

Central Bedfordshire Council

Corporate Resources Overview and Scrutiny – 25 October 2016

DEBT RECOVERY PERFORMANCE

Report of Cllr Richard Wenham, Executive Member for Corporate Resources (richard.wenham@centralbedfordshire.gov.uk)

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This report does not relate to a Key Decision

Purpose of this report

1. The purpose of the report is for the Committee to review and comment on the Council's Council Tax, Business Rate and Sundry Income debt collection performance.

RECOMMENDATIONS

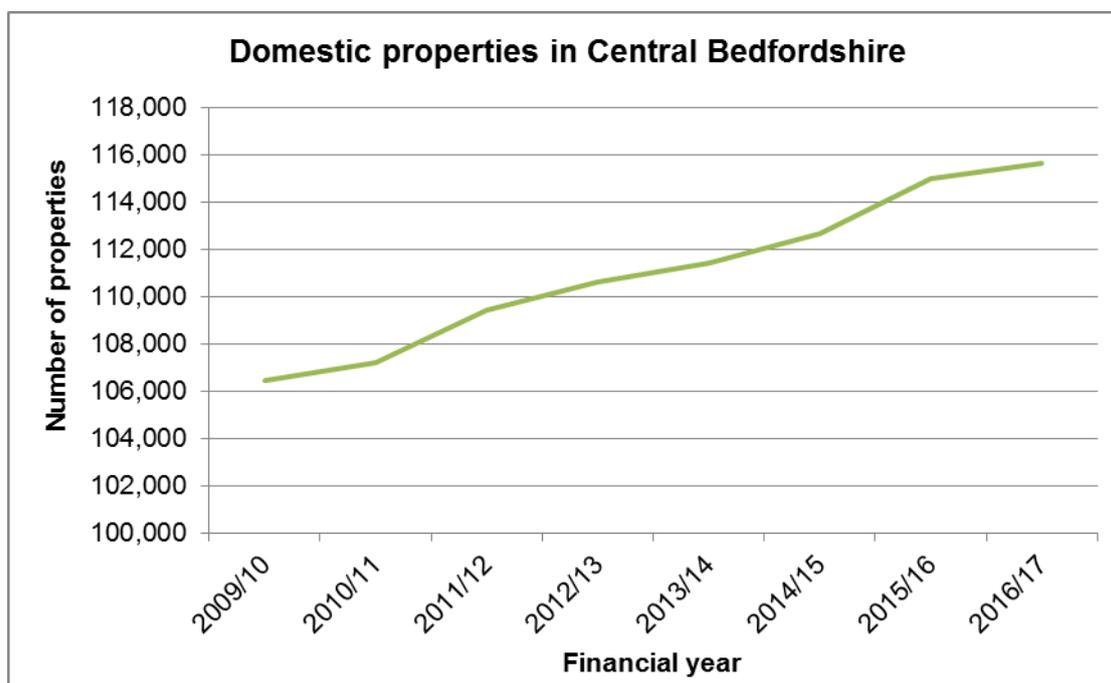
The Committee is asked to:

- 1. Review and comment on the Council Tax, Non Domestic Rate and Sundry Debt collection performance.**

Background – Performance in the collection of Council Tax

2. The Council has 115,910 domestic properties that are liable for Council Tax. After various discounts, exemptions and Local Council Tax Support, the amount due to be collected in 2016/17 was £167m, an increase of £7m on 2015/16. This figure includes Council Tax collected on behalf of Police, Fire and Town and Parish Councils.
3. The number of properties in Central Bedfordshire has been increasing annually and has increased from 106,437 in 2009 to 115,910 this year. This represents a growth of 8.9%.
4. A full breakdown of properties split into bands and across each town or parish is shown at Appendix 1.

- The graph below shows the increase in the total number of domestic properties in Central Bedfordshire Council since 2009:



- During 2016/17, of the 115,910 properties, around 34,240 properties (30%) were occupied by a single occupier and so receive a 25% discount, known as Single Person Discount (SPD).
- 14,500 households received some Local Council Tax Support towards their bill, 7,850 (54%) are working age and 6,650 (46%) are classed as pensioner households.

2016 /17 Targets

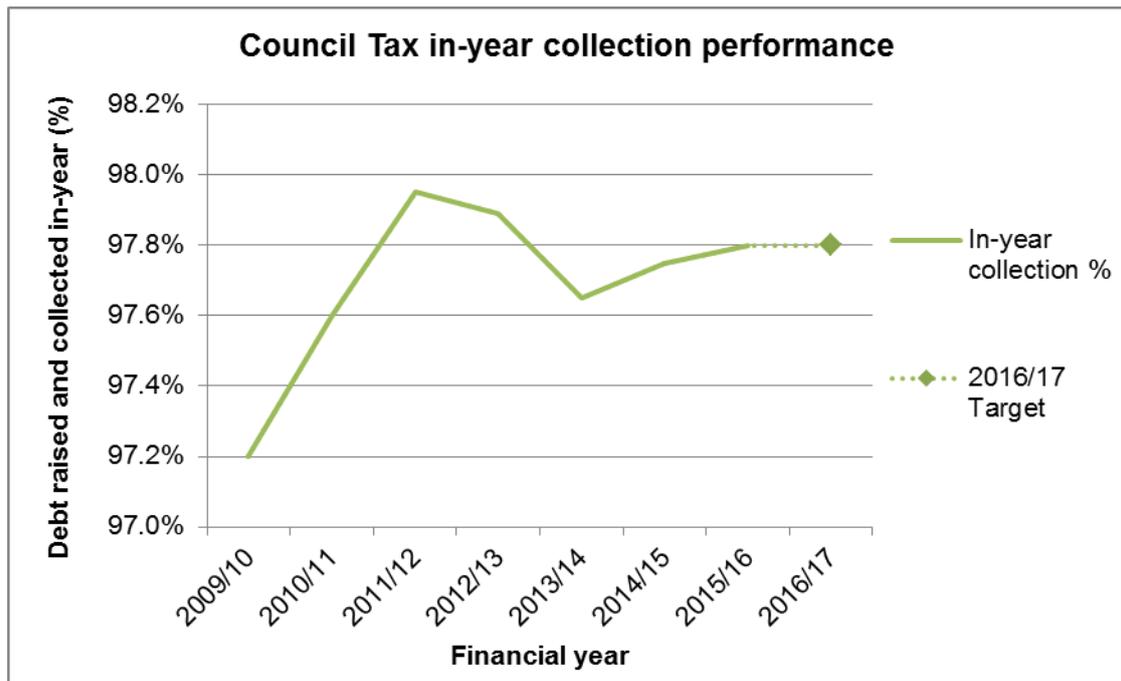
- The Council Tax collection target is to collect 97.8% of the 2016/17 Council Tax within the financial year and £4.5m of arrears and costs
- This means collecting £163m (97.8%) of Council Tax within the financial year, compared to the debit of £167m (Council Tax gross debit minus Local Council Tax Support, discounts and exemptions)

