



NORTHAMPTON BOROUGH COUNCIL
OVERVIEW AND SCRUTINY COMMITTEE

28 November 2016

**BRIEFING NOTE: Performance Information relating to
Council Tax Arrears**

1 INTRODUCTION

- 1.1 To update Committee on the latest position regarding the Council's outstanding Council Tax debts as at 31st October 2016.

2 BACKGROUND

- 2.1 The Revenues and Benefits Service compile a corporate debt summary that monitors the % of debt not currently managed (inactive debt) within the Council. This has been in place for a number of years and provides assurance that all debt is managed to a high standard and not left idle. The % that is shown relates to debt that has fallen out of one status and is in the process of being moved to another stage. This summary also provides a view of the current status of debt.

- 2.1.1 Managed debt is where a debt type is within a specific set of clearly measurable criteria, and unmanaged debt is outside these criteria. An example of this is:

Criteria "Invoiced debt will be sent a reminder if it remains unpaid after 28 days". All debts invoiced and outstanding less than 29 days is "managed", any debt outstanding after 28 days, outstanding and not issued with a reminder is "unmanaged". The debt that has just had a reminder issued would then become subject to a new set of criteria for invoices at reminder stage, which it is measured against.

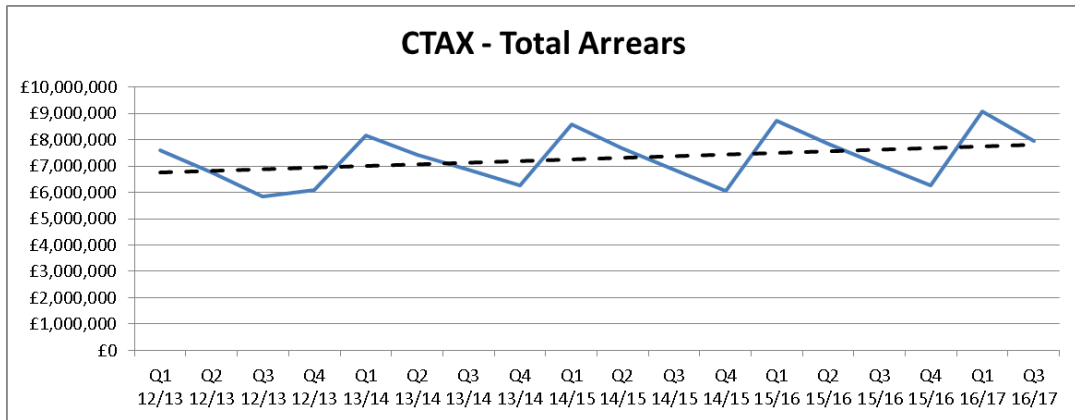
- 2.1.2 This principle supports the theory that managed debt is more likely to be paid, and more promptly. It can be applied to all stages in the life of a debt, how long a disputed debt is on hold, how long a debt is with enforcement agents, or how long it takes to go through a legal process etc.

- 2.1.3 The process supports evidence gathering for process change and improvement, identifying blockages, removing hearsay and myth busting, and the write-off of irrecoverable debts at an earlier stage.

