
Income Collection April 2022 – March 2023

Decision to be taken by: N/A

Date of meeting: 13th July 2023

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Ben Matthews
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- Report version number: V1

1. Summary

This report details progress made in collecting debts raised by the Council during the 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 have 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. 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, including adopting four of the six Money Advice Trust's 'Stop the Knock' campaign steps for the collection of Council Tax. 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.

Members will also be aware that the Council offers a range of support to help people maximise their household income, seek reductions to their council tax, and claim short term one-off support to help with rent and other costs. These include the 'BetterOff Leicester' website, the Household Support Fund, council tax support scheme, council tax discretionary relief, discretionary housing and council tax payments, an online budgeting tool and pointers to financial support offered by other agencies. Full details can be found at <https://www.leicester.gov.uk/your-community/benefits-and-other-support/>.

Figures included in this report should be seen in the context of the total amount of income collected by the Council from the public each year: in 2022/23 this was £465m. 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 is a summary of all debt.

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

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

Appendix D 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, ext. 37 4081

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 debt 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 debt policy and the rent arrears 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).

Effective communications are central to maximising income collection. Timely and accessible communications will help customers make the required payments. It is important to provide information clearly and transparently to debtors on what/how to pay, what to do if they can't pay and what actions we may take; assist them in understanding the situation, their options and what is required of them as individuals before further recovery progression.

Equalities Officer, Surinder Singh, Ext 37 4148

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 and Rent Arrears Policy

8. Summary of appendices:

Appendix A is a summary of all debt.

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

Appendix C is a summary of all write offs.

Appendix D provides 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 @ 31/03/23 £m
Non-Domestic Rates (including Costs)	13.66	98.66	(97.53)	(1.70)	13.09
Council Tax (including Costs)	29.22	166.34	(159.91)	(1.27)	34.38
Housing Benefit Overpayments	10.10	2.27	(3.32)	(0.39)	8.66
Council House Rents	3.08	82.13	(82.19)	(0.17)	2.85
On and Off-Street Car Parking fines	1.94	4.03	(2.20)	(1.41)	2.36
Bus Lane Enforcement	0.71	1.52	(0.98)	(0.26)	0.99
Other Income	22.30	118.68	(118.38)	(0.54)	22.06
Totals	81.01	473.63	(464.51)	(5.74)	84.39

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	98.66	(97.53)	(1.70)	13.09

1.2 Background and comparator information

Background Information

Business Rates are a national tax paid by approximately 12,760 businesses in Leicester.

Comparator Information

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

- Collection 2019/20 – 95.68%
- Collection 2020/21 – 89.66%
- Collection 2021/22 – 95.86%
- Collection 2022/23 – 95.85%

In comparing years, it should be borne in mind that many businesses continued to receive some business rate relief in 2022/23, reducing the amount to be collected.

As at 31st March 2023, our collection performance places us 8th out of 13 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	5	13
Deceased – No Assets	1	4
Insolvent / Bankrupt/ Liquidated	264	1,851
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	53	(170)
Totals	323	1,698

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 up to a cap of £110k per eligible business.

The payment of rates due from schools was also centralised to the Education & Skills Funding Agency (ESFA).

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. Normal recovery processes are planned to resume in 2023/24.

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	166.34	(159.91)	(1.27)	34.38

2.2 Background and comparator information

Background information

Council tax is a national tax, charged to almost 143,700 properties in Leicester. The amount we collect includes sums charged by the combined fire authority and the police and crime commissioner.

Comparator information

The following shows the percentage debt collection in the year it is raised. It is pleasing to note debt collected is similar to the previous year, despite the cost of living pressures. The aim is to reach collection to pre-covid levels, whilst protecting and helping the most vulnerable.

- Collection 2019/20 – 94.64%
- Collection 2020/21 – 91.64%
- Collection 2021/22 – 92.97%
- Collection 2022/23 – 92.62%

It should be noted that unpaid debt on 31st March continues to be collected in the following year. To 31st March 2023 we had collected £6.0m of the £29.2m prior years' debt due.

As at 31st March 2023, our collection performance places us 12th out of 13 authorities with comparable populations.

2.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	832	737
Deceased – No Assets	137	95
Insolvent / Bankrupt/ Liquidated	512	478
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	2,353	(37)
Totals	3,834	1,273

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

Changes

Council tax 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 all eligible city households as quickly as possible. The schemes closed on 30th November 2022 and 131,511 payments were made, with a total value of £19.7m. Normal recovery processes are planned to resume in 2023/24.

As of 31st March 2023, council tax support has been credited to 24,326 accounts, at a cost of £24.3m to the Council.

The Council Tax Discretionary Relief scheme also provides support to households experiencing extreme financial hardship. As of 31st March 2023, just over £610k 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

The Council is continuing to review local taxation debt collection practices and has adopted four of the six Money Advice Trust's 'Stop the Knock' campaign steps. We are committed to reduce our use of enforcement agents (bailiffs) over time and will continue our approach to free debt signposting. Building upon current informal arrangements with Citizens Advice Leicestershire and other partners, we have implemented a formal vulnerability policy and a Standard Financial Statement to objectively assess affordability. Billing, recovery, and enforcement policies will continue to be reviewed as circumstances change.

