



Leicester
City Council

Income Collection April 2017 – September 2017

Decision to be taken by: N/a

Overview Select Committee date: 14th December 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 the first six months of 2017-18, together with debts outstanding and brought forward from the previous year.

- The headline collection rate for Council Tax exceeded that achieved by the same point in 2016/17, whilst business rates collection was virtually the same as the previous year.
- Housing Rent arrears have risen since the beginning of the year but this follows established seasonal trends (whilst there are indications that changes to welfare benefit schemes are also having an adverse effect, the main impact will not be felt until the roll out of “full service” in March 2018).
- Housing benefit overpayment debt has increased since the beginning of the year, although the increase is slightly under £200k. More debt was collected than in the first half of 2016/17. Work is required to reduce the backlog of debt still to be invoiced, pending the introduction of universal credit full service.
- For other income, the absolute level of debt has fallen since the beginning of the year and there has been continuing progress in reducing the level of debt which is over one year old.

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.

The report also sets out £2.6m of sums written off (Appendix B). This needs to be seen in the context of the £0.4bn above. Over time write-offs represent a very small proportion of total debt (around 1%). The graph at Appendix C illustrates this.

2. Supporting Information

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

3. Financial, legal and other implications

3.1 Financial implications

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

3.2 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 Appendices A,B&C

5. Summary of appendices attached:

Appendices A ,B & C – Background information, detailed collection performances, schedule of write-offs, and 3 year moving average debt.

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 the remainder 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 six months of 2017-18. 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 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		
	2017-18 – IN-YEAR COLLECTION RATE after 6 months	2016-17 IN-YEAR COLLECTION RATE after 6 months	POSITION AGAINST COMPARATOR LAs
Non Domestic Rates	55.7%	55.7%	7 th out of 11 comparator authorities
Council Tax	53.6%	53.4%	5 th out of 13 comparator authorities
Other Income	Debts over 12 months old amounted to £4.4m @ 30 th September 2017 – this compares to £4.8m @ 31 st March 2017.		

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 @ 1/4/2017 £m	Amounts raised 2017-18 (first 6 months) £m	Amounts collected £m	Amounts written off £m	Debts outstanding @ 30/9/2017 £m
Non Domestic Rates	9.65	105.16	(57.07)	(1.17)	56.57
Council Tax	13.39	119.02	(65.34)	(0.41)	66.66
Summons Costs (for NDR and CT)	1.52	0.82	(0.48)	(0.06)	1.80
Housing Benefit Overpayments	17.75	3.06	(2.67)	(0.2)	17.94
Council House Rents – Current Tenant Arrears	1.46	41.87	(41.49)	0	1.84
On and Off-Street Car Parking fines	1.31	1.24	(0.73)	(0.3)	1.52
Bus Lane Enforcement	0.48	1.35	(0.87)	(0.10)	0.86
Other Income	15.84	43.34	(43.84)	(0.44)	14.90
Totals	61.40	315.86	(212.49)	(2.68)	162.09

2.3 The report focuses on the collection performance of each main category of debt. The figures quoted in the narrative below and in Appendix B are, in some cases, slightly different to those quoted above. This is mainly due to debts brought forward as above being shown as gross whereas in the narrative they are shown net of credits. Write-offs in Appendix B are included as gross figures and in the case of Council Tax and NNDR include costs which are shown separately above.

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 2017-18 amounted to £109.9m and together with arrears brought forward of £8.7m mean that £118.6m is due for collection from 1/4/2017.

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 2017-18 business rates actually paid before 31st March 2018). As at 30th September 2017, the collection rate for the year was 55.70%. This compares with 55.72% at the same in 2016-17 and 56.28% in 2015-16.

