

Report of the Strategic Director Corporate Resources to the meeting of the Corporate Overview & Scrutiny Committee to be held on 10 February 2022

AB

Subject:

Council Tax Collection

Summary statement:

The majority of those liable for Council Tax do pay as billed, but some do seek to avoid paying and more formal collection and recovery action needs to be taken in these cases.

Actions taken to collect Council Tax are not intended to create undue financial hardship, and the Council seeks to support those in most need. Collecting from low income households, while at the same time supporting the most financially vulnerable, has always been challenging.

This report examines performance in, and challenges for, Council Tax collection.

EQUALITY & DIVERSITY:

The Council Tax Reduction scheme provides for a reduction in Council Tax for bill payers on a low income or low wage, and supports the Councils equality duty to support low-income households

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Overview & Scrutiny Area:

Corporate

1. SUMMARY

- 1.1. The majority of those liable for Council Tax do pay as billed, but some do seek to avoid paying and more formal collection and recovery action needs to be taken in these cases.
- 1.2. Actions taken to collect Council Tax are not intended to create undue financial hardship, and the Council seeks to support those in most need. Collecting from low income households, while at the same time supporting the most financially vulnerable, has always been challenging.
- 1.3. This report examines performance in, and the challenges for, Council Tax collection.

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 majority of those liable for Council Tax do pay as billed, but collecting from low income households, while at the same time supporting the most financially vulnerable, has always been challenging.
- 2.3. The Council Tax Reduction scheme helps low-income working-age households by providing means tested support. The scheme for pension-age claimants is a nationally prescribed scheme and cannot be amended by the council.
- 2.4. Council Tax Premium charges were first introduced by Housing in 2013 to encourage owners of homes that were unoccupied and substantially unfurnished, for at least two years, to bring them back into occupation. The amount of the premium charge that is applied, that is the amount in addition to the usual council tax charge that applies to the property, ranges between 100% and 300% depending on the length of time the property has been empty.
- 2.5. The pandemic and responses to it has not only affected household incomes, it has impacted on the Council's approach to collection and recovery, including suspending collection and inability to access court services for a period; making collection from some households more difficult. Financial help has been provided, by Government in 2020/21 and 2021/22, to help low-income households with their council tax bill.
- 2.6. This report examines performance in relation to Council Tax collection; the nature and effect of the national and local restrictions; how the Council's has responded to these new challenges; and on the way that taxpayers, particularly the most financially vulnerable, are being supported.

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 or indeed the eventual collection rate, it is used nationally to compare Council performance. Bradford continues to be in the bottom quartile on this measure.
- 3.2. However, a more meaningful measure for Local Authorities, and the one that has a financial impact on Bradford, is the eventual collection levels. Unfortunately, this figure is not widely reported.
- 3.3. On-going collection efforts ensure that all the Council Tax that is collectable is collected - although it can take several years to achieve. The collection rates for previous years are provided in Table A, Appendix 1. To illustrate, the Council has now collected 98.09% of the charge it raised in 2014/15. Efforts continue to collect any remaining arrears, for example, through an agreed repayment plan or through an attachment to earnings or benefits, but it can take quite some time to collect (see 3.22).
- 3.4. The previous council tax collection report (7 January 2021) highlighted that some households affected by the pandemic might struggle to pay their council tax bill; and that a cautious approach to recovering unpaid council tax was taken, including efforts to engage with, and support, those struggling to pay. Collection and recovery activity was also delayed for much of 2020 - the sending of the first reminders was delayed until August 2020, there was limited access to the courts and formal recovery processes were halted until October 2020.
- 3.5. As shown in Table 1 below (column D), the in-year collection rate has been fairly consistent over the past few years, including 2020/21, despite increases in the number of households paying Council Tax and the amount all households faced; many of whom may have been struggling financially.
- 3.6. Although there was a slight reduction in the collection rate as at 31/12/20 (column C) the in-year collection rate for 2020/21 was 94.2%; which is on par with previous years. Perhaps counter-intuitively, the collection rate as at 31/12/21 is better than in previous years. This is largely due to the financial support from the Government for CTR claimants in 2020/21 and 2021/22 (See 3.10) which has improved collection rates. However, the adverse impact on collection (and collection rates) from those that have not paid and have not yet been summonsed may take some time to filter through.
- 3.7. If costs are added to an account, they must be paid before council tax can start to be collected; this means that the in-year collection rate is adversely affected. However, without the use of liability orders, tax payers' arrears will increase; reducing the in-year collection rate, and making it increasingly likely that, in time, some of the debt will become uncollectable and must be written off. It is a difficult balance to strike.

