



4 February 2003

# **Council Tax – Collection and Write off**

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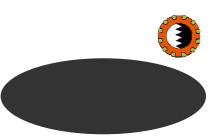
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# **Contents**

		Р	age
1	Preface		3
2	Executiv	e Summary	4
3	Summary	y of Recommendations	5
4	Introduc	tion	6
5	Method o	of Investigation	7
6	Findings		8
	6.1 6.2 6.3 6.4 6.5 6.6 6.7 6.8 6.9	Background Deletion of the Non-Statutory Reminder Notice Long Term Arrangements Income Support Claimants with Non-dependants Living in the Property Encouraging Payment whilst Council Tax Benefit is Being Assessed Provision of Information from the Inland Revenue Use of Charging Orders Use of Bankruptcy and Liquidation Identification of New Council Taxpayers	ıе
7	Conclusion		13
Appe	ndices		14
• •		Update on Council Tax Best Value Service Improvement Pl Council Tax Collection Rate – 2001/02 Final Notice	an





# 1: Preface

By Councillor Mike Olley Chair of the Co-ordinating Overview and Scrutiny Committee



The council's policy of writing off council tax debt has financial implications for the council. Before we consider this action, however, we must be satisfied that every conceivable effort has been made to recover money owed to us.

To achieve this we needed to take a closer look at our current procedures and asked many questions about whether there was scope for improvement. This review found that there was. For example, it became clear that our council tax collection policy of 1993 was outdated and needed closer examination.

This report makes several recommendations which I believe adds real value to our current procedures, which when applied will lead to a more robust and effective debt recovery collection rate and impact directly on the level of income for the council. Primarily, I want to ensure that never again are we placed in the position of writing off £3.2 million worth of outstanding council tax debt.

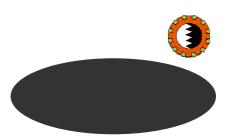
Mike Olley



# 2: Executive Summary

- 2.1 The review was commissioned following the Cabinet decision to write off £3.2 million Council Tax which had become unrecoverable or uneconomical to collect.
- 2.2 The objective of the review was to consider the current collection policies of the City Council and to identify, where possible, changes to current policy which would result in improved collection rates, and therefore an increased income for the City Council.
- 2.3 The first key area to be examined was the issuing of recovery notices to taxpayers who had not paid in accordance with the legislative rules.
- 2.4 The second key area was to examine the collection policies set down by the City Council when Council Tax was implemented in 1993.
- 2.5 The third key area was the examination of recovery actions which were not being used by the Council Tax collection team to recover tax due.
- 2.6 The examination of these three key areas has resulted in a number of recommendations for improving the Council Tax collection rate.





# **3: Summary of Recommendations**

	Recommendation	Responsibility	<b>Completion Date</b>
R1	The non-statutory reminder notice to be withdrawn.	Gail Adams	May 2003
R2	That the current practice allowing taxpayers the opportunity to make a series of arrangements be stopped.	Gail Adams	April 2003
R3	Council Tax Benefit claimants to be encouraged, by Council staff, to continue to make payments whilst their claim is being assessed.	Gail Adams	April 2003
R4	The City must pursue the provision of information regarding employment details from the Inland Revenue, at the highest level.	Gail Adams	April 2003
R5	That Charging Orders be applied for in appropriate cases when the debt is above £5,000.	Gail Adams	February 2003
R6	That, in appropriate circumstances, action be taken to initiate bankruptcy or liquidation of a company, in line with anti-poverty policies.	Gail Adams	March 2003
R7	That the information available to the Planning office and all other information sources, are identified to send early bills to the taxpayer.	Gail Adams	April 2003





# 4: Introduction

- 4.1 A review of Council Tax collection was initiated following a report to Cabinet on 8<sup>th</sup> July 2002 reporting on the outcome of the Collection Fund for 2001/02. This report also recommended the write off of Council Tax to the value of £3.2 million.
- 4.2 The £3.2 million written off, related to Council Tax which was uncollectable and uneconomic to collect. Accounts are "uncollectable" where the Law prevents further recovery action being taken. Accounts are "uneconomic to collect" where the cost to the City Council of collection exceeds the amount to be collected.
- 4.3 The Strategic Director of Finance has delegations to write off amounts where a taxpayer had absconded and could not be found, and where a taxpayer had died leaving no money to pay the debt in their estate. Apart from these delegations, no Council Tax had been written off since the introduction of the tax in 1993.
- 4.4 The £3.2 million related to 0.13% of the Council Tax raised since the introduction of the tax in 1993.
- 4.5 The review was undertaken by a sub- group of the Co-ordinating Overview and Scrutiny Committee, Chaired by Councillor Mike Olley. The group members were Councillor Sue Anderson and Councillor John Alden.