- 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 11 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.
- 3.1.5 The Government has introduced three discretionary measures to help those businesses affected by the revaluation of all non-domestic properties, which came into effect from 1 April 2017. These measures include support to those businesses that have lost their entitlement to small business rate relief because their new rateable value has gone over the threshold limit, eligible pubs have been given a discount of £1,000 for one year and a general grant of £1.3m has been awarded to help those businesses that have seen a large increase in their rate bills because of the revaluation. The net effect will be that some businesses will pay less rates than would otherwise have been the case. These reliefs are fully funded by the Government.
- 3.1.6 The Council employs an external supplier to assist with recovery on difficult targeted cases.
- 3.1.7 In respect of earlier years' charges £1.2m 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 £8.7m in April 2017 to £6.4m.
- 3.1.8 During the year £1.2m (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 40% of the Council's Net Budget requirement.
- 3.2.2 There are now over 136,000 domestic properties in Leicester. Council Tax due for 2017-18 is approximately £121.1m and together with arrears brought forward of £12.9m mean that £134m was due for collection from 1/4/2017.
- 3.2.3 The amount of debt due to be collected at the same time last year, including the arrears brought forward was £126.8m. This increase is primarily a result of an overall increase in Council Tax of 4.5%, additional properties in the city, and fewer people claiming from the council tax support scheme.

- 3.2.4 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 2017, 53.64% of the debt due for the current financial year had been collected. The rate compared to 53.42% achieved for 2016-17. Within our recovery process, we have put in safeguards to protect the most vulnerable.
- 3.2.5 In relation to our benchmarking group of authorities, the collection performance to 30th September 2017 placed us 5th out of 11 authorities with populations in excess of 250,000.
- 3.2.6 In respect of earlier years' charges, £2.5m has been collected since 1st April 2017 and together with changes in customer liability and the writing off of debts the overall debts have been reduced from £12.9m to £11.1m.
- 3.2.7 For 2017-18, 136,239 dwellings have been billed for Council Tax. 40,387 reminders have been issued to non-payers and 13,903 summonses have been subsequently issued (16,729 in 2016-17 for the same period). 8,327 cases were referred to Enforcement Agents (Bailiffs) for collection (7,193 in 2016-17) in relation to outstanding debts for all years.
- 3.2.8 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.
- 3.2.9 During the financial year £0.47m (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 30th September 2017 was £1.8m.

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. Statistics published by the DWP in September 2017 show the total value of outstanding HB overpayments in Great Britain "...continuing to follow an increasing trend." They stood at £2.02bn at January 2017.

- 3.4.2 Between 1st April 2017 and 30th September 2017, £3.1m of new overpayments have been identified and a total of £2.7m of debt collected. In addition just over £0.2m 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 £17.9m outstanding debt, £4.4m is subject to deductions from on-going benefit, with a further £1m awaiting to be set up to recover from on-going benefit. £10.6m has been invoiced and is subject to recovery action, with a further £1.9m being subject to invoicing in the near future.
- 3.4.4 Leicester is due to go to full service Universal Credit (UC) from March 2018. From that point onwards significant numbers of claimants will transfer over to UC and their Housing Benefit claim will stop. For those Housing Benefit claimants who were having overpayments recovered from ongoing benefit, this method of recovery will stop as soon as they move over to UC. 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. In practice this means our most important recovery method will dramatically reduce in effectiveness.

3.5 Housing Rents

- 3.5.1 The City Council manages approximately 21,000 tenancies across the City. Most tenants are on low income and some 59.5% of tenants are on full or partial Housing Benefit. This equates to £0.79m per week being paid directly to the Council in Housing Benefit payments.
- 3.5.2 For those tenants not on full Housing Benefit (approx. 14,230), 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 As para 3.4.4 above states, full service UC is due to commence in March 2018. Tenants who are currently claiming benefits are likely to be affected if they are required to make a new claim for benefits or have a change in circumstances. It is anticipated that UC migration will be completed by 2022. Currently people claiming help with rent receive Housing Benefit which is paid directly to Social Landlords. Moving forward any tenant that will be claiming UC will be expected to pay their Housing Costs themselves from their UC payment. Some vulnerable people may be able to have their rent paid directly to the landlord by applying for an Alternative Payment Arrangement (APA).
- 3.5.4 The ultimate sanction for non-payment of rent is eviction. During the first half 2017-18, 19 evictions for rent arrears took place. For 2016-17 the equivalent figure was 40 and this demonstrates that they have reverted to more normal

levels after a hike in 2016. Management scrutinise all potential eviction cases to ensure that the sanction is only used as a last resort.

3.5.5 For 2017-18 the average rent decreased by 1% (as per the Government's policy). Total collectable debit for the first six months of 2017-18 was £43.3m. After the deduction of Housing Benefit (£22.4m) this left £20.9m to collect. Of this £19.1m had been collected.

