

Collection of Council Tax and Business Rates

Report number:	OAS/WS/21/007	
Report to and date(s):	Overview and Scrutiny Committee	10 June 2021
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Decisions Plan: This item is not included in the Decisions Plan.

Wards impacted: All

Recommendation: It is recommended that Overview and Scrutiny Committee:

1. Discuss and note the context of the report.

1. Context to this report - Collection of Council Tax and Business Rates

- 1.1 This report sets out our approach to council tax and business rates debt recovery.
- 1.2 The report also offers the opportunity for the committee to understand how the Covid-19 pandemic has impacted on business rates and council tax recovery and how our recovery approaches have had to be flexed accordingly during the last year (plus) to support our residents and businesses.

2. Proposals within this report – our debt recovery approach

- 2.1 Council Tax and non-domestic rates (otherwise known as business rates) are statutory charges and bills issued annually in March based on either a council tax band or rateable value in the case of a business.
- 2.2 West Suffolk Council is the billing authority and through Anglia Revenues Partnership (ARP) collects both council tax and business rates. The council tax shares across the various preceptors (those authorities that can levy a council tax charge) for 2021/22 are as follows:

Authority	Share of Bill
Suffolk County Council	73.7%
Suffolk Police Authority	12.54%
West Suffolk Council	9.61%
Town & Parish Councils (average)	4.15%

- 2.3 Business rates income is split under the current business rates retention scheme between Government, Suffolk County Council and West Suffolk Council. Alongside this business improvement district (BID) levies are also collected by ARP on behalf of the BID companies (Bury St Edmunds BID and Newmarket BID).
- 2.4 In year collection for the last two financial years for business rates is shown below:

Council Tax	Charge raised	Collected	Written off	Balance outstanding @ 31 March
2019/20	£ 99,058,869	£96,358,511	£46,499	£2,653,859
2020/21	£ 102,792,076	£99,730,915	£22,863	£3,038,298
Business Rates	Charge raised	Collected	Written off	Balance outstanding @ 31 March
2019/20	£75,036,129	£73,651,872	£21,979	£1,362,278
2020/21	£39,351,697	£38,023,172	£ 484	£1,328,041

- 2.5 Debt recovery follows a statutory process. The bills are usually issued in March for the forthcoming financial year and have to be issued at least 14 days before the first instalment is due. Council tax and business rates can be paid over 12 months although the majority of customers still pay over 10 months of the financial year from April to January inclusive.
- 2.6 If an instalment is not paid on time a first reminder is issued. These are normally issued after 14 days and require the account to be brought up to date within seven days. If payment is made, then payment by instalments continues. However, if payment is not made a final notice is issued and the customer loses their right to instalments and the full balance outstanding for the year becomes payable.
- 2.7 Should a further instalment be missed then a second reminder is issued, and the same process as above is followed. However, on the third occasion that an instalment is not paid no further reminders are issued and the full balance for the year becomes payable and a final notice is issued.
- 2.8 Where a final notice has been issued, at any of the stages detailed above, and payment is not made or an arrangement for payment not entered into then a summons to attend The Magistrates Court is issued. The Magistrates will issue a Liability Order at the hearing if they are satisfied that the charge has been billed correctly and not been paid. This Liability Order provides the ability to enforce payment by way of: -
- Attachment to earnings
 - Attachment of Benefit
 - Attachment to Councillors Allowances
 - Enforcement Agent – Taking Control of Goods
 - Charging Order (Business Rates allows a Charging Order before a summons is issued)
 - Bankruptcy/Insolvency
 - Committal to prison

- 2.9 Arrangements for payment can also be made at any stage of the recovery process.
- 2.10 In-year performance for 2019/20 and 2020/21 is shown in the tables within this report for comparison purposes. However, it should be noted that we continue to recover debt beyond the year in which it became due.
- 2.11 When all the debt recovery procedures have been exhausted the outstanding debt is written off using the delegated authority of the Director, Resources and Property for debts up to £4,999.99 or by Portfolio Holder for debts over £5,000.00.
- 2.12 It is best practice to monitor the recovery procedures for outstanding debts regularly and, when appropriate, write off irrecoverable debts.
- 2.13 Provision for irrecoverable debts is included both in the collection fund and the general fund and writing off debts that are known to be irrecoverable ensures that staff are focussed on achieving good collection levels in respect of the recoverable debt.