# 5: Method of Investigation

- 5.1 The investigation was undertaken by interviewing the Head of Revenues and Payments, who is responsible for the collection of Council Tax.
- 5.2 Detailed evidence was presented which covered the legislative background to the Collection of Council Tax, and the City's current policies used by the Council Tax team to recover monies owed. Further evidence was made available relating to individual debts, which gave the Members of the Scrutiny sub-group the opportunity to examine the problems in detail.



# 6: Findings

### 6.1 Background

The Co-ordinating Overview and Scrutiny sub-group recognised that an increase in the collection of Council Tax would only result from decisions to make fundamental changes to the current collection policies.

A Best Value review of the service was undertaken during 2000, and an inspection by the Best Value Inspectorate awarded the service two 'stars' with the service being judged as 'good' and likely to improve. The service has performed well against many of the targets set out for improvement and this is shown in **Appendix A**.

The service is however, performing less well against the National Performance Indicator, which measures cash collection. Birmingham's Council Tax Collection Rate is in the bottom quartile of Local Authorities. Within the 'Core Cities', Birmingham holds the position of 3<sup>rd</sup> out of 8 authorities. Within the West Midlands, Birmingham is 5<sup>th</sup> out of 7 authorities. **Appendix B** 

#### 6.2 <u>Deletion of the Non-Statutory Reminder Notice</u>

Currently, a taxpayer who defaults on their Council Tax payment is issued with a reminder notice after 14 days. The reminder notice is non-statutory and therefore does not have to be issued. After a further 21 days, if no payment is received, a Final Notice is issued to the taxpayer. The Final Notice is a legal notice which requires the taxpayer to bring their payments up to date within 7 days or the whole amount will become payable.

Council Tax bills are issued in March of each year, with the first payment due on 15<sup>th</sup> April. Reminder notices are usually sent on the first two weekends of May, with Final Notices sent at the end of May. The first summonses to Court for the financial year are issued at the end of June.

It is recommended that the non-statutory reminder be deleted from the recovery process, with customers who default being issued with a Final Notice if payment is not received. Normal recovery processes would then follow.





A survey of the Core Cities has noted the following.

Liverpool, Manchester	No reminder notice issued
Newcastle, Sheffield, Leeds, Bristol	Procedure as current in Birmingham
Bradford	Sends 2 non- statutory reminders

Although the majority of the Core Cities use the same process as Birmingham, this small survey demonstrates that a change to stop issue of the non-statutory reminder notice has been successfully carried out in two major, and comparable, cities.

Members will want to be aware of the following issues when making this decision.

Although many taxpayers deliberately take the decision to wait for a reminder before making payment, there are many who forget to pay for a particular reason, for example, going on holiday, or going into hospital. There are also rare occasions when mistakes or delays occur, with both the banking procedures and our own payment allocation procedures, leading to payments not being allocated to accounts on time. If the decision is taken to stop sending the reminder notice, the first indication the taxpayer would receive in these cases would be a Final Notice. An example is attached at **Appendix C**.

It is estimated that this change would reduce the number of notices sent each year by 126,000, which would make postal savings of approximately £24,000, and would allow for some savings to be negotiated within the current printing contract

#### 6.3 Long Term Arrangements

Council Tax staff are often asked to make an arrangement with a taxpayer which stands outside their statutory duty to pay in 10 instalments and guidelines are in place which staff must follow. The guidelines take into account the source of income (e.g. Income Support) and whether the taxpayer is receiving Council Tax Benefit. Most arrangements are made for the taxpayer to pay within 18 months (earlier if possible). If this is not possible, full details of the Income and Expenditure of the taxpayer are required. This allows the member of staff to make an arrangement which is affordable for that individual. It is widely recognised that an arrangement to pay that has been agreed with the taxpayer, is more likely to be paid than one that is enforced.

It is however, current practice, that if a taxpayer defaults on the agreement to pay, a further arrangement to pay can be agreed. It was recognised that the current policy to continue to allow debtors to make payment arrangements,



regardless of the number of times the arrangements were broken, was detrimental to collection. It is recommended that the practice of allowing a number of arrangements to be made with each taxpayer be stopped. There are, of course, times when a financial problem could lead to a taxpayer not being able to keep up with the payments which had been agreed. Taxpayers would therefore still be given the opportunity to contact the Council Tax office and ask for a 'stop' to be placed on their account if they were having a particular problem. The 'stop' would make sure that no recovery action was taken.

