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# **Income Collection April 2023 – September 2023**

Decision to be taken by: N/A

Date of meeting: 14<sup>th</sup> December 2023

Lead director: Amy Oliver, Director of Finance

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### **Useful information**

- Ward(s) affected: All
- Report author: Catherine Taylor
- Author contact details: Catherine.taylor@leicester.gov.uk
- Report version number: V1

## **1. Summary**

This report details progress made in collecting debts raised by the Council during the first six months of 2023-24, 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. As expected, the total outstanding debt increased over the first half of the financial year; this is due to the annual cycle of billing for council tax and business rates.

The key current issue for debt collection is the cost of living crisis, and officers are aware of the problems this presents for some of our citizens and businesses. Measures are being taken where necessary to assist those struggling to pay, including a dedicated web page called BetterOff. This brings together tools to allow citizens to find benefits they are entitled to and on how to find and apply for jobs, as well as advice. As yet, there is insufficient evidence to determine the impact it is having on our income, we will continue to keep a close look on this as the situation develops.

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 2022/23 this was £465m. 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.

## **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 provides more detailed information and narrative for each main category of debt.

Appendix B provides a summary of all the write-offs during the period.

Appendix C provides a summary of Write Offs Over £5k for 2023/24.

#### **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.

Kirsty Cowell, Head of Finance Ext 37 2377

#### **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. Communications with residents should be designed to prompt timely payment from residents who can pay, and early engagement from those who may have difficulties in keeping up with paying the necessary instalments on their bill, and may be in broader financial difficulty.

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).

Effective communications are central to maximising income collection. Timely and accessible communications will help customers make the required payments. It is important to provide information clearly and transparently to debtors on what/how to pay, what to do if they can't pay and what actions we may take; assist them in understanding the situation, their options and what is required of them as individuals before further recovery progression.

Equalities Officer, Surinder Singh, Ext 37 4148

#### 6.4 Climate Emergency implications

There are no climate emergency implications directly associated with this report.

Aidan Davis, Sustainability Officer, Ext 37 2284

#### 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 provides more detailed information and narrative for each main category of debt;

Appendix B is a summary of all write offs;

Appendix C is a summary of Write Offs Over £5k for 2023/24.

### **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**

<b>Income Type</b>	<b>Debts brought forward @ 1/4/2023 £m</b>	<b>Debt raised £m</b>	<b>Collected £m</b>	<b>Written off £m</b>	<b>Debts outstanding @ 30/09/23 £m</b>
Non-Domestic Rates (including Costs)	<b>13.09</b>	96.35	(54.00)	(0.06)	<b>55.38</b>
Council Tax (including Costs)	<b>34.38</b>	173.10	(91.72)	(0.52)	<b>115.24</b>
Housing Benefit Overpayments	<b>8.66</b>	1.01	(1.31)	(0.35)	<b>8.01</b>
Council House Rents	<b>2.85</b>	48.77	(47.27)	(0.05)	<b>4.30</b>
On and Off-Street Car Parking fines	<b>2.36</b>	2.37	(1.64)	(0.45)	<b>2.64</b>
Bus Lane Enforcement	<b>0.99</b>	0.72	(0.61)	(0.15)	<b>0.95</b>
Other Income	<b>22.06</b>	63.08	(60.43)	(0.58)	<b>24.13</b>
<b>Totals</b>	<b>84.39</b>	<b>385.40</b>	<b>(256.98)</b>	<b>(2.16)</b>	<b>210.65</b>

## 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
13.09	96.35	(54.00)	(0.06)	55.38

### 1.2 Background and comparator information

#### Background Information

Business Rates are a national tax paid by approximately 12,740 businesses in Leicester.

It should be noted that the uncollected debt increases over the first half of the financial year due to the annual cycle of billing for business rates.

#### Comparator Information

Debt collection was previously affected by the pandemic although there have been continued improvements in collection during 2023/24. Below shows the collection rate over the last two years:

- Collection to 30th September 2022 – 55.01%
- Collection to 30th September 2023 – 55.54%

It should be noted that unpaid debt at 31<sup>st</sup> March continues to be collected in the following year. To 30th September 2023 we had collected £2.4m of the £13.1m prior years' debt due.

As at 30th September 2023, our collection performance places us 9<sup>th</sup> out of 14 authorities with comparable populations. However, it should be noted that due to the close nature of the comparator authorities, small differences in the collection rate result in a greater movement in places.

### 1.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	0	0
Deceased – No Assets	0	0
Insolvent / Bankrupt/ Liquidated	52	439
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	7	(375)
<b>Totals</b>	<b>69</b>	<b>64</b>

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

### Changes

The government confirmed that the retail, hospitality, and leisure business rates relief scheme would continue to apply in 2023/24 to provide eligible, occupied properties with 75% relief, up to a cash cap of £110,000 per business. The scheme has been available from 1<sup>st</sup> April 2023 and will be applicable to the 2023/24 financial year only.

Charges for 2023/24 are based on the revaluation of the rateable value of all non-domestic properties, effective from 1 April 2023.

