



Our Council Scrutiny Panel

12 June 2019

Report title	Collection of Council Tax	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Wards affected	All	
Accountable director	Claire Nye, Director of Finance	
Originating service	Revenues and Benefits	
Accountable employee(s)	Tracey Richards Tel Email	Recovery Manager 01902 552493 Tracey.Richards@wolverhampton.gov.uk
Report to be/has been considered by	Finance Leadership Team	Circulated by email 23/5/2019

Recommendation(s) for action or decision:

The Scrutiny Panel is recommended to:

1. Scrutinise the arrangements included in the Collection and Debt Strategy for council tax arrears, suggest changes, where appropriate, to ensure that the collection policy is fair and effective.
2. Agree to a further meeting with the enforcement agents contracted to collect council tax on behalf of the council to discuss their work.

1.0 Purpose

- 1.1 This report provides an overview of the collection process for council tax in accordance with the collection and debt strategy, highlighting current initiatives.
- 1.2 The report also describes use of enforcement agents in the collection process, to assist Councillors develop lines of enquiry for a further meeting to be arranged.

2.0 Background

- 2.1 The Council has a statutory duty to collect council tax when it is due, undertaking recovery action for arrears and enforcing debts. (Flowchart **Appendix 1**)
- 2.2 The Collection and Debt Strategy, as approved by Cabinet (Resources) Panel 28 March 2017, sets out the policy objectives in the approach of collecting council tax.
- 2.3 Council tax is required to be paid within the financial year that it is due. Options to pay by instalments are available for customers by weekly, fortnightly, monthly, half yearly and annually throughout the financial year. People who are having difficulty paying their council tax are encouraged to make early contact to discuss the matter so that they may be helped, wherever possible.
- 2.4 **Appendix 2** provides an overview of the council tax collection rates and comparison with Chartered Institute of Public Finance and Accountancy (CIPFA) nearest neighbours.
- 2.5 Council tax income in 2018-2019 accounted for 25%, approximately £97million, of the overall income received by City of Wolverhampton Council (CWC) excluding Housing Benefit administration and school grants.
- 2.6 Since the introduction of Council Tax Support (CTS), which replaced Council Tax Benefit in April 2013, working age residents who are in receipt of a low income are required to pay a minimum amount of council tax, which can be a financial burden. During 2018-2019 the collection level for working age households was 73.71% compared to 95.01% for all non-CTS. The level of arrears for these residents is escalating each year, with £20 million council tax owing as at 31 March 2019 across all residents.
- 2.7 Further work is being considered, at a corporate level, to understand the impact of the changes to CTS alongside the other welfare reforms on households in Wolverhampton. It is recognised that households who have never paid council tax are struggling the most and that providing a reduction in council tax through an award of CTS is supportive to households.
- 2.8 Ensuring that the request for payment is correct is a key part of the support given, through the training, information and advice given to employees, who will check that any reductions applicable are applied and help the customer to resolve any concerns. When negotiating payments of amounts due, employees have a good understanding of the financial burden of council tax on households.

- 2.9 The Council aims to achieve a fair balance when negotiating payments, ensuring that the customer is able to maintain an acceptable standard of living. However, if the Council considers that there is affordability and/or reluctance to pay the debt due then firm enforcement action will be taken.
- 2.10 One method of collecting amounts owing is through a deduction from earnings or benefits. However, council tax legislation dictates that a liability order is required to enable a direct deduction from earnings or benefits. As at 31 March 2019, of 17,683 customers who have an outstanding debt, 40% have more than one liability order balance owing.

What have we been doing?