2016/17 and earlier years performance results

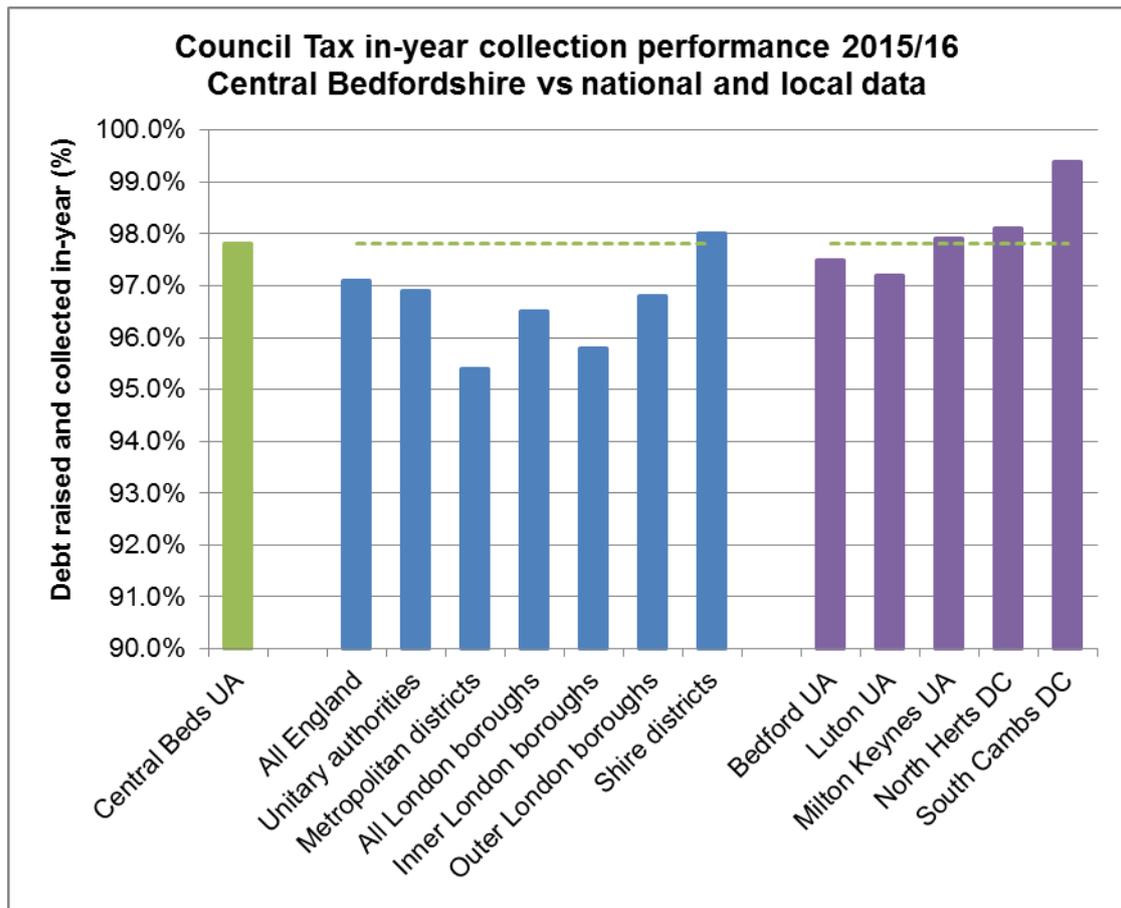
- So far £94.3m (56%) has been collected in 2016/17 of the 2016/17 debit of (£167.6m) and as at the end of September we were 0.21% ahead of target.
- £3.2m (24.1%) has been collected or written off of the prior year's debt of £13.2m leaving £10m to be collected. Against target we are 2.1% ahead of target.

