
Council Tax & Business Rates Collection

Committee considering report:	Overview and Scrutiny Management Commission
Date of Committee:	17 October 2017
Portfolio Member:	Councillor Keith Chopping
Date Portfolio Member agreed report:	01 September 2017
Report Author:	Iain Bell

1. Purpose of the Report

- 1.1 To review the 'red' performance area to ensure that the appropriate remedial action is in place (as recommended by the Executive).

2. Recommendations

- 2.1 To ensure that in the future any discount/exemption/relief review is conducted at an appropriate time and therefore allows sufficient time to collect any resultant arrears.
- 2.2 To ensure that any changes to the Council Tax Reduction Scheme (CTRS) are reflected in Council Tax collection rates/targets.

3. Implications

3.1 Financial:

This is a cash flow issue. The outstanding debt will be collected just over a longer period of time.

Changes to the CTR scheme appear to affecting collection

Additional costs for printing and postage (see table in 5.1)

3.2 Policy:

A revised corporate debt recovery policy is required. This is being considered as part of the Financial Challenge Review

3.3 Personnel:

Not relevant

3.4 Legal:

Not relevant

3.5 Risk Management:

Not relevant

3.6 Property:

Not relevant

3.7 Other:

Not relevant

4. Other options considered.

- The challenges that collection issues have caused has meant that we have to look at the possibility of working differently and using technology to assist us. This has to be a long term goal as implementing digital solutions are costly and more importantly time consuming. Therefore as part of the Financial Challenge Review a business cases will be submitted to introduce digital solutions, one of the benefits of which would be to improve collection.
- We also have a target to review and improve all our 'recovery/enforcement' letters. This is to ensure that customers understand the council's recovery policy, how and where they can pay.
- We will also be taking the opportunity to have a more joined up approach to debt collection and write offs by producing a corporate debt recovery and write off policy. New methods of recovering debts will have been evaluated. These documents have been drafted and are also part of the Financial Challenge Review

Executive Summary

5. Background

5.1 Council Tax

In terms of Council Tax collection;

- The Council Tax Reduction scheme (CTRS) was amended to reduce support for working age claimants. The value of these savings in 2016/17 was around £400,000 which was potentially affecting 2000 claimants. These additional charges had to be collected from the claimant. Further savings of nearly £600,000 were agreed by Council for the 2017/18 financial year. Again reducing entitlement for those of working age meant that potentially 1600 claimants were going to be affected. Council Tax to be collected from claimants who have had their benefit restricted or even completely withdrawn will always be hard to collect.

The CTRS decision making process occurs annually. For 2018/19 the proposal is that the scheme should not change.

- A single resident discount review was completed in January 2017. As a result around a 1000 discounts were cancelled most of which were backdated to 1st April 2016. This did not allow much time for us to collect the extra £400,000 before the end of the financial year. As a consequence we have reviewed and produced a new timetable as to when all discounts/exemptions/reliefs will be reviewed. Because the single person review was only completed in January 2017, I do not propose that we conduct a 'full' review during 2017/18. We will however continue to undertake 'targeted' reviews (in Quarter 3) via information provided by the National Fraud Inspectorate or NFI. Examples of this would include be matching council tax records to the electoral roll, payroll, blue badges and licensing.
- The number of recovery documents had significantly increased last year implying that Council Tax debt is becoming harder to collect. The table below compares the number of recovery documents issued over the past 5 financial years;

Year	Reminders	Final Notices	Summonses	Total
2013/14	18085	2532	6398	27015
2014/15	15236	2488	7044	24768
2015/16	15283	1412	6138	22833
2016/17	20629	1912	8286	30827
2017/18 to date	7683	705	3585	11973

You will note from this information that approximately 25% more recovery documents were issued during 2016/17 by the Council than there was in 2015/16.

This bears an additional cost in printing and postage.

5.2 Business Rates

In terms of Business Rates collection;

- As at 31st March there were 2 large companies owing a significant sum (£700k+). Both companies were disputing their liability to pay. Since then legal advice has been sought. Court orders have recently been obtained in relation to one case which will assist the council to enforce payment. The other matter being a Landlord/Tenant dispute has been resolved with the balance being paid by the Landlord.