## 1.5 Summary of measures taken to recover debt

### Debt recovery measures

Economic conditions continue to impact collection of business rates. Normal recovery processes have resumed in 2023/24, after being paused during 2022/23 due to the focus on paying business support grants.

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
34.38	173.10	(91.72)	(0.52)	115.24

### 2.2 Background and comparator information

#### Background information

Council tax is a national tax, charged to almost 144,000 properties in Leicester. The amount we collect includes sums charged by the fire authority and the police and crime commissioner.

It should be noted that the uncollected debt increases over the first half of the financial year due to the annual cycle of billing for council tax

#### Comparator information

The following shows the percentage debt collection in the year it is raised over the last two years:

- Collection to 30th September 2022 – 50.27%
- Collection to 30th September 2023 – 50.95%

The debt collected is similar to the previous year, despite the cost of living pressures and the aim is to reach collection to pre-covid levels (53.28% in 2019), whilst supporting the most vulnerable.

It should be noted that unpaid debt on 31st March continues to be collected in the following year. To 30<sup>th</sup> September 2023 we had collected £5.1m gross of the £34.38m prior years' debt due.

As at 30th September 2023, our collection performance places us 11<sup>th</sup> out of 14 authorities with comparable populations.

## 2.3 Debt write-off

<b>Reason for Write Off</b> ↓	<b>No.</b>	<b>Value £000</b>
Unable to Trace	358	354
Deceased – No Assets	33	26
Insolvent / Bankrupt/ Liquidated	167	192
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	149	(48)
<b>Totals</b>	<b>707</b>	<b>524</b>

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

Changes

From April 2023 the government introduced a scheme to reduce council tax bills by £25.00 for the year, where the council taxpayer is in receipt of council tax support (CTS), either working age or of pension age. The council has paid a total of £0.45m to those households in receipt of CTS at 1<sup>st</sup> April 2023. The cost of this is being met from additional government grant.

Local authorities were also enabled to use any remaining funding allocation to support vulnerable households, through schemes like the Council Tax Discretionary Relief scheme.

## 2.5 Summary of measures taken to recover debt

### Debt recovery measures

As of 30<sup>th</sup> September, council tax support has been credited to 24,798 accounts, at a cost of £25.45m to the Council.

The Council Tax Discretionary Relief scheme also provides support to households experiencing extreme financial hardship. As at 30<sup>th</sup> September 2023, just over £0.25m was paid to eligible households to make their council tax payments affordable. This is funded by the council.

The usual recovery 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 taxpayer is offered a formal payment arrangement. Within the recovery process, safeguards have been put in place to protect the most vulnerable.

Understanding the struggles households and businesses may be experiencing, we continue to encourage residents and ratepayers 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.

Furthermore, any customer contacting us with regards to their council tax payments, continues to be referred to the Council's "Better Off" information on our website, where they can receive help with benefits and other advice and support.

We are also ensuring that customers struggling to pay can speak to a council tax officer to discuss payment of the outstanding debt and any other support that may be available.

### 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
8.66	1.01	(1.31)	(0.35)	8.01

#### 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 £8.01m outstanding, processes are in place to recover debt wherever possible.

Overall, housing benefit debt continues to reduce from £9.45m in September 2022 to £8.01m as of September 2023.

##### Comparator information

##### Debt outstanding at:

- 30/09/2019 £14.86m
- 30/09/2020 £13.74m
- 30/09/2021 £11.02m
- 30/09/2022 £9.45m
- 30/09/2023 £8.01m

### 3.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	19	25
Deceased – No Assets	14	78
Insolvent / Bankrupt/ Liquidated	16	22
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	426	223
<b>Totals</b>	<b>465</b>	<b>348</b>

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

#### Changes

There are no changes to report on overpaid housing benefit. Caseloads are gradually reducing as a result of transfers to Universal Credit.

### 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.

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.

## 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
2.85	48.77	(47.27)	(0.05)	4.30

### 4.2 Background and comparator information

#### Background information

The Council currently collects rent from approximately 18,700 tenancies across the city. Approximately, 6,300 of our tenants (34%) are on full or partial housing benefit and 6,800 (36%) 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	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 on	206	53
<b>Totals</b>	<b>206</b>	<b>53</b>

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

##### Changes

It is now over 6 years since the implementation of UC, and it is anticipated from the DWP that the full UC migration will be completed by the end of 2024.

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

##### Debt recovery measures

The Income Management Team are working collaboratively with the Department for Work & Pensions (DWP) 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 provide support to claim Discretionary Housing Payments (DHP), when available, and have secured a £500k allocation of the Household Support Fund (HSF) to help tenants that are in rent arrears and meet the criteria.

Rent Management Advisors are supporting vulnerable tenants to claim and maintain UC and other welfare benefit streams, including disability related benefits.

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 most enforcement action and contact from creditors and freezing most interest and charges on debts. This scheme is still in place; however, this is not having a significant impact on the rent arrears position.

We understand the pressures households are facing in managing budget. Therefore we continue to encourage with outstanding debt who is struggling to pay to contact us as soon as possible.

## 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
2.36	2.37	(1.64)	(0.45)	2.64

### 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.

- £25 or £35 if paid within 14 days.
- £50 or £70 if paid after 14 days.

