

# Report of the Strategic Director Corporate Services to the meeting of the Corporate Overview & Scrutiny Committee to be held on 5 April 2017

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## Subject:

Council Tax Collection

## Summary statement:

This report details the performance of Council Tax collection and the Council Tax Reduction scheme, and the current and future challenges affecting council tax collection and council tax support arrangements

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**Overview & Scrutiny Area:**

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## 1. SUMMARY

- 1.1. This report explores the performance and challenges for Council Tax collection and Council Tax Reduction, the impact of the introduction and implementation of Universal Credit, and the options for future Council Tax Support currently being explored.

## 2. BACKGROUND

- 2.1. Council Tax is raised on an annual basis, following the budget setting process, for all households in the Bradford District; and this is then collected over the course of the financial year.
- 2.2. A Localised Council Tax Support scheme, Council Tax Reduction (CTR), was introduced in 2013/14. The introduction of the CTR scheme increased the number of accounts that have to be collected by creating a new Council Tax liability for those that were previously exempt under the Government's Council Tax Benefit scheme.
- 2.3. A change to the working-age scheme was introduced for 2016/17 which provided increased support, up to 100% of Council Tax liability, for those that qualify for a severe or enhanced disability premium, or the Carers premium.
- 2.4. Universal Credit (UC) will go fully live across the Bradford District in March 2018, at which point all new working age Job Seekers Allowance (JSA), Housing Benefit (HB), Income Support (IS), Employment Support Allowance (ESA), Working Tax Credit (WTC) and Child Tax Credit (CTC) claimants will fall within the scope of UC. Currently, eligibility to claim UC is limited to newly unemployed working age single people.
- 2.5. A proportion of the HB caseload will migrate to UC over time if there is a significant change to the claimant's benefits. For those that do not, a process called 'Forced Migration' will move all remaining HB claimants onto UC. This is expected to take place between July 2019 and March 2022: The Department for Work and Pensions (DWP) has yet to release precise details of the 'Forced Migration' schedule.
- 2.6. The Council Tax collection report to Corporate Overview & Scrutiny Committee on 14 April 2016 highlighted the challenges that UC creates for the Council and residents; and the need to re-examine the provision of Council Tax Support for the Bradford District.
- 2.7. Executive, 11 October 2016, requested that options for the future delivery of Council Tax Support be developed for consideration.



### 3. OTHER CONSIDERATIONS

- 3.1. The CTR scheme seeks to support vulnerable residents who may otherwise struggle to pay their Council Tax. The current CTR scheme is means tested and can provide for a reduction of net council tax liability;
- Working age Council Tax payers, or their partner, who qualify for a severe or enhanced disability premium, or the Carers premium, could receive a reduction of up to 100%
  - All other working age Council Tax payers could receive a reduction of up to 75%
  - The scheme for those of pension age, which allows a reduction of up to 100%, is prescribed by national legislation and cannot be changed by the Council
- 3.2. There has been a decline in the number of CTR claimants over the past few years. This is, in part, due to the upturn in the economy, which has resulted in fewer working age claimants, and the phased increase in the state pension age. Table 1 below illustrates the impact of the reduction in the number of CTR claimants over the past three years.

Claimant Category	2014/15		2015/16		2016/17	
	number	cost	number	cost	number	cost
Pension Age	19,400	£14,224,340	18,267	£13,615,480	17,391	£13,203,247
Working age						
• Disabled/Carers now protected	N/A	N/A	N/A	N/A	11,327	£9,365,163
• Disabled	8,719	5,214,971	10,305	£6,498,603	2,569	£1,629,773
• With children under 5	6,771	£3,874,395	6,266	£3,485,155	5,520	£3,102,902
• In employment	3,488	£1,369,861	3,470	£1,306,064	3,220	£1,361,287
• Other	12,865	£6,961,492	10,491	£5,366,629	7,303	£4,025,413
<b>Total</b>	<b>51,243</b>	<b>£31,645,060</b>	<b>48,799</b>	<b>£30,271,939</b>	<b>47,330</b>	<b>£32,687,787</b>

Table 1

- 3.3. The introduction of 100% support for the severely disabled and carer has resulted in changes to the other reported groups in table 1. It is difficult to draw firm conclusions about which groups have reduced as a consequence of fewer claimants - other than pension-age claimants which will reduce as state pension age continues to rise.
- 3.4. All 11,327 claimants that qualify for a severe or enhanced disability premium have benefitted from the increase in support; with 9,461 of them receiving the full 100% discount and having no Council Tax to pay.
- 3.5. There are also 11,896 pension age claimants in receipt of 100% CTR. This means that, in total, 21,357 CTR claimants have no Council Tax to pay; which equates to 45% of the total CTR caseload.
- 3.6. Table 2 shows the number of households, the amount of Council Tax liability and



CTR, and the Council's performance in collecting current year Council Tax (estimated for current year) over the past four years.

