

Report of the Strategic Director Corporate Resources to the meeting of the Corporate Overview & Scrutiny Committee to be held on 15 November 2018

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Subject:

Council Tax Collection

Summary statement:

**This report sets out the Council's performance in, and the challenges for, the
collection of Council Tax**

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Overview & Scrutiny Area:

Corporate

1. SUMMARY

- 1.1. This report sets out the Council's performance in, and the challenges for, the collection of Council Tax.

2. BACKGROUND

- 2.1. Council Tax is raised on an annual basis, following the budget setting process, for all households in the Bradford District. It is then collected over the course of the financial year, with council tax payers offered a range of payment options and ways in which to pay.
- 2.2. A Localised Council Tax Support scheme to help low-income working-age households, Council Tax Reduction, was first introduced in 2013/14. It replaced the previous Council Tax Benefit scheme operated by the Department for Work and Pensions. The scheme for pension-age claimants continues to be a nationally prescribed scheme.
- 2.3. A collection report to this Committee on 5 April 2017 highlighted the challenges that Universal Credit creates for the Council and residents. A further two reports (19 July and 8 August 2017) supported discussions about the need to re-examine the provision of, and options for, Council Tax Support in the current financial climate.
- 2.4. A Council Decision on the 16 January 2018 was to adopt a revised working-age Council Tax Reduction scheme for 2018/19, and to introduce other, interim, arrangements to support affected claimants. This reduced the amount of support that was available to all working age Council Tax Reduction recipients. Appendix 1 provides more detail about the revised scheme, with Appendix 2 setting out some provisional arrangements to help those most impacted by this change.
- 2.5. This, coupled with a 5.99% increase in Council Tax, saw the amount the Council had to collect increase by £21m.
- 2.6. This report sets out the Council's performance in, and the challenges for, the collection of Council Tax.

3. OTHER CONSIDERATIONS

Council Tax Collection

- 3.1. The key measure of Council Tax collection performance is the "in-year" collection rate; that is, the amount of council tax collected in the year for which it was raised. Whilst this is used nationally to compare the Council's performance in collecting Council Tax, it takes no account of the differing demographics of each area. More important is the eventual collection levels, although this figure is not widely reported.
- 3.2. Both the in-year collection and mid-year collection rates (Table 1) remain fairly consistent despite an increase in the number of households paying Council Tax

and the increase in the amount all households faced; many of whom may be struggling financially.

Billing Year	No. of Households	Council Tax Liability	% Collection at 30 Sept	In year collection
2018/19	216,904	£226m	50.3%	
2017/18	215,906	£205m	50.6%	94.2%
2016/17	214,864	£194m	50.3%	94.0%
2015/16	213,645	£185m	50.3%	94.2%

Table 1

- 3.3. The change to how low-income households are supported has made collection from them particularly challenging. Table 2 shows the various collection levels for the different Council Tax Reduction groups. As might be expected, pensioners, who still receive up to 100% relief, are by far the best payers, while the collection rate from working-age recipients is much lower.

Claimant Category	2015/16		2016/17		2017/18	
	Liability £'000	Collect in year	Liability £'000	Collect in year	Liability £'000	Collect in year
Pension Age	£2,401	99.80%	£2,218	99.60%	£2,260	99.50%
Working Age						
Severely disabled /Carers	N/A	N/A	£611	98.90%	£716	80.48%
Other disabled	£2,664	81.30%	£681	77.27%	£589	72.72%
Households with a child under 5	£1,992	74.20%	£1,805	75.91%	£1,784	74.87%
Those in Employment	£1,704	79.60%	£1,669	80.21%	£1,690	81.05%
All other	£2,849	71.00%	£2,092	69.16%	£1,933	67.39%
Total	£11.6m	82.50%	£9.1m	85.60%	£8.9m	81.44%

Table 2

- 3.4. Collection from the disabled/carers group is the highest of the working-age groups, and this was the case both before and after support increased for 2016/17 and 2017/18. The claimants most difficult to collect from are those classed as 'Other', the majority of who are out of work.
- 3.5. To mitigate the immediate impact of the changes to the Council Tax Reduction scheme for 2018/19, and to allow time for those affected to adjust to, the change, Council approved two support schemes for 2018/19 (detailed in Appendix 2);
- Transitional Protection - This limits the reduction in Council Tax Reduction to £15 per week. To date 322 claimants have received support amounting to £62.5K
 - Discretionary hardship – a means tested scheme for those whose Council Tax Reduction was reduced by at least £5 per week. To date, 232 claimants have received support amounting to £41.4K
- 3.6. The importance of being able to budget effectively is highlighted to all applicants, whether successful or not, together with details of how to get that budgeting advice

and support: support for those with a disability can be provided by Equalities Together, support for others is provided by Citizens Advice.