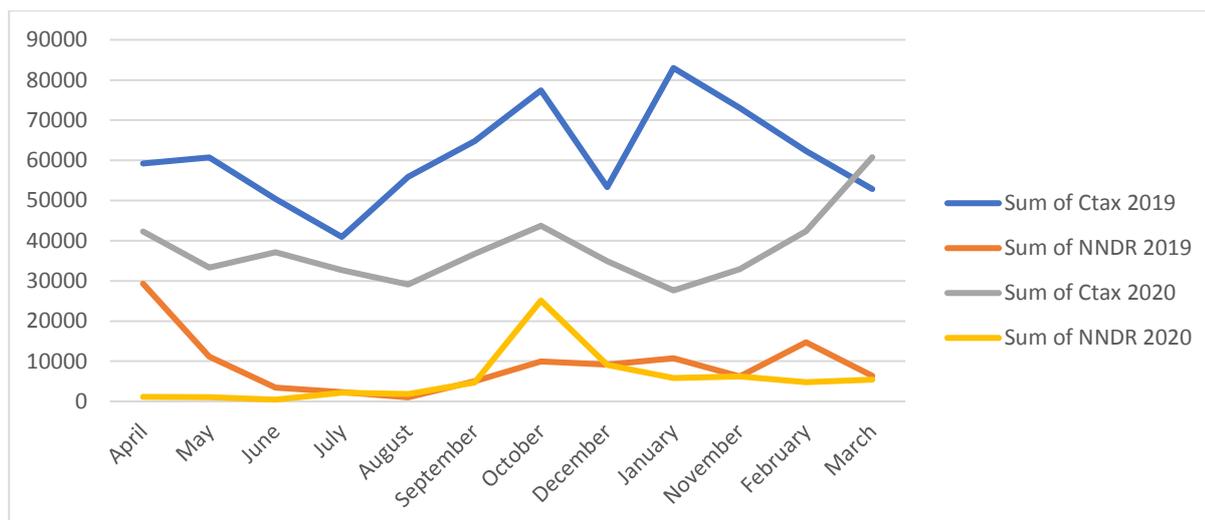
Covid Impact on recovery processes and collection

- 2.14 During the last financial year, we have adapted our processes both as a result of changes required by Government and the need to be mindful of the difficult financial position some customers are facing.
- 2.15 The Magistrates Court closed at the end of March 2020 due to the lockdown and only dealt with high priority cases. Liability order hearings were not considered to be high priority. The Magistrates Court did not re-open until the autumn and even then, with limited availability of hearing dates.
- 2.16 The Government also suspended visits from enforcement agents from March 2020 until 24 August 2020. Visits could re-commence from 24 August 2020 but adhering to strict guidelines following a review of the associated risk assessment. As a result, enforcement agents were not able to enter premises to take control of goods which limited their powers. However, we did continue to contact customers to try and make arrangements for payment.
- 2.17 DWP also stopped accepting new cases for attachment of earning with effect from April 2020 and ceased sending us any payments.
- 2.18 No new further recovery cases were instigated due to court closures from March 2020; However, we did continue to issue letters to encourage payment. Due to the disruption to the recovery process caused by the closure of the Magistrates Court and being mindful of the financial position that customers would be facing, the normal recovery process did not begin in April 2020. We did not want to be in a position where we had issued formal statutory notices but were unable to continue with the recovery process.

- 2.19 Instead a series of “informal” reminders were issued with the intention of reaching out to customers inviting them to make extended payment arrangements with us; some of which extended into the next financial year.
- 2.20 A total of 4058 informal reminders were sent in April 2020 and 4336 in May 2020.

