



WARDS AFFECTED : ALL WARDS

CABINET

29th NOVEMBER 2004

**COUNCIL TAX PROGRESS REPORT – HALF YEAR ENDED
30 SEPTEMBER 2004**

Report of the Corporate Director of Housing

1. PURPOSE OF REPORT

- 1.1. Members will be aware that the collection of local taxes owed to the City Council is vital to ensure the ongoing provision of services to the citizens of Leicester. This report provides Members with an update on the progress made, and the initiatives being deployed by the Housing Department, to increase the income to the Authority in respect of Council Tax & Business Rate payments for 2004/2005 and in future years.
- 1.2. Unfortunately, collection rates for both taxes were severely hampered during 2003, due to the introduction of a new computer IT system to administer the billing process. The Chief Financial Officer, prior to the new system being introduced, advised Members' that this would be a short-term consequence, and in addition, the Housing Benefits backlog also compounded the situation and delayed the recovery process for Council Tax.
- 1.3. Consequently, the service collected less than anticipated within the last financial year, although the majority of monies owed will continue to be collected. This is illustrated by the fact that at 29th October 2004, the collection rate for Council Tax 2003/2004 had increased from 90.2% to 93.9% and the NNDR from 96.4% to 97.9%.
- 1.4. The Best Value Performance Indicators for the service are centred around the percentage of debt collected in the year it is raised (i.e. the percentage of the 2003/2004 tax that is actually paid before 31st March 2004). The service collected 90.2%, placing the Authority in the lower quartile of the national league tables for 2003/2004.

2. SUMMARY

- 2.1 The service is now returning to a normal working position, despite having to collect the outstanding Council Tax and Business Rates debt for 2003/2004. This is in addition to the work required to collect the current financial years charges. However, it is anticipated that the service will achieve its targets of collecting 94% of the Council Tax charge and 98.5% for Business Rates by the 31st March 2005, although this latter target is extremely challenging because of the potential late assessment of new businesses by the Valuation Officer and the effect of insolvencies on collection.
- 2.2 At the 30th September 2004 the Revenues Service had collected 52.1% of all of the current years Council Tax (50.05% at 30th September 2003) and 59.27% of all of the current years Business Rates (59.09% at 30th September 2003). The percentage of the debt collected continues to increase so that at 29th October 60.5% of the Council Tax and 68.1% of the Business Rates, due for the current year, had been collected.
- 2.3 If the targets are achieved the Authority's performance is likely to move into the mid to upper quartiles of the National Best Value league tables, with future targets aimed at reaching the top quartile over the next 3 years.

3. RECOMMENDATION

- 3.1 Members are **recommended** to:
- 1) Note the progress made to date to collect the charges, and endorse the initiatives, detailed in paragraph 2 of the Supporting Information report, taken by the Revenues service to increase the 'in year' collection rates, for 2004/2005;
 - 2) To endorse the ongoing improvements planned in paragraph 3, of the Supporting Information report, to ensure collection rates increase to achieve upper quartile of the National Best Value Performance Indicators within three years; and
 - 3) To support a strong enforcement approach, including committal action, to facilitate the collection of Council Tax and Business Rates.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications associated with this report. However, the increased collection of outstanding debt to the Authority will ensure services continue to be financially supported. (Mark Noble x7411)

5. LEGAL IMPLICATIONS

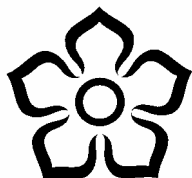
5.1 There are no legal implications. (Joanna Bunting x6450)

6. AUTHOR OF REPORT

6.1 Tracie Rees, Revenues and Benefit Manager, Ext. 7520

DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	No
Executive or Council Decision	Cabinet



Leicester
City Council

WARDS AFFECTED :ALL WARDS

CABINET

29th NOVEMBER 2004

**COUNCIL TAX PROGRESS REPORT – HALF YEAR ENDED
30 SEPTEMBER 2004**

Report of the Corporate Director of Housing

SUPPORTING INFORMATION

1. BACKGROUND

- 1.1 Council Tax is the means by which local citizens contribute to the cost of services provided by Local Government, the Police, and Fire Service. The Revenues service is responsible for collecting Council Tax charges, which finance these services. In addition, the Revenues service is also responsible for collecting Non Domestic Business Rates on behalf of the Government, which is paid into a central pool. The Non Domestic Rate pool is managed by Central Government, which in turn is paid back to authorities based on a standard amount per head of resident population and used in the provision of further Council Services. The Local Taxation Service was transferred from the Resources, Access and Diversity Department to Housing in October 2002.
- 1.2 The City Council has a history of problems with the collection of both Council Tax and Business Rates. This was in the main caused by inadequate and outdated computer systems, which worked against early intervention and therefore exacerbated the problem of good collection rates. The following table highlights the Council's performance over the last eight years for Members Information:

