
Income Collection April 2022 – September 2022

Decision to be taken by: N/A

Date of meeting: 15th December 2022

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Ben Matthews
- Author contact details: Ben.Matthews@leicester.gov.uk
- Report version number: V1

1. Summary

This report details progress made in collecting debts raised by the Council during the first six months of 2022-23, 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. The key current issue for debt collection, now that the effects of the pandemic are largely over, is the cost of living crisis, and officers are keenly 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. 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 from the public each year: in 2021/22 this was £445m. 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.

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 more detailed information and narrative for each main category of debt.

Appendix B provides a summary of all the write-offs during the period.

Appendix C provides a summary of Write Offs Over £5k for 2022/23.

5. Detailed report

See appendices

6. Financial, legal, equalities, climate emergency 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

Colin Sharpe, Deputy Director of Finance

6.2 Legal implications

Where appropriate debts are the subject of legal action through the courts.

Jeremy Rainbow – Principal Lawyer (Litigation) Ext 37 1435

6.3 Equalities implications

The Council must make every effort to collect its due debts. The Council's policy aims at ensuring that the Council collects debt in a fair, proportionate and respectful manner. Communications with residents should be designed to prompt timely payment from residents who can pay, and early engagement from those who may have difficulties in keeping up with paying the necessary instalments on their bill, and may be in broader financial difficulty.

Copies of the policy are available on the Council's 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).

6.4 Climate Emergency implications

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

Aidan Davis, Sustainability Officer, Ext 37 2284

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

No other implications are noted as this is an Income Collection report, and therefore no policy changes are proposed.

7. Background information and other papers:

Finance Procedure Rules

Debt Policy

8. Summary of appendices:

Appendix A provides more detailed information and narrative for each main category of debt;

Appendix B is a summary of all write offs;

Appendix C is a summary of Write Offs Over £5k for 2022/23.

9. 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

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

No

Summary of all Debt

Income Type	Debts brought forward @ 1/4/2022 £m	Debt raised £m	Collected £m	Written off £m	Debts outstanding @ 30/09/22 £m
Non-Domestic Rates (including Costs)	13.66	101.01	(57.12)	(1.27)	56.28
Council Tax (including Costs)	29.22	169.23	(86.32)	(0.47)	111.66
Housing Benefit Overpayments	10.10	1.32	(1.69)	(0.28)	9.45
Council House Rents	3.08	44.83	(44.34)	(0.06)	3.51
On and Off-Street Car Parking fines	1.94	1.87	(1.00)	(0.37)	2.44
Bus Lane Enforcement	0.71	0.77	(0.49)	(0.11)	0.88
Other Income	22.30	52.38	(57.83)	(0.50)	16.35
Totals	81.01	371.41	(248.79)	(3.06)	200.57

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
13.66	101.01	(57.12)	(1.27)	56.28

1.2 Background and comparator information

Background Information

Business Rates are a national tax paid by approximately 12,950 businesses in Leicester.

Comparator Information

Debt collection was significantly affected by the pandemic though there have been continued improvements in collection during 2022/23. Below shows the collection rate over the last four years:

- Collection to 30th September 2019 – 55.30%
- Collection to 30th September 2020 – 50.40%
- Collection to 30th September 2021 – 51.84%
- Collection to 30th September 2022 – 55.01%

It should be noted that unpaid debt at 31st March continues to be collected in the following year. To 30th September 2022 we had collected £2.0m of the £13.7m prior years' debt due.

As at 30th September 2022, our collection performance places us 9th out of 10 authorities with comparable populations. However, it should be noted that due to the close nature of the comparator authorities, small differences in the collection rate result in a greater movement in places.

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	66	1,219
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	3	46
Totals	69	1,265

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 which was introduced by the Government in the pandemic has been scaled down in 2022/23 and now only covers 50% of rates due.

The payment of rates due from schools has been centralised to the Education & Skills Funding Agency.

1.5 Summary of measures taken to recover debt

Debt recovery measures

Economic conditions and energy cost rises are expected to impact collection of business rates and recovery action was again paused from March 2022 to the beginning of June 2022 to focus on paying grants to support businesses.

