

**REPORT FOR: OVERVIEW AND
SCRUTINY COMMITTEE**

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|-----------------------------------|--|
| Date of Meeting: | 26 February 2013 |
| Subject: | Report on Future Monitoring of Council Tax Collection Rates |
| Responsible Officer: | Fern Silverio – Divisional Director Collections & Housing Benefits |
| Scrutiny Lead Member area: | Tony Ferrari – Resources Performance Lead Jerry Miles – Resources Policy Lead |
| Exempt: | No |
| Enclosures: | Appendix A |

Section 1 – Summary and Recommendations

This report provides an update on what council tax collection monitoring data exists and the plans for future monitoring of the area.

Recommendations:

The Overview and Scrutiny Committee is requested to note the report.

Section 2 – Report

At previous Scrutiny Leadership Group meetings councillors asked if some additional information might be provided on how the council intends to monitor collection of the Council Tax which has now become payable by residents who are no longer eligible for full Council Tax benefit and what it expects to see in terms of collection at milestones within the collection year.

Current situation

As part of Welfare Reform, Council Tax Benefit (CTB) will be abolished on 1/4/2013 and help for individuals to pay their Council Tax will be localised. Harrow has agreed a local scheme but the scheme has had to be designed with 10% less funding than previously received under the current national scheme. This is because Central Government is only giving Harrow 90% of the funding previously allocated. The Government has also protected pensioners (who will therefore continue receiving the same support as under the current scheme) and provided no funding for expected growth in caseload (3.7% expected) or council tax increases (2% for 2013/14). What this means is that working age claimants (those not protected) will in reality receive approximately 22.5% less through localised council tax support (CTS) and will have to pay £3.8m in the new financial year (including the GLA precept). There are currently 11,275 working age claimants of which approximately 7,000 households are currently receiving 100% CTB. There are also 6,386 pensioner households in Harrow currently in receipt of CTB.

If we accept that a band D property in 2013/14 will be £1513.28 (inclusive of the GLA precept) this will result in a “non vulnerable” tax payer (as defined in the scheme as anyone who is not receiving DLA) who previously paid no council tax at all, paying on average £340.88 a year or £6.55 a week out of their income support or job seekers allowance.

Why Monitoring is key

Council Tax income plays a key part in paying for Council services and any losses to income through non collection will adversely impact service delivery. At the moment we know that localised council tax support has brought the following risks.

| Year | Expected CTS expenditure (net of GLA proportion) | Subsidy payment | Harrow funding gap |
|---------|--|-----------------|--------------------|
| | £(m) | £(m) | £(m) |
| 2013/14 | £17.39 | 14.3 | £3.09 |
| 2014/15 | £18.37 | 14.3 | £4.07 |

The funding gap of £3.8m has, through the Harrow local CTS scheme, been passed on to the working age claimants and is therefore to be collected.

Although when setting the taxbase Harrow already builds in a cushion for losses, for example for the year 2012-2013 the percentage collection rate