- 2.11 CWC was the first council to recognise the disparity between the level of costs incurred in obtaining a liability order and the value of the debt. As a result, we have been recovering a lower level of fee from the debtor based on the amount owing for many years, absorbing the additional costs within council revenue budgets. The lower level is associated to the amount that a council tax band A property would have to pay if in receipt of maximum council tax reduction; being £270 a year.
- 2.12 System enhancements were introduced in 2017 so that there is an automatic check of records held within council tax and benefits for an indication that the taxpayer is either in employment or in receipt of benefits, to enable a direct attachment of deductions, to avoid further costs being incurred through use of enforcement agents.
- 2.13 Supportive Council Tax Recovery, Money Advice Service, was published in December 2018, as guidance for local authorities to work in collaboration with debt advice agencies, outlining "Supportive Revenues Collection Standards". A meeting was held with Money Advice Service following its publication to identify the approach that is used by CWC and to consider aspects of good practice recommended in the report.
- 2.14 CWC was the first council in the country to sign the Citizens Advice (CA) in the revised Collection of Council Tax Arrears Good Practice Protocol. This is a commitment to work closely with enforcement agencies and debt advice agencies to support vulnerable households and those in financial difficulties.
- 2.15 Regular liaison meetings take place with CA to discuss any concerns and to identify local practice. CA have provided training to recovery staff on their approach to negotiating repayment.
- 2.16 The CA in Wolverhampton work with the Recovery Team to support vulnerable residents in several ways:
- agreeing repayments;
 - identifying when a new claim has been made for Universal Credit so that a locally agreed hold can be implemented; and

- by attending liability order hearings to offer their services, which has identified new customers whom they have found provide greater engagement than generally.

- 2.17 A review of recovery notices was undertaken in 2017, in conjunction with Citizens Advice, which introduced nudge techniques to:
- encourage council taxpayers to make payments of amounts due;
 - contact the council if unable to pay; and
 - seek independent advice if in financial difficulties.
- 2.18 The Recovery Manager is reviewing the way CWC communicates with customers regarding council tax, recognising that customer behaviour is changing and reacts to different forms of contact. Some authorities have reported an increase in customer engagement using texting, emailing and automated voice messages, which is being considered initially as a pilot.
- 2.19 CWC is one of 29 local authorities undertaking a pilot where council tax data is matched with Her Majesty's Revenues and Customs (HMRC) to identify employment and latest address information. This will enable an attachment of deductions direct from their earnings where vulnerability is not identified. The pilot is for 4,000 accounts which have a combined arrears value of £8.5 million.

3.0 Enforcement Action

- 3.1 A new contract was agreed for the use of enforcement agents for the collection of council tax, in December 2018. Three agents were appointed: Bristow & Sutor, Rundles and Newlyns. Quarterly review meetings are held to ensure that each of these companies work in accordance with legislation, national guidance and the Enforcement and Collection Agent Code of Conduct (**Appendix 3**).
- 3.2 Ultimately, where the customer does not engage or maintain their arrangement to pay council tax with the council, enforcement agents are used.
- 3.3 A pre-compliance notice is issued which provides the customer a further opportunity to pay and/or engage before statutory fees are incurred.
- 3.4 Where any cases are identified by either the Council or the enforcement company as potentially vulnerable, these are notified immediately and handled through dedicated Welfare Teams, who will assess the individual circumstances; cease action, refer to the Council, or advise the customer to seek assistance, where necessary. Home visits can be arranged, without enforcement fees.
- 3.5 A parliamentary review of Bailiffs: Enforcement of Debt page 11 reviewed the number of complaints reported by debt advice charities compared to those by enforcement agencies, industry associations and others. There is understanding of the reason for the concerns that were raised, which were in respect of non-council tax debts. The use of enforcement is closely monitored, by analysis of complaints received, to ensure that they maintain a professional and compliant approach.

- 3.6 The table shows the action taken against council tax accounts which were in arrears, and the levels of complaints CWC received regarding enforcement action:

Council Tax – action relevant to in-year	2017-2018	2018-2019
Number of Liability Orders Obtained	17,291	17,466
Number of repayment plans arranged	7,779	8,161
Number of Deductions from Benefits	2,695	2,557
Number of Accounts with Attachment of Earnings Orders	3,695	4,079
Number of Cases referred to enforcement agents	8,290	6,285
Number complaints received regarding enforcement action	18	18
Number complaints well founded for enforcement action	1	2

- 3.7 An ethical debt approach is being trialled at a London authority, where a private limited company is commissioned to engage and negotiate repayment with the customer before a summons is issued. This avoids additional costs for the customer, where they engage and make payments at this stage; however, there will be a cost to the council and a delay in subsequent action being taken when this option is not successful. We will continue to watch and learn from their experiences and fully understand the costs to the taxpayer of providing this service.
- 3.8 When all other options have been exhausted, the following actions will be considered on an individual basis and will only be used when we feel that the proposed remedy is a fair and proportionate action bearing in mind the individual circumstances of the case:
- 1) An application to have the customer declared bankrupt or for other forms of insolvency;
 - 2) An application to register a charge against a property or to apply for the sale of a property against which a charge is registered;
 - 3) An application to have the customer committed to prison.
- 3.9 Whilst we will make every effort to pursue outstanding debts, it is recognised that in some circumstances some amounts are not recoverable. Good practice dictates that where they are irrecoverable, prompt and regular write-off should be undertaken. This will be undertaken in accordance with the Council Constitution Financial Procedure rules and the approach to bad debt write offs.

