

Report to: Resources Overview and Scrutiny Committee

Date: 15 March 2007

Report from: Review Team

Title of report: **COUNCIL TAX COLLECTION**

Purpose of report: To update committee on outcome of review.

Recommendations: To agree Action Plan (Appendix 5)

1.0 Background

- 1.1 In April 1999 the collection of Council Tax and Business Rates, collectively known as Local Taxation Services, was outsourced to WS Atkins as a result of Compulsory Competitive Tendering. The contract was awarded for a five-year period.
- 1.2 In 2003, it was agreed with the contractor that the contract would not be renewed. The service was brought back in-house in December 2003.
- 1.3 The Local Taxation Service was then restructured in 2004 and integrated with the Council's Benefits Service, thus forming the Revenues Service.
- 1.4 The combined structure assumed operational efficiencies arising from both IT investment and generic working for customer service officers in one location from April 2005.
- 1.5 Data Image Processing and Workflow systems have been successfully implemented. This has resulted in a more flexible approach to working, as there is no longer a reliance on paper files.
- 1.6 The move to generic customer service officers is still ongoing. Staff are being trained in both council tax and benefits. However, until the service is co-located we will not see the full benefits as expected from the restructure of 2004.

- 1.7 In 2004/2005, council tax of £28,727,896 was collected. This represented 95.4% of the debit.
- 1.8 In 2005/2006, £30,081,365 was collected. This represented 95.2% of the debit.
- 1.9 In 2006/2007, prior to the review commencing in August 2006, based on cash collected at that time, the projected collection rate for the year was 94.5%. As this was the equivalent in cash terms of around £250,000 down on the previous year, and well below our target of 95.75%, it was agreed that it would be appropriate to undertake a review.

2.0 Scope of the Review

- 2.1 The Review Team consisted of Councillors Sabetian (Chair), Silverson (part), Springthorpe and Webb (replaced Silverson) together with Brian Haydon (Executive Manager, Financial Services), Jean Saxby (General Manager, Revenues) and Nick Brocklebank (Collection and Customer Services Manager).
- 2.2 The Review Team looked at the factors which potentially were contributing to the decrease in collection.
- 2.3 The Review Team analysed data at a ward level in order to establish the most difficult areas in the borough to collect.
- 2.4 The Review Team also compared the collection rate with other authorities within the Family Audit group.
- 2.5 The Review Team explored possible avenues for increased collection of Council Tax.
- 2.6 The Review Team agreed that after the collection rate for 2006/2007 is finalised, it would reconvene to consider the 'ultimate' in year collection rate for Hastings Borough Council taking into consideration all the above factors.
- 2.7 The Review Team also considered the overall recovery rates taking into account prior years' debt.

3.0 Current Processes

3.1 Billing and recovery timetable

Bills - issued weekly
Reminders - issued monthly
Final Notices - issued monthly
Summons - issued monthly
Liability Order - Court hearing monthly June - April (excl December)

Enforcement stages - generally one of four: payment arrangement, bailiff, Attachment of Earnings Order, Attachment of Benefit

3.2 Pre Summons Collection

Direct Debit

The most cost effective method of cash collection is by direct debit - less than 5p per transaction (this compares to approximately £1 for cash office transactions and 34p - 68p for Paypoint and Post Office transactions, according to a report by the Audit Commission).

In 2005/06, 62% of the council tax collected by Hastings Borough Council was via direct debit. Indications are that if we were to offer additional payment dates in the month, more customers may be encouraged to opt for this method of payment.

In April 2005, the instalment date was moved from the 15th of the month to the 1st of the month. The savings made as a result of this change are still valid and any attempt to introduce new dates would be seen as detrimental to the cash flow.

Cash office

Generally accepted to be the most expensive method of cash collection. As a result of a Best Value Review in 2005/2006, it was agreed that the cash office would close. However, alternative methods of payment will to be offered to our customers including PayPoint. This will increase the number of outlets from one cash office to over 30 outlets locally. Also, the customer will have the option to pay at any PayPoint or Post Office in the UK.

Internet /Telephone payments

Council Tax may be paid via www.billpayment.co.uk using a Debit Card. The Alliance and Leicester Commercial Bank provides this service and advanced levels of data encryption technology ensure that sensitive banking details are transmitted in a secure and confidential way.

Customers may also pay via telephone banking. This involves the customer contacting their bank and quoting their account reference and the Council's bank account details.

These methods are perhaps the least popular at present. However, as online banking becomes more mainstream, hopefully they will prove more beneficial to a growing number of customers.

3.3 Post Summons Collection

Payment arrangements

Arrangements are made with the customer at summons or liability order stage, usually for a period of time as determined by the Section Manager. The customer must complete a financial statement when they request an arrangement - this includes details of their employer if applicable.

Bailiff

All liability order cases where the customer has failed to contact the office to arrange settlement of the debt are passed to the bailiff. Also, failed payment arrangements are passed to the bailiff for collection. It should be noted that the cost of this service falls on the customer, not HBC.

Attachment of Earnings Order

This Order instructs the employer to make deductions from the customer's wage each week/month at a rate governed by the regulations. In some cases this has proven to be the only means by which we can receive regular payments.

Attachment of Benefit

Payments are deducted at source from the customer's benefit entitlement, and then sent to the Council each month. Notifications are sent to the Council by the Department for Work and Pensions when changes occur, for example, to the claimant's entitlement to benefit (since this affects the Order), or if it is not possible to implement the Order for any reason.