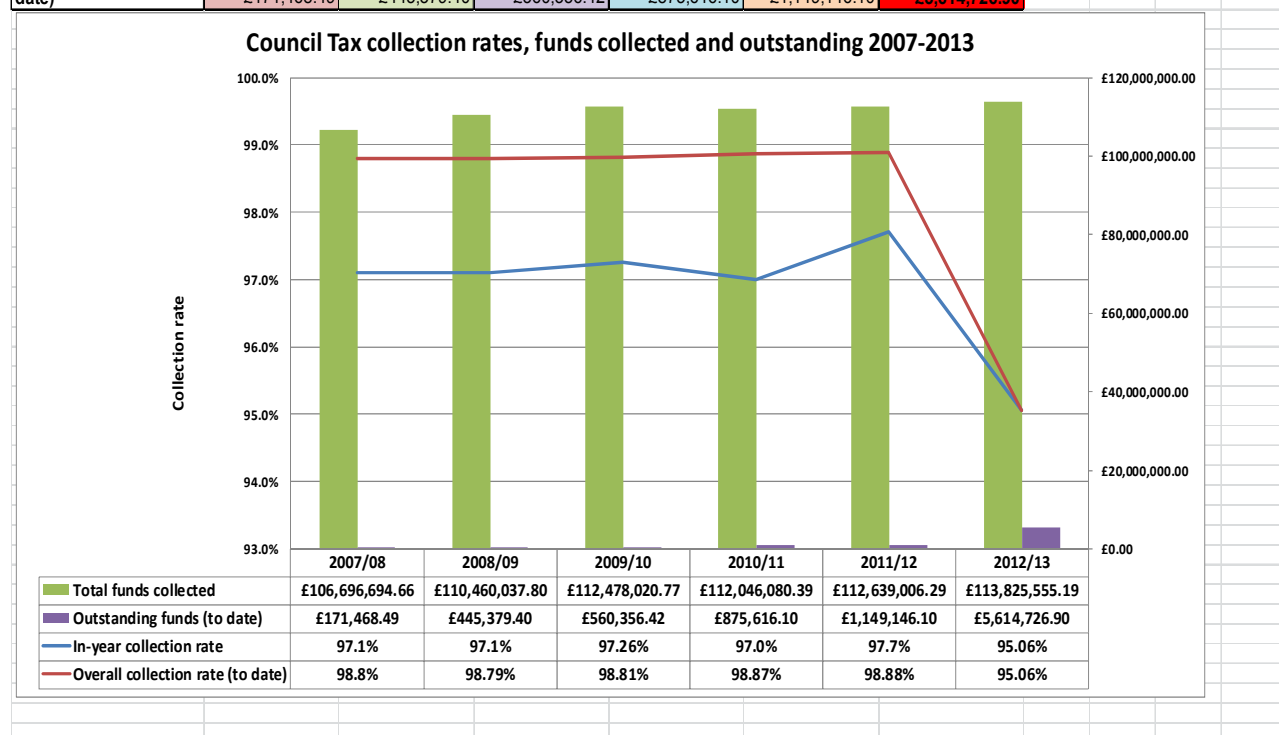
used was 98.50% which assumes a 1.5% bad debt provision, for 2013-2014 a budgeted collection rate of 97.50% was agreed to account for a much higher risk of non collection from the working age tax payers that will have to pay the additional £3.8m.

This is due mainly to the fact that a 70% collection rate has been factored in for the £3.8m of the tax that is being passed onto working age claimants which decreases the overall collection rate by 1% and increases the provision for losses to income by £1m to £3m.

Current Collection Rates Achieved

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| In-year collection rate | 97.1% | 97.1% | 97.26% | 97.0% | 97.7% | 95.06% |
| Overall collection rate (to date) | 98.8% | 98.79% | 98.81% | 98.87% | 98.88% | 95.06% |
| Total funds collected | £106,696,694.66 | £110,460,037.80 | £112,478,020.77 | £112,046,080.39 | £112,639,006.29 | £113,825,555.19 |
| Outstanding funds (to date) | £171,468.49 | £445,379.40 | £560,356.42 | £875,616.10 | £1,149,146.10 | £5,614,726.90 |

Collection rate will increase as this is a snapshot at month 11 (1/2/13) - not year end



Current Collection rates for council tax in Harrow are excellent. The DCLG publishes national collection figures annually and Harrow has for the last 6 or so years been a top quartile authority with little arrears outstanding and have avoided headlines such as those below;

£500m council tax goes unpaid in London - News - London Evening Standard - Windows Internet Explorer provided by Harrow Council

http://www.standard.co.uk/news/500m-council-tax-goes-unpaid-in-london-6415701.html

unpaid council tax

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£500m council tax goes unpaid in London



Struggle: £500m council tax is unpaid in London

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27 June 2011

Town halls across London have failed to collect £526 million of council tax due to "breathtaking incompetence", the Evening Standard reveals today.

The lost money is equivalent to the cost of the 2012 Olympic Stadium or the amount in planned cuts in council services. It could pay for 1,000 libraries or more than 16,000 police officers.

The Standard's investigation shows Londoners failed to pay £117 million last year alone. The five worst local authorities account for nearly 30 per cent of the total bill, which has built up since council tax was introduced in 1993.

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http://www.dailymail.co.uk/news/article-2165170/2billion-council-tax-left-uncollected-town-halls-moan-cuts-Whitehall.html

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£2billion of council tax left uncollected by town halls who then moan about cuts by Whitehall

By GERRI PEEV

PUBLISHED: 22:31, 26 June 2012 | UPDATED: 12:02, 27 June 2012


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Councils in England have failed to collect billions in council tax – while complaining about cuts to their budgets from Whitehall.