4.0 Scrutiny to consider

- 4.1 To scrutinise the collection of council tax process and the format that the review should take.

5.0 Financial implications

- 5.1. Council tax income in 2018-2019 accounted for 25%, approximately £97 million, of the overall income received by the Council excluding Housing Benefit administration and school grants. Given the financial challenge facing the Council it is essential for collection

performance to be at the highest possible rate. The approach taken is designed to maximise the efficiency and effectiveness of the collection process.

- 5.2 As at 31 March 2019, approximately £20 million council tax arrears were owing within the Wolverhampton area. An analysis of debt overdue is undertaken each financial year, with provision made for debts where there is a level of uncertainty around the timing and value of settlement, which is reflected in the Council's annual Statement of Accounts. Any recovery against these debts results in a reduction in the corporate bad debt provision.
[MH/31052019/Y]

6.0 Legal implications

- 6.1. The Council has a duty to look after the public purse and therefore recover debts owed to the Council and Central Government.
- 6.2. The Council however also has a safeguarding duty and both need to be balanced when recovering Council Tax owed.
- 6.3. Legal recourse will be undertaken in accordance with the Local Government Finance Act 1992 and other relevant pieces of legislation.
[LW/03062019/M]

7.0 Equalities implications

- 7.1. There are no equalities implications at this stage however development of new or revised policies for collection, enforcement and write-off will be subject to equality analysis.

8.0 Environmental implications

- 8.1 None.

9.0 Human resources implications

- 9.1 None.

10.0 Corporate landlord implications

- 10.1 None.

11.0 Schedule of background papers

- 11.1 [Collection and Debt Strategy, Cabinet Resources Panel 28 March 2017](#)
- 11.2 [Supportive Council Tax Recovery, Monday Advice Service December 2018](#)
- 11.3 [Citizen Advice Council Tax Good Practice Protocol June 2017](#)

11.3 [Bailiffs: Enforcement of debt, House of Commons Justice Committee 2 April 2019](#)

Appendix 2

Collection rates							
	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
In year collection %	96.50	95.60	95.00	94.40	93.83	94.02	94.14
Collection % at 31-01-19	99.43	99.10	98.67	97.93	97.15	96.26	84.63
Collection % accounts without CTR		99.24	98.89	98.39	97.86	97.11	95.01
Collection % accounts with CTR		97.10	95.44	91.96	87.32	83.64	81.53
maximum CTR % working age	100	90.5	88	78	78	78	73.71

Comparison with CIPFA near neighbours	In year collection % 2016-2017	In year collection % 2017-2018	% of debit covered by CTR	Maximum potential award of CTR Scheme
Sandwell	98.2	98.5	20.57	Up to 100%
Sunderland	95.8	95.9	18.47	Up to 91.5%
Stoke-on-Trent	95.5	95.7	12.99	70% or 100% if protected
Bolton	95.9	95.3	14.46	Up to 87.5%
Knowsley	95.3	95.3	20.75	Up to 80%
Doncaster	94.6	94.8	13.56	Up to 100%
Rochdale	94.5	94.8	15.03	Up to 85% of band A
Halton	95.0	94.6	13.73	Up to 78%
Oldham	94.6	94.5	14.87	Up to 85% of band A
Walsall	94.6	94.4	15.21	70% or 75% if protected
Derby	94.1	94.1	10.38	Up to 70% of band A
Wolverhampton	93.9	94.0	15.33	78% or 88% if protected
Kingston upon Hull	93.8	93.7	18.05	Up to 80%
Tameside	93.7	93.4	12.00	Up to 80% of band B
Middlesbrough	92.5	92.8	20.86	Up to 85%
Salford	90.9	90.0	15.19	Up to 85%