
Income Collection April 2023 – March 2024

Overview Select Committee

Date of Meeting: 31 July 2024

Lead director: Amy Oliver, Director of Finance

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 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. It should be noted that income collection and recovery processes in the last weeks of the financial year were disrupted by the cyber incident.

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 Leicester. 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 money 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 each year: in 2023/24 the total amount raised from the areas covered in this report 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.

The most significant issue raised in this report is the increase in council tax arrears, which has been persistent since the pandemic. The reasons are discussed in Appendix B.

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 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 2023/24.

5. Detailed report

See appendices

6. Financial, legal, equalities 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.

Mark Noble, Head of Finance

6.2 Legal implications

There are no specific legal implications arising from this report, which is for information purposes.

Jeremy Rainbow – Principal Lawyer (Litigation)

6.3 Equalities implications

The Council must make every effort to collect its due debts. The Council aims to collect debt in a fair, proportionate and respectful manner.

Communications with residents are designed to prompt timely payment from residents who can pay, and early engagement from those who may have difficulties in making payments.

Copies of the Council's debt policy are available on the 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

6.5 Climate implications

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

Aidan Davis, Sustainability Officer, Ext 37 2284

7. Background information and other papers:

Finance Procedure Rules

Debt Policy

8. 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

9. Is this a “key decision”? If so, why?

No

Summary of all Debt

Income Type	Debts brought forward @ 1/4/2023 £m	Debt raised £m	Collected £m	Written off £m	Debts outstanding @ 31/03/2024 £m
Business Rates (including Costs)	13.09	94.29	(92.08)	(1.09)	14.21
Council Tax (including Costs)	34.38	172.68	(167.73)	(1.57)	37.76
Housing Benefit Overpayments	8.66	1.80	(2.39)	(0.44)	7.63
Council House Rents	2.85	88.86	(88.12)	(0.07)	3.52
On and Off-Street Car Parking fines	2.36	4.76	(3.41)	(0.61)	3.10
Bus Lane Enforcement	0.99	1.39	(0.98)	(0.39)	1.01
Other Income	22.06	125.59	(126.71)	(0.83)	20.11
Totals	84.39	489.37	(481.42)	(5.00)	87.34

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	94.29	(92.08)	(1.09)	14.21

1.2 Background and comparator information

Background Information

Business Rates are a national tax paid by approximately 12,760 businesses in Leicester.

Comparator Information

Debt collection was previously affected by the pandemic although there have been improvements since. Below shows the collection rate over the last two years:

- Collection to 31 March 2023 – 95.85%
- Collection to 31 March 2024 – 95.00%

It should be noted that unpaid debt at 31 March continues to be collected in the following year. To 31 March 2024 we had collected £3.8m of the £13.09m prior years' debt due.

As at 31 March 2024, our collection performance places us 12th out of 13 local authorities with comparable populations. However, it should be noted that due to the close nature of the comparator local authorities, small differences in the collection rate result in a greater movement in performance ranking.

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	177	1,148
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	110	(57)
Totals	287	1,091

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

Changes

The retail, hospitality, and leisure business rates relief scheme continued 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 April 2023. On 22 November 2023, the government confirmed that the scheme would continue to apply in 2024/25 under the same terms.

Charges for 2023/24 are based on the revaluation of the rateable value of all non-domestic properties, effective from 1 April 2023. A new transitional scheme was then introduced to support ratepayers who had seen a sharp increase in their bill. Those whose bills reduced benefited immediately, without any phasing.

The Supporting Small Business relief scheme capped the 2023/24 year's bill at £600 per year for those ratepayers who as a result of the revaluation lost some or all of their Small Business Rates Relief.

1.5 Summary of measures taken to recover debt

Debt recovery measures

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

Billing, collection and enforcement action was not possible for just over three weeks in March due to the cyber incident. This impacted the in-year and arrears collection at a critical time. In particular, the direct debit collection of £0.3m for 10 March 2024 was missed, and not collected until 28 April 2024.

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	172.68	(167.73)	(1.57)	37.76

2.2 Background and comparator information

Background information

Council tax is a national tax, charged to almost 144,700 properties in Leicester. The amount we collect includes sums charged by the fire authority and the police and crime commissioner.

Comparator information

The text below shows how we compared with other authorities in 2023/24. More significantly though, the picture for council tax over recent years is of increasing arrears – these stood at £18.5m on 1 April 2020 and have progressively doubled to £37.8m now. There are a number of reasons for this:

- (a) A number of occasions where recovery action was paused, starting with covid and most recently in response to the cost of living crisis;
- (b) Diversion of staff to other issues, including business relief during and since the pandemic, household support grants and other government support for low income taxpayers;
- (c) The recent cyber incident, where the March 10th direct debit of £0.7m could not be collected until after the year end, and which also adversely affected year end recovery action;
- (d) A low priority being necessarily given to housekeeping activity such as write-offs.

Action will be taken to get on top of the situation, including a renewed emphasis on recent debt (once accounts go into arrears they are much harder to collect), and a review of old debt to determine which can still be collected at reasonable effort and expense.

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

- Collection to 31 March 2023 – 92.62%
- Collection to 31 March 2024 – 92.60%

As at 31 March 2024, our collection performance places us 11th out of 13 local authorities with comparable populations.

2.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	953	889
Deceased – No Assets	165	104
Insolvent / Bankrupt/ Liquidated	622	830
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	2,710	(252)
Totals	4,450	1,571

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 paid a total of £0.45m to those households in receipt of CTS at 1 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 31 March 2024, council tax support has been credited to 28,919 accounts at a cost of £25.3m.

