

Report of the Strategic Director Corporate Resources to the meeting of the Corporate Overview & Scrutiny Committee to be held on 6 February 2020

AB

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. The Council Tax Reduction scheme helps low-income working-age households by providing means tested support. Following a revision of the scheme for 2018/19, arrangements were put in place to support those most affected by the changes. The Council Tax Reduction scheme and the support arrangements have continued unchanged for 2019/20. The scheme for pension-age claimants continues to be a nationally prescribed scheme and cannot be amended by the council.
- 2.3. In April 2013, the Council introduced a 50% Council Tax Premium charge for homes that were unoccupied and substantially unfurnished for at least two years. This was introduced to encourage owners to bring these properties back in to use. Executive Decision (4 December 2018) was to adopt a schedule of increased premium charges to be introduced over a three year period; starting with an increase in premium charge to 100% from 1 April 2019. It should be emphasised that these premiums were not introduced to simply raise more council tax, but to further support efforts to reduce the number of empty properties across the district.
- 2.4. Collecting Council Tax from low income households, while at the same time supporting the most financially vulnerable, has always been challenging. This has been made more difficult over recent years as cost of living increases have outpaced increases in income for some households.

3. OTHER CONSIDERATIONS

Council Tax Collection

- 3.1. A 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 really quite a weak measure, which takes no account of the differing demographics of each area, it is used nationally to compare Council performance. Bradford continues to be in the bottom quartile on this measure
- 3.2. A more meaningful measure for Local Authorities, and the one that has a financial impact on Bradford however, is the eventual collection levels. Unfortunately, this figure is not widely reported.
- 3.3. Both the in-year collection and third quarter collection rates (Table 1) remain fairly consistent despite increases in the number of households paying Council Tax and the amount all households faced; many of whom may be struggling financially.

Billing Year	No. of Households	Council Tax Liability	% Collection at 31 Dec	In year collection
2019/20	219,924	£240m	75.2%	-
2018/19	217,847	£227m	75.2%	93.9%
2017/18	216,385	£205m	75.5%	94.2%
2016/17	214,864	£194m	75.3%	94.0%
2015/16	213,645	£185m	75.2%	94.2%

Table 1

- 3.4. 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 2 shows that the Council has now collected 98.2% of the charge it raised in 2013/14; and efforts continue to collect any remaining arrears.

Year of Charge	Total Collected	Outstanding Debt as at Dec 2019
2013/14	98.2%	£537,590
2014/15	97.9%	£1,130,347
2015/16	97.5%	£1,849,096
2016/17	97.3%	£2,851,280
2017/18	96.9%	£4,872,690
2018/19	95.8%	£8,704,202

Table 2

- 3.5. Collection from low-income households is particularly challenging. Table 3 shows the various collection levels for the different Council Tax Reduction groups.

Claimant Category	2016/17		2017/18		2018/19	
	Liability £'000	Collect in year	Liability £'000	Collect in year	Liability £'000	Collect in year
Pension Age	£2,218	99.60%	£2,260	99.50%	£2,185	99.5%
Working Age						
Severely disabled /Carers	£611	98.90%	£716	80.48%	£4,758	78.3%
Other disabled	£681	77.27%	£589	72.72%	£711	73.3%
Households with a child under 5	£1,805	75.91%	£1,784	74.87%	£1,596	72.6%
Those in Employment	£1,669	80.21%	£1,690	81.05%	£755	84.3%
All other	£2,092	69.16%	£1,933	67.39%	£2,328	64.9%
Total	£9.1m	85.6%	£8.9m	81.4%	£12.4m	79.0%

Table 3

- 3.6. 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. The working-age group is sub-divided into the groups shown in Table 3. The 'All Other' group mostly consists of out of work singles, or couples with no children under 5 and do not have a disability.