- 3.8. While it is the case that some will simply not pay, or engage with the Council, without the use of a liability order to enforce collection (See 3.22), some will pay if prompted often enough. The service is working hard to encourage payment before court action is required, including employing new technology to encourage more and better engagement (See 3.28). The aim is to collect council tax, not create unnecessary financial hardship for customers.

	A	B	C	D
Billing Year	No. of Households	Council Tax Liability	% Collection at 31 Dec	In year collection
2021/22	220,130	£259m	75.42%	-
2020/21	219,294	£242m	74.83%	94.2%
2019/20	219,042	£240m	75.18%	94.0%
2018/19	217,847	£227m	75.17%	93.9%
2017/18	216,385	£205m	75.50%	94.2%

Table 1

- 3.9. The CTR scheme provides financial help to low income households. Collection from low-income households can often be challenging. The number of working-age CTR claimants increased significantly from the start of the pandemic. In March 2020, there were 27,522; by March 2021 this had increased to 32,281. The number of claimants has started to reduce since then, but there were still 30,407 working-age CTR claimants as at 9 January 2022; around 2,885 more than at the start of the pandemic.
- 3.10. The Government provided additional funding to support working-age households in receipt of CTR in 2020/21. The funding was used to provide a pro rata reduction in a claimant's liability of up to £150. This funding was allocated in way that meant that claimants did not have to make a payment for three months. This also meant that there was around £5.7m less to be collected from low income households.
- 3.11. Further government funding to support working-age CTR claimants was provided for 2021/22. This funding provides a pro rata reduction in a claimant's liability of up to £100. It is forecast that there will be £4m less to collect from low income households in 2021/22.
- 3.12. Table 2 below shows the collection levels for pension-age and working-age CTR claimants. Pensioners, who receive up to 100% relief, continue to be the best payers, while the collection rate from working-age recipients is much lower.
- 3.13. The effect of the Government funding in 2020/21 was to reduce the total outstanding liability for working-age CTR claimants; £11.8m compared to £13.4m in 2019/20. The Government funding provided for 2021/22 will similarly reduce the total outstanding liability for working-age CTR claimants. However, a combination of the effect of annual council tax rises and a caseload that is still greater than in 2019/20 means that the amount to be collected in 2021/22 (£13.2m) is almost to the same level it was in 2019/20.

- 3.14. While the cost to the Council of the CTR scheme will, even with a stable caseload, increase yearly reflecting the annual rise in council tax, the increase in the CTR caseload has impacted significantly on the cost of the scheme in 2019/20 and 2021/22. The total cost of CTR was £29.9m in 2019/20; this rose to £33.9m in 2020/21, and is forecast to be £35m for 2021/22

	2019/2020			2020/2021			2021/2022		
	Liability £'m	Collect @31/12	Collect in-year	Liability £'m	Collect @31/12	Collect in-year	Liability £'m	Collect @31/12	Collect in-year
Pension Age	£2.1	87.8%	99.5%	£1.9	86.4%	99.6%	£1.9	87.7%	-
Working Age	£12.9	58.7%	74.4%	£12.2	60.9%	78.5%	£13.2	59.5%	-
Total	£15.0	62.7%	78.2%	£14.1	64.4%	81.7%	£15.1	63.2%	-