12. The end of year performance for 2015/16 shows that 97.8% of the amount due had been collected within the financial year. This represents an increase of 0.05% when compared to 2014/15.
13. Council Tax collection performance needs to be seen in the context of the Localised Council Tax Support Scheme (LCTS), which the government required us to introduce in 2013/14 and which replaced Council Tax Benefit (CTB). In the past, CTB was calculated based on a claimant's tax and income. The maximum benefit payable was 100% of the Council Tax bill, and the scheme operated as if the bill was in effect paid by the government.
14. The Central Bedfordshire Council scheme introduced in 2013/14 for working aged claimants is less generous, and the maximum LCTS a claimant can receive is 75% of the Council Tax charged unless the claimant falls within one of our "protected groups" e.g. the claimant receives certain disabilities benefits.
15. With approximately 4,000 claimants having to make a payment contribution for the first time in 2013/14 collection performance was anticipated to decline, which it did by 0.34%, but we have seen a steady improvement in collection as some of our residents become more used to having to pay the 25% minimum contribution.
16. The Council tax in year collection performance since the beginning of Central Bedfordshire Council in 2009/10 is shown below:

Council Tax in-year collection performance (Debt raised and collected in the financial year)							
2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
97.20%	97.60%	97.95%	97.89%	97.65%	97.75%	97.80%	56.2%



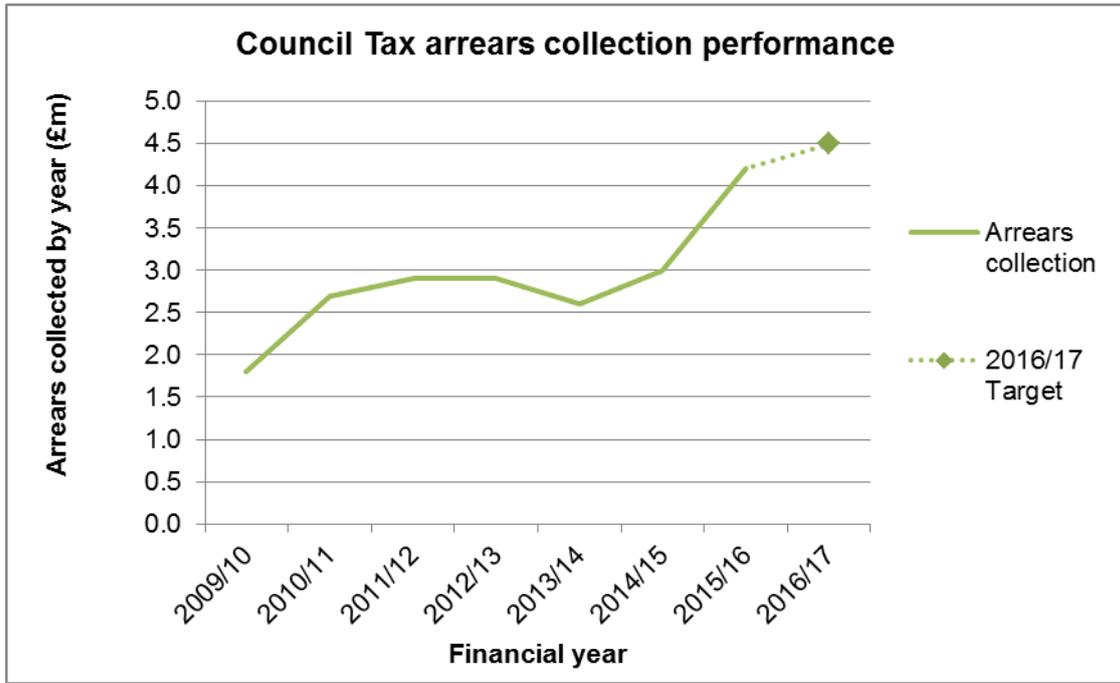
Council Tax in year collection rates 2015/16	CTAX
All England	97.1%
Unitary authorities	96.9%
Metropolitan districts	95.4%
All London boroughs	96.5%
Inner London boroughs	95.8%
Outer London boroughs	96.8%
Shire districts	98.0%
CBC	97.8%
Bedford	97.5%
Luton	97.2%
Milton Keynes	97.9%
North Hertfordshire DC	98.1%
South Cambridgeshire DC	99.4%



Arrears Collection

17. Collection does not stop at the end of the financial year but continues for as long as it is cost effective. In the long term, collection is expected to be around 99%. However this takes several years to achieve.
18. Each financial year the Council collects several million pounds in Council Tax arrears and costs from previous years. Details are as follows:

Council Tax arrears collection performance							
Amount of Council Tax arrears collected by year							
2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
£1.8m	£2.7m	£2.9m	£2.9m	£2.6m	£3m	£4.2m	£3.2m



40.7% of 2015 debt recovered by 30 September 2016

Debt Recovery activity

19. The table below shows how many reminders and summonses that have been issued and the number of Magistrates Court Liability Orders that have been granted, as well as how many cases have been referred to bailiffs (now called Enforcement Agents) for collection.

Council Tax Debt Recovery Activity							
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reminders	60,112	64,549	55,879	66,497	66,412	60,292	31,376
Summonses	11,160	10,159	9,620	10,479	9,934	9,810	5,188
Liability Orders	7,648	7,495	6,311	7,547	7,757	7,178	3,724
Cases to the Bailiffs	5,173	5,236	5,097	4,053	3,347	3,331	1,547

20. Although the number of reminders has increased quite significantly since 2013/14 due to the introduction of Local Council Tax Support where claimants of working age are required to pay 25% of their liability unless they are in one of our protected groups e.g. disabled, the number of accounts going to the bailiffs has reduced. This is because the Revenues Team are working much harder to try and prevent these cases going to the bailiff by finding alternative methods of recovery, for example deductions from benefit, attachment of earnings orders or by making pro-active contact with the debtor to agree a payment arrangement.

Debt Collection remedies

Attachment of earnings orders

21. Once a summons has been issued and a Liability Order (LO) has been granted by the Magistrates due to Council tax arrears, one of the recovery options is to apply to the debtor's employer for deductions to be made from their wages and paid over to the Council. The debtor and the employer are informed of the application at the same time.
22. Deductions are made based on the level of earnings with the percentage taken increasing as the wages increase. A Council can make two attachments at any given time in respect of separate Liability Orders (with the deductions for the second one being based on the residual amount) and if there are more than two LOs further attachments can be "pending" to start once one of the existing attachments have cleared. Employers are allowed to make a charge of £1 per payment to cover their costs.