Re-starting Recovery

- 2.21 Formal statutory reminders commenced in August 2020 following guidance; these reminders are usually sent from mid-April onwards. Following advice that the Magistrates Court was re-opening, final notices were sent from October 2020. At this point customers have lost the right to pay by instalments and the full amount for the year has become due.
- 2.22 Work on new further recovery cases re-commenced in October 2020.
- 2.23 In preparation for the Magistrates Court re-opening a process was agreed with the courts that all customers wishing to attend the court hearing should firstly discuss the matter with us and then book a place to address the Court in person if the matter remained unresolved. This meant that numbers attending the court would be reduced and subsequently reduced the risk to both staff and customers attending the court.
- 2.24 To date we have not been able to secure any court dates at Bury St Edmunds Magistrates Court which is where we would have usually taken West Suffolk cases. However, we have been able to book hearings at Ipswich Magistrates Court, albeit on a Saturday morning, and staff have worked at the weekends to make recovery of council tax and non-domestic rates a possibility. We have had hearings in January, February and March 2021, and have hearings booked for May, July, and September 2021. Further hearings will be scheduled later in the year. All cases which had reached the stage of requiring a summons for the 2020/21 financial year had been listed for hearing by 31 March 2021.
- 2.25 Cases from these court hearings started to move into enforcement from February 2021 onwards whereas they would usually have moved into enforcement from July 2020 onwards.
- 2.26 Visits by our enforcement agents re-started on 24 August 2020 after we had sent a letter to all debtors to advise them of this and invite them to contact us to discuss a payment arrangement.
- 2.27 The graph below demonstrates how the suspension of visits and delay to the recovery process has affected the monies collected through our enforcement agents.



Comparison of arrears (also see 2.4 above)

2.28 For council tax and business rates, Government announced funding to help those who were most affected by Covid. Customers in receipt of our local council tax reduction scheme (LCTRS) were given an additional £150 credited to their account and businesses in the retail, hospitality and leisure sector as well as children’s nurseries were given 100% rates relief for 2020/21 (this 100% relief has also continued into 2021/22 for the first 3 months to July 2021).

2.29 If we compare the profile of the outstanding council tax for 2020/21 at March 2021 with the previous year it shows that there are more cases at the early stages of Enforcement for the 2020/21 financial year compared to the same point in the 2019/20 financial year where more cases had been passed to enforcement agents, attachment of benefits or enforcement arrangements made. This can be attributed to the delay in recovery.

2.30 There are also currently a larger number of cases where council tax is being collected under an arrangement made without a summons being issued than previously as demonstrated below:

Council Tax	March 2021 for 2020/21 bills		March 2020 for 2019/20 bills	
	Number	Amount £	Number	Amount £
Liability Order obtained	71	55,041.46	106	40,861.27
Info (letter sent after Court hearing)	676	446,035.24	120	60,401.71
Arrangement	476	272,662.98	209	74,379.77
Attachment to Earnings/pending attachment	121	117,553.70	124	53,064.34

Attachment to Benefit/pending attachment	34	11,225.69	350	33,010.51
Bailiff/pending bailiff	801	932,107.34	1,606	1,120,133.32
Trace/work trace	22	9,147.99	5	1,115.06
Debt Letter	53	5,928.58	75	14,477.44
Further Recovery	18	27,838.33	5	4,546.87
Charging Order/pending Charging Order	14	20,967.25	10	15,018.67
Pending Write Off	6	3,848.44	10	1,929.31
Total	2,292	1,902,357.00	2,620	1,418,938.27
Pre-Summons				
Final Notice	653	241,920.11	795	185,858.11
Reminder	366	127,858.04	143	41,398.21
Profile	3,174	581,903.32	2,434	364,047.74
Arrangement	499	171,386.97	177	43,052.56
Total	4,692	1,123,068.44	3,549	634,356.62

2.31 A similar picture is seen with Business Rates recovery where cases had progressed further into Enforcement in the previous year.

