite Scheme (Breathing Space) legislation was enforced giving taxpayers breathing space and giving legal protections from creditor action for up to 60 days. The protections include pausing all enforcement action and contact from creditors and freezing most interest and charges on debts. The uptake of this is currently low but this may increase going forward as a consequence of the cost of living crisis.

2.5 Summary of measures taken to recover debt

Debt recovery measures

Due to the pandemic, recovery action was paused in April 2020, normal recovery action resumed from 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, safeguards are in place 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	2.66	(3.69)	(0.49)	10.10

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. Overall, housing benefit debt continues to reduce:

- 31/03/2019 £15.50m
- 31/03/2020 £13.11m
- 31/03/2021 £11.62m
- 31/03/2022 £10.10m

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	93	75
Deceased – No Assets	17	49
Insolvent / Bankrupt/ Liquidated	35	79
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	914	285
Totals	1,059	488

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. A claimant moving onto UC is notified of any outstanding balance immediately and given a range of options to make repayment.

The HB Debt Service Project allows the Council 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 overpayments from their employees' earnings. Currently, £0.57m is being collected from earnings.

In May 2021, the Debt Respite Scheme (Breathing Space) legislation was enforced giving those in housing benefit arrears breathing space and giving legal protections from creditor action for up to 60 days. The protections include pausing all enforcement action and contact from creditors and freezing most interest and charges on debts. The uptake of this is currently low but this may increase going forward as a consequence of the cost of living crisis.

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. However, when people transfer to universal credit our ability to collect weakens

as we are 19th on the priority of creditors list. (A maximum of 3 deductions are allowed at any one time – if rent, council tax & utility bills are owed – the Council would not receive any monies in relation to the housing benefit debt).

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

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

The Council continues to work with those struggling to pay on a case-by-case basis, offering payment arrangements. Debt is not waived.

4. Housing Rent

4.1 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
3.23	79.59	(79.55)	(0.19)	3.08

4.2 Background and comparator information

Background information

The authority currently collects rent from approximately 19,300 tenancies across the City. 7,200 of our tenants (37%) are on full or partial Housing Benefit and 6,400 (33%) on Universal Credit. The debt raised & collected includes the element paid by Housing Benefit.

Comparator information

Changes

Arrears have decreased by £150k over the year; this is a positive outcome given the continuing impact of the COVID-19 pandemic; with furlough support having ended in September 2021 and the temporary uplift in Universal Credit (UC) having ended in October 2021, an adverse movement in rent arrears was predicted. Whilst the overall debt has remained stable, the cost of living crisis may affect this going forward.

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	331	186
Totals	331	186

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

Changes

It is now over 3 years since the implementation of Universal Credit (UC) and it is anticipated that the full UC migration will be completed by 2024. However, due to COVID-19, full UC migration and roll-out may be delayed further.

Tenants in receipt of Housing Benefit can have it paid directly into their rent account. However, under UC money is paid directly to the claimant rather than the Council. Vulnerable tenants and those with a history of rent arrears or homelessness may be able to have their rent paid directly to the Council, as landlord, by applying 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 to the best of their ability. Various support is available to assist tenants to pay their rent as normal.

In May 2021, the Debt Respite Scheme (Breathing Space) legislation was enforced giving tenants the right to legal protections from landlord action, with a standard breathing space giving legal protections from creditor action for up to 60 days. The protections include pausing all enforcement action and contact from creditors and freezing most interest and charges on debts. This scheme has limited uptake so far but this may increase with the cost of living crisis.

4.5 Summary of measures taken to recover debt

Debt recovery measures

The Housing Income Management Team are working collaboratively with the Department for Work & Pensions (DWP) and work coaches from the local Job Centre Plus to minimise any impact of 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 provide support to claim Discretionary Housing funds.

The additional recruitment of Rent Management Advisors (RMA) was approved in the summer to deal with potential surges in UC claims. The RMA role has expanded to all benefits following a successful a 6-month pilot, with an aim to support all council tenants in maximising income, claiming benefits & sustaining tenancies by preventing court action.

The ultimate sanction for rent arrears is eviction as the option of last choice, however the team works with tenants to prevent this.

5. Parking Fines (Penalty Charge Notice)

5.1 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
1.76	3.18	(1.66)	(1.34)	1.94

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:

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

When the penalty notices are written off, they are done so at the full rate plus costs.

Comparator information

The percentage of tickets issued during the year, paid at 31st March.

- 2020/21 - 68%
- 2021/22 - 75%

5.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	8,116	787
Deceased – No Assets	16	2
Insolvent / Bankrupt/ Liquidated	143	15
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	5,356	541
Totals	13,631	1,345

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

Changes

There has been a reduction in the number of PCN's being issued, which could be attributed to changing workforce behaviours and 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 including costs

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
0.95	1.37	(1.27)	(0.34)	0.71

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 £70, which is discounted to £35 if paid within 21 days.

The debt collection for bus lane enforcement debt is currently carried out on our behalf by Nottingham City Council.

Comparator information

The percentage of tickets issued during the year, paid at 31st March:

- 2020/21 - 63%
- 2021/22 - 64%

6.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	1,480	64
Deceased – No Assets	15	1
Insolvent / Bankrupt/ Liquidated	41	4
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	4,025	272
Totals	5,561	341

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

Changes

As pandemic restrictions have been eased and more traffic is returning to the roads, there has been an increase in contravention, but not to pre-covid levels.

All cameras are now active apart from Abbey Street which is due to change from being a bus gate to a bus lane once the renovation of St Margaret's bus station has been fully completed.

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 £m	Uncollected debt c/f £m
14.51	123.64	(115.55)	(0.30)	22.30

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 rent, 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. For example, £9m of debt was raised during March 2022 that was not paid at the year end. Therefore, we focus on aged debt as the main measure of performance.

Comparator information

Debt over 12 months old (aged debt) has increased for the second time in 5 years:

- 31/03/2019 £3.59m
- 31/03/2020 £3.48m
- 31/03/2021 £4.33m
- 31/03/2022 £4.48m

The level of debt over 12 months old is believed to have increased because of the Covid-19 pandemic.

7.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	68	13
Deceased – No Assets	55	21
Insolvent / Bankrupt/ Liquidated	24	18
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	1,403	248
Totals	1,550	300

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

Changes

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 £0	Deceased - no assets £0	Insolvent/ Bankrupt/ Liquidated £0	Irrecoverable at reasonable expense/including adjustments for costs and write ons £0	Total Write Offs @ 31/03/2022 £0
Non Domestic Rates (including Costs)	129	0	770	83	982
Council Tax (including Costs)	668	138	235	158	1,199
Housing Benefit Overpayments	75	49	79	285	488
Council House Rents	0	0	0	186	186
On and Off-Street Car Parking fines	787	2	15	541	1,345
Bus Lane Enforcement	64	1	4	272	341
Other Income	13	21	18	248	300
Totals	1,736	211	1,121	1,773	4,841

Write Offs Over £5k for 2021/22

Income Type	No. of Write Offs	Value £000
Non Domestic Rates (including Costs)	39	734
Council Tax (including Costs)	7	43
Housing Benefit Overpayments	14	67
Council House Rents	8	53
On and Off-Street Car Parking fines	0	0
Bus Lane Enforcement	0	0
Other Income	7	44
Totals	75	941