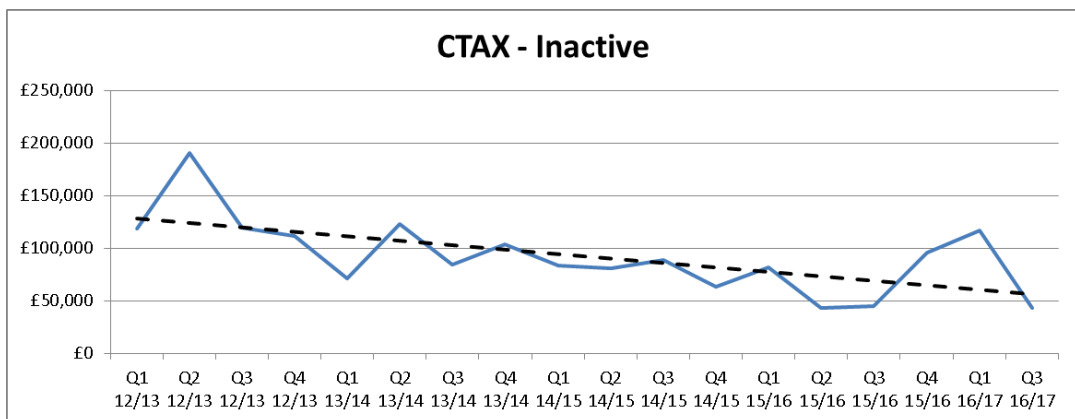
2.1.4 The collection of Council Tax arrears has a detailed recovery timetable, with definitions of debt type and criteria that recovery is taken against.

2.1.5 The amount of unmanaged debt is a corporate KPI. Currently being no more than 4.5%.

2.2 Council Tax as at 31st October 2016



The overall outstanding arrears are £473k more than at the same point last year, which is due to an increase in the Council Tax charge in 2016/17 and a reduction in the 2016/17 Council Tax Reduction Scheme.

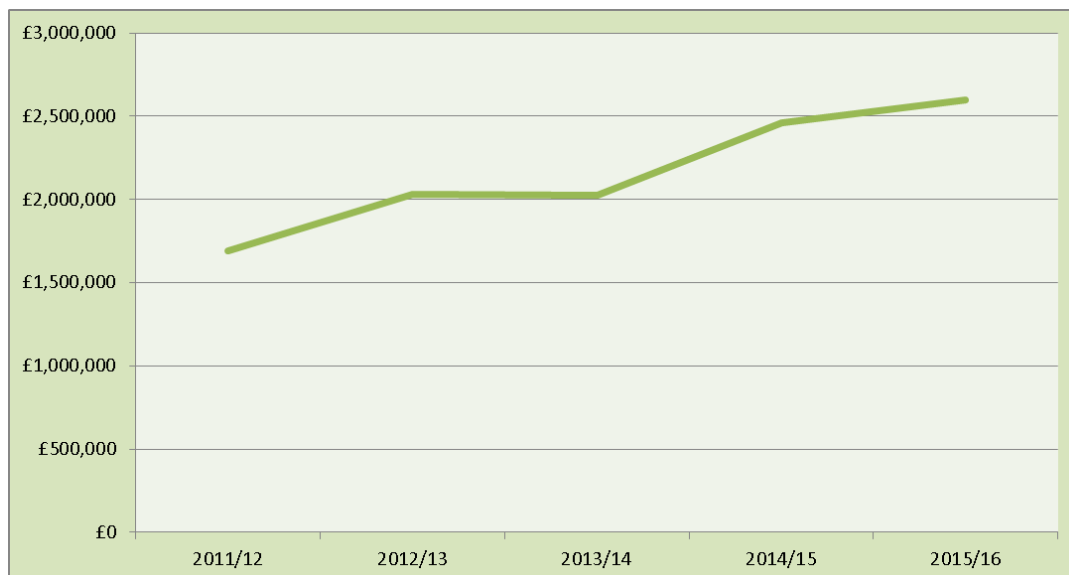


Unmanaged debt is £25k less than the same time last year, however the amount of debt collected against arrears is £322k higher during this financial year.

The current amount of unmanaged (inactive debt) is 0.54%

2.3 **Historic council tax arrears collection**

2.3.1 The table below demonstrates the increase in arrears collected in each of the last 5 financial years.



2.32 Whilst there are pressures on in-year collection, the table shows that the Council is making efforts to collect monies over the longer term. This is more often than not, arrangements of smaller amounts over the longer term. This is the most proven way of helping our customers make sustainable repayment plans and equally allowing the balancing of their personal budgets.