Attachment of Earnings order Weekly Pay		
Net Weekly Earnings	Weekly Deductions	Deduction rate
Not exceeding £75	Nil	0%
Exceeding £75 but not exceeding £135	£2.25 to £4.05	3%
Exceeding £135 but not exceeding £185	£6.75 to £9.25	5%
Exceeding £185 but not exceeding £225	£12.95 to £15.75	7%
Exceeding £225 but not exceeding £355	£27.00 to £42.60	12%
Exceeding £355 but not exceeding £505	£60.35 to £85.85	17%
Where the salary is more than £505 per week the attachment rate is 17% for the first £505 and then 50% of the remainder. A second attachment is calculated by removing the amount of the first attachment from the weekly earnings then applying the deduction rate appropriate to the reduced earnings.		

Attachment of Earnings order Monthly Pay		
Net Monthly Earnings	Monthly Deductions	Deduction rate
Not exceeding £300	Nil	0%
Exceeding £300 but not exceeding £550	£9.00 to £16.50	3%
Exceeding £550 but not exceeding £740	£27.50 to £37.00	5%
Exceeding £740 but not exceeding £900	£51.80 to £63.00	7%
Exceeding £900 but not exceeding £1,420	£108.00 to £170.40	12%
Exceeding £1,420 but not exceeding £2,020	£241.40 to £343.40	17%
Where the salary is more than £2,020 per month the attachment rate is 17% for the first £2,020 and then 50% of the remainder. A second attachment is calculated by removing the amount of the first attachment from the weekly earnings then applying the deduction rate appropriate to the reduced earnings.		

23. As at 30th September there were 951 live attachments in place to collect £599,375 outstanding with a further 297 cases “pending” for £236,502.
24. One of the major barriers to recovery is a lack of engagement by some debtors that means the level of information held by the Council is limited, thus preventing recovery action by attachment of earnings orders.

25. This Council along with many others has made representations to Government and has requested access to HMRC data for employer records to allow an attachment of earnings order where the employee is in arrears of Council Tax. The matter was subject to a short consultation with local authorities last year but we are still awaiting the outcome.

Attachment of Benefits

26. Once a summons has been issued and a Liability Order (LO) has been granted by the Magistrates due to Council tax arrears, one of the recovery options is to apply to the DWP for deductions to be made from certain benefits the debtor receives and have it paid direct to the Council. The debtor is informed of the application. Deductions are at a standard rate (currently £3.70 per week) which is increased annually. A Council can only make one attachment for Council Tax arrears at any given time even if there are debts for several years. Further attachments can be “pending” to start once one of the existing attachments has cleared. No other recovery options can be considered on additional debts once an attachment of benefit is in place, and if an attachment of benefits can be put in place it must be the chosen recovery route.
27. As at 30th September there were 1,219 live attachments in place to collect £342,504 outstanding with a further 918 cases “pending” for £333,257.
28. There are several reasons why the Council may not be able to attach benefits
- The debtor is already having other deductions made from their benefits due to debts putting them below the 80% threshold figure.
 - The Council Tax liable person is not the benefit claimant.
 - The benefit that is being claimed is not suitable for deductions. For example the Council can not deduct from tax credits.
29. Councils have been in discussion with Government to the current approach, including allowing attachments to benefits without the need for a Liability Order.

Other recovery remedies

30. Under the Council Tax regulations, bankruptcy/ liquidation proceedings can be instigated where the debt, or a number of debts for one individual or one company, exceeds £5,000. In order to protect potentially vulnerable people these proceedings will only be considered in exceptional circumstances.
31. We do not currently have any debtors liable for Council Tax that are subject to bankruptcy or liquidation proceedings that we have

instigated although we do actively use the threat of these proceedings which is often enough to encourage payment.