#### 6.4 <u>Income Support Claimants With Non-dependents Living in the Property</u>

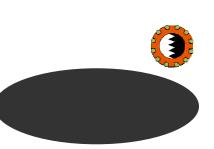
If payment of Council Tax is not made in accordance with payment instructions, debts are only collected from Income Support claimants at the basic Income Support level of £2.75 per week. This amount is set out in legislation and does not cover ongoing charges. This can result in arrears rising.

Whilst this is appropriate for properties where the only occupiers are on Income Support, there are a number of properties where the Income Support recipient is the liable person due to the requirements of the Council Tax legislation. There can however, be non-dependents living in the property who should be contributing towards the payment of Council Tax. In these cases, full Council Tax Benefit cannot be allowed and amounts remain to be paid. The sub-group recommend that the restriction be lifted.

The current restriction would allow officers to use the same recovery options for liable people who are on Income Support, as those that are currently used with all other taxpayers. It should be noted that direct recovery action cannot legally be taken against the non-dependants who are not legally liable for Council Tax. These recovery actions could include employing bailiffs, implementing Charging Orders or taking action to bring a taxpayer in front of the Magistrates to consider committal to prison.

#### 6.5 Encouraging Payment Whilst Council Tax Benefit is Being Assessed

Current policy is to stop recovery processes whilst benefit is being assessed. Dependent upon the time taken to assess the claim, this can lead to taxpayers finding they have large bills to pay. It was agreed that there should be no change to the fundamental decision to avoid taking any recovery action whilst benefit is being assessed. Members however, were aware that taxpayers are being advised by Council staff not to pay whilst assessment takes place, and therefore it was recommended that all appropriate Council staff be provided with a 'ready reckoner' which would help them to advise taxpayers what they should pay before they receive their Council Tax bill.



#### 6.6 Provision of Information from the Inland Revenue

If a Liability Order is granted by the Magistrates the City has the power to request information from debtors about the source of their income. Very few people respond to this information request, although they are legally obliged to do so. Although it is possible to prosecute for non-provision of information, other Local Authorities have attempted this and found it to be expensive and not particularly successful in obtaining the required information.

The information required to collect money via an Attachment of Earnings Order is the name and address of the employer. The Inland Revenue holds this information but are not required by law to provide it to Local Authorities. There is an exemption under the Data Protection Act that Local Government Revenues officers believe would allow this to take place, however, the Inland Revenue have not, to date, agreed to provide the required information. It is recommended that the City pursue the provision of employment details by the Inland Revenue, at the very highest level.

#### 6.7 <u>Use of Charging Orders</u>

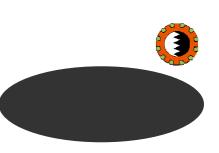
One of the recovery options available for Council Tax is the application for a Charging Order at the County Court. A Charging Order places a 'charge' on the property which ensures that once the property is sold, part of the proceeds must be used to satisfy the debt. It is also possible to take action to enforce a sale if a Charging Order is in place. It is quite costly to take this action, and no charging orders have been applied for since the Council Tax was implemented in 1993.

It is recommended that, in appropriate cases, Charging Orders are applied for where the debt is above £5,000. If this proves successful the limit will be reviewed.

#### 6.8 <u>Use of Bankruptcy and Liquidation</u>

It is laid out in Council Tax legislation that Local Authorities can make applications for bankruptcy and Liquidation if Council Tax is not paid. Again, this can be a resource intensive and time consuming activity. It is recommended that, in appropriate cases, where it is identified that there is a strong belief that the money is available to pay the Council Tax, that bankruptcy or liquidation should be pursued. This should be done in accordance with the anti- poverty commitments of the City.





#### 6.9 Identification of New Council Tax Payers

It is clear that the issue of a bill soon after a new taxpayer moves into the property contributes to a good Council Tax collection rate. The majority of new taxpayers contact the City Council in good time, and the majority of Landlords and Solicitors acting for house purchasers also advise the City of new occupants. It is true, however, that a number of people fail to advise the Council of their occupancy, and there are procedures in place to identify new taxpayers; by issuing forms for completion, by sending a Council Tax Inspector to visit the property, and by using other data available to the Council Tax team.

It is recommended that this process is enhanced by obtaining further information on house sales from all available sources, including internal Council sources.





# 7: Conclusion

7.1 The findings of the Co-ordinating Overview and Scrutiny review group were that there were a number of areas where the current collection policies of the City Council were hindering the requirement to improve the Best Value Performance Indicator – BVPI 9 – Collection of Council Tax. The policies could be changed in a number of key areas which would result in both an improvement in the performance indicator and an increase in the cash available to the City to spend on its' services

The Member sub-group investigating these issues were clear that an improvement in this area would only occur if fundamental changes were made to collection policies.