The Council Tax Discretionary Relief (CTDR) also provides support to households experiencing extreme financial hardship. As of 31 March 2024, £0.5m was paid to 1,092 eligible households to make their council tax payments affordable. This is funded by the Council.

Recovery was paused in March 2024 following the cyber incident. This will have had an impact on the 2023/24 collection rate.

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	1.80	(2.39)	(0.44)	7.63

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. However processes are in place to recover debt wherever possible.

Overall, housing benefit debt continues to reduce, to £7.64m as of 31 March 2024.

Comparator information

Debt outstanding at:

- 31/03/2020 £13.74m
- 31/03/2021 £11.02m
- 31/03/2022 £9.45m
- 31/03/2023 £8.66m
- 31/03/2024 £7.64m

3.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	39	36
Deceased – No Assets	14	78
Insolvent / Bankrupt/ Liquidated	26	34
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	659	288
Totals	738	436

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 Government's 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	88.86	(88.12)	(0.07)	3.52

4.2 Background and comparator information

Background information

The Council currently collects rent from approximately 18,700 tenancies across the city. Approximately, 6,100 of our tenants (32%) are on full or partial housing benefit and 7,200 (39%) on Universal Credit (UC). The debt raised & collected includes the element paid by housing benefit.

Comparator information

Arrears have increased by £0.67m over the past year; this adverse movement in rent arrears was, in part at least, to be expected given the cost-of-living crisis that continues to impact households. Like other authorities, it appears that the cost of living crisis did not affect rent collection immediately, but has now done so.

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	328	74
Totals	328	74

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 the roll out of the full UC commenced at the beginning of 2024. Under the latest plans, it is anticipated the managed migration of the final group of legacy benefit claimants will be completed by the end of December 2025.

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.

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 distributed the £600k allocation of the Household Support Fund (HSF) to help secure tenants and those in temporary accommodation, who were in rent arrears and met the criteria.

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

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	4.76	(3.41)	(0.61)	3.10

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 31 March:

- 2022/2023 – 75%
- 2023/2024 – 70%

5.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	2,218	244
Deceased – No Assets	5	1
Insolvent / Bankrupt/ Liquidated	61	6
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	3,392	362
Totals	5,676	613

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

Changes

The number of PCN's issued increased compared with 2022/23, 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 also increased steadily but is still limited somewhat by changed working patterns and reduced on-street parking availability in the city.

The number of CEOs (excluding seniors and supervisors) was 60 in March 2024 compared with 50 in March 2023.

The number of no-trace cases continues to affect the recovery of debt as vehicles can be registered without proof of identity being provided.

5.5. Summary of measures taken to recover debt

Usual Debt recovery measures

- Reminder letters
- Legal action
- Enforcement action (bailiffs)

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	1.39	(0.98)	(0.39)	1.01

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 31 March

- 2022/23 – 64%
- 2023/24 – 76%

6.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	1,980	138
Deceased – No Assets	31	3
Insolvent / Bankrupt/ Liquidated	28	3
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	2,944	246
Totals	4,983	390

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

Changes

In the second half of 2023/24 four new cameras have been installed and have become operational: two at Abbey Park Road and one at each of Melton Road and Anstey Lane. This will increase income more significantly in 2024/25.

The Abbey Street camera is expected to be active in June 2024 and will enforce the new bus-only street, following the opening of the new St Margaret's bus station and completion of associated junction works.

6.5 Summary of measures taken to recover debt

Usual Debt recovery measures

- Reminder letters
- Legal action
- Enforcement action (bailiffs)

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	125.59	(126.71)	(0.83)	20.11

7.2 **Background and comparator information**

Background information

“Other Income” includes all invoiced 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 decreased slightly in the past year:

- 31/03/2019 £3.59m
- 31/03/2020 £3.48m
- 31/03/2021 £4.33m
- 31/03/2022 £4.48m
- 31/03/2023 £5.25m
- 31/03/2024 £5.05m

7.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	106	65
Deceased – No Assets	883	411
Insolvent / Bankrupt/ Liquidated	176	64
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write on	1,058	294
Totals	2,223	834

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

Changes

Higher living costs and rising energy bills are expected to have had 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 our normal processes, 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.

Income Type	Unable to trace £000	Deceased - no assets £000	Insolvent/ Bankrupt/ Liquidated £000	Irrecoverable at reasonable effort and expense/including adjustments for costs and write ons £000	Total Write offs at 31/03/2024 £000
Business Rates (including Costs)	0	0	1,148	(57)	1,091
Council Tax (including Costs)	889	104	830	(252)	1,571
Housing Benefit Overpayments	36	78	34	288	436
Council House Rents	0	0	0	74	74
On and Off-Street Car Parking fines	244	1	6	362	613
Bus Lane Enforcement	138	3	3	246	390
Other Income	65	411	64	294	834
Totals	1,372	597	2,085	955	5,009

Appendix D

Write Offs Over £5k for 2023/24

Income Type	No. of Write Offs	Value £000
Non Domestic Rates (including Costs)	56	1,170
Council Tax (including Costs)	20	582
Housing Benefit Overpayments	10	148
Council House Rents	1	7
On and Off-Street Car Parking fines	0	0
Bus Lane Enforcement	0	0
Other Income	17	187
Totals	104	2,094

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

- £219,037.98 relating to Council Tax owed on properties managed by PRE (Leicester) Management Limited and written off following their dissolution.
- £142,133.57 relating to Council Tax owed on properties managed by 8-10 West Walk Management Limited and written off following their dissolution.
- £196,648.15 of Non Domestic (business) Rates owed by Rebel Menswear Limited and written off following their liquidation.