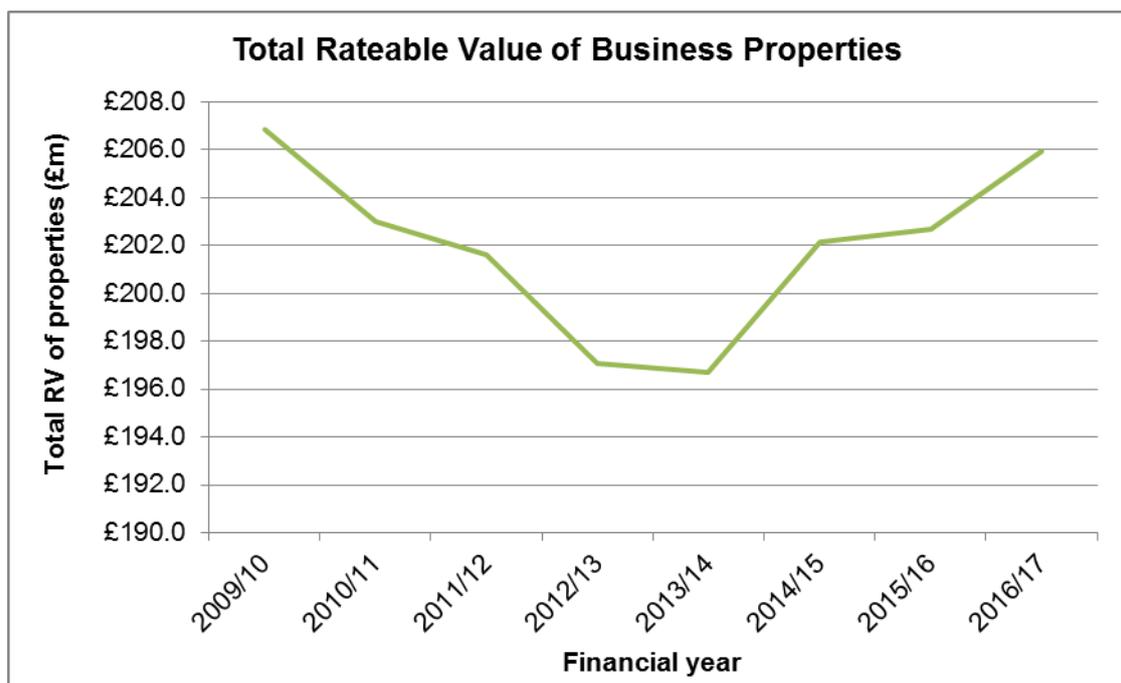
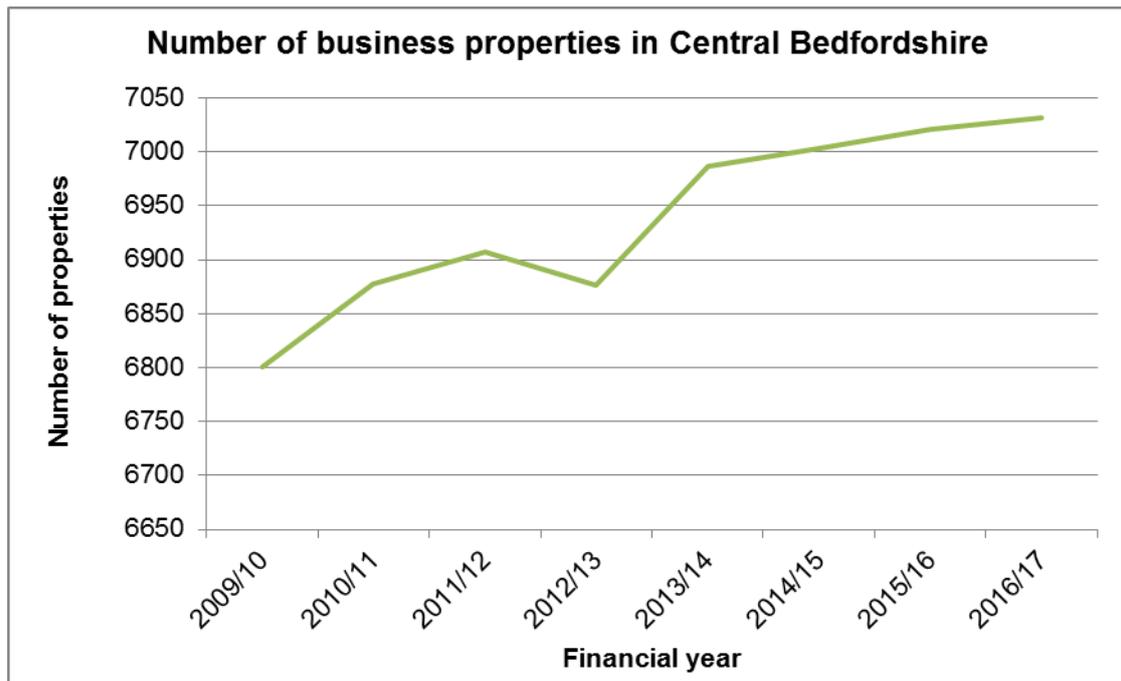
32. The regulations also allow for the application of a Charging Order against a debtors property where the debt subject to a Liability Order (s) is greater than £1,000. Care is taken before instigating Charging Order proceedings in order to protect vulnerable debtors but the remedy is used and we currently 11 COs for a value of £34,873. Once the CO has been issued the Council can, on rare occasions, enforce the sale of a debtor's property in order to settle the Council Tax debt.
33. Another remedy which has not been used for several years is committal to prison proceedings. A debtor can be sentenced for up to 3 months in prison by the Magistrates if it can be shown that the debtor either wilfully refused or culpably neglected to pay the Council Tax debt. It is planned to reintroduce the use of committal proceedings during 2016/17
34. Committal proceedings will be used as a final course of actions where other remedies have either failed or are unavailable, for example a self employed debtor with no known assets who is failing to pay. The court fees for committal action are £240 per application and can be recovered from the debtor. However, the order to recover the costs can only be made when the debtor actually appears in court. Consequently this action will only be taken where there is a realistic prospect of the debtor appearing before the Magistrates. If there is any chance that the debt would be remitted by the Magistrates we would not use this option but would instead consider write off ourselves in view of the financial outlay for a committal summons.

Direct Debit activity

35. Direct debit is the preferred method of payment and the Revenues service is planning a campaign to increase the number of accounts paid by direct debit. Out of the overall debit of £160m, 77% was collected by direct debit during 2015/16.
36. We currently have 79,212 live direct debits which collect about £12.6m per month.

Collection of Business Rates (NNDR)

