



VALUE OVERVIEW & SCRUTINY COMMITTEE

11 July 2013

REPORT

Subject Heading:

CMT Lead:

Report Author and contact details:

Policy context:

Financial summary:

Council Tax Collection Topic Group
Report

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To review the rate of Council Tax
collection.

There are no financial implications arising
from this report.

SUMMARY

At its meeting on 24 November 2011, the Committee agreed that a topic group be established to examine the value of outstanding Council Tax arrears and the arrangements in place for collection of outstanding debt.

This report details the work undertaken by the topic group and the conclusions that it reached.

RECOMMENDATIONS

1. To formally bring the Topic Group review to an end.

2. To have as a future agenda item regular updates to the Value Overview & scrutiny Committee on council tax collections and arrears.

REPORT DETAIL

Following performance information received on this area, the Committee agreed to set up a Topic Group to review how Council Tax Collection is administered.

The group met on four occasions. All members of the Committee agreed to be on the Group. The Group was supported by Jeff Potter (Head of Customer Services) and Ted Smith (Customer Service Improvement Manager).

FINDINGS

1. Council Tax Collection 2011/12

The Topic Group was informed that the council tax collection rate for 2011/12 had been assessed at 96.62% which with the collection details now available from London Boroughs placed the borough at 13th place in the league table of 33 London Boroughs, with a small reduction of 0.16% on the previous year's rate.

It was worth noting that the differences in percentage collection between authorities were particularly tight and for example, a one percentage increase would move the council up five places in the collection table.

The Topic Group was informed that whilst noting that the collection rate had not increased it was appropriate to view this in light of the current financial plight facing residents with ongoing effects of the recession which was making collection increasingly difficult.

This was of course not unique to Havering with both Westminster and Kensington & Chelsea below the borough in collection rates. The other local boroughs also sat below the Council with the following collection rates.

Havering	96.62%
Redbridge	96.19%
Waltham Forest	95.72%
Tower Hamlets	95.40%
Barking	94.10%

Nevertheless, the council tax team recognised that improvements can be achieved and monthly monitoring continued. The collection rate for April 2012 exceeded the April 2011 rate by 0.05% which if replicated at year end (i.e. 96.67%) would alone move the Council one place higher.

The collection figures for 2012/13 are now being compiled with the collection rate for the borough increased to 96.98%, the highest rate for the past six years and moved us into 10th position within London.

2. Council Tax Arrears

The Topic Group noted from available information that details released at end of March 2011 recorded the borough at 15th position in the Council Tax arrears table for London. Whilst, in isolation, this may indicate no more than average performance it needed to be considered against the way in which arrears are actioned as a performance measure.

In the past, the Council Tax team had concentrated primarily on the live debt and action on collection of arrears where debtors were traced. Whilst a bad debt provision has been established over the period of the arrears the administrative work on write offs was never given a high profile which has been recognised as a weakness in the accounting framework.

The Topic Group understand that this clearly would distorted the arrears totals compared to other boroughs who actively, year on year, write off debt as part of their collection process and therefore whilst not necessarily collecting the Council Tax would reduce their totals outstanding thus placing them higher in the table as having lower arrears levels.

It has recently been noted that the arrears declared by other boroughs have also been reduced by outstanding Court costs whereas the arrears for the Council are inclusive of costs and therefore will appear higher. Detailed analysis is currently been explored.

At 31 May 2012 the Council Tax arrears totalled £17,888,384.92 (inclusive of costs) of which around 30% sat with current occupied accounts. The following table provides details of the relevant years in which the debt arose.

The Group received the following figures detailing further reduction in arrears as at 31 October 2012.

Period	at 31 March 2012	at 31 October 2012
to 2005	£1,290,823.01	£1,066,631.02
2005/06	£1,005,290.59	£883,851.04
2006/07	£1,308,047.18	£1,140,076.15
2007/08	£1,714,769.44	£1,509,063.62
2008/09	£2,180,321.45	£1,938,339.15
2009/10	£2,689,856.15	£2,401,087.32
2010/11	£3,172,816.52	£2,870,938.36
2011/12	£4,526,460.58	£3,756,879.73
Total	£17,888,384.92	£15,566,866.39

The Group were advised that the arrears total changed constantly changing with collection and backdated charges resulting from retrospective action adding to the totals. For example, initiatives taken to combat benefit and single person discount fraud would add to the arrears totals where previous benefit or discounts are removed. Additionally as new properties are brought on line there would be a possibility of a previous year's charge.

3. Arrears Collection Team

The Topic Group was informed that as part of the continual review of revenue performance and mindful of the issues recorded above, it had been recognised that the management of arrears had been difficult to resolve in common with most other London Boroughs.

With the need to actively look at the position of the bad debt provision and the difficulties previously recorded through the retention of our in-house bailiff service a strategy report was undertaken that also identified that a hardcore of customers continued to default on payment, no doubt due to other external financial difficulties.

The Group was informed that it was decided that there was a need to devote resource to address part of the debt by on-going collection, sensible use of the write off provision and where the Council Tax account procedures had been amended to reflect altered recovery arrangements a significant amount of data cleansing required to move accounts into the correct recovery levels.

This enabled the team to commence recovery for payment and where further action was necessary to ensure current addresses were held for absconded payers before the next stage recovery could commence through the use of external bailiffs.

The Group noted that a dedicated team of 6 staff (5.03fte) were engaged from the end June 2011 to end June 2012 at a cost calculated at £128,038 with the initial brief to look to the administration of the arrears where customers had vacated addresses prior to 1 April 2009.