Table 2

- 3.15. Homes that have been unoccupied and substantially unfurnished (Empty) for at least two years are subject to a council tax premium charge. The premium charge is in addition to the usual council tax charge that applies to the property. The definition of Empty is for Council Tax purposes, as set out in legislation, and is not intended to represent all unoccupied properties. This definition is different to that used by the Council's Empty Homes Team who focus on empty properties that have been vacant for more than 6 months.
- 3.16. The premium charge has been increased over the past three years, with differing charges applied to accounts based on the length of time the property has been classed as Empty. From April 2021, the premium charges are;
- 100% for homes Empty at least 2 years, but less than 5 years
 - 200% for homes Empty at least 5 years, but less than 10 years
 - 300% for homes Empty at least 10 years
- 3.17. Table B in Appendix 1 shows the number of properties subject to a premium charge and collection performance. As at December 2021, a total of 1,326 Empty properties are subject to a premium charge – 943 with a 100% premium charge, 245 with a 200% premium charge, and 138 with a 300% premium charge.
- 3.18. The application of increased premium charges means that there is more to collect; an increase of around £680k in 2021/22 compared to 2020/21 (Table C, Appendix 1). While there has been an improvement in the collection rate in 2021/22 (59.18% at the end of December compared to 54.6% the previous year) collection from empties is stubbornly difficult, and remains an area of focus for improvement. Legal processes to recover charges from empty properties are often lengthier and the council tax charges are higher, and so may take a longer period of time to pay.
- 3.19. It must be emphasised that premium charges were not introduced to raise more council tax, but as an additional opportunity to support efforts to reduce the number of empty properties across the district. We would, however, caution against drawing a direct correlation between increased premium charges and any reduction in Empty homes.

- 3.20. A considerable amount of work by the Empty Homes Team is put into incentivising property owners to bring homes back into use working both reactively and proactively to investigate the circumstances surrounding empty properties and to provide advice to owners on their options, including products available and organisations that may be able to help. Financial assistance in the form of loans and grants is available, dependent upon the individual circumstances, and the team offers a free Legal Assistance (Advice) Scheme to owners where there are complications relating to issues such as ownership, liability, etc.
- 3.21. The Empty Homes Team also has the responsibility for using enforcement powers relating to nuisance, securing empty properties and compulsory purchase (as a last resort) to address issues with empty homes where an informal approach has not been successful.

Non-Payment of Council Tax

Recovery and Enforcement

- 3.22. Ensuring that bill payers do pay as billed, or at the very least, make arrangements with the Council to pay their bill helps minimise the build-up of council tax arrears; which is beneficial for both the Council and the bill payer. The Council has developed a good working relationship with Citizens Advice, including providing funding through Advice Commissioning for an Officer to work directly with us, and we continue to follow the Citizens Advice '*Council Tax Protocol*' for low income households.
- 3.23. Every effort is made to engage with and to support those struggling to pay their council tax bill. A new system has been put in place to further encourage engagement and reduce the need for formal recovery action (See 3.28).
- 3.24. However, there are still some that do not, or will not, pay their bill or engage with the Council; and formal collection and recovery action is needed. Unfortunately, under current rules, a deduction from earnings or benefits can only be made after a Liability Order has been granted, which adds costs. Previous council tax collection reports to this committee detailed the process for collecting un-paid council tax, and are summarised in Appendix 2.
- 3.25. Once a Liability Order has been secured, the Council can apply for an Attachment of Earnings or an Attachment of Benefits to recover outstanding council tax. Limits on repayment rates means that it may take some time to recover the outstanding debt. 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.
- 3.26. An attachment of earnings will, assuming the debtor remains in employment, recover the outstanding debt in full. However, the limit on the amount that can be collected through an attachment of benefits means that it can take more than 12 months to collect a single year's council tax. Despite these limitations, attachments are a useful collection tool.
- 3.27. Multi-year debt remains a significant challenge; those with a council tax debt are expected to pay their current liability as well as some payment towards their arrears. This is a particular problem amongst CTR claimants, as the amount that can be

deducted from benefits is not keeping pace with council tax increases.

