



Income Collection April – September 2015

Decision to be taken by: N/A

Executive meeting date: 19th November 2015

Overview Select Committee date: 3rd December 2015

Lead director: Alison Greenhill

Useful information

■ Ward(s) affected: All

■ Report author: Jon King, Accountant

■ Author contact details: X374043 and Jon.King@leicester.gov.uk

1. Summary

This report is a requirement of our governance arrangements. The report details progress made in collecting debts raised by the Council during the first six months of 2015-16, 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.

The headline collection rates for both NNDR and Council Tax are slightly below those achieved at the same point last but they are expected to improve back to a level close to 2014-15 full year rates. For other income, the level of older debt has fallen since the beginning of the year. Overpaid Housing Benefit debt continues to rise.

Figures shown in this report need to be seen in the context of the total amount of income (i.e. credit and cash) collected by the Council each year, which amounts to approximately £0.4bn.

2. Recommendation

OSC are asked to note the contents of the report and make any recommendations it sees fit to the Executive.

3. Supporting Information

Appendices A and B to this report provide the main supporting information to this report.

4. Financial, legal and other implications

4.1 Financial implications

The report details the current collection and write-off levels of sums payable to the City Council.

4.2 Legal implications

The report includes details of action taken to pursue certain debts through the courts. Jeremy Rainbow – Team Leader/Senior Legal Officer x371435

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 has adopted a Fair Debt Collection policy to encourage debtors in difficult financial circumstances to make arrangements to pay within their means.

4.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

None

5. Background information and other papers:

Finance Procedure Rules

Fair Debt Collection Policy

Background information is given in Appendix A

6. Summary of appendices attached:

Appendices A & B – Background information, detailed collection performances and schedule of write-offs.

7. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

1. **Background Information & Purpose of Report**

- 1.1 The Council collects approximately £0.4bn worth of income every year. This is in respect of a wide variety of services and from a wide variety of individuals and organisations. Some is collected from businesses (i.e. Business rates), some from every household (i.e. Council Tax), some from tenants of the Council's houses, and from numerous other sources including charges for the use of Council facilities, commercial rents from factory units, adult care charges, the recovery of overpaid Housing Benefit, parking fines and charges to schools and other public sector bodies for services provided.
- 1.2 Some income is collected at the point of sale as cash or credit/debit card payments. The rest is subject to an invoice being raised by the Council for an amount due (whether payable as a one-off sum or periodically through the year).
- 1.3 This report, which is a requirement of the Council's Finance Procedure Rules, details progress made in collecting debts raised by the Council during the first half of 2015/16.

2. **Summary**

- 2.1 On the 30th September 2015 the Council's debt outstanding figure stood at £149m. The increase from the end of 2014-15 reflects the inclusion of Council Tax and NNDR debt for the full year, even though income is collected over the course of 12 months. Collection performances for both NNDR and Council Tax are slightly down on those at the same point last year, nevertheless it is anticipated that the full year performances will be very close to those for 2014-15.
- 2.2 The level of "Other Income" debt over twelve months old has fallen from £6.5m at the beginning of the year to £6.25m. Levels of overpaid Housing Benefit debt have continued to increase.
- 2.3 The Council has a Fair Debt Collection policy to encourage debtors in difficult financial circumstances to make arrangements to pay within their means.

3. **Collection Data**

- 3.1 Detailed collection performances are included in the main body of the report. The headlines are summarised in the following table;

Income Type	Performance
Non Domestic Rates	56.28% of the 2015-16 debt had been collected by the 30 th September 2015. This compares to 56.45% for the same period in 2014-15. (This placed us 6 th out of 11 comparator authorities)
Council Tax	53.42% of the 2015-16 debt had been collected by the 30 th September 2015. This compares to 53.99% for the same period in 2014-15. (This placed us 7 th out of 11 comparator authorities).
Other Income	Debts over 12 months old amounted to £6.25m @ 30 th September 2015 – this compares to £6.5m @ 31 st March 2015

3.2 The headline values of debt brought forward, raised, collected, written-off and carried forward at the year-end are shown below;

