



Income Collection April 2016 – March 2017

Decision to be taken by: N/A

Executive meeting date: 25th May 2017

Overview Select Committee date: 22nd June 2017

Lead Director: Alison Greenhill

Useful information

- Ward(s) affected: All
- Report author: Jon King, Accountant
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1. Summary

The report details progress made in collecting debts raised by the Council during 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 exceeded that achieved for 2015/16. The NNDR collection rate is slightly down on last year but remains close to the average collection rate achieved over the last six years. Housing Rent arrears fell during the year. For other income, the absolute level of debt has fallen significantly. More significantly, however, there has been substantial progress in reducing the level of debt which is over one year old. For HB debt although the overall sum owed has increased, more debt was invoiced and more debt was collected than in 2015/16, leaving a lower volume of debt still subject to invoicing. This progress is encouraging and efforts will be continued to collect overpaid housing benefit in advance of the new universal credit regime.

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. Recommendations

The OSC is recommended to:

Consider the overall position presented within this 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

APPENDIX A

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 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 31st March 2017.

2. **Collection Data**

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

Income Type	Performance		
	2016-17 IN-YEAR COLLECTION RATE	2015-16 IN-YEAR COLLECTION RATE	POSITION AGAINST COMPARATOR LAs
Non Domestic Rates	96.71%	97.16%	7th out of 9
Council Tax	95.22%	95%	4 th out of 10
Other Income	Debts over 12 months old amounted to £4.853 @ 31 st March 2017 – this compares to £7.34m @ 31 st March 2016.		

2.2 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 @ 31/3/2017 £m
Non Domestic Rates	7.64	106.72	(103.86)	(0.85)	9.65
Council Tax	12.74	113.62	(111.97)	(1.00)	13.39
Summons Costs (for NDR and CT)	1.29	1.40	(1.02)	(0.15)	1.52
Housing Benefit Overpayments	16.65	7.10	(5.57)	(0.43)	17.75
Council House Rents – Current Tenant Arrears	1.53	81.63	(81.70)	0	1.46
On and Off-Street Car Parking fines	1.03	2.70	(1.60)	(0.82)	1.31
Bus Lane Enforcement	0.12	1.30	(0.81)	(0.13)	0.48
Other Income	20.66	96.42	(99.42)	(1.82)	15.84
Totals	61.66	410.89	(405.95)	(5.20)	61.40

*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.

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

2.4 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.

3. Collection Performance details

3.1 Non-Domestic Rates

3.1.1 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).

3.1.2 There are approximately 12,000 business premises in Leicester City. Rates due for 2016-17 amounted to £107.2m and together with arrears brought forward of £7.2m mean that £114.4m was due for collection from 1/4/2016.

3.1.3 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 31st March 2017). As at 31st March 2017, the collection rate for the year was 96.71%. This compares with 97.16% in 2015-16 and 97.56% in 2014-15.

3.1.4 The Council benchmarks collection performance with a number of other authorities. Against those authorities with a population in excess of 250,000

Leicester were 7th highest out of 9 authorities. The collection performance of business rates can be subject to volatility from one year to the next because of empty or void properties. There have also been delays in receiving corrected rateable values from the Valuation Office and in some cases additional information required for consideration of rate relief was still outstanding at the year end.

3.1.5 An external supplier has been appointed who assists with recovery on difficult targeted cases.

3.1.6 In respect of earlier years' charges £2.379m 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 £4.703m.

3.1.7 During the year £0.86m (including costs) has been written off. The values and reasons for write off are detailed in Appendix 1 of the report.

3.2 Council Tax

3.2.1 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.

3.2.2 There are now over 135,000 domestic properties in Leicester. Council Tax due for 2016-17 is approximately £113.7m and together with arrears brought forward of £12.7m mean that £126.4m was due for collection from 1/4/2016.

3.2.5 The amount of debt due to be collected at the same time last year, including the arrears brought forward was £119.1m. This increase is primarily a result of an overall increase in Council Tax of 4%, additional properties in the city, and fewer people claiming from the council tax support scheme.

3.2.6 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 31st March 2017, 95.22% of the debt due for the current financial year had been collected. The rate compared to 95% achieved for 2015-16. The outstanding debt will continue to be collected in 2017-18. Within our recovery process, we have put in safeguards to protect the most vulnerable.

3.2.7 In relation to our benchmarking group of authorities, the collection performance to 31st March 2017 placed us 4th out of 10 authorities with populations in excess of 250,000.

3.2.8 In respect of earlier years' charges, £3.761m has been collected since 1st 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 £8.4m.

3.2.9 For 2016-17, 135,520 dwellings were billed for Council Tax. 73,187 reminders have been issued to non-payers and 26,528 summonses were subsequently issued (24,674 in 2015-16 for the same period). 13,002 cases were referred to Enforcement Agents (Bailiffs) for collection (11,755 in 2015-16) in relation to outstanding debts for all years.

3.2.10 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 detail the procedure which enforcement agents must follow when seeking to take control of goods and selling them to recover a sum of money.

3.2.11 During the financial year £1.138m (including costs) has been written off. The values and reasons for write off are detailed in Appendix B of the report.