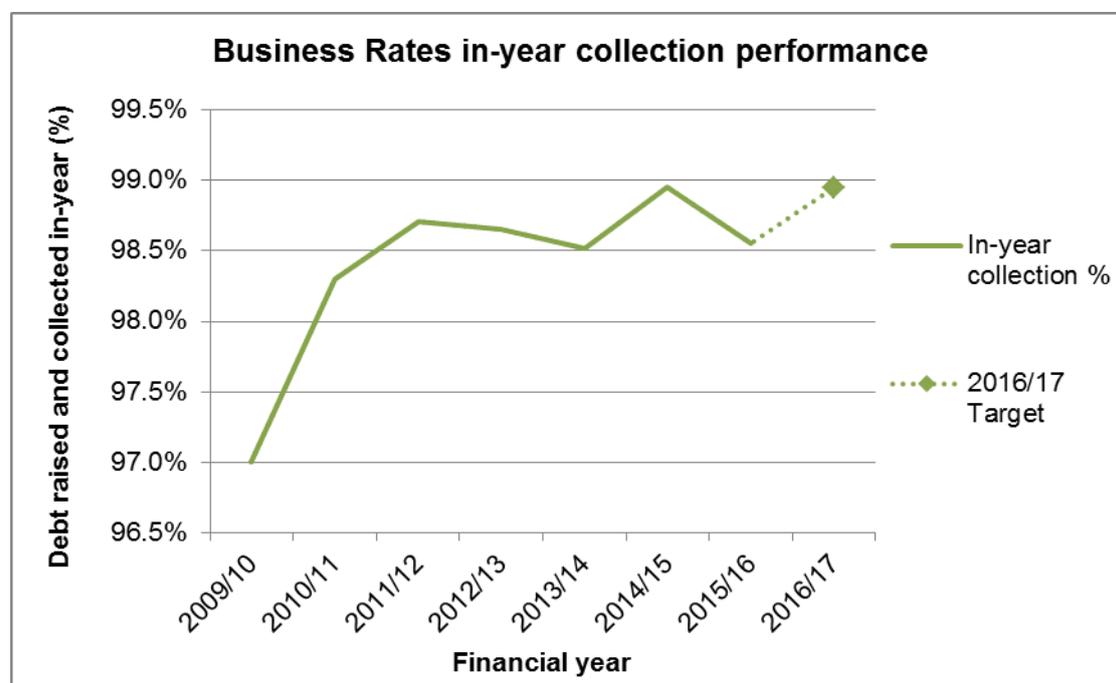
37. Business Rates are collected from 7,043 business properties across Central Bedfordshire, as at the end of September. This is an increase of about 4% since 2009/10. The total rateable value of the businesses amounts to £205,963,089.



38. For billing purposes a business rates property or hereditament as it is technically known, can be as small as an ATM, parking or advertising space up to the size of a Motorway Service Station or a major distribution centre. Each property has a separate bill.
39. The Valuation Office Agency, part of HMRC, work out the rateable value for a property and the Council calculates and collects the amount by applying a multiplier that is set by Central Government each year and other calculations where appropriate.

40. Following major reforms introduced by Central Government from April 2013, 50% of business rates are paid to government to be redistributed. 50% will be retained locally (of which 1% is passed to the combined Fire Authority and 49% is retained by Central Bedfordshire Council). Our collection performance now directly affects the finances of the Council.
41. The collection rate for Business Rates is calculated in the same way as the Council Tax measure.
42. The gross amount of Business rates to be collected within year, before exemptions and reliefs was approximately £92.4m. After applying these reductions the net amount to be collected is £85m. This is an increase in the amount to be collected of £2.7m compared to 2015/16.
43. The graph below shows the in year collection performance since 2009/10. The dip in the 2015/16 collection rate was due in the main to significant refunds being made to business which had received reductions in their rate liability, often back dated to 2010.

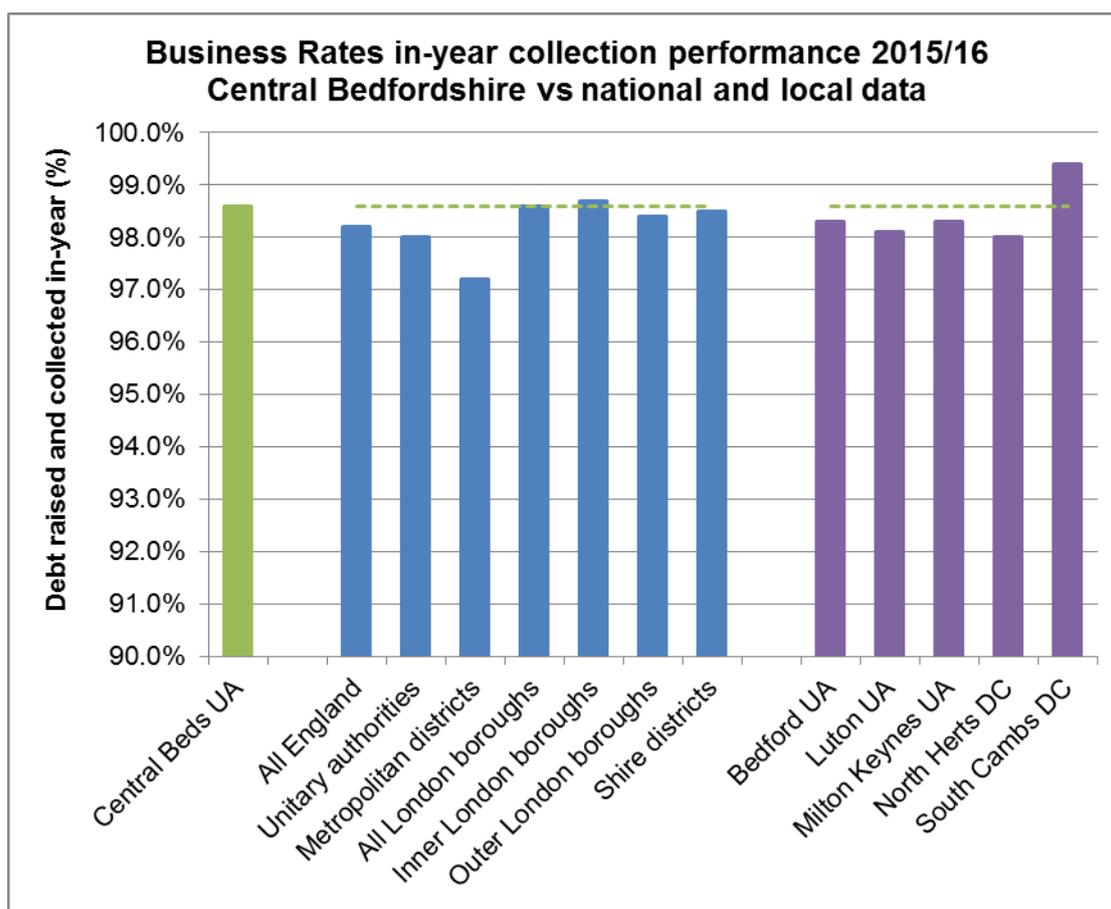
CBC Business Rates in-year collection performance (Debt raised and collected in the financial year)							
2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
97.00%	98.30%	98.71%	98.65%	98.52%	98.95%	98.55%	53..53%



44. In 2015/16 authorities nationally had collected £23.6 billion in business rates that related to 2015/16 and achieved an average in-year collection rate of 98.2%, an increase of 0.1% over 2014/15. Authorities also collected £602m in business rate arrears and wrote of £2014m of uncollectable business rates in 2015/16.