Income Type	Debts brought forward @ 1/4/2015 £m	Amounts raised 2015-16 £m	Amounts collected £m	Amounts written off £m	Debts outstanding @ 30/9/2015 £m
Non Domestic Rates	6.526	103.589	(58.286)	(0.481)	51.348
Council Tax	12.047	106.293	(58.384)	(0.434)	59.522
Summons Costs (for NDR and CT)	1.028	0.921	(0.474)	(0.055)	1.420
Housing Benefit Overpayments	13.193	4.016	(2.042)	(0.118)	15.049
Council House Rents – Current Tenant Arrears	1.538	44.3	(44.13)	0	1.708
On and Off-Street Car Parking and other traffic fines (Penalty Notices)	0.987	1.266	(0.836)	(0.272)	1.145
Other Income	22.542	41.782	(44.878)	(0.535)	18.911
Totals	57.861	302.167	(209.03)	(1.895)	149.103

*For NDR and Council tax new debts are net of reliefs, credit adjustments, discounts and benefits. Amounts written off are net of adjustments, dividends received in respect of bankruptcy or liquidation debts previously written off. The amounts listed in Appendix B are gross write-offs.

3.3 The report focuses on the collection performance of each main category of debt.

3.4 If a debt is irrecoverable after reasonable effort and expense has been made then it should be written off in accordance with Finance Procedure Rules. This report contains details of debts written off by income category and by reason at Appendix B.

4. Collection Performance details

4.1 NonDomesticRates

4.1.1 National non-domestic rates (NNDR) or business rates are collected from businesses by councils. The amount collected is based on the rateable value of individual business properties and a nationally set rate in the pound. Currently 50% of business rates are paid to Government to be redistributed. 50% are retained locally (of which 1% is due to the Combined Fire Authority and 49% is kept by the City Council). Our collection performance directly affects the finances of the City Council.

4.1.2 There are approximately 12,000 business premises in Leicester City. Rates due for 2015-16 amount to £104.9m and together with arrears brought forward of £6.0m mean that £110.9m is due for collection from 1/4/2015.

4.1.3 A key measure of the Council's effectiveness in collecting this tax is the percentage of debt collected in the year in which it is raised (i.e. the percentage of the 2015/16 business rates actually paid before 30th September 2015). As at 30th September 2015, the collection rate for the year was 56.28%. This compares with 56.45% in 2014-15 and 58.35% in 2013-14. The slight drop probably reflects the continuing take-up of payment by 12 instalments rather than 10. For 2014/15 the full year collection rate "recovered" to exceed that of 2013/14.

4.1.4 In relation to our benchmarking group of authorities, the collection performance to September 2015 placed us 5th out of 10.

4.1.5 In respect of earlier years' charges £1.817m was collected and together with debt reductions (due to rateable value adjustments) and the writing off of irrecoverable debt, there was an overall reduction from £5.973m in April 2015 to £5.082m.

4.1.6 During the year £0.487m (including costs) has been written off. The values and reasons for write off are detailed in Appendix 1 of the report.

4.2 Council Tax

4.2.1 Council Tax is the means by which local citizens contribute to the net cost of council services. One bill is issued to each home in the City and is based on the valuation band (eight in all) the property has been assessed in. In total the amount required from Council Tax represents approximately 25% of the Council's Net Budget requirement.

4.2.2 Council Tax collection performance needs to be seen in the context of the new Council Tax support scheme, which the Government required us to introduce in 2013/14, and which replaced council tax benefit. In the past, council tax benefit was calculated based on a claimant's tax and income. Maximum benefit payable was 100% of the tax bill.

4.2.3 The new scheme is less generous, and the maximum council tax support receivable by working age claimants is 80% of the total tax charged.

4.2.4 There are now over 132,000 domestic properties in Leicester City. Council Tax due for 2015-16 is approximately £107.7m and together with arrears brought forward of £11.6m mean that £119.3m was due for collection from 1/4/2015.

4.2.5 The amount of debt due to be collected at the same time last year, including the arrears brought forward was £112.9m. This increase is as a result of an overall increase in Council Tax of 2%, additional properties in the city, plus the impact of the council tax support scheme described above.