The total arrears – much dating back several years – is spread across 31 local authorities and stands at £2.3billion.

Eight out of the ten councils with the worst record on collecting council tax are Labour-run.

Liverpool had the highest amount of arrears, with nearly £108million in council tax outstanding – about £500 per household in the city.



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Statistical Release

COLLECTION RATES AND RECEIPTS OF COUNCIL TAX IN ENGLAND 2011-12

27 June 2012

- Local authorities in England collected £22.1 billion in council taxes by the end of March 2012 out of a total of £22.7 billion collectable. This gave a national average in-year collection rate for council tax in England of 97.3% in 2011-12, no change over 2010-11
- Since 2007-08, the national collection rate for council tax has increased by 0.2 of a percentage point.

Table 1: Council tax - collection rates - England : 2007-08 to 2010-11

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | % |
|---|-------------|-------------|-------------|-------------|-------------|---|
| All London boroughs | 95.6 | 95.5 | 95.7 | 96.0 | 96.3 | |
| <i>of which:</i> | | | | | | |
| <i>Inner London boroughs</i> <i>(including City of London)</i> | 94.7 | 94.6 | 94.6 | 95.1 | 95.4 | |
| <i>Outer London boroughs</i> | 96.0 | 96.0 | 96.2 | 96.4 | 96.6 | |
| Metropolitan districts | 95.6 | 95.7 | 95.9 | 96.1 | 96.1 | |
| Unitary authorities | 96.7 | 96.7 | 97.0 | 97.2 | 97.2 | |
| Shire districts | 98.1 | 98.0 | 98.1 | 98.2 | 98.2 | |
| England | 97.1 | 97.0 | 97.1 | 97.3 | 97.3 | |

Source : QRC4 returns

It is worth noting that Harrow is achieving top quartile collection rates against the expected percentages for both London and Outer London and compares favourably with the high average achieved nationally. In part this can be attributed to the low arrears that Harrow has achieved which allows efforts to be concentrated on young in year debt rather than arrears. Had we not had a robust collection policy which minimised arrears then we would be in a situation which creates a vicious circle of poor low in year collection

contributing to high arrears which in turn stops high in year collection being achieved due to resources being spent dealing with arrears cases.

Current Arrears as @ 1/2/2013

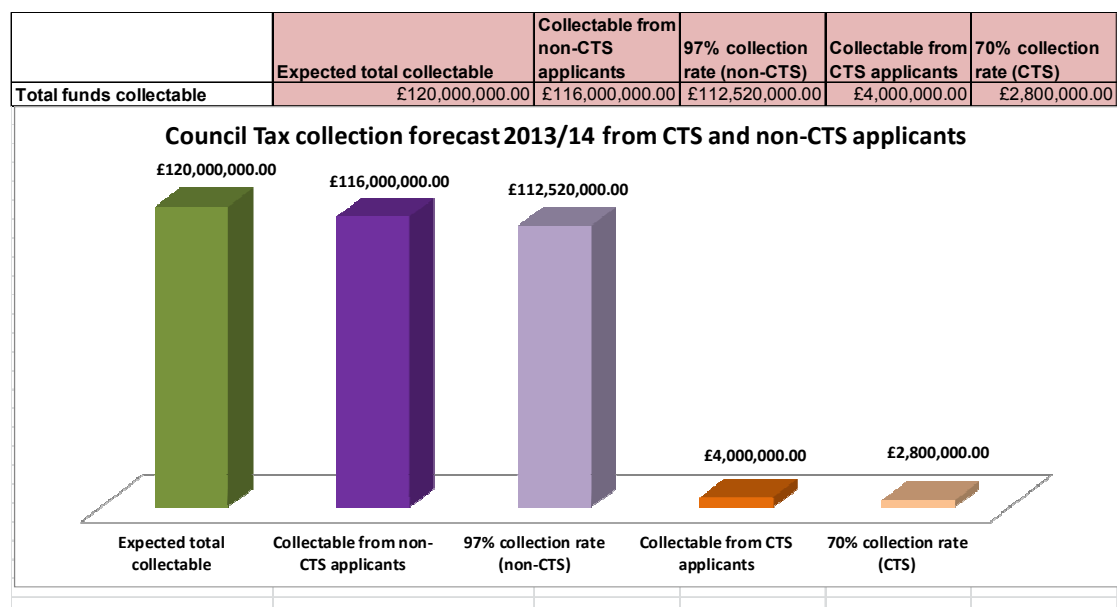
| Year | 2012/13 | 2011/12 | 2010/11 | 2009/10 | 2008/09 | 2007/08 |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Arrears Outstanding | £5.61m | £1.14m | £0.85m | £0.58m | £0.44m | £0.17m |
| Collection to Date | 95.06% | 98.88% | 98.87% | 98.81% | 98.79% | 98.80% |
| Losses / w-offs to date | £3k | £110k | £393k | £756k | £895k | £1.11m |
| | | | | | | |