4.0 Factors identified as contributing to poor performance

4.1 Delays in billing our customers

At the start of the review, there was a backlog of 2900 items of correspondence. The work was 5 weeks behind. This reduced the number of instalments available to the customer. As at the time of writing this report, the oldest piece of correspondence is 3 days old.

4.2 Poor bailiff performance

A review of the bailiffs was undertaken. This highlighted that Rossendales, the new bailiffs, out-performed Rosan Heims, especially in the area of ex-Rosan Heims cases, some of which Rossendales had been able to collect. Since January 2006 Rossendales have collected £80k of ex-Rosan Heims debt (formerly considered as uncollectable).

4.3 Billing void accounts

Where the liable party is unknown an account is named 'VOID' and a council tax bill raised. This is contrary to popular Rating Practice; i.e. you don't bill until you establish the facts of occupation.

Billing accounts as void with a full charge and without establishing the facts is poor working practice and detrimental to our performance, as these accounts give a false picture of the total collectable debt. This practice has now ceased.

4.5 Delayed collection pre and post liability order

Pre summons: it is imperative that we have a robust recovery timetable to ensure prompt notice to the customer that they are in arrears.

Post-liability order: we must make payment arrangements, where appropriate, promptly and, more importantly, monitor these arrangements.

4.6 Failing to deal with long-term debtors

In common with other local authorities, there is a hardcore of cases where customers refuse to pay or no contact can be made.

Committal Proceedings may be used as a deterrent, but has been proved to be ineffective in achieving increased cash flow. Our Audit Family members have come to the same conclusion. Additionally, the Courts in Sussex are reluctant to imprison people for civil debts.

4.7 Non-payment culture amongst customers

A perceived culture has developed in certain areas of the town:

“If you don't reply to reminders/correspondence and don't answer your door they can't touch you for it.”

It is hoped that the measures already taken and those proposed in the attached Action Plan (Appendix 5), will get the message across to our customers that the Council will actively pursue customers who continually fail to make timely payments.

5.0 Debt Analysis (2006/07)

5.1 In order to have a better understanding of the outstanding debt, an analysis of the debt was undertaken at Ward level (Appendix 1).

5.2 The information may be split into three different levels. ie below 4.0% (Group 1), between 4% and 5% (Group 2), between 7% and 11.6% (Group 3)

5.3 Group 1 represents 46% of the overall opening debit to be collected. Within the group, 24% of households are in receipt of housing benefit.

The projected collection rate for this group is 97.37%, well above the target of 95.75%.

5.4 Group 2 represents 23% of the overall opening debit. Within the group, 21% of households are in receipt of housing benefit. The projected collection rate for this group is 95.58%, just below the target of 95.75%. In cash terms this relates to a shortfall of £13,000.

- 5.5 Group 3 represents 31% of the overall opening debit. Within the group, 56% of households are in receipt of housing benefit. The projected collection for this group is 91.35%, well below the target of 95.75%.

In cash terms this relates to a shortfall of around £450,000.

- 5.6 The link between households in receipt of housing benefit and poor collection performance is clearly seen and follows the pattern identified in paragraph 7.3.
- 5.7 The above information is very important and needs to be taken into consideration when setting future targets.

6.0 Statistical Data for Comparison

- 6.1 The Review Team also considered comparative collection data regarding our Audit Family (Appendix 2)
- 6.2 This document provides information on collection rates and percentage of households in receipt of housing benefit.
- 6.3 You will note that the higher the percentage of households receiving housing benefit, the lower the collection rate. See paragraph 6.6.
- 6.4 The data both locally, and that of our Audit Family, appears to bear out the fact that in most cases the more households reliant on housing benefit, the more difficult it is to collect the council tax.
- 6.5 It has been said on a number of occasions that Hastings has similar problems to those experienced by authorities trying to collect Council Tax in London.
- 6.6 The document attached at Appendix 3 clearly shows that Hastings' performance over the two years was almost identical to the figures for the outer London boroughs.

7.0 Progress Report

- 7.1 Details have been recorded on a weekly basis since the start of the review in order to track progress (Appendix 4).
- 7.2 This document provides a week by week account of work processing and cash flow.
- 7.3 The document clearly shows that the correspondence received is being dealt with well within the 10 day standard.
- 7.4 Cash collection continues to fluctuate.

8.0 Previous Years

- 8.1 This review has focused mainly on the current outstanding debt. However, this is only part of the story as the Council's finances and those of the preceptors are influenced by the ultimate collection rate.

- 8.2 When setting the tax base, a collection target of 97.25% has been assumed in recent years. Performance in excess of this would have the affect of reducing future years' bills, but a lower performance has the opposite affect and increases future years' bills.
- 8.3 It is important that we attain as high an in-year collection rate as possible as debts become more difficult to collect with age. However, it is imperative that efforts are also made to collect old debts and a greater focus will be placed on this with immediate effect.

9.0 Conclusions

- 9.1 This review has highlighted just how challenging the collection of Council Tax is and staff should be applauded for their efforts.
- 9.2 When setting future targets, consideration must be given to the local factors and all information available to us.
- 9.3 We must review our strategy with regards to the collection of prior years' debt.
- 9.4 The target for 2007/2008 to be agreed with the Review Team members after the collection rate for 2006/2007 has been finalised (see para 2.6).
- 9.5 That the Action Plan (Appendix 5) be noted and agreed.

Report written by :

Review Team

Appendices:

Appendix 1 - Debt Analysis by Ward
Appendix 2 - Family Audit Comparison
Appendix 3 - London Borough Collection Rate
Appendix 4 - Weekly Progress Report
Appendix 5 - Action Plan

Background papers:

Report of General Manager, Revenues to the Review Team, dated 30 January 2007.