3.5.6 Arrears for current tenants at the end of September 2017 were £1.8m. This increase of £0.4m is due to a combination of factors;

- Arrears normally increase over the first half of the year, particularly over the summer holidays. They “recover” over the second half of the year, particularly at the end of December because of the two “free” weeks.
- Less tenants successfully claiming benefits,
- Some 200 tenants being affected by the benefit income cap – On average they have lost £54 per week from their HB entitlement. Those affected will be left with a minimum of 50p per week of HB which entitles them to claim other things, such as discretionary housing payments, prescription charges etc.

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.

Overall levels of debt outstanding as at the 30/09/2017 are:

Age of Debt	Amount outstanding 30/09/2017 £m
Less than 1 month	5.11
1 to 3 months	2.66
4 to 6 months	1.09
7 to 9 months	1.13
10 to 12 months	0.49
1 to 2 years	1.26
Over 2 years	3.16
Total	14.90

3.6.2 Given the volatility of overall debt outstanding, the best indicator of performance is debt which is over 12 months old. The level of debt over 12 months old has reduced from £4.85m to £4.42m.

3.6.3 The Exchequer Team have achieved the reduction in older debt by a combination of the following initiatives;

- Working with Adult Social Care staff to enforce collection from individuals who have been assessed as having the financial means to pay their care charges and as being competent to understand their obligation to pay.
- The use of high court enforcement officers paid on results, as opposed to salaried county court bailiffs.
- Wednesday Debt Campaigns – Staff focus on outbound calling.
- Utilising other enforcement methods such as charging orders, third party orders and attachment of earnings orders.
- Engaging the services of Bristow & Sutor enforcement agents for door step collection for hard to collect debts or where legal debt recovery is not commercially viable.
- Payment plans terms restricted to 12 months unless there is full disclosure of income and expenditure details, or exceptional hardship can be demonstrated.
- Equifax Trace & Collect service – identifying those who are more likely to pay, allowing targeted debt collection.
- Reviewing existing payment plans.
- Reviewing '**Search a Will**' for copies of Wills or Grants of Probate for deceased customers allowing us to lodge claims against any estate.

3.6.4 The Exchequer Team continues to enforce, high volume, low complexity debt via the HM Courts & Tribunal Service using Money Claim Online. 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 amounted to £1.2m at 30th September 2017, and represented 391 judgements or orders for recovery.

3.6.5 At 30th September just over £4m of total debt was subject to payment plans. The value of older debt on payments plans has risen to £2.7m. This reflects an increasing number of households on low incomes which necessitate lengthy payment terms.

3.6.6 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 and so are not included in the

above figures. As at 30th September 2017 a total of £1.2m was outstanding and related to 73 clients.

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 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 2017, 65.7% had been paid by the end of September. This is slightly less than at the same point in 2016/17 when the rate was 69%.
- 3.7.4 Bus Lane Enforcement is now in place on Charles Street - northbound and southbound, Causeway Lane, Rutland Street, Horsefair Street, the A426 Lutterworth Road and Thurcaston Road Bridge. Fines are levied at the rate of £60, which is discounted to £30 if paid within 14 days.
- 3.7.5 Since September 2017 new enforcement cameras have been in operation outside London Road Railway Station where there is a bus stop clearway. Fines of £70 apply, reduced to £35 if paid within 21 days.
- 3.7.6 The volume of fines issued is significantly higher than for 2016/17 and reflects the opening of three new bus lanes/gates during the second half of 2016-17 at Soar Valley Way, Middleton Street and Horsefair Street, as well as at Thurcaston Road Bridge since July 2017.

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 – 2017-18 (first 6 months)

Debt Type / Location →	Council Tax (Including Costs)		Non Domestic Rates (Including Costs)		Income Collection, Overpaid HB, Former Tenant Arrears, and Car Parking/BLE fines		Total	
	No.	Value £000	No.	Value £000	No.		No.	Value £000
Reason for Write Off ↓								
Unable to Trace	465	316	6	6	4,884	381	5,355	703
Deceased – No Assets	51	18			322	93	373	111
Insolvent / Bankrupt/ Liquidated	95	61	89	886	100	27	284	974
All recovery options exhausted / irrecoverable at reasonable expense	172	52	28	213	4,548	541	4,748	806
Totals	783	447	123	1,105	9,854	1,042	10,760	2,594