4.2.6 As with Non Domestic Rates, a key measure of the Council's effectiveness in collecting this tax is the percentage of debt collected in the year in which it is raised. The collection rate target for the year was set at 95.0%, which reflects the difficulties some tax payers face. As at 30th September 2015, 53.42% of the debt due for the current financial year had been collected. The rate compared to 53.99% for 2014-15. Since the abolition of Council Tax Benefit from 1st April 2013 half year collection rates have fallen due to a deliberately lengthened recovery process with extra reminders– this has “slipped” some income into the second half of the year. We anticipate that the full year collection rate will be close to that for 2014-15.

4.2.7 In relation to our benchmarking group of authorities, the collection performance for the year as at 30th September 2015 placed us 6th out of 10. Within our recovery process, we have put in safeguards to protect the most vulnerable.

4.2.8 In respect of earlier years' charges, £2.512m has been collected since 1st April 2015 and together with changes in customer liability and the writing off of

debts the overall debts have been reduced from £11.582m to £9.558m.

4.2.9 For 2015/16 a total of 132,300 dwellings were billed for Council Tax. 48,936 reminders have been issued to non-payers and 15,333 summonses were subsequently issued (17,112 in 2014-15 for the same period). 6,365 cases were referred to Enforcement Agents (Bailiffs) for collection (7,336 in 2014-15) in relation to outstanding debts for all years.

4.2.10 The Council has service level agreements with all enforcement agencies it uses and these contain codes of conduct in line with "The Taking Control of Goods Regulations 2013". These regulations supplement part 3 of the "Tribunals, Courts and Enforcement Act 2007" by making detailed provision for operation of the procedure which enforcement agents must follow when seeking to take control of goods and selling them to recover a sum of money. The Council's dedicated court team liaise with the enforcement agents on a daily basis and quarterly review meetings are held to ensure that they adhere to the regulations and associated guidance.

4.2.11 So far during the financial year £0.484m (including costs) has been written off. The values and reasons for write off are detailed in Appendix B of the report.

4.3 Court Summons Costs

4.3.1 Costs are added to all local taxation bills when liability orders or other court orders are issued for non-payment. A set rate for costs is determined by the courts and reviewed each year. These are then collected with the local tax in question but are monitored separately. The level of outstanding costs as at 30th September 2015 was £1.420m.

4.4 Overpaid Housing Benefit

4.4.1 The main cause of Housing Benefit overpayments are delays in recipients telling the Council of changes in their circumstances. The Council reminds recipients of their obligations in this respect in all letters sent out. Overpaid Housing Benefit is difficult to collect.

4.4.2 Previously, Overpaid Housing Benefit has been included in two lines in the summary report ("OHB" and as part of the total of "Other Income"). This report aggregates all OHB debt onto one line for greater transparency.

4.4.3 Between 1st April and 30th September 2015 a total of £4m of new overpayments have been identified and a total of just over £2m of debt collected. In addition £118k of write-offs has occurred. With the £13.2m of debt brought forward from last year this left just over £15m of debt outstanding at 30th September 2015

4.4.4. £5m of this debt is subject to deductions from on-going benefit. £6.9m has been invoiced and is subject to recovery action, with a further £3.16m being subject to invoicing in the near future.

4.4.5 The following table shows the age of the invoiced debt;

Age Category	£000s
0 to 6 months old	1,602
7 to 9 months old	1,565
10 to 12 months old	282
Over 12 months old	3,416
Total	6,865

4.4.6 The Overpaid Housing Benefit debt that has been invoiced is being reviewed to identify those individual debts that can be collected via an attachment to a prescribed benefit, Direct Earnings Attachment or via Third Party Debt Orders which permit the freezing of bank accounts to force payment.

4.5 Housing Rents

4.5.1 The City Council manages approximately 21,300 tenancies across the City. Most tenants are on low income and current indications are that 64.84% of tenants are on full or partial Housing Benefit. This equates to approximately £0.970m per week being paid directly to the Council in Housing Benefit payments.

4.5.2 For those tenants not on full Housing Benefit (approx. 14,491), rent payments are due weekly in advance and for 50 weeks of the year (i.e. there are two “rent free” weeks).

4.5.3 Universal Credit (UC) will commence roll out in January 2016, initially for single (childless) people with new claims and changes of circumstances. There is currently no indication of the timetable to migrate existing claimants and families to UC. As individuals are moved onto the new arrangements, all those tenants of working age who currently receive full Housing Benefit will need to pay their rent themselves. Some vulnerable people will still be able to have their Housing Costs element paid direct to the landlord.

