

Audit and Risk Committee 17 February 2014

Collection of Council Tax

At your last meeting, you considered a report compiled by the Council’s auditors, Grant Thornton, entitled ‘Review of the Council’s Arrangements for Securing Financial Resilience’. One element of this report highlighted that Newcastle’s collection rates for Council Tax were the lowest of all the shire districts in Staffordshire and in the bottom 25% for shire districts in England.

The conclusions in the report are based on collection statistics which are produced nationally from returns submitted by all types of billing authorities to the Department of Communities and Local Government. Other statistical information is gathered by the Chartered Institute of Public Finance and Accountancy and provides management information which is used to assess and analysis collection performance as part of the normal administrative processes of the Revenues and Benefits Section.

The headline collection statistic used in the report is the ‘in year’ collection percentage. That is the amount of Council Tax for a particular financial year collected by the end of that financial year. Whilst obviously an important yardstick to indicate collection performance, it only goes part of the way to reflect the overall collection situation.

In respect of each of the previous five financial years the table below shows the respective ‘in year’ collection percentage rates for each district in Staffordshire, Stoke-on-Trent City Council, All England Shire Districts average and All England average.

Local Authority	2008-09	2009-10	2010-11	2011-12	2012-13
Cannock	98.5	98.7	98.1	98.0	97.8
East Staffs	98.6	98.6	98.5	98.5	98.5
Lichfield	98.6	98.8	98.7	99.1	99.3
Newcastle	97.2	97.7	97.3	97.0	97.3
South Staffs	98.2	98.5	97.9	97.7	98.0
Stafford	97.4	98.0	98.1	98.4	98.2
Staffs Moorlands	99.1	99.2	98.8	98.9	98.8
Tamworth	97.6	98.3	98.0	98.1	98.0
Stoke-on-Trent	96.3	92.9	93.1	95.6	96.5
Shire Districts	98.0	98.1	98.2	98.2	98.1
All England	97.0	97.1	97.3	97.3	97.4

From a Council Tax position, Newcastle is not typical of many shire districts, either in England as a whole or Staffordshire in particular. Typically, shire districts tend to be concentrated on a main town with a large rural surrounding area. A high proportion of Newcastle’s properties form part of the wider North Staffordshire conurbation, which brings with it many of the economic difficulties normally associated with metropolitan or unitary authority areas. These obviously impact on collection performance for Newcastle.

The inclusion of the Stoke-on-Trent collection figures in the table above is to highlight the position for our nearest neighbours who are also in the general North Staffordshire

conurbation but are not reflected in the Grant Thornton report and to place some additional context on Newcastle's collection position.

2010-11 collection figures reflect the general economic difficulties across the whole Staffordshire area at the time, with only Stafford marginally improving their collection performance and both Newcastle and South Staffs were impacted in 2011-12 by the consequences of changing their computer software systems used for the administration and collection of Council Tax (Stafford and Staffs Moorlands also changed software suppliers at this time but moved to existing systems used by partner authorities – Cannock and High Peak respectively – which had less effect on their overall performance).

Prior to the two years 2010-11 and 2011-12, Newcastle's collection figures had demonstrated a number of years sustained increase in performance and 2012-13 saw Newcastle to be one of only three of the Staffordshire districts to improve over the previous year. Across all the Staffordshire districts in the five years 2008-09 to 2012-13 the average difference between the highest and lowest collection rates is 1.8%, so the margins within which the measurements are being analysed is small and does not reflect in any way the differing economic prosperity of the respective districts. Judgment would more correctly be made by reflecting on a whole range of economic data sets rather than this single indicator.

North Staffordshire is generally regarded as a low pay area, so it is understandable that some of its citizens will find difficulties in meeting their Council Tax liabilities in comparison to citizens in other better paid areas.

Obviously, once the end of the financial year is reached and the above statistics compiled, collection of any outstanding debt does not stop. However, it becomes much more difficult to analysis comparative performance across authorities because the overall arrears spreads over several years and different methodologies are used to deal with it, not easily reflected statistically.