3.3 Court Summons Costs

3.3.1 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 31st March 2017 was £1.53m.

3.4 Overpaid Housing Benefit

3.4.1 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.

3.4.2 Between 1st April 2016 and 31st March 2017 £7.1m of new overpayments have been identified and a total of £5.57m of debt collected. In addition £419k 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.

3.4.3. Of the total of £17.74m outstanding debt, £4.47m is subject to deductions from on-going benefit, with a further £970k awaiting to be set up to recover

from on-going benefit. £10.84m has been invoiced and is subject to recovery action, with a further £1.46m being subject to invoicing in the near future.

- 3.4.4 Extra resources are still being used to enable the backlog of debt yet to be invoiced to be cleared.
- 3.4.5 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.
- 3.4.7 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.

3.5 Housing Rents

- 3.5.1 The City Council manages approximately 20,700 tenancies across the City. Most tenants are on low income and some 61.1% of tenants are on full or partial Housing Benefit. This equates to £0.834m per week being paid directly to the Council in Housing Benefit payments.
- 3.5.2 For those tenants not on full Housing Benefit (approx. 14,265), rent payments are due weekly in advance and for 50 weeks of the year (i.e. there are two “rent free” weeks).
- 3.5.3 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 2022. However, all claimants will be affected from March 2018. As individuals are moved onto the new arrangements, those tenants of working age who currently receive full Housing Benefit will need to pay their full rent themselves (universal credit is paid to claimants in cash). Some vulnerable people will still be able to have their Housing Costs element paid direct to the landlord.
- 3.5.4 The ultimate sanction for non-payment of rent is eviction. During 2016-17, 54 evictions for rent arrears took place. For 2015-16 the equivalent figure was 52.
- 3.5.5 For 2016-17 the average rent decreased by 1%. This led to a gross charge of £81.628m for the year. £81.7m was collected (HB and Cash) leaving arrears at the financial year end of £1.461m. This represents a reduction of 4.7% from the opening arrears figure of £1.533m.

3.6 Other Income

- 3.6.1 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 at any given time the level of debt outstanding at any point is volatile.
- 3.6.2 For this reason, the best indicator of performance is debt which is over 12 months old. The level of debt over 12 months old has reduced from £7.34m to £4.85m.
- 3.6.3 The reduction has occurred as a result of a combination of effective debt recovery initiatives and, where appropriate, debt write-offs. Specific recovery action includes;
- The use of high court enforcement officers,
 - working closely with Adult Social Care to review provision of care for non-payers,
 - The use of on-line and agency tracing services, and of enforcement agents for debts less than £600 where court action is expensive.
 - Outbound telephony campaigns
 - a significant drive during the year to increase the numbers of debtors on payment plans. For old debt the value of debts subject to payment plans has risen from £1.124m to £2.521m. This increase has relied upon a review of individual debt cases, challenging those who wish to repay debt beyond 12 months, and requesting the completion of income & expenditure forms, before agreeing a payment plan.
- 3.6.4 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. The value of debts subject to legal enforcement activity by the Team has risen from just over £1m at the beginning of the year to £1.59m by the end of the year
- 3.6.5 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 31st March 2017 a total of £1.05m was outstanding and related to 58 clients, which is additional to the above sums.

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

- 3.7.1 The Council runs eight “pay and display / pay on foot” car parks (Granville Road and Victoria Park have been merged) in the City with a total of 1,632 spaces. In addition there are approximately 1,270 “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).
- 3.7.2 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.
- 3.7.3 Of the tickets issued since 1st April 2016, 75% had been paid by the end of the year. This is very close to the comparative rate for 2015/16 of 76%.
- 3.7.4 Bus Lane Enforcement is now in place on Charles Street - northbound and southbound, Causeway Lane, Rutland Street, Horsefair Street (since January 2017) and the A426 Lutterworth Road (since November 2016). Fines are levied at the rate of £60, which is discounted to £30 if paid within 14 days.
- 3.7.5 The volume of fines issued is significantly higher than for 2015/16 and reflects the opening of three new bus gates during the second half of the year at Soar Valley Way, Middleton Street and Horsefair Street. The level of fines at these three locations will reduce over time.
- 3.7.6 Of the tickets issued since 1st April 2016 51% had been paid by the 31st March 2017. This compares to 62% for 2015/16. The main cause of the reduction is the introduction of payment plan facilities to drivers, whereby they can pay their debts off in instalments - the ticket isn’t counted as paid until the full amount due is received.

4. 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.

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Appendix B

Schedule of Debts Written off Under Delegated Authority – 2016-17

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	890	570,631.79	48	189,936.27	9,310	1,258,708.22	10,248	2,019,276.28
Deceased – No Assets	74	33,533.28			1,003	402,296.89	1,077	435,830.17
Insolvent / Bankrupt/ Liquidated	182	130,501.35	200	698,117.37	210	107,560.08	592	936,178.80
All recovery options exhausted / irrecoverable at reasonable expense	2,183	479,183.43	104	36,458.93	10,378	1,433,313.47	12,665	1,948,955.83
Totals	3,329	1,213,849.85	352	924,512.57	20,901	3,201,878.66	24,582	5,340,241.08