

Executive Decision Report

Date: 30th June 2014

Council Tax Recovery 2013/14

Lead director: Alison Greenhill



City Mayor

Useful information

- Ward(s) affected: All
- Report author: Caroline Jackson
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- Report version number: V.2

1. Summary

- 1.1 The purpose of this report is to provide the committee with key information relating to council tax recovery.

2. Recommendations

- 2.1 To note the supporting information below and receive future updates of the administration and policy intention as necessary.

3. Supporting information including options considered:

- 3.1 The Authority has a statutory duty to collect council tax under the requirements of the Local Government Finance Act 1992. For those council tax payers experiencing difficulty with their payments, assistance is provided via the Council Tax Reduction Scheme and the Council Tax Discretionary Relief Scheme.

3.2 Recovery of council tax – the billing and collection process

Billing, collection and recovery of council tax is governed by the Administration and Enforcement Act 1992, statutory instrument 613 (1992) and associated regulations. The recovery process is explained in more detail under Appendix A. This section of the report outlines our recovery activity, who we collect from and how. The number of properties in the city, the level of debt to collect and recovery statistics are shown in the tables below.

1. Who do we collect from?

As at 1 st April	No. of Properties in the city.	Number of CTB/CTR ¹ claims	Percentage of households receiving support
2011	127,055	39,573	31.15%
2012	128,494	40,275	31.34%
2013	129,875	37,970	29.24%
2014	130,992	35,841	27.36%

¹ Council Tax Benefit up to 31st March 2013. Leicester City Councils Council tax Reduction Scheme from 1st April 2013

2. What in-year collection rate did we achieve?

Collection statistics					
Year of charge	Gross (£m)	CTB/CTR awarded (£m)	Net collectable debt (£m)	Amount collected (£m)	% collected
2011/12	113.870	30.247	83.623	80.586	96.37%
2012/13	118.767	31.154	87.613	84.079	95.97%
2013/14	124.256	25.886	98.370	93.264	94.81%

3. Why did the collectable debt increase from April 2013?

From 1st April 2013, Central Government abolished Council Tax Benefit and replaced this with legislation for Council Tax Reduction. This legislation permitted Councils to design a Council Tax Reduction scheme in accordance with local requirements. The Government cut overall funding by 10% estimated to be £3m however Leicester's cut was significantly higher £5.268m.

4. How did people pay last year?

Collection statistics by method of payment for 2013/14	
Direct debit	61.52%
PayPoint / Post Office	19.39%
Debit / credit cards via internet or telephone	11.28%
Bank payments	5.97%
Cash /cheque	1.84%

5. If they did not pay, how did we collect the monies owed?

Recovery activity undertaken to collect the charges (for the whole year)				
Year of charge	Summonses issued ²	Attachment of Earnings referrals	Attachment of Benefits referrals	Enforcement (bailiff) referrals
2011/12	19,982	3,475	3,009	9,291
2012/13	18,390	4,379	3,783	9,631
2013/14	28,516	4,976	9,262	11,260

² The number of summonses issued is across all collectable debt across for all years where there is an outstanding debt.

6. Why the increase in the number of documents issued and recovery activity?

Our collectable debt increased by £10.757m (12.28%) due to the reduced funding for Council Tax Reduction and other changes to empty property discounts and exemptions. There were 16,000+ more new payers who no longer received 100% Council Tax Benefit and were required to pay at least 20%, and others whose entitlement was reduced to a lower rate.

Issuing summons encourages charge payers to contact us. In 2013/14 nearly 13% of the 149,277³ accounts where further recovery action was sought were issued summons. This year, following the summons issued in May 2014, nearly a third contacted us and either paid in full or made arrangements to pay. Where a liability order was obtained last year in 27 percent of the accounts we sought to recover the debt through attachments to earnings or attachments to benefits.

7. How many Council Tax payers have received additional help and have been awarded Council Tax Discretionary Relief?

Year	Number of Council Tax payers supported	Total relief awarded
2013/14	1,946	£263,267.71

8. How did our collection we compare to other similar authorities?

Leicester's collection performance compared to similar authorities					
Year of charge	Leicester	Nottingham	Derby	Hull	Wolverhampton
2011/12	96.37%	94.0%	94.95%	96.28%	95.8%
2012/13	95.97%	93.49%	95.17%	95.75%	96.49%
2013/14	94.81%	93.17%	93.30%	94.21%	95.62%

3.3 Billing and collection process for those who find it difficult to pay

In addition to the Council Tax Reduction Scheme offering up to 80% off the amount to pay on the bill the Council operates the Council Tax Discretionary Discount relief scheme which could financially support a household and reduce the bill to NIL.

Where the charge payer is struggling to pay we operate a fair debt collection policy. This policy supports Council Tax payers (or any debtor owing monies to

³ 149,277 accounts – this is the total number of accounts where a debt was payable. These may include multiple accounts for example where a charge payer may have move within the city boundaries and owes council tax at both accounts.

the council) facing financial difficulty agree affordable payment arrangements together with balancing the council's requirement to collect the monies owed.

