

Update on Council Tax Collection and Arrears

REPORT TO SCRUTINY COMMITTEE



DATE	20/10/2015
PORTFOLIO	Resources and Performance
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PURPOSE

1.1 This report has been produced in response to a query arising from the Scrutiny Committee of 15th September 2015, and it sets out the current position as regards the collection of council tax for current and prior years.

RECOMMENDATION

2.1 That the content of the report be noted.

REASONS FOR RECOMMENDATION

3.1 Information only, no decisions required

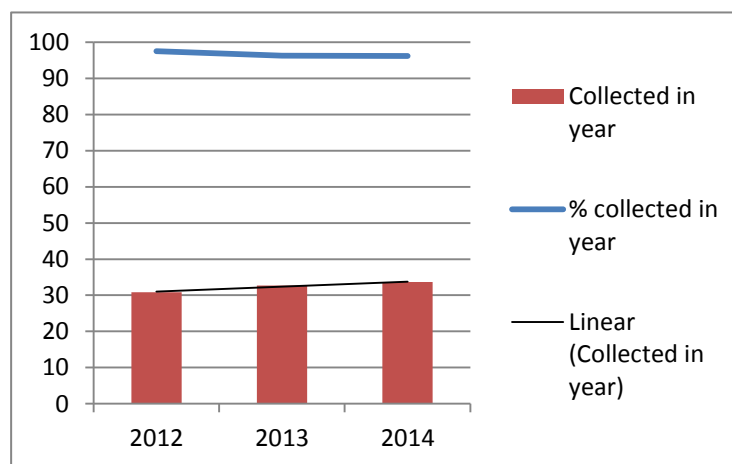
SUMMARY OF KEY POINTS

- 4.1 There are 40600 domestic properties in Burnley, in respect of which a total of £36.7m is collectable in Council Tax.
- 4.2 A combination of deprivation levels and the wish to avoid creating significant financial distress for residents means that all the council tax due within a particular financial year will not be collected but around 99% of council tax will be collected over time. There will always be an element of tax not collectable due for example to death, bankruptcy, absconded taxpayers and remitted debts.
- 4.3 In recent years the average in-year collection rate in England has been 97%, with the rate in Lancashire a little below, at around 96.3% last year. Burnley's in year rate last year was a shade under 96.2% However, collection continues beyond the end of the financial year and the table below shows both in-year collection rates and total collection rates as at 21st Sept 2015. The figures are split to show average collection across all taxpayers and the rates for working age taxpayers in receipt of council tax support. 2012 was the last year before council tax support replaced council tax benefit and the drop in collection rates in 2013 was expected and reflected nationwide.

	2012		2013		2014		2015
	% collected in year	% collected at 21.9.15	% collected in year	% collected at 21.9.15	% collected in year	% collected at 21.9.15	% collected at 21.9.15
All	97.47	98.96	96.26	97.56	96.19	96.58	51.50
Working Age CTS cases			77.25	88.15	78.04	81.41	40.09

4.4 Although the percentage of council tax collected in year dropped in 2013 the amount of tax collected actually increased significantly (by £1.84m). This is primarily because maximum support for working age claimants reduced from 100% to 91.5%, meaning that many more residents became liable to pay council tax. In addition some council tax discounts were reduced. The next table shows the amount of council tax levied in each financial year and the amounts collected in year and to date.

	Council tax collectable	Collected in year	Collected at 21.9.15
2012	£31.66m	£30.87m	£31.24m
2013	£33.98m	£32.71m	£33.12m
2014	£34.97m	£33.64m	£33.70m
2015	£36.73m		£18.92m