Service Improvement

Digital Contact

- 3.28. To help taxpayers avoid the build-up of arrears, prevent court costs, and to identify alternative means of support if necessary, we urge them to contact the Council as soon as they begin to struggle with payments. Early engagement provides greater scope for support and better enables households to manage their finances. The need for early engagement has been brought sharply into focus during this difficult period.
- 3.29. Following a successful pilot last year, we have now embedded a contact strategy using a software solution that allows us to make contact with customers through automated telephone calls, text messages and email in a time efficient, cost effective manner. In addition, the system provides real time, accurate, data about responses to the contact; something that could not be monitored previously.
- 3.30. This data helps us to better understand who has reacted to our messages, what contact method is most effective and when, who has asked for further help etc. The contact is over and above existing statutory procedures and provides another opportunity for customers to be alerted about missed payments. In many cases this will avoid the need for court costs to be added to their accounts.

Collection - Post Liability Order

- 3.31. As reported in the last collection report, we are now using functionality within the council tax system that allows for automation at the post liability order stage of recovery. Again, this has continued to be successful and replaces manual tasks for officers and frees them up to deal with customers who need their help.

Future Challenges

Managing Household Debt

- 3.32. The Government's "Breathing Space" legislation has now been introduced (from May 2021). This, where appropriate, allows time for debtors to get their finances in order and to be supported by a debt advice agency. The debtor must make an application to a debt advice provider who will log the order with central government.
- 3.33. Breathing Space gives debtors a 60-day period during which interest and charges are frozen and enforcement action from creditors is paused. The debt advice provider will use the 60-day period to bring together and assess all of the individuals' debts and their current financial position, and to advise them on the most appropriate debt solution, how to better manage their finances, or to put a formal debt repayment plan in place. Council Tax collection systems were modified to accommodate Breathing Space requirements, including placing a hold on recovery action.
- 3.34. The demand for Breathing Space has not been as high as at first feared, having had just 94 cases to date. Council Tax arrears is often a feature of those struggling with debts. The council has a good relationship with Citizens Advice, and this has helped

minimise Breathing Space numbers. Citizens Advice has said that "... not many clients with CT arrears are going into Breathing Space as generally we get good holds from your team so it isn't really needed."

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. Funding of has been provided by Government to support the Council Tax Reduction scheme for 2021/2022. This funding has been used in accordance with Government guidance.
- 4.3. The cost of the Council Tax Reduction scheme cannot be limited as, legislatively, support is provided on a needs basis, and not within a set budget. There is always the potential for the cost to increase above the sum identified in a particular year; or decrease if more people move into work. The cost of the scheme in 2021/22 is forecast to be £35m.
- 4.4. The council received £5.85m of local Council tax support grant in 20-21 to provide support to individual households. The amount of council tax reduction awarded has to be funded by the billing authority. The full cost of the council tax reduction is fully funded, and will not create a deficit in the collection fund. A further £6.14m is being provided for 2021/22 to be used to cover additional LCTR scheme claimants, with the remainder to be used to provide an up to £100 Hardship discount to LCTR recipients.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 5.1. The delay in initiating proceeding during 2020/21 does increase the long term risk of lowering the collection levels. Whilst most people who would ordinarily pay did do, those that won't pay did not have court action taken against them, so we may struggle to collect previous years' debt from them more than we normally do. However, the in-year collection rate for 2020/21 has remained fairly similar to previous years, and we would currently still expect to achieve the same levels of recovery over time; although this will be kept under review.
- 5.2. The growth in the CTR caseload creates pressure on the Collection Fund. A reduction in the number of claimants, towards pre-covid levels, is reliant upon the rate of local economic recovery.

6. LEGAL APPRAISAL

- 6.1. A Council tax reduction scheme is made under section 13A(2) Local Government Finance Act (LGFA) 1992 - 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.