4.5.4 The ultimate sanction for non-payment of rent is eviction. From April to September 2015, 28 evictions for rent arrears took place. This compares to a total of 51 evictions made during the same period in 2014.

4.5.5 For 2015-16 the average rent increase was 2.2%. This led to a gross rent debit of £44.3m for the first six months of the year. Arrears brought forward were £1.538m and therefore the total collectable debt for the period was £45.84m. After the deduction of Housing Benefit (£25.6m) this left £20.24m to collect. Of this £18.53m has been collected.

4.5.6 Arrears at the end of September 2015 stood at £1.708m. This is an 8.8% decrease from the arrears at the same point in 2014 of £1.873m

4.6 Other Income

4.6.1 The Council's Business Service Centre is responsible for collecting most of the other sources of Council income. Other income includes sums charged for various services such as adult social care, cemeteries and crematorium, and commercial rents for Council owned property. It also includes the recovery of

debts owed for things like former council tenant rent arrears. Because substantial sums can also be invoiced for land/property sales and for the transfer of pooled budget funds from the NHS to the Council the level of debt outstanding at any point in time is volatile.

4.6.2 Overall levels of debt outstanding for other income at 30th September 2015 were £3.6m lower than at the beginning of the financial year. The total number of invoices raised during the first half of 2014-15 was 16,820.

4.6.3 The level of debt over 12 months old has decreased from £6.5m to £6.25m. The breakdown of debt over 12 months old is as follows;

Debt Type	Amount
Adult Care	£1.187m
Council Housing – mainly recoverable repair costs	£948k
Property	£441k
Private Sector Housing - works in default subject to land charge	£432k
Building Safety	£329k
Right to Buy	£262k
Former Tenant Arrears	£192k
All other services	£2.460m
Total	£6.251m

4.6.5 These debts are being enforced as follows;

Enforcement Stage	Amount
With Legal Services	£4.29m
With BSC – Exchequer Team - Adult Social Care debt	£1.18m
Subject to payment plans in BSC – Exchequer Team	£304k
With BSC – Exchequer Team	£243k
Subject to Land Charges in BSC – Exchequer Team	£160k
Being pursued by IC (through HM Courts & Tribunal Service)	£74k
Total	£6.251m

4.6.6 The Income Collection team continues to enforce in its own right, high volume, low complexity debt via the HM Courts & Tribunal Service using Money Claim Online, a faster, secure method of expediting debt with reduced court fees for both debtor and applicant. This is used when all other collection options have been exhausted.

4.6.7 During the first six months of the year £535k of debt has been written-off.

4.6.8 The above debts are recorded on the Council's Accounts Receivable (AR) system. For residential care clients a deferred payment scheme exists for residential care charges – this limits how much has to be paid whilst the client is in care – the difference between the amount paid and that chargeable accrues over time and is subject to a charge on their property. Debts are not raised for this until the care service being provided ceases. As at 30th September 2015 a total of £1.532m was outstanding and related to 89 clients which is additional to the above sums.

4.7 On and Off-Street Parking and Bus Lane Enforcement Fines

4.7.1 The Council runs eight “pay and display” car parks in the City with a total of 1,537 spaces. In addition there are approximately 1,300 “pay and display” on-street parking spaces. Penalty Charge Notices (PCNs) are issued by enforcement officers for both on street and off street parking charge evasion, as well as for illegal parking (e.g. parking on yellow lines).

4.7.2 PCNs are handed to drivers or fixed to the windscreens of cars and include details of how payment should be made. Two nationally set rates apply (£50 and £70), based on the seriousness of the offence. If payment is made within 14 days, a 50% discount applies (i.e. the fine reduces to £25 or £35) and the ‘debt raised’ amount is reduced accordingly. The figures for parking PCNs for the year are as follows;