45. The table below shows the average in-year collection rates nationally as well as some of our neighbouring local authorities.

Business Rates in year collection rates 2015/16	NNDR
All England	98.2%
Unitary authorities	98.0%
Metropolitan districts	97.2%
All London boroughs	98.6%
Inner London boroughs	98.7%
Outer London boroughs	98.4%
Shire districts	98.5%
CBC	98.6%
Bedford	98.3%
Luton	98.1%
Milton Keynes	98.3%
North Hertfordshire DC	98.0%
South Cambridgeshire DC	99.4%

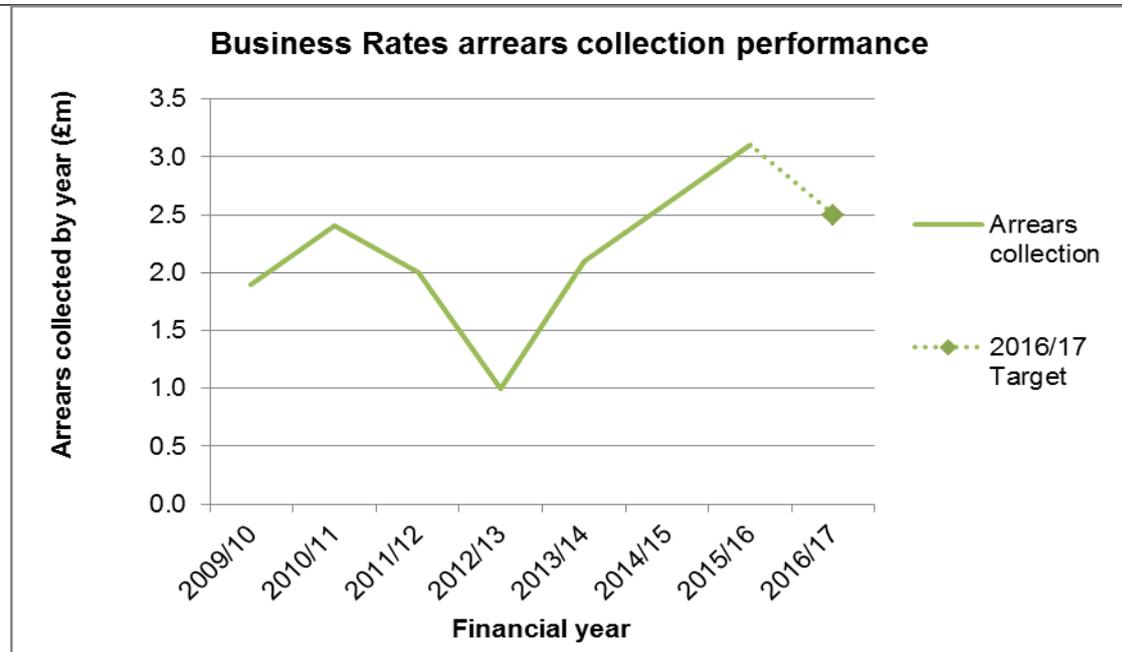


46. Each financial year the Council collects several million pounds in Business Rate arrears from previous years. Details are as follows:

Business Rates arrears collection performance

Amount of CBC Business Rate arrears collected by year

2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
£1.9m	£2.4m	£2m	£1m	£2.1m	£2.6m	£3.1m	£1.6m



52.0% of 2015 debt recovered by 30 September 2016

Debt Recovery Activity

47. The table below shows how many reminders and summonses that have been issued and the number of Magistrates Court Liability Orders that have been granted, as well as how many cases have been referred to bailiffs (now called Enforcement Agents) for collection.

Business Rates Debt Recovery Activity							
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reminders	6,133	5,998	4,656	5,237	3,937	3,471	2,075
Summonses	937	928	803	766	821	749	554
Liability Orders	661	611	540	561	496	465	295
Cases to the Bailiffs	331	152	452	398	396	300	233

48. The level of debt recovery activity from summons stage has remained fairly consistent, although the number of reminders has reduced quite significantly since 2014/15 due to the removal of one reminder stage which has speeded up the collection process. This has not appeared to have had any detrimental effect on the businesses and we received very few complaints following the removal of one of the reminder stages.

Proactive Debt Recovery Team

49. In 2014 three additional staff were employed in the Revenues Team on a temporary contact basis to focus entirely on the collection of "hard to collect" Council Tax debts which had been through our standard recovery process.
50. The staff were all given a caseload of several hundred debts which our Enforcement Agents (bailiffs) had been unable to collect, and to date over £600,000 of Council Tax arrears have been collected which can be directly attributable to the action of this small team.
51. Due to the success of this exercise the staff have now been employed on a permanent basis and they continue to focus their activities on proactive collection techniques which range from the traditional methods of telephoning and ringing our debtors, to searching debtors Face Book and Twitter accounts to try to obtain information, such as employment details, which may help us collect their outstanding Council Tax.

Debt Recovery Case studies

52. **Mr M – Council Tax debt.** Case passed to our proactive team February 2015, for debts running from 2008 to 2014 inclusive for approximately £7,500 in total. Normal recovery route had been followed including reminders, and summonses. Enforcement Agent action had proved unsuccessful as well.