At the end of February 89.17% of the current years Council Tax liabilities have been collected which is an improvement on the same point last year when 88.92% had been collected.

Billing Year	No. of Households	Council Tax Liability	CTR	In year collection
2016/17	214,864	£194m	£32.7m	(Est.) 94.5%
2015/16	213,645	£185m	£30.3m	94.2%
2014/15	212,157	£178m	£31.7m	94.2%
2013/14	210,713	£172m	£32.7m	94.3%

**Table 2**

- 3.7. Council Tax collection is closely and regularly monitored to ensure that collection is maximised. One of the key measures of performance is the "in year" collection rate; which relates to the amount of Council Tax collected in the year for which it was raised. Whilst in year collection is a key measure and is commonly used to benchmark performance against other local authorities, collection efforts continue to ensure that over time all the Council Tax that is collectable is collected. The following table demonstrates that the Council has collected 98.3% of the charge it raised in 2011/12 and efforts continue to collect any remaining arrears.

Year of Charge	% Collection at 1st March 17
2011 -12	98.3%
2012 -13	98.2%
2013 -14	97.4%
2014 -15	96.5%
2015 -16	95.6%

**Table 3**

- 3.8. The majority of Council Taxpayers, including those in receipt of CTR, do pay their charge as billed or following receipt of a reminder notice. However, where non-payment occurs, prompt enforcement action is taken, in accordance with the Council's collection policy.
- 3.9. There are a number of factors that continue to make collection difficult, including;
- High levels of deprivation in the district that can create payment difficulties for some residents, including those in receipt of CTR.
  - Multi year debt, where Council Tax payers are in arrears for more than the current year. Tax payers are expected to pay the current liability and have an arrangement in place to pay the outstanding balance in instalments – this arrangement may often need to be in place for more than a year.
  - Where a liability order has been issued to someone on benefits, an attachment to benefits may not always be possible, particularly if the claimant has other priority debts. Where it is possible, the growing problem of it being insufficient to cover the annual charges is adding to the multi-year debt situation



(as described in 3.13-14).

- 3.10. Collection rates of Council Tax declined following the introduction of the CTR scheme in 2013/14 but they are improving again and for CTR working-age recipients, collection rates are certainly not as initially feared, but they still remain lower than non-CTR collection rates.
- 3.11. Collecting Council Tax from CTR working-age recipients is proving to be resource intensive and time-consuming, due to the minimum payment being required by working age households, resulting in the Council having to collect often small amounts of Council Tax from these residents.
- 3.12. Table 4 below shows the various collection levels for the different CTR groups. As would be expected pensioners, who still receive 100% relief, are by far the best payers. Those with a disability are the next group, and this was the case, both before and after, those with a severe disability were protected. Those we have the most difficulty collecting Council Tax from continue to be those that don't fall in to any other group and are predominantly those out of work

Claimant Category	Liability 2014/15	Collected at 31 March 2015	Liability 2015/16	Collected at 31 March 2016	Liability 2016/17	Collected at 28 Feb. 2017
Pension Age	£2,337,812	99.5%	£2,401,958	99.8%	£2,218,241	97.9%
Working age						
• Disabled/Carers now protected	N/A	N/A	N/A	N/A	£611,003	90%
• Disabled	£2,547,548	82.5%	£2,664,761	81.3%	£681,663	74.3%
• With children under 5	£1,957,232	76.0%	£1,992,650	74.2%	£1,805,532	71.1%
• In employment	£1,694,147	81.0%	£1,704,961	79.6%	£1,669,061	75.1%
• Other	£2,894,901	72.0%	£2,849,667	71.0%	£2,092,232	66%
<b>Total</b>	<b>£11,431,640</b>	<b>83.5%</b>	<b>£11,613,997</b>	<b>82.5%</b>	<b>£9,077,732</b>	<b>80.6%</b>

Table 4

- 3.13. Multi-year debts continue to be a challenge for the Council, with a significant number of CTR working age recipients having arrears from previous years. These arrears are often not paid off before a new Council Tax bill is issued. Based on experience to date, there is an obvious problem of an accumulation of arrears, for CTR working age recipients that are unlikely to be paid off. In order to mitigate this problem the Service is making an assessment on individual cases and where the arrears or a proportion of the arrears are considered irrecoverable due to the individuals circumstances then these will be considered for 'write off'. The consequence of this is higher levels of 'write-off' than originally anticipated.
- 3.14. Table 5 illustrates the extent of the problem of multi-year debt amongst CTR claimants. Around £1.5m is currently the subject of an attachment of benefit, from over 9,000 taxpayers. A similar number and amount is sat pending a deduction being made, because the person is already included in the aforementioned group.