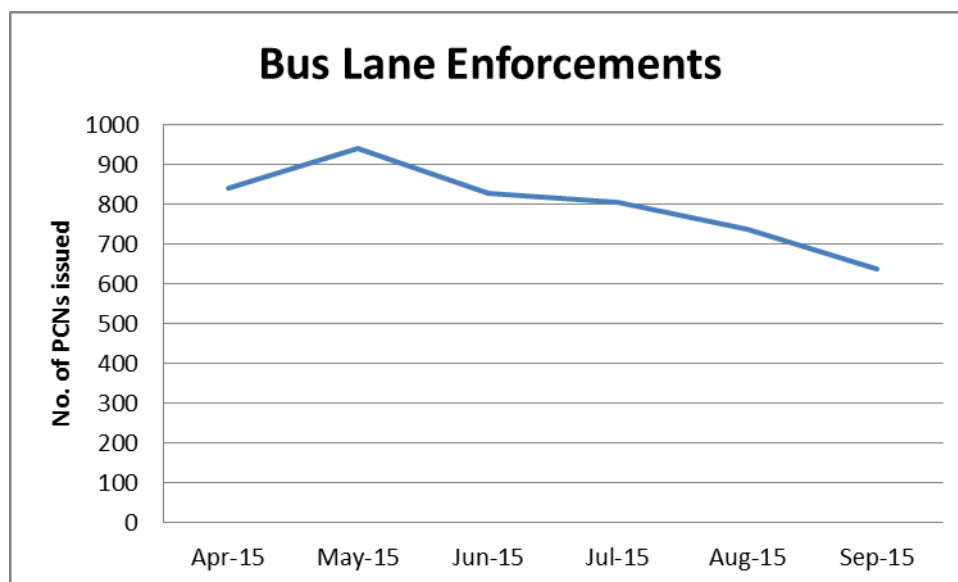
Brought forward £000	Debt raised £000	Debts collected £000	Debts written off £000	Carried forward £000
833	1,070	(692)	(194)	1,017

4.7.4 Of the tickets issued since 1st April 2015 70.6% had been paid by the 30th September 2015 (this is the first inclusion of this collection performance – it will be used to benchmark future performance).

4.7.5 Bus Lane Enforcement is carried out in two locations, Charles Street and Causeway Lane. Fines are levied at the rate of £60, which is discounted to £30 if paid within 14 days.

Brought forward £000	Debt raised £000	Debts collected £000	Debts written off £000	Carried forward £000
154	195	(144)	(78)	127

4.7.6 Of the tickets issued since 1st April 2015 61.53% had been paid by the 30th September 2015 (this is also the first inclusion of this collection performance). The chart below shows the numbers issued since April 2015.



The figures will have been affected by the Haymarket Bus Station construction contract but they show a continuing downward trend in the number of contraventions.

- 4.7.7 Write-off values for both Car Parking and Bus Lane Enforcement fines are at the full (non-discounted) rate and will include court and recovery fees. As a result although the percentage of tickets written off is under 20%, the recorded value is disproportionately higher.

5. Consultations

- 5.1 Revenues & Benefits Services and the Business Services Section are both part of Financial Services. Housing, Legal Services and the Traffic Management Service have supplied the remaining information and have been consulted in the preparation of this report.

Appendix B

Schedule of Debts Written off Under Delegated Authority – 2015-16 (first six months)

Debt Type / Location →	Council Tax (Including Costs)		Non Domestic Rates (Including Costs)		Income Collection, Overpaid HB and Former Tenant Arrears, and Car Parking/BLE fines		Total	
Reason for Write Off ↓	No.	Value £	No.	Value £	No.		No.	Value £
Unable to Trace	1,548	339,671.07	25	124,725.51	2,721	279,715.12	4,294	744,111.70
Deceased – No Assets	88	26,199.28	0	0	552	216,246.35	640	242,445.63
Insolvent / Bankrupt/ Liquidated	165	43,731.87	70	403,783.01	92	29,750.48	327	477,265.36
All recovery options exhausted / irrecoverable at reasonable expense	355	49,027.85	24	20,418.33	1,634	352,572.48	2,013	422,018.66
In prison	21	2,568.31	0	0	0	0	21	2,568.31
Statute barred	0	0	0	0	122	46,845.51	122	46,845.51
Remitted by the Court	1	5,501.01	0	0	0	0	1	5,501.01
Totals	2,178	466,699.39	119	548,926.85	5,121	925,129.94	7,418	1,940,756.18