2.4 **Comparison between the 31st October 2016 and the 31st October 2015**

2.4.1 The continued introduction of Welfare Reforms continues to increase the pressure on those liable for Council Tax and on a low income. There has also been a significant rise in the number of attachment of benefits orders.

2.4.2 The table below provides some context around the impact that the welfare reforms are having on both our service users and the service.

2.4.3 The Council Tax Reduction Scheme (CTRS) is the support provided towards the Council Tax for those customers on a low income.

2.4.4 An Attachment of Benefit (AOB) is a deduction from a debtor's benefit, which can only be made after a liability order has been granted. The current rate is £3.70 per week.

2.4.5 Special Arrangements (SPARs) are non-statutory arrangements made on accounts where a summons has been issued and a customer has agreed to repay the debt over a period of time, based on their personal circumstances.

2.4.6 The table below highlights some of the key impacts, predominately as a result of the introduction of welfare reforms

| | | | | |
|----------------------------------|--------|-----------|---------|-------------|
| In-year collection rate | 65.51% | 31-Oct-16 | 65.93% | 31-Oct-15 |
| Annual CTRS award | £11m | 16/17 | £11.7m | 15/16 |
| Uncollected liability CTRS cases | £2.3m | 31-Oct-16 | £2.421m | 31oct15 adj |
| CTRS caseload | 15,856 | 31-Oct-16 | 16,753 | 31-Oct-15 |
| AOB | £1.1m | 31-Oct-16 | £780k | 31-Oct-15 |
| Monthly amount collected | £32.2k | 31-Oct-16 | £26.8k | 31-Jul-15 |
| AOB hold | 661k | 31-Oct-16 | £276k | 31-Oct-15 |
| SPARs | £1.9m | 31-Oct-16 | £0.7m | 31-Oct-15 |
| Reminders & Finals issued | 39,082 | 31-Oct-16 | 36,382 | 31-Oct-15 |
| Summons | 8,278 | 31-Oct-16 | 7,467 | 31-Oct-15 |

- 2.4.7 Whilst there has been an increased cut of 8% in the amount of CTRS awarded in 2016/17, the overall collection rate has fallen from 65.93% in 15/16 to 65.51%, in comparison to the end of October last year.
- 2.4.8 We continue to be collecting debt from people, who in previous years, were used to receiving more financial support for their Council Tax.
- 2.4.9 Whilst the annual amount of CTRS awarded has reduced by 6%, the amount of uncollected liability on the same cases has only reduced by 5%.
- 2.4.10 The CTRS caseload falling by 5.35% means that the uncollected liability is being borne by fewer customers.
- 2.4.11 The amount of debt subject to an attachment of benefit is significantly higher than last year, as is the amount of debt that is being held awaiting an existing attachment to be paid off. A customer can only have one attachment for council tax in operation at any given time. The increase in the monthly amounts being paid direct from the DWP has increased by over £5k per month, which demonstrates a large increase in the number of customers subject to an attachment.
- 2.4.12 The issue of recovery documents has increased as compared to last year, with reminders and final notices being up 7.4%, and summonses being up 10.9%.
- 2.5 Collection Rates for CTRS cases**
- 2.5.1 Vulnerable households (HOVUL) are CTRS claimants who are either lone parents or couples with at least one dependent under 5 years old.
- 2.5.2 Vulnerable CTRS claimants are cases on NBCs local scheme or modified scheme e. g. War widows and disablement pension cases
- 2.5.3 Pensionable cases where the claimants who are of pensionable age and are exempt from the CTRS reduction.
- 2.5.4 Working age employed (WKAGEEMP) are claimants who are either single people or couples who are in paid employment.
- 2.5.5 Working age other (WKAGEOTH) are claimants who are either single

people or couples not in paid employment, and receipt of DWP benefits.