Financial year of debt	Attachment of Benefit in place		Attachment of Benefit Pending		Grand Total	
2013	£245,491	1,756	£141,386	883	£386,877	2,639
2014	£461,028	3,011	£311,589	1,877	£772,618	4,888
2015	£630,452	3,619	£580,396	3,168	£1,210,849	6,787
2016	£215,818	1,080	£445,085	2,201	£660,904	3,281
<b>Grand Total</b>	<b>£1,552,790</b>	<b>9,466</b>	<b>£1,478,458</b>	<b>8,129</b>	<b>£3,031,249</b>	<b>17,595</b>

**Table 5**

- 3.15. Despite the pressures of collection the Service ensures that the Council's debt collection practices remain in line with best professional practice and latest Government guidance, and that processes are proportionate to the debt involved.
- 3.16. The Service continues to introduce improvements to support Council Tax payers and increase collection and in the last 3 months one such improvement has seen the Service dedicate 15 staff to working 4pm - 7pm, 4 days a week to proactively contact those Council Tax payers who default on a previously made arrangement. This is intended to improve collection as well as supporting those Council Tax payers, who default on a payment, to quickly reinstate any arrangement before substantial arrears build up.
- 3.17. The Council's collection policy is updated as new learning, operational improvements and legislative changes dictate; and clearly explains to taxpayers how the Council will collect and recover Council Tax. The collection policy is regularly updated and is available on the Council's website.

### **Scheme Changes**

- 3.18. The introduction of Universal Credit presents some challenges for the administration of the current CTR scheme, and provides an opportunity to consider if and how the Council might better administer and deliver Council Tax Support. Recognising this, the Executive, on 11 October 2016, requested that options for the future delivery of Council Tax Support be developed for consideration.
- 3.19. The current CTR scheme requires that changes in a claimant's circumstances are assessed to determine if there is a change in CTR eligibility; and if so, to recalculate entitlement and issue a new Council Tax bill. UC claimants have their entitlement to UC assessed monthly by the DWP. If the claimant is in receipt of CTR, and there is a change in their assessment, details are passed to the Council; which are then assessed for changes to eligibility. This means that there can be up to 12 changes to CTR entitlement a year - and 12 new Council Tax bills
- 3.20. A preliminary examination of CTR accounts indicates that the average number of changes for those in receipt of UC is ten times that of a comparable cohort of non-UC CTR claimants. Currently, there are around 350 UC claimants in receipt of CTR, and it is anticipated that by March 2018 that number will increase to around





700.

- 3.21. Once Full Service is introduced, those claimants closest to employment (e.g. in and out of temporary work) will migrate to UC, while those furthest from employment, such as those with long-term health conditions, will continue to claim HB until Forced Migration. Evidence from other areas that have moved to Full Service suggests that as much as 30% of the Housing Benefit caseload will move to UC within the first six months.
- 3.22. The administrative burden created by the, relatively slow, growth in the UC/CTR caseload is being managed within existing resources. However, the rapid increase in UC caseload from March 2018 will mean this will no longer be the case. In addition, resource efficiencies gained by being able to process HB and CTR claims jointly will diminish.
- 3.23. Therefore, when considering future support arrangements a balance needs to be struck between a scheme that is affordable, minimises the administrative burden (including collectability of the debts) and is able to target support to the most vulnerable. Revision of existing CTR provision could also provide an opportunity to address, and reduce the likelihood of, multi-year debt - the biggest challenge with the scheme as it currently operates.
- 3.24. Whilst limited financial modelling is underway, this needs to be informed by some broad principles. Officers are currently using two broad approaches that strike the balance between ensuring the cost of CTS is managed effectively and the cost of administration is minimised. These are:
- 3.24.1. A scheme that treats income in a simpler, more transparent way could help to reduce administration costs and make it easier for residents to understand. For example, a scheme that;
- uses income bands to determine support would be easy to understand and administer - If income changes, action, such as issuing a new bill, would only be required if the change resulted in a change of income band
  - only assesses non-state benefit derived income would similarly be easy to understand and administer - those completely reliant on benefits would be automatically pass-ported to maximum support, while those with other income would be means tested
- 3.24.2. For those in receipt of a UC payment, a more radical, and simple, approach would be to award support, proportionately, based solely on the council tax band of the property.