See also Appendix A

Future Monitoring

Future monitoring will include use of recovery profiling so we can monitor on both “**won’t pay**” as well as “**can’t pay**” residents. It is anticipated our IT supplier will be providing additional functionality to enable more intelligent automated monitoring and discussions to date indicate that some of this functionality will be available around the autumn of 2013.

In the meantime officers are working to ensure segregation occurs between collection data from the working age council tax support recipients from everyone else so we can monitor both areas.



Current Monthly Monitoring

| CTAX | Profile Income £m | Profile Cumm £m | Profile % | Actual Income £m | Actual Cumm £m | Actual % | Variance % |
|------|-------------------------|-----------------------|---------------|------------------------|----------------------|---------------|---------------|
| Apr | 14.11 | 14.11 | 12.40% | 14.20 | 14.20 | 12.48% | 0.08% |
| May | 10.07 | 24.18 | 21.25% | 10.96 | 25.16 | 22.12% | 0.87% |
| Jun | 10.53 | 34.71 | 30.50% | 10.04 | 35.20 | 30.89% | 0.39% |
| Jul | 10.24 | 44.95 | 39.50% | 10.31 | 45.51 | 39.85% | 0.35% |
| Aug | 9.96 | 54.91 | 48.25% | 10.14 | 55.65 | 48.73% | 0.48% |
| Sep | 10.53 | 65.44 | 57.50% | 10.18 | 65.83 | 57.56% | 0.06% |
| Oct | 11.38 | 76.82 | 67.50% | 10.92 | 76.75 | 67.16% | -0.34% |
| Nov | 10.24 | 87.06 | 76.50% | 10.33 | 87.08 | 76.33% | -0.17% |
| Dec | 9.67 | 96.73 | 85.00% | 9.84 | 96.92 | 85.07% | 0.07% |
| Jan | 10.36 | 107.09 | 94.10% | 9.81 | 106.73 | 93.77% | -0.33% |
| Feb | 2.45 | 109.53 | 96.25% | 0.00 | 106.73 | 0.00% | -96.25% |
| Mar | 0.85 | 110.39 | 97.00% | 0.00 | 106.73 | 0.00% | -97.00% |
| | 110.39 | | 97.00% | | 106.73 | 93.77% | -0.33% |

| COUNCIL TAX | | £m |
|---|--|-----------------|
| Debit 2012/13 | | £ 145.54 |
| Less: Benefit | | -£ 20.08 |
| Less: Band adjtms, discounts, exemptior | | -£ 11.66 |
| Collectable cash | | £ 113.80 |
| Collection Target for 2012/13 (97%) | | £ 110.39 |
| Actual Cash Collected | | £ 106.73 |
| Actual cash to be Collected | | <u>£ 3.66</u> |