Social media and database searches led us to find Mr M's employer and an attachment of earnings order was issued to his employer for the 2013 debt of £1,615. Attachment of Earnings Orders are subject to statutory deductions in accordance with schedule 4 of the Council Tax (administration and enforcement) regulations 1992, with deductions being on average about 12% of pay rising to 17% for net pay in excess of £1,420, rising to 17% for the first £2,020 and 50% for the remainder of net pay.

When we issue the Order we generally have very little idea of the monthly yield/deduction we can expect. In this case we were pleasantly surprised to receive the first cheque from the employer of £1,077, which represented 2/3rd of the total debt for that year. Subsequent Orders were issued and payments received over the course of the following 8 months which have cleared all of the arrears. It is interesting to note that during this whole time the debtor has made no contact with us at all. We will now write to Mr M to suggest that he sets up a direct debit for next year to avoid further orders being issued in the event he defaults on payments, thus spreading his debt over a reasonable period and saving him additional court costs of £83.

Mr J – Council Tax debt. Substantial debt accrued over 6 years with sporadic payments which were not enough to make progress or to stop recovery action, together with broken arrangements and rejected direct debit payments. A visit to the property revealed that it had been sold and from enquiries made we were able to ascertain that the sale had not yet gone through. Immediate steps were taken to secure the outstanding balance by means of a Charging Order on the property via County Court proceedings. As the sale was nearing completion and possible charging order might not be in place in time, negotiations between our solicitor and the debtor's solicitor resulted in an unconditional undertaking being given for the debt to be cleared upon completion of the sale.

Mr W – Council Tax debt. A substantial debt of £11,000 had built up over a 5 year period for an empty property which was registered in executor's names. No contact had been received from the executors. We worked together with our CBC Housing team who were proposing to do a Compulsory Purchase of the property as it had been left empty for a prolonged period and the owner would not engage with them to bring the property back into use. We obtained a Charging Order on the

property covering all the Council Tax arrears which will be discharged in full once the Compulsory Purchase Order is in place. This is expected to be in early 2017.

Mr E – Council Tax debt. Arrears had accrued and contact with the debtor was very limited as he lived abroad. Contact was finally made with him via a chance phone call made to his mobile out of office hours. He agreed to come into the office to discuss the arrears on the basis that a petition for his bankruptcy would otherwise be issued in order to secure payment of the debt. He eventually agreed to come into the offices and discuss arrears. Following the interview in the offices when our recovery options were pointed out to him a debit card payment of in excess of £18,000 was made which cleared the debt in full. A direct debit has been set up and has since cleared instalments as they have fallen due.

Sundry Income Collection

53. Other than the specific sources of income described above, the Council also collects sums charged for Sundry services such as Community Care fees, Residential fees, Respite fees, Telecare fees, Commercial Rents, DBS checks, CRB checks, Course fees, Music lessons, Bin collections, Licence Fees, Rent Deposit Scheme repayments, Re-charges for damage to street furniture, re-charges for damage to our properties, insurance payments, Building Control fees, planning fees, Section 106 fees, Section 278 fees and other miscellaneous items.

54. Detail of CBC Sundry Debts Year ended 31 March 2016

CBC Sundry Debt 2015/16	Invoices raised in 2015/16	Debt brought forward at 01/04/15	Net debit in 2015/16	Amount collected in 2015/16	Amount written off in 2015/16	Debt outstanding 31/03/16
		£'000	£'000	£'000	£'000	£'000
Residential care	4,271	1,991	4,073	5,379	10	675
Non-residential care	24,737	4,489	4,412	6,736	40	2,125
Social care direct payments	335	159	626	475	22	288
Developers contributions	37	3,313	1,399	2,019	0	2,693
Social fund loan recovery	14	7	16	6	0	17
Ground rents/service charges	1,808	65	208	173	0	100
Other Sundry debtors	16,170	5,964	51,403	50,042	195	7,130
Total	47,372	15,988	62,137	64,830	267	13,028

55. Unlike local taxes, the means available to pursue non-payment are limited. If reminders are unsuccessful and dependent upon the value and type of debt it is referred, after liaison with the originating department, onto the next step for recovery action. The next step can include referring to legal for advice, sending on to a third party recovery agent, commencing a County Court judgement online, offering and setting up an instalment plan with the customer, placing a Local Land Charge.
56. The Sundry Debt team has been proactive in introducing cost effective ways to resolve unpaid debts after the relevant cycle of Council debt chasing letters have been issued. Recent changes include both the use of the Credit Protection Association plc to correspond with individuals and the use of specialist technical support to progress the recovery of costs associated with the damage to Council property by third parties.
57. During 2015/16 there were 47,372 invoices were raised totalling £62m. This compares to 48,018 invoices in 2014/15 totalling £47m.

Options for consideration

None

Reason for urgency

58. None.

Council Priorities

59. The timely billing and collection of Council Tax, Business Rates and Sundry Income maximises the Council's income and thus underpins the deliver of all of the Council's priorities which are:
- Enhancing Central Bedfordshire
 - Great Resident Services
 - Improving education and skills
 - Protecting the vulnerable; improving wellbeing
 - Creating stronger communities
 - A more efficient and responsive Council

Corporate Implications

Risk Management

60. None from directly from this report.

Staffing

61. Not applicable, for information purposes only.

Legal Implications

62. None from this report, for information purposes only.
Council Tax is collected and administered in accordance with The Council Tax (Administration and Enforcement) Regulations 1992.
Business Rates is collected in accordance with the Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989.

Financial Implications

63. None directly from this report but failure to collect Council Tax, Business rates and Sundry Income would have a major impact on the Council's ability to deliver services.

Equalities Implications

64. Public authorities have a statutory duty to advance equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age, disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

Conclusion and next Steps

65. The report is for information purposes only, no decisions are required.

Appendices

66. Appendix 1 – table of Council Tax properties per parish.

Background Papers

67. None.