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
29.22	169.23	(86.32)	(0.47)	111.66

2.2 Background and comparator information

Background information

Council tax is a national tax, charged to almost 143,000 properties in Leicester. The amount we collect includes sums charged by the fire authority and the police and crime commissioner.

The position for 22/23 is distorted, and does not show the real underlying position. This is because confirmation of student exemptions is still awaited, and our accounts therefore show greater amounts due than is actually the case.

Comparator information

The following shows the percentage debt collection in the year it is raised:

- Collection 2019/20 – 53.28%
- Collection 2020/21 – 49.85%
- Collection 2021/22 – 52.11%
- Collection 2022/23 – 50.27%

It should be noted that unpaid debt on 31st March continues to be collected in the following year. To 30th September 2022 we had collected £4.2m of the £29.2m prior years debt due.

Because our position is distorted by the absence of student exemptions, comparator information would not be valid at 30th September.

2.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	339	260
Deceased – No Assets	41	29
Insolvent / Bankrupt/ Liquidated	156	183
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	118	(5)
Totals	654	467

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

Changes

Council tax and business rates recovery action was paused from March 2022 to the beginning of June 2022, to enable staff to focus on making the council tax energy rebate payments to over 95% of city households as quickly as possible.

As at 30th September council tax support has been credited to 24,903 accounts at a cost of £27.7m to the council.

The Council Tax Discretionary Relief (CTDR) policy was reviewed at the beginning of the 2021/22 financial year, to ensure that the process of applying for relief was made as simple as possible for those in extreme financial hardship. As at 30th September 2022, just over £400k was paid to eligible households to make their council tax payments affordable. This is funded by the Council.

2.5 Summary of measures taken to recover debt

Debt recovery measures

As stated above, all recovery action was paused from March 2022 to the beginning of June 2022. The usual 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 this year, any customer contacting us with regards to their council tax payments, is being 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 that are struggling to pay can speak to the service via our telephone helpline. These customers 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
10.10	1.32	(1.69)	(0.28)	9.45

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. Of the £9.45m outstanding, processes are in place to recover debt wherever possible.

Overall, housing benefit debt continues to reduce from £11.02m in September 2021 to £9.45m as of September 2022, due to improved collection and reduced debt being raised because of less overpayments following the move to Universal Credit.

Comparator information

Debt outstanding at:

- 30/09/2018 £16.79m
- 30/09/2019 £14.86m
- 30/09/2020 £13.74m
- 30/09/2021 £11.02m
- 30/09/2022 £9.45m

3.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	21	23
Deceased – No Assets	9	31
Insolvent / Bankrupt/ Liquidated	12	10
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	699	216
Totals	741	280

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.

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 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
3.08	44.83	(44.34)	(0.06)	3.51

4.2 Background and comparator information

Background information

The Council currently collects rent from approximately 19,000 tenancies across the city. Approximately, 6,900 of our tenants (36%) are on full or partial housing benefit and 6,100 (32%) on universal credit. The debt raised & collected includes the element paid by housing benefit.

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 ons	76	60
Totals	76	60

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

Changes

It is now over 4 years since the implementation of UC, and it is anticipated from the DWP that the full UC migration will be completed by 2024.

In May 2021 the Debt Respite Scheme (Breathing Space) legislation was enacted giving tenants with problem debt the right to legal protections from landlord action, with a standard breathing space giving legal protections for up to 60 days. The protections include pausing most enforcement action and freezing most interest and charges. This scheme is still in place and the number of tenants on the scheme has increased recently.

There has been a significant increase in the cost of living, with it rising at the fastest rate for 40 years. This is mainly driven by the record rises in food and energy costs, which will continue to cause extra pressure on households' budgets. We continue to encourage anyone with outstanding debt who is struggling pay to contact us as soon as possible.

4.5 Summary of measures taken to recover debt

Debt recovery measures

The Housing Income Management Team are working collaboratively with the Department for Work & Pensions (DWP) and work coaches from the local Job Centre Plus 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 also provide support to claim Discretionary Housing Payments (DHP).