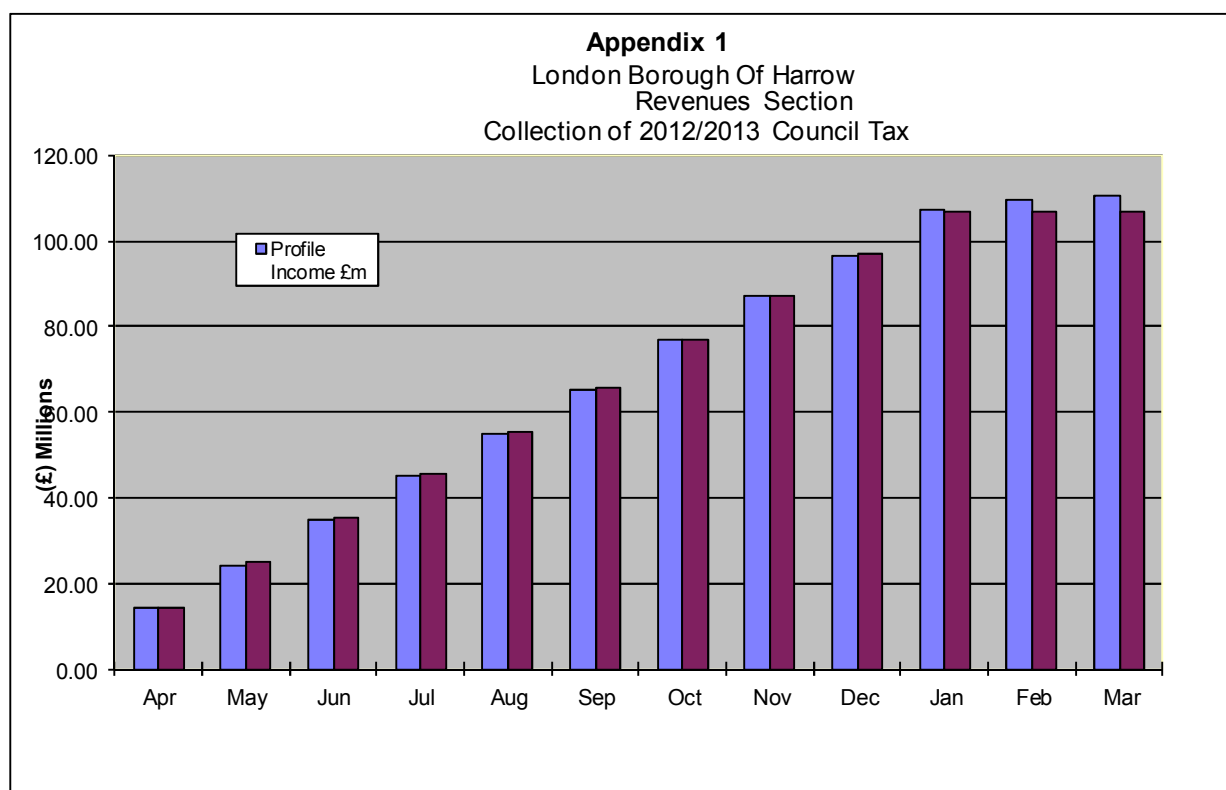
We already monitor monthly cash flow and collection rates. We will in future monitor the weekly, monthly and yearly collection rates for both council tax due from working age council tax support recipients and non CTS recipients. This will alert Harrow to any deviations from expected profiles and to any potential risks to the budget via under collection.

As already mentioned earlier, there will be two distinct profiles; one based on 98.5% collection rates and one based on 70%. It is anticipated, on the proviso that the system allows it to be done, that regular monitoring will be carried out and reported to management.

Collection milestones will be set monthly and quarterly (although collection overall will continue to be monitored daily and weekly as it is now) against set profiles. We are currently awaiting the calculation of the charges for 2013/14 and once these are known, profiles will be set based on both collection rates achieved historically but also weighted for the fact that instalments for all CTS recipients have been changed to 12 rather than 10 to support budgeting and to adhere to recent legislative changes giving the right to all tax payers to request 12 instalments if they wish to do so. By giving this target group 12 instalments by default, rather than waiting for individuals to request the facility as legislation stipulates, Harrow is ensuring we make making payments as

easy as possible to coincide with payment of benefits or wages at regular intervals.

Example of monthly collection rate achieved against profile



We already report to the Improvements Boards and Cabinet quarterly on Revenue performance and this will continue. To make data more meaningful it is anticipated that data will be split so officers can report on and highlight non performing target areas rather than just reporting on the position holistically.