Discretion to set Council Tax Premiums is made under Section 11B of the Local Government Finance Act 1992

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

The Council Tax Reduction scheme provides for a reduction in Council Tax for bill payers on a low income or low wage, and supports the Councils equality duty to support low-income households

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 CHILDREN AND YOUNG PEOPLE

The provision of both working-age and pension-age Council Tax Reduction schemes benefits around 14,570 low income households with a total of 31,800 dependent children under the age of 18.

The Council currently supports Care Leavers who live in the district up the age of 21 by means of an exemption from Council Tax if they live alone. A discount of up to 50% is allowed if they are aged under 25.

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: Data Tables
- Appendix 2: Summary of Council Collection & Recovery Procedures

12. BACKGROUND DOCUMENTS

- CBMDC Council Tax Reduction scheme
- Local Government Finance Act 2012
- Executive Report: Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, 4 December 2018
- Council Tax Collection: CO&SC Report, 7 January 2021
- Council Tax Collection: CO&SC Report, 15 November 2018

Data Tables

1 Council Tax Collection Rates by year

All council tax that can be collected is collected. This table shows the collection rate to 2014/15, and the amounts that still remain outstanding as at end December 2021.

Year of Charge	Total Collected as at end Dec 21	Outstanding Debt as at end Dec 21
2014/15	98.09%	£246,933
2015/16	98.01%	£457,014
2016/17	97.74%	£809,526
2017/18	97.57%	£1,412,869
2018/19	97.21%	£2,639,166
2019/20	96.43%	£5,521,101
2020/21	94.66%	£8,580,292

Table A

2 Empty property premium charge & collection

The rate at which the Premium Charge is applied is determined by the length of time the property has been classed as Empty. From April 2021, the premium charges are;

- 100% for homes Empty at least 2 years, but less than 5 years
- 200% for homes Empty at least 5 years, but less than 10 years
- 300% for homes Empty at least 10 years

Table B shows the number of properties subject to a premium charge, the rate applicable and the amount collected as at the end of December in each respective year.

	A	B	C	D	E
Collection Year	Number of Dwellings	Premium charge	liability	Sum Collected @31/12	% Collected @31/12
2021/22	138	300%	£735,864	£484,113	65.79%
	245	200%	£1,031,358	£622,108	60.32%
	943	100%	£2,597,466	£1,476,683	56.85%
2020/21	400	200%	£1,563,777	£924,054	59.09%
	812	100%	£2,121,766	£1,088,147	51.28%

Table B

Table C provides a summary of total premium charge liability and collection.

Collection Year	Annual Liability	Collected @31/12	% Collected @31/12
2021/22	£4,364,688	£2,582,904	59.18%
2020/21	£3,685,543	£2,012,201	54.60%

Table C

Summary of Council Collection and Recovery Procedures

Every effort is made to engage with and to support those struggling to pay their council tax bill. However, there are still some that do not pay their bill or engage with the Council; and formal collection and recovery action is needed. The procedures for collection and recovery of unpaid council tax are summarised below;

- All council tax payers are encouraged to contact the Council if they have difficulty paying their bill; the Council will always seek to agree a payment arrangement
- A Liability Order is issued by the Courts for those that do not engage with the Council or seek to make payment. A large proportion do make a payment arrangement at this stage; such as settling the debt or agreeing a repayment plan at this stage
- If a payment agreement is not made, or adhered to, the Council may make an Attachment of Earnings or Benefits
- If an arrangement or attachment is not made, the debt is passed to Enforcement Agents (Bailiffs) to recover the amount outstanding
- In the case of low income households, the Citizens Advice '*Council Tax Protocol*', that the Council has signed up to, is followed. 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 Enforcement Agents
- At all stages, where some or all of the debt is deemed uncollectable, it will be written off

Customers are also directed to other sources of help if they present with debt issues or need their bill reducing etc.