	<u>Council Tax</u>	<u>Business Rates</u>
1996/97	89.6%	96.5%
1997/98	92.7%	97.3%
1998/99	92.6%	97.8%
1999/00	93.4%	97.5%
2000/01	92.9%	97.3%
2001/02	89.0%	96.6%
2002/03	92.0%	97.6%
2003/04	90.2%	96.4%
2004/05	94.0%(Target)	98.5%(Target)

- 1.3 As Members will see from the above, at 31st March 2004 the Council Tax collection rate for 2003/2004 was 90.2%, which placed the Authority in the lower quartile of the National Best Value Performance league tables. The collection rate for Business rates was 96.4%, putting the Authority in a similar position for this performance indicator.
- 1.4 Unfortunately, collection rates for both taxes were severely disrupted during 2003, due to the introduction of a new computer IT system to administer the billing process. The suppliers of the previous bespoke computer system were not prepared to support the aging technology and improvements to the collection processes could not be implemented. This was evident from the 'in year' collection figures for the previous 3 years. Up to 2000/01, steady progress was being made in improving the collection rates but further progress was hindered by an inadequate computer system and problems in housing benefits.
- 1.5 The introduction of a new Local Taxation IT system was a major change to the service, which required in-depth computer training and familiarisation for every member of staff, which was also a contributory factor to the reduced collection rate for 2003/2004. Members had been fully apprised of the impact introducing a new computer system would have on collection rates, before signing up to the new system. However, it is envisaged that the rate should improve now the new system is operational.
- 1.6 In addition, as stated above, the Housing Benefits backlog also compounded the situation, because recovery action was suspended on cases where Council Tax Benefit was outstanding. This decision was taken to prevent recovery action, including the issuing of summons and committal, where individuals may not be responsible for the debt.
- 1.7 However, with a stable and more effective and efficient IT system, and the clearance of the Housing Benefit backlog, full recovery has commenced and the Service is using all possible means to recover outstanding debt from previous years and to ensure that the taxes for the current year are collected.

2. CURRENT POSITION - COUNCIL TAX COLLECTION

- 2.1 Prior to the start of the current financial year, initiatives to improve the collection rate were put into place. This included a publicity campaign to encourage people to claim Council Tax benefits and seek assistance if they have payment problems, and a campaign aimed at explaining the consequence of non-payment and the action that will be taken to recover any Council Tax or Business Rates owing to the City Council.

- 2.2 The Service will continue to encourage more customers to pay by electronic methods, such as Direct Debit and Credit/Debit Cards. This is becoming more popular with 21,379 payments being made between April and September 2004, compared to 10,184 for the same period last year. It is also intended to launch a major publicity campaign in the near future highlighting the benefits of paying Council Tax and Business Rate bills electronically.
- 2.3 Last Autumn the instalment date was also moved to the first of the month for cash payers and for payers who had defaulted on their payments during 2003/2004. This has given the Authority the ability to advance recovery action by up to two months.
- 2.4 The Authority currently has 2 separate Direct Debit payment dates for each month being 1st or 20th, but customers can pay by other means, such as Standing Order, cash or cheque on any other day of the month, which highlights the flexibility offered by the Service. Although this approach allows maximum flexibility to customers who can pay by a method that suits them on any day of the month, it does delay the payment cycle and puts back recovery action by three weeks where payments are missed. Officers are currently considering standardising all payments on the 1st of the month.
- 2.5 Referrals to the Bailiff was previously a manual task, it is now an electronic process, which means that referrals are immediate and action commences several weeks earlier than in the past.
- 2.6 Recovery action now takes place every week, so that those in arrears are summonsed earlier, thus giving the City Council more time to collect the debt in year.
- 2.7 Payment arrangements are only made where the customer agrees to provide their employment details, which means, that if they default again, then an attachment to earnings will be sought after a liability order is obtained.
- 2.8 The new IT system also allows reports to be produced based on a debtor's previous payment methods. For example, those defaulters who had previously been subject to an attachment of earnings can be identified and appropriate recovery action taken, if they default again.
- 2.9 The debt recovery process is now fully automated, with the implementation of the new IT system. This ensures that a consistent and timely approach is taken to sending out the statutory reminders and commencing legal action.
- 2.10 The net result of these initiatives is that we have already seen an increase in the collection rates for Council Tax, when compared to this time last year. On 30th September 2004, 52.1% of the charges due for 2004/2005 had been collected, compared to 50.05% for the same period last year. At the time this report was prepared