In addition, we give every opportunity during the debt recovery process for customers to contact us, to make a payment arrangement, to be referred for debt advice, to be considered for discretionary help, and to look at any other ways of reducing the bill. Therefore, where all engagement efforts have failed, we do not necessarily exempt council tax support recipients from enforcement agent action as recommended by 'Stop the Knock'. We have not formally adopted the Citizens Advice Council Tax Protocol, as we believe our local recovery processes are more relevant and up to date.

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, 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 struggling to pay 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	2.27	(3.32)	(0.39)	8.66

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 £8.66m outstanding, processes are in place to recover debt wherever possible.

Overall, housing benefit debt continues to reduce from £10.10m at 31/03/2022 to £8.66m as at 31/03/2023.

Comparator information

Debt outstanding at:

- 31/03/2018 £17.09m
- 31/03/2019 £15.50m
- 31/03/2020 £13.11m
- 31/03/2021 £11.62m
- 31/03/2022 £10.10m
- 31/03/2023 £8.88m

3.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	60	32
Deceased – No Assets	16	33
Insolvent / Bankrupt/ Liquidated	17	11
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	1,362	309
Totals	1,455	385

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	82.13	(82.19)	(0.17)	2.85

4.2 Background and comparator information

Background information

The Council collects rent from approximately 18,800 tenancies across the city. Approximately, 6,600 of our tenants (35%) are on full or partial housing benefit and 6,500 (35%) on Universal Credit (UC). The debt raised and collected includes the element paid by housing benefit.

Comparator information

Arrears have decreased by £200k over the past year; this positive movement in rent arrears is welcomed, given the significant increase in cost of living. However, we are aware of the impact of the cost of living and will continue to support tenants and closely monitor outstanding debt.

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	138	171
Totals	138	171

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

Changes

It is now over 5 years since the implementation of UC, and it is anticipated from the DWP that the full UC migration will be completed by March 2024.

4.5 Summary of measures taken to recover debt

Debt recovery measures

The Housing Income Management Team work 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 funds.

The team has 8 Rent Management Advisors (RMA), to support the most vulnerable tenants or those with complex needs, with claiming and maintaining UC and welfare benefits. Currently, the RMA's have received over 900 referrals, an increase of 55% from the previous year. Again, this trend is likely to increase over the coming months as a direct impact of the cost-of-living crisis.

The ultimate sanction for rent arrears is eviction as the option of last choice, however the team works with tenants to prevent this. We continue to encourage anyone with outstanding debt who is struggling pay to contact us as soon as possible.

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	4.03	(2.20)	(1.41)	2.36

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 31st March.

- 2021/22 – 75%
- 2022/23 – 75%

5.3. Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	6,075	576
Deceased – No Assets	21	2
Insolvent / Bankrupt/ Liquidated	92	9
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	8,043	826
Totals	14,231	1,413

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

Changes

There has been an increase in the number Civil Enforcement Officers carrying out patrols and the number of PCN's issued has increased from 68,104 in 2021/22 to 84,418 in 2022/23 as we return to full enforcement and pre pandemic levels of traffic and consequently on and off street parking.

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	1.52	(0.98)	(0.26)	0.99

6.2 Background and comparator information

Background information

The Council issues penalty notices for driving in those bus lanes with enforcement measures. The fine for driving is £70, reduced to £35 if paid within 21 days. If not paid, the fine may increase to £105.

When the penalty notices are written off, they are done so at the full rate plus costs.

Collection of bus lane enforcement debt has been carried out on our behalf by Nottingham City Council. This will in future 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 31st March

- 2021/22 - 64%
- 2022/23 - 64%

6.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	2,087	196
Deceased – No Assets	7	1
Insolvent / Bankrupt/ Liquidated	11	1
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	809	58
Totals	2,914	256

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. 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	118.68	(118.38)	(0.54)	22.06

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 year, although (despite the cost of living crisis) the increase has been small:

- 31/03/2019 £3.59m
- 31/03/2020 £3.48m
- 31/03/2021 £4.33m
- 31/03/2022 £4.48m
- 31/03/2023 £5.25m

7.3 Debt write-off

Reason for Write Off ↓	No.	Value £000
Unable to Trace	52	13
Deceased – No Assets	548	346
Insolvent / Bankrupt/ Liquidated	15	19
All recovery options exhausted / irrecoverable at reasonable expense, including adjustments for costs and write ons	1,074	164
Totals	1,689	542

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

Changes

Higher living costs and rising energy bills are 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. Debtors are encouraged to engage with our support offer.

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 @ 31/03/2022 £000
Non Domestic Rates (including Costs)	13	4	1,851	(170)	1,698
Council Tax (including Costs)	737	95	478	(37)	1,273
Housing Benefit Overpayments	32	33	11	309	385
Council House Rents	0	0	0	171	171
On and Off-Street Car Parking fines	576	2	9	826	1,413
Bus Lane Enforcement	196	1	1	58	256
Other Income	13	346	19	164	542
Totals	1,567	481	2,369	1,321	5,738

Appendix D

Write Offs Over £5k for 2022/23

Income Type	No. of Write Offs	Value £000
Non Domestic Rates (including Costs)	80	1,683
Council Tax (including Costs)	11	70
Housing Benefit Overpayments	10	96
Council House Rents	3	23
On and Off-Street Car Parking fines	0	0
Bus Lane Enforcement	0	0
Other Income	16	355
Totals	120	2,227

Financial procedure rules require any individual write-offs in excess of £100,000 to be itemised There was one such write-off in 2022/23.

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