# **APPENDIX A**

1. BVPI. 9 – Council Tax collection rate

Year	Target	Actual/ (Estimate)
2000/01	95%	94.7%
2001/02	95.5%	95%
2002/03	96%	(95.5%)

2. Cost of Collection

Year	Target	Actual / (Estimate)
2000/01	13.80	13.79
2001/02	13.73	13.71
2002/03	13.66	(13.66 dependent upon
		budget savings)

3. <u>Percentage of Direct Debit payers</u>

Year	Target	Actual / (Estimate)
2000/01	28%	28%
2001/02	29%	31%
2002/03	30%	34% @ Oct 2002

4. Personal callers seen within 30 minutes

Year	Target	Actual / (Estimate)
2000/01	90%	96%
2001/02	90%	93%
2002/03	95%	(95%) Estimate

5. Replying to Correspondence within 14 days

Year	Target	Actual / (Estimate)
2000/01	98%	82%
2001/02	98%	89%
2002/03	98%	(80%) Estimate

6. Number of telephone calls taken at call centre

Year	Target	Actual / (Estimate)
2000/01	235,000	224,692
2001/02	250,000	205,191
2002/03	To exceed last year's level	96,889 to end Sep 01 115,804 to end Sep 02



# **APPENDIX B**

## Council Tax Collection Rate - 2001/02

## Core Cities

Leeds	96%
Liverpool	95%
Birmingham	<u>95%</u>
Bradford	94.8%
Newcastle on Tyne	94.3%
Manchester	94.2%
Bristol	94%
Sheffield	93.2%

## West Midlands Authorities

Solihull	98.6%
Dudley	97.5%
Walsall	95.7%
Wolverhampton	95.6%
<u>Birmingham</u>	95%
Sandwell	93.2%
Coventry	91.5%





#### Form ref. ELCT12/02.2 **Birmingham City Council** COUNCIL TAX Letter ref. CCXPR1 The following reference should be quoted in any communication:-**Finance Department** Revenues 5000227184 NOB (0121) 303 9000 (0121) 643 7676 (0121) 464 0551 Tel. no. NCTF0010001 Textphone Fax. no. MR GEORGE Y ADE A MULTIPLE PROPERTY OWNER MANSION HOUSE 111111 STELLA HEIGHTS e-mail: Council\_tax\_west@birmingham.gov.uk Date of Issue 27/05/02 Property address to which charges relates WEST MIDLANDS 25 OX LEASOW WOODGATE VALLEY BIRMINGHAM **FINAL NOTICE** (NO FURTHER REMINDERS WILL BE ISSUED) Dear Sir/Madam. My records show that you have not kept your payments up to date as requested in the previous Reminder Notice(s). The Council will commence legal proceedings unless full payment of the balance outstanding is received within 7 days of the issue of this notice. Council Tax in respect of 2002/2003 Payments received +418.36 Balance outstanding and now due 418.36 Should legal proceedings become necessary, initial costs of £39.00 will be added to your bill on the issue of a summons, which would become payable in addition to the balance outstanding. Please see overleaf for details of how and where to pay. Yours faithfully, 00001616/0090697/NDB Jarah Wood Director of Finance IMPORTANT: PLEASE READ THE ENCLOSED INFORMATION LEAFLET. Cashier's Stamp Girobank Trans **BIRMINGHAM CITY COUNCIL** bank giro credit 🤏 COUNCIL TAX FINAL NOTICE 155 £ 5000227184 408 7453 418.36 205 82 CHEQUE ACCEPTABLE MR GEORGE Y ADE A MULTIPLE PROPERTY OWNER WORTH LOADS 25 OX LEASOW WOODGATE VALLEY PAYMENT DUE Cheques NOW 08-74-53 £

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Please enclose your payment slip with your payment, and write the Billing Reference Number on the back of the cheque or postal order. When sending payments to our office, please DO NOT STAPLE, PIN or FOLD CHEQUES or BANK GIRO CREDIT SLIPS. Receipts are only issued if a self-addressed envelope is provided.

At any Post Office: If you have a payment booklet, you should complete the payment slip and hand it in with your payment. If you have been issued with a payment card, you should take it with you to the Post Office, with your payment. No fee will be payable. Cheques should be made payable to "Post Office Ltd".

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By Bank Giro Credit: Payment may be made at any bank, although a fee may be charged. Please write the Billing Reference Number on the back of the cheque or postal order. Girobank Account Holders: Enter your Giro account reference in the box provided, and send your payment slip to Girobank, Bootle, Merseyside, GIR OAA.

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