- 3.7. The Council has recently identified an additional factor that has affected the ability to maximise income. Transiency, or the rate at which residents move addresses, appears to correlate strongly with collection performance. A higher rate of transiency makes collection difficult for two reasons. First, the effort needed to keep up with residents as they move around the city - often 'disappearing' as they move in to property in which they are not liable to pay Council Tax. Secondly, because they are often low income households, they tend to leave small amounts owing, which are often uneconomical to collect.
- 3.8. In Bradford, the City Ward has seen transiency rates of nearly 25% this year, much higher than other Wards, including those with high levels of deprivation. As can be seen from the Ward Data at Appendix 4, City Ward had the lowest rate of collection in the District in 2017/18.
- 3.9. On-going collection efforts ensure that all the Council Tax that is collectable is collected - although it can take several years to achieve. To illustrate, Table 3 shows that the Council has now collected 97.9% of the charge it raised in 2013/14; and efforts continue to collect any remaining arrears.

Year of Charge	% Collected	Outstanding Debt
2013/14	97.9%	£1.0m
2014/15	97.8%	£1.9m
2015/16	97.2%	£3.0m
2016/17	96.5%	£4.7m
2017/18	95.4%	£8.5m

Table 3

Collection and Recovery procedures

- 3.10. Our collection activity is governed by our Council Tax Collection Policy; which is set out, and is available to the public, on the Council's website.
- 3.11. For those that do not pay their bill further action is required; including taking court action. In 2017/18, around 43,000 applications were made for court action in Bradford and this incurs costs for the debtor. It is not the intention to create further financial hardship by adding costs, but the Council must collect council tax from those able to pay; and not passing on such costs means that they would be borne by those that pay regularly.
- 3.12. As debt levels have increased across the Country, it is important that the Council approaches collection in a professional and proportionate approach. At all stages, the council tax payer is encouraged to contact the Enforcement Team to make suitable arrangements and halt recovery action.
- 3.13. Furthermore, in March 2018 the Council was one of the first Local Authorities to sign up to the Citizens Advice Council Tax Protocol (Appendix 3) which was developed in partnership with the Local Government Association. This ensures our

debt collection policies are fair and to ensure that Enforcement Agents act within the law.

- 3.14. The service is also developing its use of data intelligence to more speedily and accurately bill and collect council tax from those that are more difficult to collect from; for example, to tackle the issue of transiency (3.5).

Multi-Year Debt

- 3.15. For those that have significant council tax debt, repayment of the debt may take more than a year - they are expected to pay the current liability as well as an instalment arrangement to pay their arrears. This is known as multi-year debt, and is an increasing problem, particularly amongst Council Tax Reduction claimants.
- 3.16. If an arrangement is not reached, the Council can seek to make an Attachment of Earnings or an Attachment of Benefits. While an attachment of earnings will recover the debt, there can be problems with recovering monies through an attachment of benefits. The number and amount of attachments against one persons benefit, at any one time, is limited. Consequently, an attachment of benefits is often not possible immediately, and where it is, it may not be sufficient to cover the annual charge - adding to the multi-year debt situation.
- 3.17. Table 4 shows the extent of the multi-year debt problem for Council Tax Reduction claimants. There are just over 5,600 attachment of benefits' currently in place to recover £1.1m in unpaid council tax. There are also 4,800 attachment of benefits for £1.3m of unpaid council tax that are pending; that is, attachments that cannot be put in place until an existing attachment is paid

Year of Debt	AOB in Place		AOB pending		Total	
	Value	Number	Value	Number	Value	Number
2014/15	£152,488	899	£102,743	399	£255,231	1298
2015/16	£233,146	1446	£162,154	687	£395,300	2133
2016/17	£218,684	1313	£188,533	746	£407,218	2059
2017/18	£246,327	1206	£263,170	985	£509,496	2191
2018/19	£230,722	759	£611,413	2021	£842,135	2780
Total	£1,081,367	5623	£1,328,013	4838	£2,409,380	10461

Table 4

- 3.18. Where the arrears for a particular year, or a proportion of the arrears, are considered irrecoverable due to the individuals' circumstances, then these will be considered for 'write off'. As the problem of multi-year debt increases, the amount of uncollectable council tax has also increased.

Other Matters

Peer Review

- 3.19. Debt collection is a difficult and emotive topic and Bradford has a long history of ensuring its processes are fair and effective.

- 3.20. It has benchmarked its performance and practices with other Councils several times in the last 15 years and is set to embark on a further Peer Review, this time with Wakefield Council.
- 3.21. This external challenge gives the Council confidence it is doing everything it can do to maximise income, but that it is doing so in a fair and transparent manner.