- 3.7. The changes to the working-age CTR scheme for 2018/19 meant that there was more to collect than in previous years; an increase to £12.4m from £8.9m the previous year. While the overall collection rate for the working age groups was lower in 2018/19 than in previous years, the actual amount collected, in-year, increased by around £2.5m.
- 3.8. Two support schemes were introduced to help those most affected by this change; a transitional scheme limiting the reduction to £15 per week, and a discretionary hardship scheme. This is the second year that these schemes have been in place. Uptake this year has reduced as claimants move out of entitlement; for example because of increased income. Tables 4 and 5 below provide detail of the schemes and the amounts awarded.

Transitional Support Scheme	2018/19		2019/20	
	No. of Cases	Annual Cost	no of cases	amount
Level of Protection				
less than £1 per week	141	£6,843	110	£5,313
between £1 and £5 per week	138	£10,080	78	£7,563
more than £5 per week	53	£45,624	58	£28,481
Total	322	£62,527	246	£41,357

Table 4

Discretionary Hardship Scheme	2018/19		2019/20 (as at Dec)	
	No. of Cases	Annual Cost	No. of Cases	Annual Cost
Amount of Support				
between £5 and £10 per week	47	£18,200	21	£7,800
between £10 and £15 per week	33	£23,200	25	£17,300
Total	80	£41,400	46	£25,100

Table 5

Non-Payment of Council Tax

Recovery

- 3.9. The Council will always seek to come to an arrangement to pay with those that fall behind with their payments. All council tax payers are encouraged to contact the Council if they have difficulty paying their bill. Unfortunately, there are those that either do not, or will not, engage with the Council; and some simply choose not to pay as billed. This is not good for the Council or the council tax payer; it increases administrative costs, hinders timely collection and allows debt to accumulate.
- 3.10. As detailed in the 15 November 2018 collection report, the Council has signed up to the Citizens Advice '*Council Tax Protocol*'. This commits the Council to seeking settlement arrangements with low-income households (most of which will be in receipt of Council Tax Reduction) without the use of Bailiffs. The operation of the Protocol was recently reviewed in a meeting held with the Leader of the Council, Citizens Advice and our Enforcement Agents. It was concluded that the Protocol is being implemented effectively and that all parties involved are working well together.
- 3.11. Multi-year debt remains a significant challenge. Those with a council tax debt are expected to pay the current liability as well as their arrears. This is an increasing

problem, particularly amongst Council Tax Reduction claimants, as the amount that can be deducted from benefits is not keeping pace with council tax increases.

- 3.12. To begin recovery action, a Liability Order is obtained from the courts; this incurs cost 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; not passing on such costs means that they would be borne by those that pay regularly.
- 3.13. Once a liability order is in place arrangements can be made, such as; settling the debt, agreeing a repayment plan, applying an attachment of benefits or earnings. A liability order can also help identify those that cannot pay, allowing appropriate support to be provided – although it would be better if they engaged sooner to avoid unnecessary distress and the administrative costs incurred. Where some or all of the debt is deemed uncollectable, it will be written off.
- 3.14. If payment arrangements are not made, or adhered to, the Council may make an Attachment of Earnings or Benefits; if it has the necessary information. As long as the individual remains in employment, an attachment will recover the outstanding debt in full; using agreed rates of deduction according the level of earnings. However, an attachment of benefits is less assured because the number and amount of attachments at any one time is limited; so some attachments are pending until an existing attachment is paid.
- 3.15. Efforts to increase collection from those in employment have resulted in a significant increase in the number and value Attachment of Earnings. Table 6 shows the position as at December 2019. There is almost £1m so far in 2019/20 being paid through an attachment compared to just £160K two years previously.

