



# ***Income Collection April 2016 – September 2016***

Decision to be taken by: N/A

Executive meeting date: 24<sup>th</sup> November 2016

Overview Select Committee date: 13<sup>th</sup> December 2016

Lead director: Alison Greenhill

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## Useful information

- Ward(s) affected: All
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## 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 2016-17, 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 rate for Council Tax matched that for the same point last year. The NNDR collection rate is slightly down on last year. For other income, the level of older debt has reduced since the beginning of the year. Overpaid Housing Benefit debt continues to rise; government initiatives in the run up to universal credit are having a significant impact.

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 is recommended to note the report and make any observations it sees fit.

## 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

Where appropriate debts are the subject of legal action through the courts.  
Jeremy Rainbow – Principal Lawyer (Litigation) 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 adopted a new Debt Policy in June 2016. The new policy is aimed at ensuring that the Council collects debt in a fair, proportionate and respectful manner.

#### 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

Debt Policy

Background information is given in Appendix A

#### **5. Summary of appendices attached:**

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

#### **6. 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 2016-17. It is important to highlight that the figures quoted in this report are at a particular point in time and only reflect transactions up to and including the 30th September.

### **2. Summary**

- 2.1 On the 30<sup>th</sup> September 2016 the Council's outstanding debt figure stood at £157.6m.
- 2.2 The collection performance for Council Tax matched that for the first six months of last year. NNDR collection performance was slightly down on the previous year although the Council's relative position in a group of benchmark authorities improved.
- 2.3 The level of "Other Income" debt has fallen from £20.66m at the beginning of the financial year to £17.77m. The level of debts over twelve months have also fallen from £7.34m to £6.65m.
- 2.4 Levels of overpaid Housing Benefit debt have continued to increase. Additional resources have been brought in to help ensure that identified overpayments are set up for the appropriate recovery method as soon as possible.
- 2.5 In June 2016 the Council adopted a new Debt Policy which is designed to ensure that debt is collected in a fair, proportionate and respectful manner. The policy underlines the obligation of customers to pay their debts in full when they become due, and, where they cannot, to contact the Council at the earliest opportunity and enter into a payment plan to clear their debt over a specified period of time.

### 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	55.72% of the 2016-17 debt had been collected by the 30 <sup>th</sup> September 2016. This compares to 56.28% for the same period in 2015-16. (This placed us 6 <sup>th</sup> out of 14 comparator authorities)
Council Tax	53.42% of the 2016-17 debt had been collected by the 30 <sup>th</sup> September 2016. This is the same as for the first six months of 2015-16. (This placed us 7 <sup>th</sup> out of 14 comparator authorities).
Other Income	Debts over 12 months old amounted to £6.65m @ 30 <sup>th</sup> September 2016 – this compares to £7.21m @ 31 <sup>st</sup> March 2016.

- 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 @ 1/4/2016 £m	Amounts raised* 2016-17 £m	Amounts collected £m	Amounts written off** £m	Debts outstanding @ 30/9/2016 £m
Non Domestic Rates	7.638	107.126	(59.946)	0.056	54.874
Council Tax	13.060	112.196	(61.803)	(0.280)	63.173
Summons Costs (for NDR and CT)	1.294	0.920	(0.507)	(0.036)	1.671
Housing Benefit Overpayments	16.645	3.133	(2.596)	(0.238)	16.944
Council House Rents – Current Tenant Arrears	1.533	42.963	(42.688)	0	1.808
On and Off-Street Car Parking and other traffic fines (Penalty Notices)	1.153	1.534	(0.968)	(0.388)	1.331
Other Income	20.658	38.298	(40.646)	(0.542)	17.768
<b>Totals</b>	<b>61.981</b>	<b>306.170</b>	<b>(209.154)</b>	<b>(1.428)</b>	<b>157.569</b>

\*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 and debt write-backs. For Other Income amounts written-off are net of debt write-backs. 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 Non-Domestic Rates**

- 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).
- 4.1.2 There are approximately 12,000 business premises in Leicester City. Rates due for 2016-17 amount to £107.7m and together with arrears brought forward of £7.2m mean that £117.9m was due for collection from 1/4/2016.
- 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 2016-17 business rates actually paid before 30<sup>th</sup> September 2016). As at 30<sup>th</sup> September 2016, the collection rate for the year was 55.72%. This compares with 56.28% in 2015-16 and 56.45% in 2014-15.
- 4.1.4 In relation to our benchmarking group of authorities, the collection performance to September 2016 placed us 6<sup>th</sup> out of 14. This compares to 7<sup>th</sup> place at the same time last year. The collection performance of business rates can be subject to volatility from one year to the next because of empty or void properties and invoicing that occurs near to the period-end, combined with the significance of the sums due on many business premises.
- 4.1.5 An external supplier has recently been appointed who will assist with recovery on difficult targeted cases.
- 4.1.6 In respect of earlier years' charges £1.940m 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 £7.2m in April 2016 to £6.4m.
- 4.1.7 During the first half of the year £0.053m (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 There are now over 134,000 domestic properties in Leicester. Council Tax due for 2016-17 is approximately £114.1m and together with arrears brought

forward of £12.7m mean that £126.8m is due for collection from 1/4/2016.