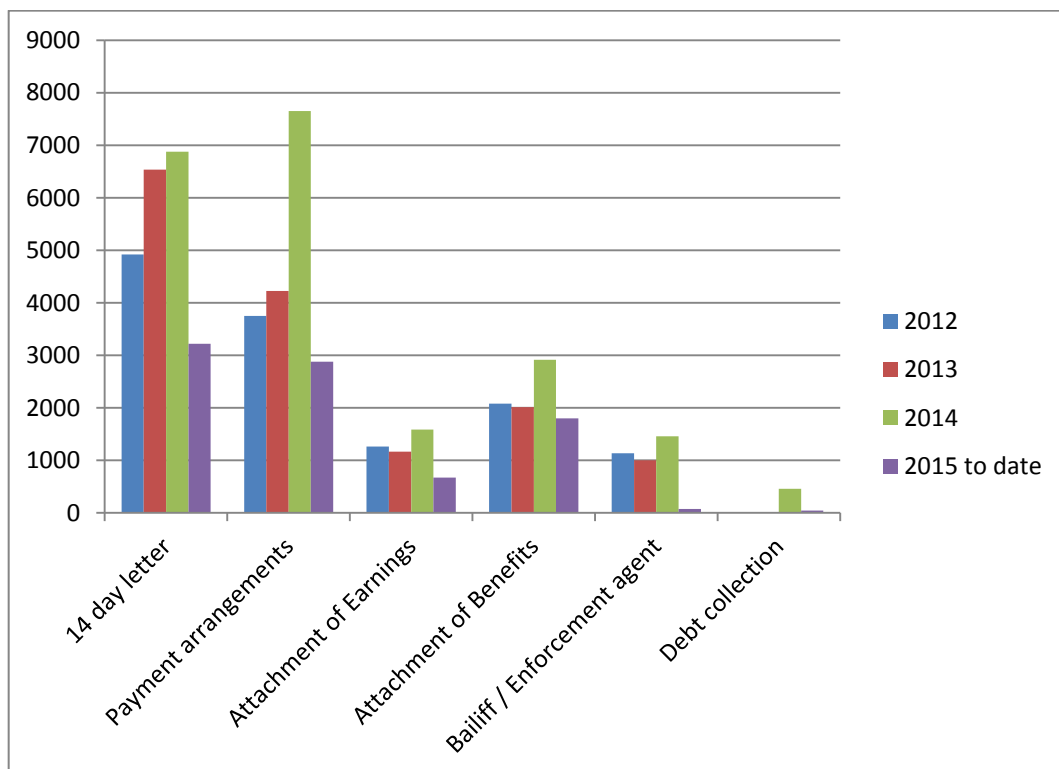
4.5 Maximum council tax support has reduced again for 2015/16, to 87.5%, hence the further significant increase in the amount of council tax collectable in 2015 (up by £1.76m from 2014). The table shows the mid-year collection rates since 2012/13.

Year	Mid-year collection rate
2012	55.5
2013	54.5
2014	54.7
2015	54.3

4.6 Recent press coverage referred to council tax arrears of £5.4m. The current figure is around £4.9m, but, to put this into context, that relates to all years back to 1993. Most of the arrears amount (approximately £2.9m) relates to 2013/14 and 2014/15 and we are currently collecting that at a rate of over £70k per month, with a further £12k per month being recovered from earlier years.

4.7 Most taxpayers in Burnley pay their council tax on time and in accordance with their annual bill. Over 63% of payable accounts are paid by direct debit. However, in cases where payments are not made on time, prompt enforcement action is taken by way of reminders and summonses. If required we will apply to the Magistrates Court for a Liability Order to make use of further recovery powers, notably Attachment of Earnings and Benefits Orders. As most debts pass through more than one enforcement stage before being cleared it is difficult to provide meaningful numbers on the number of debts at each stage for each financial year. However, the bar chart below highlights the most frequently used enforcement stages in each of the financial years from 2012/13 up to the mid-point of 2015/16. The 14 day letter is issued to the majority of debtors for whom we obtain a liability order and it offers an opportunity for debtors to discuss payment options, or to provide information enabling the recovery team to decide how best to recover the debt.

The graph clearly shows that the majority of arrears are recovered by means of a mutually agreed payment arrangement with the debtor.



4.8 In a small minority of cases debts will be referred to the Council's Enforcement Agents (formerly known as bailiffs). Members will be aware of recent media reports about councils' growing use of enforcement agents. The reports in Burnley (and in other areas of the country) were exaggerated, for example by not

indicating that many households have more than one debt, so that, for 2014/15, 3772 debts related to 1600 households; put another way, just under 4% of households in the borough had debts passed to Enforcement Agents, and the majority of these would not receive a visit, being dealt with instead by way of letters and payment arrangements.

4.9 Debtors can expect to receive a minimum 6 items of correspondence about a debt before an Enforcement Agent attends the property. For debts under £200, where we have tried and failed to recover the debt, we are now using a debt collection service for which fees are not passed on to the debtor. Use of Enforcement Agents continues to be one of the last options used. We have contacted colleagues in the Citizen's Advice Bureau to see if they have any particular concerns, and at the time of writing they have not identified anything specific but we will work with them to address any issues arising.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

5.1 Not applicable, information only

POLICY IMPLICATIONS

6.1 Not applicable, information only

DETAILS OF CONSULTATION

7.1 None

BACKGROUND PAPERS

8.1 None

FURTHER INFORMATION

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