Year of Debt	AOE in Place		AOE Pending		Total	
	Value	Number	Value	Number	Value	Number
2016/17	£88,195	228	£94,392	188	£182,587	416
2017/18	£161,090	397	£139,171	253	£300,261	650
2018/19	£366,013	890	£215,422	376	£581,435	1266
2019/20	£993,705	1281	£200,704	244	£1,194,409	1525

Table 6

- 3.16. However, when an Attachment of Benefit is made, it may not be sufficient to recover the annual charge - adding to the multi-year debt situation. Table 7 illustrates the extent of the multi-year debt problem since 2016/17. In total, there are just over 6,000 attachments in place to recover £1.1m; and a further 2,664 attachments are pending to recover a further £1.75m of outstanding council tax debt.

Year of Debt	AOB in Place		AOB pending		Total	
	Value	Number	Value	Number	Value	Number
2016/17	£47,716	428	£46,175	266	£93,891	694
2017/18	£83,568	813	£81,203	444	£164,771	1257
2018/19	£569,439	3152	£235,948	1014	£805,386	4166
2019/20	£374,199	1242	£217,441	696	£591,640	1938

Table 7

- 3.17. If arrears for a particular year or a proportion of the arrears are considered irrecoverable due to the individuals' circumstances, then these will be written off. As the problem of multi-year debt increases, the amount of uncollectable council tax will also increase.

Collection Enforcement

- 3.18. Once a Liability Order has been made, officers will write to the debtor requesting payment or details of their employer or benefits so that an attachment can be considered. Failure to make a payment or provide details as requested may, depending on what information we have for the taxpayer, result in the consideration of a charging order or commencement of insolvency proceedings. It may also result in the commencement of the Compliance process under the Taking Control of Goods Regulations. The compliance process gives another opportunity for the taxpayer to engage and avoid a visit from an Enforcement Agent; for which further costs, in line with regulations, are added to the outstanding debt.
- 3.19. Enforcement Agents will try and negotiate payment with the taxpayer but if this is not possible they can seize and remove goods of a value sufficient to meet the outstanding debt. In some cases, the agents can Take Control of goods; which means that if the debtor makes an arrangement to pay the goods are not removed. However, if the payment arrangement is not adhered to the goods will be removed. If the debt is not recovered in this way, the council can seek to place a Charging Order on property owned by the debtor if the debt is over £1,000. Alternatively, for debts over £5,000, the council can seek to make the debtor bankrupt.
- 3.20. In the vast majority of cases, payment arrangements are made; however, a very small minority will still not pay. In cases where a debtor has not made, or adhered to, an arrangement to pay their council tax debt, and other courses of action have been exhausted, the Council will consider insolvency action or can start committal proceedings. The Council is working hard to refine its collection procedures and continues to reduce the number of these cases.

Service Improvement

Peer Review

- 3.21. Bradford Council has a long history of ensuring its processes are fair and effective, including benchmarking its performance and practices with other Councils. At the time of the last report, the Council was preparing for a peer review of Council Tax collection by Wakefield MDC. External challenge gives the Council confidence that it is not only doing everything it can do to maximise income, but that it is also doing so in a fair and transparent manner.
- 3.22. The review did identify a few areas for improvement, although generally found that our procedures and practices were appropriate, fair and transparent. The areas for improvement were an increased automation within the Attachment of Benefits/Earnings process and a rationalisation of payments dates to encourage Direct Debit payments. These have or are being worked on.

Information Management and Analysis

- 3.23. The Council Tax team was restructured in 2019 to better align functions, improve operational efficiency and to better support customers. The service has committed to collecting an extra £0.5m through improved collection activity. To support our improvement efforts, DWF Legal has been appointed to work with the Council Tax team to further enhance service delivery outcomes.
- 3.24. The focus of the work is on developing and using more sophisticated data management, information and analysis; including working with other local partners (such as Incommunities) to understand how intelligent data sharing can be used to deliver improved outcomes for residents. Anticipated outcomes of this work include;
- Improved process efficiency and effectiveness
 - Improved data analysis and interpretation to better target and align service delivery
 - Officers are better able to engage with, and understand the needs of, customers; especially those who are vulnerable or struggling to pay
 - Increased council tax collection (both in-year and over time) and reduced council tax debt