- 4.2.5 The amount of debt due to be collected at the same time last year, including the arrears brought forward was £119.3m. This increase is primarily a result of an overall increase in Council Tax of 4%, and additional properties in the city.
- 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 30<sup>th</sup> September 2016, 53.42% of the debt due for the current financial year had been collected. The rate is the same as that achieved for 2015-16.
- 4.2.7 In relation to our benchmarking group of authorities, the collection performance to 30<sup>th</sup> September 2016 placed us 7<sup>th</sup> out of 14. Within our recovery process, we have put in safeguards to protect the most vulnerable.
- 4.2.8 In respect of earlier years' charges, £2.785m has been collected since 1<sup>st</sup> April 2016 and together with changes in customer liability and the writing off of debts the overall debts have been reduced from £12.7m to £10.4m.
- 4.2.9 For 2016-17, 46,398 reminders have been issued to non-payers and 16,729 summonses were subsequently issued (15,333 in 2015-16 for the same period). 7,193 cases were referred to Enforcement Agents (Bailiffs) for collection (6,365 in 2015-16) 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 agreements make detailed provision for the procedure which enforcement agents must follow when seeking to take control of goods and selling them to recover a sum of money.
- 4.2.11 During the financial year £0.314m (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 30<sup>th</sup> September 2016 was £1.671m.

#### 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. Collecting

overpaid Housing Benefit debt is a national problem and levels are rising. This is partly due to fraud reduction initiatives, under which the Government has matched benefit data with other data they hold, and which was previously unavailable to us. This has identified overpayments, some going back over a number of years, which are then very difficult to collect. The Government is taking these steps now to enable a “clean” caseload to be inherited when universal credit is introduced.

4.4.2 Between 1st April 2016 and 30th September 2016 £3m of new overpayments have been identified and a total of £2.58m of debt collected. In addition £238k of write-offs has occurred. For accounting purposes, our accounts assume that much of the total sum owing will not be collectible although we robustly pursue this debt until it is deemed non-collectable.

4.4.3. Of the total of £16.94m outstanding debt, £4.85m is subject to deductions from on-going benefit, with a further £250k awaiting to be set up to recover from on-going benefit. £9.44m has been invoiced and is subject to recovery action, with a further £2.4m being subject to invoicing in the near future.

4.4.4 The Housing Benefits section are working on the older debt yet to be invoiced and the Council has engaged with Civica (HB software suppliers and resourcing agents) to work on the more recent, yet to be invoiced, debt. Currently it is anticipated that the backlog will be removed by the 31<sup>st</sup> March 2017.

4.4.5 For persons having overpayments recovered from on-going benefit, when they transfer to Universal Credit recovery will cease via that means. The Council will have to make a request for attachment to benefits. If there are 3 or more attachments already set up against an individual debtor the DWP will decline the request and the Council will seek to recover via alternative means.

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

<b>Age Category</b>	<b>£000s</b>
0 to 6 months old	2,203
7 to 9 months old	1,028
10 to 12 months old	852
Over 12 months old	5,360
<b>Total</b>	<b>9,443</b>

4.4.7 Where possible, invoiced Overpaid Housing Benefit debt will 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 enforce



payment.

#### 4.5 Housing Rents

- 4.5.1 The City Council manages approximately 21,000 tenancies across the City. Most tenants are on low income and some 62% of tenants are on full or partial Housing Benefit. This equates to £0.86m per week being paid directly to the Council in Housing Benefit payments.
- 4.5.2 For those tenants not on full Housing Benefit (approx. 14,000), 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 The roll out of universal credit started in January 2016, initially for single (childless) people with new claims and changes of circumstances. The latest indication of the timetable to migrate existing claimants and families to universal credit is that the Government hope to complete this by the end of 2023. As individuals are moved onto the new arrangements, those tenants of working age who currently receive Housing Benefit no longer have their benefit paid to the Council but receive cash instead. They will need to pay their full 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. During the first half of 2016-17, 44 evictions for rent arrears took place. For 2015-16 the equivalent figure was 28. The increase does not represent any change in policy and management scrutinise all potential eviction cases to ensure that the sanction is only used as a last resort.
- 4.5.5 For 2016-17, a government imposed rent reduction of 1% (the first of four) was implemented. This led to a charge of £42.96m for the half year. Arrears brought forward were £1.533m and therefore the total collectable debt for the period was £44.5m. After the deduction of Housing Benefit (£24.1m) this left £20.4m to collect. Of this £18.6m has been collected.
- 4.5.6 Arrears for current tenants at the financial year end stood at £1.8m. This represents an increase of 5.9% on the arrears figure of £1.7m at the end of September 2015.
- 4.5.7 There are no underlying organisational issues as to why the arrears have increased over the previous year. The economic climate, with continuing Welfare Reforms and uncertain, low wage jobs, is continuing to put tenants under a lot of financial pressure, making it harder to collect the rent.
- 4.5.8 Para 4.5.4 above indicates that enforcement procedures have not been relaxed and it is generally the case that there has been a persistent lack of engagement from the tenant prior to an eviction taking place.