The total arrears for the period ending 31 March 2009, at May 2011 (i.e. the commencement of the team's engagement) totalled £10,098,140 and at April 2012 had reduced to £7,499,252 a reduction of £2,598,888. This figure included payments collected by the team and the bailiffs.

At a further meeting the Topic Group was informed that following the success of the action, at the end of June 2012 the time frame for the team was extended to allow for the on-going collection with a review date of 31 December 2012.

Initially the team concentrated on on-going collection and account maintenance but with the engagement of external bailiffs a number of cases had been returned where the customer had vacated without a forward address, become bankrupt or marked as deceased.

Additionally there were a number of cases where the bailiffs were unable to enforce the liability orders as the customers had limited resources to pay and therefore further action may be required through alternative recovery methods e.g. bankruptcy, committal or long term arrangements.

In the case of absconded payers, arrangements are in place to trace defaulted payers and discussions underway to look to a dedicated corporate solution which would only raise a charge where a successful trace is obtained.

Obviously this, together with the remedial work explained above, could impact on the work of the team. Similarly, it is now clear through the new ways of funding that a similar piece of work will be needed to clear old Business Rate accounts although this may predominantly involve the proactive use of write offs in line with the bad debt provisions held.

It was clear from the debt reduction that significant inroads had been made by the creation of the team and a proven value for money exercise. In order to build on this and take forward the potential additional work of the team, the position is currently being reviewed with a potential further extension.

The Topic Group understand that additional work had been taken on by the team to look at newer debt and to supplement the work of the enforcement team assisting in reducing the overall arrears levels.

4. External bailiffs

The Topic Group was informed that in order to supplement the work of the arrears team it was decided to engage assistance through the appointment of external bailiffs with particular reference to cases selected from either:

- Customers whose main address is out of the borough
- Vacated accounts with no ongoing liability

Cases which were outside these categories would remain with the internal bailiff service.

To ensure that the companies would meet exacting standards in their contact with Havering debtors it was decided to select from companies that sat within the Office of Government Commerce (OGC) framework and were currently engaged by the Council

As general contracts for bailiff work for Council Tax commonly operate on a “no fee” basis with the companies charging the customer statutory fees to fund their operations the engagement of the companies would result in no additional cost to the Council.

The Topic Group was informed that contracts were awarded in February 2012 to four companies who were all provided with similar amounts of debt for similar periods which would assist in providing performance measures for the future when looking at any ongoing contracts.

At the stage of this review it was difficult to draw too many conclusions as they started operations at different times and operate in slightly different ways with Firm B for example undertaking their own wholesale data cleansing before bailiffs call so they had only recently started visiting debtors.

The Topic Group was informed that inevitably with the use of bailiffs a number of difficulties had arisen where the period of debt was old including the potential for complaints.

Whilst there had been an increase in complaint numbers partly attributable to the arrears strategy being implemented only one case had criticised the actions of an individual bailiff and this had not been proven.

With the review of the possible extension of the arrears team, opportunities may present themselves to enable additional and newer cases to be passed to the external bailiff providers to enhance the work of the internal team.

The Topic Group received an updated cash receipt table that provided an overview of the cash receipts but this needed to be supplemented with the work on agreed arrangements set and abscond tracing undertaken by the four appointed bailiff companies.

	Payments	Arrangements
Firm A	£128,740.00	£356,862.92
Firm B	£79,500.00	£154,059.48
Firm C	£91,463.00	£61,533.82
Firm D	£193,237.00	£231,335.04
	£492,940.00	£803,791.26

During this review the Topic Group noted the following in order to understand the way the team works:

- That every taxpayer in receipt of council tax benefit received an advice leaflet. Further information is also included with the council tax booklet giving advice to taxpayers to claim if they are struggling to pay their council tax
- That a reminder list is produced and checked before the notices are despatched in order to prevent unnecessary reminders being sent to executors of estates, those in bankruptcy and tax payers with whom the service are already in communication etc.
- That the service sought to recover all of its costs from defaulting taxpayers in addition to the outstanding council tax.
- The Group was informed that from the records held, the service re-issued 96,604 in year bills in 2011. A new bill was required if there was a change in the liability (for example a discount or benefit amendment) as well as change in the occupiers or a change in the payment method.
- The Group was informed that a charging order was an option but the Council would not receive its money until such time as the property was sold. That when a charging order had been obtained a forced sale of the property was an avenue but this could be difficult where the property was still occupied, and particularly if any of the occupiers are considered vulnerable. The Group was informed that voluntary

charging orders had been used on two occasions where the person had equity in the property and intended selling but has no other means of payment.

- That a breakdown of arrears detail does inform decisions in the Council Tax section on recovery profiling. The following profiling was provided as part of the review.

Value range	Numbers	Value
Less than £200	2550	£236,503.94
Between £201 and £1,000	5491	£2,951,001.50
Between £1001 and £2,500	3129	£4,951,894.52
Over £2,501	1643	£6,783,150.52

CONCLUSIONS & RECOMMENDATIONS

The Topic Group had found the entire review a worthy review to undertake as the exercise had provided them with an insight into council tax collection. Members of the group wished to place on record of the support and cooperation from the officers that contributed to the review.

The topic group made the following recommendations to the Value Overview and Scrutiny Committee:

1. To formally bring the Topic Group review to an end.
2. To have as an agenda item regular updates to the Value Overview & scrutiny Committee on council tax collections and arrears.

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Background Papers – None.

The following comments have been submitted by members of staff:

Financial implications and risks:

Narrative Report Only – not applicable.

Human Resources implications and risks:

Narrative Report Only – not applicable.

Legal implications and risks:

Narrative Report Only – not applicable.

Equalities and Social Inclusion Implications and Risks:

Narrative Report Only – not applicable.