Legislation directs the way Council Tax accounts are administered and the recovery actions that are needed when payment is in default. Newcastle adheres to the regulations laid down and actively pursues all outstanding debt. It also uses outside agencies for bailiff services and bankruptcy proceedings as necessary to assist with this.

Pursuit of old debt is resource intensive and historically Newcastle have always taken the view that all possible endeavours will be made to collect it. The belief is strongly held that such action is necessary to safeguard the payment confidence of the majority of Council Tax payers who pay without any recourse to recovery action.

The amount of debt considered irrecoverable and therefore written off is proportionately small. As part of the normal write-off procedures carried out each year, an annexe to the main report to members details our collection and recovery procedures, which are considered robust for both 'in year' and arrears debt.

Some authorities are known to have different approaches to old years' debt, preferring to concentrate on the headline 'in year' collection figures instead. In reality, a balance needs to be struck which an individual authority is comfortable with, within the resources that are available to it. Less emphasis on old years' debt will inevitably lead to higher levels of write-offs. The table below illustrates the average amounts of Council Tax written off in the four

financial years 2008-09 to 2011-12 (latest figures currently available) by Staffordshire district councils and Stoke-on-Trent City Council expressed as a percentage of the net collectable debt for 2011-12.

Local Authority	2011-12 Net Collectable Debt (£000's)	Average w/offs 2008-09 to 2011-12 (£000's)	%age w/offs
Cannock	37,609	35	0.09
East Staffs	48,945	166	0.34
Lichfield	49,849	50	0.10
Newcastle	48,900	61	0.12
South Staffs	50,356	121	0.24
Stafford	59,842	215	0.36
Staffs Moorlands	45,159	150	0.33
Tamworth	28,107	54	0.19
Stoke-on-Trent	76,971	1,358	1.76

An obvious conclusion from the two tables above is that Lichfield has high collection rates and low levels of write-offs. This is an indication of the relative prosperity of that district area. Equally, Stoke-on Trent's lower collection rates and higher write-offs points towards an area of greater deprivation.

In 2007 an independent review of resources available in Revenues and Benefits was carried out that identified the section was understaffed. Since that time, the number of properties administered has risen by 3%.

Although the staffing levels were initially addressed, the situation has steadily eroded in more recent times and is now at a level below when the review was first carried out.

Council Tax collection is obviously a volume, process driven operation. The vast majority of payers clear their accounts with little or no additional prompting than sending an initial bill. It is easy to forget this. However, for those that do not, taking further action to enforce payment becomes very resource hungry.

There is in place a schedule for regular monthly recovery action based around the normal instalment dates for accounts. The legislation leaves little scope for the inclusion of additional processes. The only real potential for change in this area is reducing the number of days before issuing reminder notices.

Legislation would allow notices to be issued the day after the instalment date is past. However, practically to do so would generate an enormous volume of additional work. There is a general expectation that a few days latitude is allowed to strike an appropriate balance to the citizen that is not an overly officious stance but gives a genuine timely reminder for those who may have delayed payment for whatever reason.

If action after reminder notice is required, it is necessary to pursue this initially through the magistrates court system. Each additional stage of recovery thereafter is considered on an incremental basis and these processes work on a weekly cycle.

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A further key consideration for recovery of Council Tax debt is that the charge is due to be paid and cannot be off-set by exemption, discount or Council Tax Reduction. Particularly in respect of Council Tax Reduction, someone eligible for this relief would obviously struggle with payments if the relief were not granted.

In summary, collection performance is a complex issue, heavily directed by regulatory requirements but one that is kept under constant review. It would be surprising and probably unrealistic, based on the general economic background of the area, to find our 'in year' collections amongst the best performers, although officers constantly strive to improve the position and progress is once again being made in this area. Our strength lies in the continuation of pursuit of the debt beyond each 31 March statistical timeline.

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