HMRC Data Sharing Pilot

- 3.25. Section 3.15 above highlighted the importance of Attachment to Earnings as an effective way of recovering outstanding council tax from an individual, However, the council needs the employment details of the individual concerned to make the attachment, but there is no requirement for the debtor to provide them.
- 3.26. The Council, together with 28 other local authorities, has entered into a year-long data sharing Pilot with HMRC. The aim of the pilot is to match employment details to taxpayers with an outstanding debt (and a liability order already obtained through the Magistrates Court) so that an attachment to earnings can be made.
- 3.27. There are a number of benefits anticipated from the data matching, including;
- Identifying financially vulnerable taxpayers, who can then be signposted for assistance
 - An increase in Council Tax collected (in year and arrears debts)
 - An increase in the take up of reliable Attachment of Earnings, and a reduction in the failure rate of Attachment of Earnings
 - Reducing need for enforcement agents and minimising costs for taxpayers
 - Improving effectiveness in debt recovery
 - Behaviour change, as customers knowing that we have access to HMRC data will be encouraged to pay
- 3.28. As part of the pilot exercise around 4,000 accounts were sent to HMRC for matching. The Council is now acting upon the results, and HMRC is monitoring the outcomes across all the authorities over the course of the pilot.

Future Challenges

Council Tax Premium

- 3.29. In April 2013, the council used its discretion to charge a 50% premium on homes that have been unoccupied and substantially unfurnished (Empty) for at least two years. The premium was in addition to the usual council tax charge that applies to the property.
- 3.30. Legislation was revised in 2018 to introduce a schedule of increased premium charges that councils, at their discretion, could apply. Executive Decision (4 December 2018) was to increase premiums in line the schedule, as set out below.

	Empty Period	Premium Charge
From 1 April 2019	at least two years	100%
From 1 April 2020	at least two years but less than five years	100%
	at least five years	200%
From 1 April 2021	at least two years but less than five years	100%
	at least five years but less than ten years	200%
	at least ten years	300%

Table 8

- 3.31. There are around 1,400 empty properties subject to the premium charge, and a further 2,700 properties that have been empty for more than six months but less than two years.

Empty Period	Number of Properties
More than 6 months but less than two years	2,717
Two years or more but less than five	963
Five years or more but less than ten	268
Ten years or more	192

Table 9

- 3.32. The expectation is that increased premiums will persuade owners to bring their empty properties back into use; and influence others to bring empty properties back into use in less than two years. The benefits would include an increase in housing available for occupation and reduce the number of empty properties that fall into disrepair through neglect.
- 3.33. However, as premium charges increase, collection from owners of these properties is likely to become more difficult. So far this year, the actual amount collected has increased (reflecting the increased liability) there has been a reduction in the collection rate compared to previous years, as shown in Table 10.

Year	Premium Charge	Amount to Collect	3 rd Quarter Collection	Collection Rate
2017/18	50%	£2.3M	£1.6M	69.56%
2018/19	50%	£2.7M	£1.9M	71.16%
2019/20	100%	£3.5M	£2.3M	67.45%

Table 10

- 3.34. The full impact on collection, certainly over the next few years is difficult to predict. This will very much depend on any changes in the behaviour of the property owners – both in terms of bringing property with a premium charge back into use or reducing the number that become liable for a premium charge – and their willingness and ability to pay.
- 3.35. Council Tax and Housing are working together to monitor and analyse the impact that these premiums have on service delivery; such as increased demand for support from the empty homes team, collection difficulties, changes in the behaviour of property owners, and reducing the number of empty properties to support the delivery of the Housing Strategy.

Transiency

- 3.36. The previous collection report highlighted the issue of transiency, the rate at which residents move addresses, which appears to correlate strongly with collection performance. Wards with a combination of high levels of deprivation and high levels of transiency are the most difficult to collect from as shown in Appendix 1.
- 3.37. Transiency will always present a significant challenge for collection. However, it is envisaged that the improvement work being undertaken in partnership with DWF Legal (3.23) to reduce billing and collection times will help mitigate the impact of transiency and improve collection.