5.3 Where are we now?

Council Tax

The information below shows where we are in terms of Council tax collection as at the 1st September 2017;

Cash and Arrears Monitoring

2016 Current Outstanding Figures at 01-SEP-2017

Total Net Liability	99,999.312.38	
Total Net Receipts	<u>-99,129,551.69</u>	
Net Outstanding Liability	<u>869,760.69</u>	99.13%
Costs Raised	435,578.19	
Costs Paid	<u>-321,309.33</u>	
Net Outstanding Costs	<u>114,258.86</u>	73.77%
Penalties Raised	32,550.00	
Penalties Paid	<u>-25,624.30</u>	
Net Outstanding Penalties	<u>6,925.70</u>	78.72%
Total Outstanding Debt	990,945.25	
Overall collection		<u>99.01%</u>

- Number of Accounts in Arrears 3,684
- Number of Accounts in Credit 817
- Total Credits -63,599.40
- Percentage of Collectable Debt Outstanding
 - Including Credits 0.806%
 - Excluding Credits 0.870%
- Additional Liability Raised in Total 259,869.21
- Reduced Liability -325,555.98
- Net Adjustment to Liability -65,686.77
- Additional Cash Paid -204,552.39

I believe that this shows that we have now 'caught up' with where we should have been.

In terms of current year (2017/18) collection as at 31st August was 0.15% ahead of what was collected at the same point last year. This is broadly on target for an end of year collection rate of 98.9%.

Business Rates

2017/18 collection of Business Rates at the end of August 2017 was up by 0.52% on the same period last year. If collection continues in this way then at year end collection will be around 99%.

What has changed for 2017/18?

- New and revised relief schemes were introduced following the 2017 Business rates revaluation.
 - i. The amount of small business rate relief has been doubled from £6000 Rateable Value to £12,000.
 - ii. A new Transitional Relief scheme – phasing in large increases/decreases in bill
 - iii. A new Pub relief scheme - £1000 reduction for all qualifying pubs
 - iv. A new supporting small business scheme – ensuring those properties who lost small business rate relief are compensated by minimising any resultant increases
 - v. A new discretionary scheme – relief available for those organisations who faced the largest increases in their rates bills

All of these will assist the council in reducing the amount of business rates due and therefore should reduce the amount of debt at the end of the financial year.

Improvements were also made to Annual Business Rates Bill. In fact prepayments doubled from £520K in 2016/17 to £1.085m in 2017/18.

However the net business rate liability for 2016/17 has risen sharply since the end of May 2017. Upon investigation this appears to relate to a number of properties being revalued. The most noticeable of which is IKEA. This revaluation was backdated to June 2016. An additional amount of £1.16m is due for the 2016/17 financial year but is being collected over the remainder of this financial year. At the end of August the current NDR collection rate for 2016/17 is 97.65%.

6. Proposals

- Not to conduct a full single resident discount review during 2017/18. A targeted review will take place along the lines of information requested by the National Fraud Inspectorate. A full review will then take place early summer 2018.
- To introduce a revised timetable for reviewing discounts, exemptions, reductions and reliefs, that takes into account the time taken to recover any resultant debts.
- To review the targets in collection of Council Tax when making significant changes to the Council Tax Reduction Scheme.

- To keep monitoring the amount of recovery documents being issued so to highlight any potential issues

7. Conclusion

- Information that has been provided has shown that in respect to 2016/17 Council Tax collection is now back on target and it appears that 2017/18 end of year collection is on target for around 98.9%.
- In terms of Business Rates, unavoidable liability challenges affected collection during 2016/17 and now some businesses having been revalued and backdated are also having negative effects. However current year 2017/18 Business Rate collection is on target for a collection rate of 99% which has been assisted by new or revised reliefs being introduced by government.

8. Appendices

- 8.1 Appendix A – Q4 2016/17 Exception Report – The ‘in-year’ collection rate for Council Tax
- 8.2 Appendix B – Q4 2016/17 Exception Report – The ‘in-year’ collection rate for Business Rates