#### 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 30<sup>th</sup> September 2016 were £2.89m lower than at the beginning of the financial year.

Age of Debt	£m
Less than 1 month	5.890
1 - 3 months	2.220
4 - 6 months	1.453
7-9 months	1.110
10-12 months	0.445
1-2 Years	2.475
Over 2 Years	4.175
<b>Total</b>	<b>17.768</b>

4.6.3 The level of debt over 12 months old has reduced from £7.34m to £6.65m.

4.6.4 The breakdown of debt over 12 months old is as follows;

Debt Type	Amount @ 31 <sup>st</sup> March 2016 £m	Amount @ 30 <sup>th</sup> Sept 2016 £m
Adult Care	£2.370	£2.268
Council Housing – mainly recoverable repair costs	£0.984	£0.902
Building Safety	£0.673	£0.507
Private Sector Housing - works in default subject to land charge	£0.407	£0.397
Investment Property	£0.405	£0.419
Former Tenant Arrears	£0.352	£0.319
Right to Buy	£0.305	£0.241
All other services	£1.843	£1.597
<b>Total</b>	<b>£7.339</b>	<b>£6.650</b>

4.6.5 As the same point in 2015-16, debts over 12 months old totalled £7.512m, and there has a total reduction of £863k over the 12 month period to 30<sup>th</sup> September 2016. This reduction reflects a number of initiatives that have been carried out including;

- The use of high court enforcement officers,

- Closer working with adult social care to review provision of care for non-payers,
- Joint working with the housing benefit team to review current practices and procedures,
- The use of on-line and agency tracing services.

4.6.6 There has been a significant drive in the last twelve months to increase the numbers of debtors on payment plans. This has been based on a review of individual debt cases and challenging those wishing to pay beyond 12 months through the completion of income and expenditure forms before agreeing a payment plan. This drive has seen an increase in the value of debt being collected via payment plans from £2.164m to £4.349m. Of the £4.349m, £1.915m relates to debts over 12 months old.

4.6.7 The Exchequer 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 as a final tool for compelling payment when all other collection options fail.

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 30<sup>th</sup> September 2016 a total of £1.22m was outstanding and related to 55 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 nine “pay and display” car parks in the City with a total of 1,642 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.

4.7.3 The figures for parking PCNs for the year to 30<sup>th</sup> September 2016 are as follows;

<b>Brought forward £000</b>	<b>Debt raised £000</b>	<b>Debts collected £000</b>	<b>Debts written off £000</b>	<b>Carried forward £000</b>
1,037	1,266	(785)	(344)	1,174

4.7.4 Of the tickets issued since 1<sup>st</sup> April 2016, 69% had been paid by the 30<sup>th</sup> September 2016. This is close to the comparative rate for 30<sup>th</sup> September 2015 of 70.6%.

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

<b>Brought forward £000</b>	<b>Debt raised £000</b>	<b>Debts collected £000</b>	<b>Debts written off £000</b>	<b>Carried forward £000</b>
116	268	(183)	(44)	157

4.7.6 Of the tickets issued since 1<sup>st</sup> April 2016 62% had been paid by the 30<sup>th</sup> September 2016. This is at the same level as for the same point in 2015-16.

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**

Revenues & Customer Support and the Business Service Centre are both part of Financial Services. Housing and the Traffic Management Service have supplied the remaining information and have been consulted in the preparation of this report.

## **REPORT AUTHOR/OFFICER TO CONTACT**

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## Appendix B

### Schedule of Debts Written off Under Delegated Authority – 2016-17 (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	377	206,169.94	10	8,316.41	2,548	453,062.31	2,935	667,548.66
Deceased – No Assets	27	9,531.17	0	0	465	191,491.89	492	201,023.06
Insolvent / Bankrupt/ Liquidated	87	41,946.70	53	34,290.42	96	61,009.94	236	137,247.06
All recovery options exhausted / irrecoverable at reasonable expense	271	43,530.16	10	3,180.78	4,553	529,436.44	4,834	576,147.38
Totals	762	301,177.97	73	45,787.61	7,662	1,235,000.58	8,497	1,581,966.16