The additional recruitment of Rent Management Advisors (RMA) was approved in 2021 to deal with potential surges in UC claims. The RMA role has expanded to all benefits following a successful 6-month pilot, with an aim to support all council tenants in maximising income, claiming benefits and sustaining tenancies by preventing court action. Currently, the RMA's have received 440 referrals, an increase of 64% on the same point last year. Again, this trend is likely to increase over the coming months as a direct impact of the cost-of-living crisis.

RMA's are supporting vulnerable tenants to claim and maintain UC and other funding streams, including Limited Capability for Work Related Activity and Personal Independence payments.

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
1.94	1.87	(1.00)	(0.37)	2.44

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 costs.

Comparator information

The percentage of tickets issued during the year, paid at 30th September.

- 2021/22 - 66%
- 2022/23 - 67%

5.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	2,013	215
Deceased – No Assets	13	1
Insolvent / Bankrupt/ Liquidated	54	7
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	1,355	144
Totals	3,435	367

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

Changes

Income generated by parking PCNs has increased steadily but is still limited by changing workforce behaviours and the level of use of parking bays.

5.5. Summary of measures taken to recover debt

Usual Debt recovery measures

- Reminder letters
- Legal action

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
0.71	0.77	(0.49)	(0.11)	0.88

6.2 Background and comparator information

Background information

Collection of bus lane enforcement debt is currently carried out on our behalf by Nottingham City Council. From April 2023 this will be carried out in-house, with the exception of reviewing CCTV footage which will remain with Nottingham City Council.

Comparator information

The percentage of tickets issued during the year, paid at 30th September.

- 2020/21 - 60%
- 2021/22 - 61%
- 2022/23 - 60%

6.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	882	85
Deceased – No Assets	0	0
Insolvent / Bankrupt/ Liquidated	0	0
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	438	27
Totals	1,320	112

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

Changes

As pandemic restrictions have ceased and more traffic has returned to the roads, there has been an increase in contravention, but not to pre-covid levels.

All cameras are now active apart from Abbey Street which is due to change from being a bus gate to a bus lane following the opening of the new St Margaret's bus station. Activation of the Abbey Street camera is pending review of other bus priority schemes in the centre of the city.

Since 31st May 2022 all moving traffic contraventions fall under new regulations and are levied at £70, which is discounted to £35 if paid within 21 days. This is an increase in the rate previously charged in respect of most lanes.

6.5 Summary of measures taken to recover debt

Usual Debt recovery measures

- Reminder letters
- Legal action

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
22.30	52.38	(57.83)	(0.50)	16.35

7.2 Background and comparator information

Background information

“Other Income” includes all 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 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 increased in the past 12 months, although (despite the cost of living crisis) the increase has been marginal:

- 30/09/2019 £3.28m
- 30/09/2020 £4.08m
- 30/09/2021 £4.63m
- 30/09/2022 £4.68m

7.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	39	11
Deceased – No Assets	436	317
Insolvent / Bankrupt/ Liquidated	10	16
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	522	151
Totals	1,007	495

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

Changes

Higher living costs and rising energy bills is expected to have 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 part of our normal process, 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.

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 expense/including adjustments for costs and write ons £000	Total Write Offs @ 30/09/2022 £000
Non Domestic Rates (including Costs)	0	0	1,219	46	1,265
Council Tax (including Costs)	260	29	183	(5)	467
Housing Benefit Overpayments	23	31	10	216	280
Council House Rents	0	0	0	60	60
On and Off-Street Car Parking fines	215	1	7	144	367
Bus Lane Enforcement	85	0	0	27	112
Other Income	11	317	16	151	495
Totals	594	378	1,435	639	3,046

Appendix D

Write Offs Over £5k for 2022/23

Income Type	No. of Write Offs	Value £000
Non Domestic Rates (including Costs)	43	1,165
Council Tax (including Costs)	3	17
Housing Benefit Overpayments	6	69
Council House Rents	0	0
On and Off-Street Car Parking fines	0	0
Bus Lane Enforcement	0	0
Other Income	16	355
Totals	68	1,606

Financial procedure rules require me to itemise any individual write-offs in excess of £100,000. There was one such write-off in the first six months of 2022/23.

- £251,370 of Non Domestic Rates owed by Arcadia Group Ltd and written off following their liquidation.