4. FINANCIAL & RESOURCE APPRAISAL

- 4.1. Historically, the Council eventually collects approximately 98.5% of Council Tax due. Some debt, however, 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. As the Housing Benefit caseload reduces, administration funding from the Department of Work and Pensions will be reduced accordingly. Similarly, the Ministry of Housing, Communities and Local Government will adjust its funding for Council Tax Reduction administration in response to changes in administrative burden because of changes in caseload and the impact of the roll-out of Universal Credit.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 5.1. The cost of the Council Tax Reduction discretionary scheme cannot be limited as, legislatively, support is provided on a needs basis, and not within a set budget. While it is anticipated that the cost of the scheme has been accurately projected, there is the potential for the cost to increase above the sum identified.

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.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

None within the context of this report

7.2 SUSTAINABILITY IMPLICATIONS

None within the context of this report

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

None within the context of this report

7.4 COMMUNITY SAFETY IMPLICATIONS

None within the context of this report

7.5 HUMAN RIGHTS ACT

None within the context of this report

7.6 TRADE UNION

None

7.7 WARD IMPLICATIONS

The collection of Council Tax at Ward level is set out in Appendix 4

**7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS
(for reports to Area Committees only)**

N/A

7.9 IMPLICATIONS FOR CORPORATE PARENTING

None

7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

N/A

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

N/A

10. RECOMMENDATIONS

- That this committee notes, and gives its view on, progress in the collection of Council Tax

11. APPENDICES

- Appendix 1: Council Tax Reduction Scheme
- Appendix 2: 2018/19 Council Tax Reduction Support Arrangements
- Appendix 3: Citizens Advice Council Tax Protocol
- Appendix 4: Council Tax Collection at Ward Level

12. BACKGROUND DOCUMENTS

- A Council Tax Reduction scheme for 2018/19; Full Council 16 January 2018
- CBMDC Council Tax Reduction scheme
- Local Government Finance Act 2012
- Council Tax Collection: CO&SC Report – 19 July 2017
- Council Tax Collection: CO&SC Report – 8 August 2017
- Council Tax Collection: Council Report – 16 January 2018

Council Tax Reduction Scheme

Council Tax Reduction – 2013/14 to 2017/18

Although the scheme has undergone some revisions between 2013/14 and 2017/18, the underlying principles and structure remained consistent. The most significant change was to increase support for claimants who qualify for a severe or enhanced disability premium or the Carers premium from 2016/17, so that;

- 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 (and remains) prescribed by national legislation and cannot be changed by the Council

Before the introduction of Council Tax Reduction, council tax support was provided through the Department for Work and Pension's Council Tax Benefit scheme; which provided a 100% exemption for some tax payers. The localisation of support meant that an additional 26,000 residents were issued with a bill for the first time.

Council Tax Reduction – 2018/19

The 2018/19 working-age scheme means that all working-age claimants will have some council tax to pay; and all claimants will receive less support. The key differences between the current scheme and the 2017/18 scheme are;

- Maximum Council Tax Reduction is limited to 70% of a Band A property – irrespective of the actual Council Tax Band of the property
- There is a minimum Council Tax Reduction entitlement of £4.00 or more per week – those that qualify for less than this amount will not be awarded Council Tax Reduction
- The Second Adult Rebate has been removed
- There is a £1 Minimum Change threshold – this means that any change or changes in entitlement (individually or collectively) of less than £1 will not result in a change in Council Tax Reduction
- Self-employed in receipt of Universal Credit will be assessed in line with the Department for Work and Pensions Universal Credit assessment – self employed not on Universal Credit will continue to be assessed in the same way as 2017/18 scheme

2018/19 Council Tax Reduction Support Arrangements

To mitigate the immediate impact of the changes to the Council Tax Reduction scheme for 2018/19, and to allow time for those affected to adjust to, the change, Council approved two support schemes for 2018/19;

- Transitional Protection - This limits the reduction in Council Tax Reduction to £15 per week. This is applied automatically and Council Tax Reduction claimants do not need to make an application
- Discretionary hardship – a means tested scheme for those whose Council Tax Reduction was reduced by at least £5 per week

Support from these schemes is only available to claimants who were in receipt of Council Tax Reduction on 31st March 2018 and have a continuous live claim: new Council Tax Reduction claimants are not eligible.

Transitional Support

This arrangement provides time limited support to allow claimants to adapt to, and budget for, their increased Council Tax liability. Transitional Protection is provided on the basis of loss of entitlement rather than on ability to pay. In total, 332 households received transitional protection ranging from £0.48 to £22.20 per week.