Business Rates	March 2021 for 2020/21 bills		March 2020 for 2019/20 bills	
	Number	Amount £	Number	Amount £
Enforcement				
Liability Order obtained	13	66,550.05	7	19,302.87
7 Day Letter	49	240,371.72	6	24,427.10
Arrangement	4	22,724.3	5	29,647.69
Bailiff/pending bailiff	0		56	177,099.23
Total	66	329,646	74	250,477
Pre-Summons				
Final Notice	104	566,160.43	62	470,320.69
Reminder	15	46,874.64	44	235,626.81
Total	119	613,035	106	705,948

Challenges for 2021

- 2.32 The impact of Covid-19 on collection is likely to be felt throughout this financial year due to a number of issues.
- 2.33 The support provided by Government has been reduced. The remainder of the £150 council tax hardship fund has been awarded to customers in this financial year, but it is a lot lower than last year. Customers in receipt of local council tax reduction scheme will be required to pay most of their 8.5% contribution and it is more difficult to collect council tax from this cohort.
- 2.34 The rates relief provided to the retail, hospitality and leisure sectors has been reduced from 100% to 66% from 1 July 2021 with the result that these businesses most affected will have something to pay for the first time since the pandemic started and will be a challenge to collect.
- 2.35 The restart grants for businesses paid from April 2021 are the last direct Government grants.
- 2.36 On 4 May 2021 new legislation comes into force, known as breathing space, which allows debtors a 60-day respite from recovery action whilst they get a plan in place to resolve their debts. This may result in a debt relief order, voluntary arrangement or other remedy but is likely to affect collection.
- 2.37 As furlough and self-employment income support ends in September 2021, we may start to see some businesses struggle, some may even fail. In terms jobs may be lost which could impact on collection and increase business rates write-offs.
- 2.38 Customers in receipt of local council tax reduction scheme are more difficult to collect from and deductions from other DWP benefits are limited to £3.75 per week and are now further down the list of priority for collection from Universal Credit than other deductible benefits were. Furthermore, the self-employed income support scheme ends on 30 September 2021.
- 2.39 However, the Government have announced funding of £1.5bn to support businesses who have not had any previous Business rate relief. Many of these businesses had lodged appeals against their rateable value on the basis that there had been a material change in circumstances due to Covid. These appeals will now be disallowed through new legislation. Once we receive the funding and guidance a scheme will need to be implemented and applications from ratepayers invited.

3. Alternative options that have been considered

- 3.1 Council tax and non-domestic rates (otherwise known as business rates) are statutory charges and bills are issued annually in March based on either a council tax band or rateable value in the case of a business.

- 3.2 There is an extensive and supportive recovery process prior to the engagement of an enforcement agency. The council currently uses the services of the ARP enforcement agency to assist in the collection of business rates and council tax and also has on-line tracing facilities. Although this service was suspended during the lockdown and up to more recently, enforcement is now reinstated in line with Government guidance. It is not considered appropriate to pass the debts on to another agency.
- 3.3 It should be noted that in the event that a written-off debt becomes recoverable, the amount is written back on, and enforcement procedures are re-established. This might happen, for example, if someone has gone away with no trace, and then they are unexpectedly 'found' again, through whatever route.

4. Consultation and engagement undertaken

- 4.1 Members of West Suffolk Leadership Team, ARP and the Resources and Property Portfolio Holder have been consulted on the production of this report.

5. Risks associated with the proposals

- 5.1 There are risks associated with the collection of council tax and business rates that are set out in this report.

6. Implications arising from the proposals

- 6.1 Financial – as set out in this report
- 6.2 Legal Compliance – as set out in this report
- 6.3 Personal Data Processing – data is processed in line with GDPR requirements.
- 6.4 Equalities – our debt recovery procedures have been through an Equality Impact Assessment.

7. Appendices referenced in this report

- 7.1 None

8. Background documents associated with this report

- 8.1 [Agenda for Forest Heath Cabinet on Tuesday 14 July 2015, 6.00 pm \(westsuffolk.gov.uk\)](https://www.westsuffolk.gov.uk/Agenda-for-Forest-Heath-Cabinet-on-Tuesday-14-July-2015-6.00-pm) (Report Number CAB/FH/15/034 refers)