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

#### Comparator information

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

- 2022/23 - 67%
- 2023/24 - 68%

### 5.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	1,245	138
Deceased – No Assets	9	1
Insolvent / Bankrupt/ Liquidated	42	4
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	2,851	306
<b>Totals</b>	<b>4,147</b>	<b>449</b>

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

Changes

The number of Civil Enforcement Officers has increased from 48 in April 2023 to 55 in September 2023, and the recruitment of more is ongoing. The issuing of PCNs has been facilitated by the introduction of a new parking I.T. system along with handheld devices being issued to all Civil Enforcement Officers. Income generated by parking PCNs has consequently increased but is still limited by changed working patterns for commuters and reduced on-street parking 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

Uncollected debt b/f £m	Debt raised £m	Debt collected £m	Debt written off £m	Uncollected debt c/f £m
0.99	0.72	(0.61)	(0.15)	0.95

### 6.2 Background and comparator information

#### Background information

The Council issues penalty notices to motorists for driving in Bus Lanes/Gates or Bus Stop Clearways (red routes).

These are levied at £70, discounted to £35 if paid within 21 days.

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

From May 2023 the collection of bus lane enforcement debt has been carried out in-house, with the exception of reviewing CCTV footage which is still carried out by Nottingham City Council.

#### Comparator information

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

- 2021/22 - 61%
- 2022/23 - 60%
- 2023/24 - 70%

### 6.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	538	46
Deceased – No Assets	3	0
Insolvent / Bankrupt/ Liquidated	8	1
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	1,299	106
<b>Totals</b>	<b>1,848</b>	<b>153</b>

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

##### Changes

A further camera at the Belgrave Gate bus stop clearway became operational in September 2023. Following a two-week period of issuing warning notices, PCNs are now being issued. This brings the total number of operational cameras to 18.

Activation of the Abbey Street camera is pending review of other bus priority schemes in the centre of the city.

A further two cameras are due to become operational by the end of 2023/24: at Anstey Lane and Melton Road. These are being installed as part of the Transforming Cities Fund capital programme.

#### 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/back £m	Uncollected debt c/f £m
22.06	63.08	(60.43)	(0.58)	24.13

### 7.2 Background and comparator information

#### Background information

“Other Income” includes all income other than the sources described above. It covers a wide variety of income from various individuals and organisations. Examples include commercial property rent, adult social care costs relating to residential and non-residential care, and repairs and maintenance charges relating to Council property.

Unlike some other sources of debt, the total debt value can fluctuate based on the type and timing of income being collected. Therefore, when reviewing this type of debt, we focus on aged debt as the main measure of performance rather than value.

#### Comparator information

Debt over 12 months old (aged debt) has once again increased in the past year as well as the debt initially raised, inflation also continues to have an impact.: A review of the outstanding debt will be carried out to ensure the debt recovery processes have been followed correctly.

- 30/09/2019 £3.28m
- 30/09/2020 £4.08m
- 30/09/2021 £4.63m
- 30/09/2022 £4.68m
- 30/09/2023 £5.28m

### 7.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	47	32
Deceased – No Assets	642	300
Insolvent / Bankrupt/ Liquidated	41	22
Statute Barred	63	40
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	673	200
<b>Totals</b>	<b>1,466</b>	<b>585</b>

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

#### Changes

Higher living costs and rising energy bills is expected to have an impact on the recovery of outstanding debt. We continue to encourage anyone with outstanding debt who is struggling pay to contact us as soon as possible.

### 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.

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. Debtors are encouraged to engage with our support offer.

**Summary of all Write Offs**

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

<b>Income Type</b>	<b>Unable to trace £000</b>	<b>Deceased - no assets £000</b>	<b>Insolvent/ Bankrupt/ Liquidated £000</b>	<b>Statute Barred £000</b>	<b>Irrecoverable at reasonable expense/including adjustments for costs and write on £000</b>	<b>Total Write offs at 30/09/2023 £000</b>
Non Domestic Rates (including Costs)	0	0	439		(375)	<b>64</b>
Council Tax (including Costs)	354	26	192		(48)	<b>524</b>
Housing Benefit Overpayments	25	78	22		223	<b>348</b>
Council House Rents	0	0	0		53	<b>53</b>
On and Off-Street Car Parking fines	138	1	4		306	<b>449</b>
Bus Lane Enforcement	46	0	1		106	<b>153</b>
Other Income	32	300	22	40	200	<b>594</b>
<b>Totals</b>	<b>595</b>	<b>405</b>	<b>680</b>	<b>40</b>	<b>465</b>	<b>2,185</b>

## Appendix D

### Write Offs Over £5k for 2023/24

Income Type	No. of Write Offs	Value £000
Non Domestic Rates (including Costs)	23	381
Council Tax (including Costs)	5	28
Housing Benefit Overpayments	6	115
Council House Rents	0	0
On and Off-Street Car Parking fines	0	0
Bus Lane Enforcement	0	0
Other Income	5	77
<b>Totals</b>	<b>39</b>	<b>601</b>

Financial procedure rules require me to itemise any individual write-offs in excess of £100,000.