At every stage of the billing and recovery process council tax payers are encouraged to "talk to us" for advice, before the recovery action and any associated costs escalate.

The council's main customer service centre hosts a number of debt advice providers including the Government backed Money Advice Service and the MoneyWise debt advice offer. Where it becomes apparent that a Council Tax payer requires help to negotiate other debts, officers in the service will make an appointment on behalf of the charge payer. Charge payers may also seek support from CAB Leicestershire through their website or offices located on Charles Street.

The service has also been tracking the recovery profile of the 16,000 'new' charge payers. The collectable debt for this group is £3.5m and represented 3.59% of the total collectable council tax debt as at 1st April 2013. Additional prompts and non-statutory reminders have been included in the recovery process to encourage payment and engagement where there is difficulty.

The billing and recovery process is outlined in appendix B with process maps comparing the 'business as usual' recovery detail alongside the additional communication activity for our welfare recovery accounts. Together with this is a pictorial display of the collection data by ward which can be found in appendix C.

4. Details of Scrutiny

None

5. Financial, legal and other implications

5.1 Financial implications

This is an information report, and there are therefore no direct financial implications.

Council tax income features in the Council's budget each year, and the impact of the new council tax reduction scheme was built into the budget for 2013/14. Funds for discretionary relief were separately budgeted.

Good collection performance results in "collection fund surpluses" in future budgets, which offset the cost of services in those years.

The budget for 2013/14 anticipated that collection would be harder than previously due to the changes to benefit, and consequently a bigger provision than previously was made for non-collection. This did indeed prove to be the case, but collection performance did not deteriorate as much as we had feared.

5.2 Legal implications

There are no specific legal implications in relation to this report.

Jeremy Rainbow – Supervisory Legal Executive (371435)

5.3 Climate Change and Carbon Reduction implications

There are no climate change implications arising from this report.

Duncan Bell, Senior Environmental Consultant, Environment Team. Ext. 37 2249.

5.4 Equalities Implications

As indicated in paragraph 3.3, the council does track the experience of those who find it difficult to pay. It is also in the process of revisiting its equality impact analysis of the council tax reduction scheme. The main protected characteristics of those benefiting from the council tax reduction scheme and likely to be adversely affected by council tax recovery are: gender, pregnancy and maternity, age, disability and race. Paragraph 3.3 sets out the mitigating actions being taken by the council in its tax recovery process to address related needs of those who find it difficult to pay their council tax.

Irene Kszyk, Corporate Equalities Lead, ext. 374147

5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

6. Background information and other papers:

- Local Government Finance Act 1992:
<http://www.legislation.gov.uk/ukpga/1992/14/contents>

- The Welfare Reform Act 2012; <http://www.Department for Work and Pension.gov.uk/policy/welfare-reform/legislation-and-key-documents/welfare-reform-act-2012/>
- The Localism Act 2011; https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5959/1896534.pdf
- The Equality Act 2010; <http://www.legislation.gov.uk/ukpga/2010/15/notes/contents>
- The Local Government Finance Bill;
- http://www.local.gov.uk/web/guest/local-government-finance-bill/-/journal_content/56/10171/3752842/ARTICLE-TEMPLATE
and
- other legislation in relation to Vulnerable Groups including but not limited to the Child Poverty Act 2010;
- <http://www.legislation.gov.uk/ukpga/2010/9/notes/contents>
and
- Social Security Act 1986.
<http://www.legislation.gov.uk/ukpga/1986/50/contents>

7. Summary of appendices:

1. Appendix A – Council Tax recovery process.
2. Appendix B – Process maps showing the billing and recovery process comparing the ‘business as usual’ recovery detail alongside the additional communication activity for our welfare recovery accounts. (to be added)
3. Appendix C – Collection data by ward.

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”?

Yes/No

10. If a key decision please explain reason

In determining whether it is a key decision you will need consider if it is likely:

- to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council’s budget for the service or function to which the decision relates.

- to be significant in terms of its effects on communities living or working *in two or more wards in the City*.

Expenditure or savings will be regarded as significant if:

- (a) In the case of additional recurrent revenue expenditure, it is not included in the approved revenue budget, and would cost in excess of £0.5m p.a.;
- (b) In the case of reductions in recurrent revenue expenditure, the provision is not included in the approved revenue budget, and savings of over £0.5m p.a. would be achieved;
- (c) In the case of one off or capital expenditure, spending of over £1m is to be committed on a scheme that has not been specifically authorised by Council.

In deciding whether a decision is significant you need to take into account:

- Whether the decision may incur a significant social, economic or environmental risk.
- The likely extent of the impact of the decision both within and outside of the City.
- The extent to which the decision is likely to result in substantial public interest
- The existence of significant communities of interest that cannot be defined spatially.