#### **4. FINANCIAL & RESOURCE APPRAISAL**

- 4.1. Historically, the Council eventually collects approximately 98.5% of Council Tax due (see para 3.7 above), however, the introduction of CTR will make this unlikely.



Some debt will always be uncollectable due to factors such as untraceable taxpayers, deaths, bankruptcy and where the Magistrates have chosen to remit a debt.

- 4.2. The forecast cost (Council Tax forgone) for the current year of providing Council Tax Reduction is £33m.
- 4.3. As the Housing Benefit caseload reduces, administration funding from DWP will be reduced accordingly. It is not clear at this time to what extent the DWP will fund the administration of CTR and the consequent burden created by Universal Credit.
- 4.4. Detailed financial analysis of the options for future CTS provision has still to be undertaken, but in establishing the new arrangements there are a number of factors that will require consideration; and possibly mitigation.
  - Each option may deliver a different outcome for claimants
  - Claimants moving to UC may experience a different financial outcome than under the current benefit regimen
  - The overall cost of the adopted CTS arrangements could be greater, or less, than the current arrangements
  - Council Tax collection could be impacted
- 4.5. If any revision to, or the replacement of, the scheme has the effect of reducing or removing a reduction to which any class of persons is entitled, the Authority must consider whether transitional protection should be included. The cost of any transitional protection would be determined by the changes proposed.

## **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

- 5.1. Any revised scheme must be adopted by Full Council by 31 January 2018, and be operational by 1 April 2018.
- 5.2. Adopting any changes made to the current CTR scheme would constitute the new Council Tax Reduction scheme from the time of adoption (with appropriate effective implementation date) until such time as the scheme is further amended.

## **6. LEGAL APPRAISAL**

- 6.1. A Council tax reduction scheme is made under section 13A(2) Local Government Finance Act (LGFA) 1992 – as amended by the Local Government Finance Act 2012 - and applies to (a) Persons whom the authority considers to be in financial need, or (b) Persons in classes consisting of persons whom the authority considers to be, in general, in financial need. The legislation also requires the Council to consider, annually, whether it wishes to revise its Council Tax Support scheme.
- 6.2. Before making a Council Tax Reduction Scheme and when proposing a replacement or alteration to an existing scheme the Council must consult with its





major precepting authorities i.e. the Police and the West Yorkshire Fire Service. It must then publish a draft of any amended or new scheme and then consult with persons who it considers are likely to have an interest in the operation of the scheme in accordance with schedule 1A para 3 and 5 LGFA 1992 (as amended).

## **7. OTHER IMPLICATIONS**

### **7.1. EQUALITY & DIVERSITY**

7.1.1. The Equality and Diversity implications of the current Council Tax Reduction scheme were considered as part of the Council's decision making process.

### **7.2. SUSTAINABILITY IMPLICATIONS**

7.2.1. There are no Sustainability implications directly arising from this report.

### **7.3. GREENHOUSE GAS EMISSIONS IMPACTS**

7.3.1. There are no greenhouse gas emissions impacts.

### **7.4. COMMUNITY SAFETY IMPLICATIONS**

7.4.1. Not applicable within the context of this report.

### **7.5. HUMAN RIGHTS ACT**

7.5.1. There are no Human Rights implications arising from this report.

### **7.6. TRADE UNION**

7.6.1. Not applicable within the context of this report.

### **7.7. WARD IMPLICATIONS**

7.7.1. There are no Ward implications directly arising from this report.

### **7.8. AREA COMMITTEE ACTION PLAN IMPLICATIONS**

7.8.1. Not Applicable

## **8. NOT FOR PUBLICATION DOCUMENTS**

8.1. None

## **9. OPTIONS**

9.1. N/A

## **10. RECOMMENDATIONS**

That

- the Committee notes the on-going work to both increase council tax collection and to support the District's most vulnerable residents
- the Committee consider the issues highlighted in the report and express its views on the development and delivery of future Council Tax Support arrangements



**11. APPENDICES**

None

**12. BACKGROUND DOCUMENTS**

- Local Government Finance Act 2012
- Council Tax Collection: CO&SC Report, 14 April 2016
- Localised Council Tax Support: Executive Report, 11 October 2016
- CBMDC Council Tax Reduction scheme