2.5.6 The table below highlights the comparison between the claimant types between the 31st October 2016 and the 31st October 2015.

| Oct-16 | | | | |
|---------------|---------------------|---------------------|-----------------|--------------|
| SCHEME | LIABILITY | RECEIPTS | COLLECTION RATE | UNCOLLECTED |
| HOVUL | 472,534.49 | 201,675.03 | 42.68% | 270,859.46 |
| VULNERABLE | 317.31 | 386.11 | 121.68% | -68.80 |
| PENSIONABLE | 896,809.30 | 686,191.94 | 76.51% | 210,617.36 |
| WKAGEEMP | 1,165,949.34 | 598,159.12 | 51.30% | 567,790.22 |
| WKAGEOTH | 1,944,675.38 | 940,244.58 | 48.35% | 1,004,430.80 |
| TOTALS | 4,480,285.82 | 2,426,656.78 | 54.16% | |
| TOTAL CTR | 4,480,285.82 | 2,426,656.78 | 54.16% | 2,053,629.04 |
| AS % OF TOTAL | 100.00% | 100.00% | | 45.84% |
| Oct-15 | | | | |
| SCHEME | LIABILITY | RECEIPTS | COLLECTION RATE | UNCOLLECTED |
| HOVUL | 420,565.78 | 188,965.38 | 44.93% | 231,600.40 |
| VULNERABLE | 2,406.68 | 1,647.08 | 68.44% | 759.60 |
| PENSIONABLE | 907,477.22 | 701,050.56 | 77.25% | 206,426.66 |
| WKAGEEMP | 1,091,622.06 | 552,103.80 | 50.58% | 539,518.26 |
| WKAGEOTH | 1,496,553.85 | 736,630.88 | 49.22% | 759,922.97 |
| TOTALS | 3,918,625.59 | 2,180,397.70 | 55.64% | |
| TOTAL CTR | 3,918,625.59 | 2,180,397.70 | 55.64% | 1,738,227.89 |
| AS % OF TOTAL | 100.00% | 100.00% | | 44.36% |

2.5.7 For comparison purposes, Norwich City Council has a CTRS that is awarded at the same levels as the old CTB scheme (i. e. 100%), their collection rate for CTRS cases is 56.34%.

2.5.8 Whilst the overall collection for CTRS cases is 54.16% for 2016/17, it should be noted that the collection rate, excluding pensioners, has dropped from 49.13% to 48.57%. This is a higher reduction than reported in 2.4.7 above, and suggests that not only is this customer group finding it more difficult to pay, but disproportionately also.

2.5.9 For those customers that cannot, or won't, make an arrangement, they will be issued with a summons. Although there is not much attendance at court, we will still make an arrangement at this stage.

- 2.5.10 There has been an increase in the number of summons issued in the first seven months of the financial year.
- 2.5.11 Where a Liability Order is obtained, the Council's preferred option is to serve an attachment of benefit, and the use of this method of repayment is on the increase compared to previous years. The Council currently collects £32.2k per month through AOB, as compared to £26.8k last year.
- 2.5.12 It should be noted that the maximum amount of money that can be deducted is £3.70 per week, regardless of how much a customer owes, and the recovery of council tax is not a priority debt for deduction by the DWP. The maximum a customer in these circumstances can repay is £192.40 per year. In 16/17, an unparished band. A property with two adults would be liable for £1,026.90, reducing by maximum CTR would leave the customer liable to pay £279.95. The issue of a summons would add a further £82.40, leaving a customer with an annual charge of nearly £270 more than the Council is able to recover.
- 2.5.13 There is also a process to support customers whose debt is passed to Enforcement Agents, similar to that provided by the Council.
- 2.5.14 Where customers are making realistic arrangements to pay these are often small amounts, over a long period of time, regardless of what point of the recovery cycle a customer has reached. Customers have struggled to maintain even these small value arrangements and this increases the cost to the Council to administer.

3 RECOMMENDATION

- 3.1 To note the latest position in relation to the Council's outstanding debts as at 31st October 2016
- 3.2 To consider whether Committee requires any additional information in order to fulfil its role.

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