there was still just over five months of the current financial year left to achieve the collection target of 94%. A similar picture has emerged for Business rates, with the collection rate having increased from 59.1% to 59.3% when compared to the same time as last year. This is clearly good news for the Council and demonstrates the success of the new IT system.

3. PLANNED IMPROVEMENTS

- 3.1 Further local media coverage is planned to encourage people to pay or seek assistance, before they incur bailiff's action and legal costs. Educating customers on the consequence of non-payment will be an ongoing process.
- 3.2 New payment options will be introduced and improved benefit information will be included with the annual Council Tax bills.
- 3.3 Council Taxpayers will be able to access their annual bill 'on line' via the Internet and be able to make electronic payments using the same facility.
- 3.4 The Service is in the process of procuring a new telephone system, which will be implemented in January 2005. The new system will allow customers to access a more efficient digital automated payment facility, so they can pay by debit or credit card, without having to talk to a member of staff.
- 3.5 A new verification system is to be introduced, which allows customers to pay by Direct Debit, without having to complete and sign a bank mandate form, this will provide a quicker method of payment for customers, which in turn, will speed up the recovery process.
- 3.6 Swipe card technology will be introduced that will allow customers to pay at local outlets 24 hours a day, 365 days a year.
- 3.7 Correspondence to customers will be jargon free and more prescriptive about the consequence of non-payment, including the threat of imprisonment.
- 3.8 The Revenues Service has arranged dedicated weekly committal slots with the courts to ensure that cases can be scheduled, as soon as possible, where customers do not pay.
- 3.9 Over the last two years, the service has gone through a mini revolution with every aspect of the service being subject to review. Officers were conscious that if the payment rates were to improve, then the Authority had to become more efficient, and customers had to be given more opportunity to make payments, in ways and at times that suited them.

3.10 However, in addition to this, officers also believe that whilst every opportunity is given for people to pay or claim Council Tax Benefit, it is imperative that the message goes out that non payment is not an option, and that the Council means business and will pursue non payers through the courts, and use all powers available to them to recover debt, including and up to imprisonment. This is because none and/or late payers should be held to account for their actions as late payment ultimately adds to the cost for good payers.

4. EQUAL OPPORTUNITY IMPLICATIONS

4.1 There are no direct Equal Opportunity implications associated with this report.

5. LEGAL IMPLICATIONS

5.1 There no direct legal implications associated with this report. (Joanna Bunting x6450)

6. POLICY IMPLICATIONS

Other Implications	Yes/No	Para within supporting papers	References
Equal Opps	No		
Policy	No		
Sustainable & Environmental	No		
Crime and Disorder	No		
Human Rights Act	No		
Details of Consultation	Yes	10.1	
Elderly/People on low income	Yes	12.1	

7. SUSTAINABLE AND ENVIRONMENTAL IMPLICATIONS

7.1 There are no direct sustainable and environmental implications associated with this report.

8. CRIME AND DISORDER

8.1 There are no direct crime & disorder implications associated with this report.

9. DETAILS OF CONSULTATION

9.1 Staff and their representatives have been consulted on the actions taken at regular joint review meetings.

10. AIMS AND OBJECTIVES

10.1 Aim: To enable citizens of Leicester to stay in their homes as long as these homes continue to meet there needs.

10.2 Objective: To maximise the uptake of benefits, such as Council Tax benefit to ensure the poorest in our city can afford to stay in their homes.

11. ELDERLY/PEOPLE ON LOW INCOMES

11.1 The elderly and people on low incomes can often find the payment of Council Tax problematic and will be encouraged to claim the relevant benefits to assist with the payment of the charge.

12. BACKGROUND PAPERS

12.1 Collection of Income Report 1st April 2003 to 31st March 2004.

12.2 Weekly Council Tax & Business Rate statistical collection information.

13. AUTHOR OF REPORT

13.1 Tracie Rees, Revenues and Benefit Manager, Ext. 7520