Managing Household Debt

- 3.38. The council, where appropriate, allows time for debtors to get their finances in order, as do some other creditors; but some do not. However, these periods are unlikely to coincide, meaning the debtor may only be able to juggle their finances to pay the most immediate debt, rather than stabilising their current and longer-term financial position.
- 3.39. The government has consulted on plans to introduce (for 2021) regulations to give debtors 'Breathing Space' – a sixty day period during which interest and charges are frozen, and enforcement action from creditors is paused. The protections would be extended further for debtors who commit to repaying the debt through a Statutory Debt Repayment Plan.
- 3.40. If introduced as proposed, adherence to a repayment plan would assure creditors of the eventual collection of the debt. It is expected that an individual would only be eligible for a plan if they had a realistic chance of repaying all of their debts, and meet on-going liabilities, over a period of no more than ten years. The government expects the average plan to last around seven years.
- 3.41. Not everyone that enters into a breathing space arrangement will have a statutory repayment plan agreed. Some will use the time to get their finances in order and others will not have a realistic chance of paying their debt over ten years. This latter group would be more suited to another debt solution.

4. FINANCIAL & RESOURCE APPRAISAL

- 4.1. Historically, the Council eventually collects approximately 98.5% of Council Tax due. This has always been sufficient to cover the Council's budgetary requirements and often leaves a surplus on the Collection Fund. 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 also be reduced. 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.
- 6.2. Discretion to set Council Tax Premiums is made under Section 11B of the Local Government Finance Act 1992 – as amended by the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

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

None within the context of this report

**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: Ward Level Council Tax Collection

12. BACKGROUND DOCUMENTS

- CBMDC Council Tax Reduction scheme
- Local Government Finance Act 2012
- Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018
- Executive Report: Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 – 4 December 2018
- Council Tax Collection: CO&SC Report, 15 November 2018

Ward Level Council Tax Collection

Ward	IMD Rank	Collection Rate%	Outstanding Debt
ILKLEY	29	84.2	£1,980,431
WHARFEDALE	30	84.2	£1,442,274
CRAVEN	28	83.0	£1,910,266
BAILDON	26	82.7	£1,776,003
BINGLEY	24	82.3	£2,047,020
WORTH VALLEY	26	82.2	£1,547,087
BINGLEY RURAL	25	81.8	£2,092,883
IDLE AND THACKLEY	23	80.7	£1,910,425
SHIPLEY	21	80.5	£1,683,173
QUEENSBURY	22	79.7	£1,829,523
WYKE	19	79.3	£1,476,845
KEIGHLEY EAST	20	79.1	£1,889,774
WINDHILL AND WROSE	16	78.9	£1,557,172
KEIGHLEY WEST	13	78.1	£1,670,248
THORNTON AND ALLERTON	18	78.1	£1,835,400
CLAYTON AND FAIRWEATHER GREEN	15	78.0	£1,629,871
WIBSEY	14	77.5	£1,491,168
BOLTON AND UNDERCLIFFE	11	76.8	£1,690,462
ROYDS	12	76.5	£1,743,805
HEATON	17	76.4	£1,592,766
ECCLESHILL	10	75.3	£1,872,335
KEIGHLEY CENTRAL	6	75.0	£1,590,706
GREAT HORTON	9	74.6	£1,695,301
TOLLER	7	74.4	£1,499,432
TONG	5	73.5	£2,027,111
BOWLING AND BARKEREND	2	72.9	£1,982,248
MANNINGHAM	1	72.8	£1,392,899
BRADFORD MOOR	4	72.7	£1,408,477
LITTLE HORTON	3	70.6	£1,632,235
CITY	8	66.1	£2,943,324
			£52,840,664

The Index of Multiple Deprivation is calculated using 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)