Level of Protection	No. of Cases	Annual Cost
less than £1 per week	141	£6,843
between £1 and £2 per week	71	£5,243
between £2 and £5 per week	67	£4,837
between £5 and £10 per week	30	£26,825
more than £10 per week	23	£18,779
Total	322	£62,527

Table 1

Discretionary Hardship Scheme

Eligibility to apply for support is restricted to those who had their Council Tax Reduction reduced by at least £5 per week. Table 2 below provides the latest position regarding the number of applications to the scheme, and their outcome.

Applications	No. of Cases	% of Caseload
Allowed	80	35%
Do Not Qualify (DNQ)	80	35%
Rejected	68	30%
Outstanding	4	
Total	232	

Table 2

Two thirds of applications are unsuccessful. The Do Not Qualify's are due to a combination of not being on Council Tax Reduction at the appropriate time, and those not losing more than £5. All the rejected cases are due to being deemed to have enough income, based on an income & expenditure assessment. Table 2 provides a breakdown of the awards and cost of those applications that have been allowed.

Amount of Support	No. of Cases	Annual Cost
between £5 and £7 per week	26	£8,300
between £7 and £10 per week	21	£9,900
between £10 and £12 per week	5	£2,900
between £12 and £15 per week	28	£20,300
Total	80	£41,400

Table 2

The maximum award under the scheme is limited to the amount of the increase in liability, not necessarily for the full amount they have to pay. Of the 68 awards to date, 50 (amounting to £26,866) no longer have any council tax to pay. If the award does not meet the full liability, and the income and expenditure assessment indicates that the claimant cannot afford to pay, they can be referred for consideration under the support arrangements available to all council tax payers.

The importance of being able to budget effectively is highlighted to all applicants, whether successful or not, together with details of how to get that budgeting advice and support: support for those with a disability can be provided by Equalities Together, support for others is provided by Citizens Advice.

Citizens Advice Council Tax Protocol

In March 2018 the Council signed up to the Citizens Advice Council Tax Protocol which was developed in partnership with the Local Government Association.

This protocols sets out how Local Authorities can improve their debt collection policies and in particular ensure that Enforcement Agents act within the law.

The protocol asks that councils:

- work with enforcement and advice agencies to help people pay their council tax bills while accessing debt advice
- ensure all communication with residents about Council Tax is clear
- use the Standard Financial Statement when calculating repayment plans
- offer flexible payment arrangements to residents
- do not use enforcement agents where a resident receives Council Tax Support
- publish their policy on residents in vulnerable circumstances

Council Tax in-year collection at Ward Level – 2017/18

	<i>Index of Multiple Deprivation ranking</i>	<i>Collection Rate %</i>	<i>Outstanding Debt</i>
BAILDON	26	98.22	£159,154
BINGLEY	24	97.75	£231,111
BINGLEY RURAL	25	97.68	£228,980
BOLTON AND UNDERCLIFFE	11	93.21	£423,894
BOWLING AND BARKEREND	2	87.66	£727,308
BRADFORD MOOR	4	87.57	£519,124
CITY	8	79.03	£1,380,843
CLAYTON AND FAIRWEATHER GREEN	15	94.20	£363,111
CRAVEN	28	98.33	£158,779
ECCLESHILL	10	92.81	£461,647
GREAT HORTON	9	88.93	£605,441
HEATON	17	92.66	£410,790
IDLE AND THACKLEY	23	97.40	£214,793
ILKLEY	29	99.00	£107,819
KEIGHLEY CENTRAL	6	90.58	£505,021
KEIGHLEY EAST	20	95.52	£350,850
KEIGHLEY WEST	13	94.11	£370,408
LITTLE HORTON	3	85.58	£640,069
MANNINGHAM	1	85.71	£563,860
QUEENSBURY	22	96.23	£293,580
ROYDS	12	93.37	£415,170
SHIPLEY	21	97.05	£219,356
THORNTON AND ALLERTON	18	94.79	£368,786
TOLLER	7	90.10	£476,837
TONG	5	90.42	£605,464
WHARFEDALE	30	99.22	£61,833
WIBSEY	14	93.50	£369,351
WINDHILL AND WROSE	16	95.20	£300,609
WORTH VALLEY	26	97.89	£158,755
WYKE	19	95.43	£281,533
			£11,974,290

The indices of Deprivation, published in September 2015, are calculated using 37 separate indicators, organised across seven distinct domains of deprivation (income, employment, education skills and training, health deprivation and disability, crime, barriers to housing and services and living environment) which are weighted and combined to calculate the Index of Multiple Deprivation 2015