Extract from Q4 Revenue monitoring report

Council Tax

Currently, bad debt provisions (BDP) of £2.956m exist [£3.692m- £0.736m; w/off's done 01/04/11-31/03/12] for Council Tax against a potential BDP of £2.22m for debts accrued to 31 March 2011.

| COUNCIL TAX | Arrears as at 1 st of April | Arrears as at Qtr 4 | BDP | BDP as at Qtr 4 |
|--------------------|---|------------------------|-----|----------------------------|
| | £000 | £000 | % | £000 |
| Pre 2007-2008 | 668 | 380 | 100 | 380 |
| 2007-2008 | 610 | 454 | 86 | 390 |
| 2008-2009 | 857 | 643 | 73 | 469 |
| 2009-2010 | 1,292 | 816 | 54 | 440 |
| 2010-2011 | 2,365 | 1,264 | 43 | 543 |
| Total | 5,792 | 3,557 | | 2,222 |

The above will also link to monitoring of the tax base ensuring that any surplus or deficits in the collection fund are known at an early stage and risks or windfalls planned and catered for.

Extract from monthly yield monitoring spreadsheet

| Year 2012/13 | | | | Ctax original | Plus | Plus | Actual total | |
|----------------|-----------------|------------------|-----------------|------------------|---------------|------------------|--------------------|--------------|
| Budgeted Yield | Tax base % used | Plus Prcptrs Fig | Total Yield Req | Liab @ main blnc | CTB figure | MOD contribution | Total system Yield | Variance |
| 104,582,244.09 | 98.50% of D's | 27,034,230.95 | 131,616,475.04 | | | 199,102.74 | | |
| | | | as @ 31/04/12 | 113,755,270.07 | 20,116,802.47 | 199,102.74 | 134,071,175.28 | 2,454,700.24 |
| | | | as @ 31/05/12 | 113,755,270.07 | 20,116,802.47 | 199,102.74 | 134,071,175.28 | 2,454,700.24 |
| | | | as @ 31/06/12 | 113,934,406.45 | 19,936,128.74 | 199,102.74 | 134,069,637.93 | 2,453,162.89 |
| | | | as @ 31/07/12 | 113,979,231.20 | 19,339,351.63 | 199,102.74 | 133,517,685.57 | 1,901,210.53 |
| | | | as @ 31/08/12 | 114,193,729.76 | 19,947,631.83 | 199,102.74 | 134,340,464.33 | 2,723,989.29 |
| | | | as @ 30/09/12 | 114,356,047.95 | 19,707,934.76 | 199,102.74 | 134,263,085.45 | 2,646,610.41 |
| | | | as @ 31/10/12 | 114,270,118.00 | 19,842,380.79 | 199,102.74 | 134,311,601.53 | 2,695,126.49 |
| | | | as @ 30/11/12 | 114,035,253.00 | 19,847,290.65 | 199,102.74 | 134,081,646.39 | 2,465,171.35 |
| | | | as @ 31/12/12 | 113,985,879.00 | 19,852,963.31 | 199,102.74 | 134,037,945.05 | 2,421,470.01 |
| | | | as @ 31/01/13 | 113,817,909.23 | 19,846,810.81 | 199,102.74 | 133,863,822.78 | 2,247,347.74 |
| | | | as @ 28/02/13 | 113,803,252.90 | 19,821,992.20 | 199,102.74 | 133,824,347.84 | 2,207,872.80 |
| | | | | | | | | ##### |

fsilveri:
Variance should be at least 1.50% of net ct yield [after discounts, disregards & ctb] to ensure sufficient surplus to cover losses due to bad debt/uncollectable debt
Budget lbh+Preceptors £131,616,474

More importantly this will also inform Harrow if the collection assumptions made are correct and how these may need to be changed for future years. This can therefore directly inform MTFs and be planned for so no surprises are encountered at the 11th hour.

Debt Recovery Review

A multi agency sub group is working with the Council to take forward the debt recovery review. Membership of this group includes representatives from the voluntary sector, including CAB, the Harrow Law Centre, Bailiffs and representation from council directorates. This group is currently focusing on helping the Council define vulnerability whilst simultaneously looking to support the development of new processes to deal with the expected new additional debtors and the collection of small amounts from those most financially vulnerable.

The ultimate aim is to ensure a more joined up corporate approach is taken to recovery through the sharing of data and understanding of the debtor's ability to pay.

It is anticipated that the recovery review will be finalised late June/early July and that any processes adopted be implemented throughout 2013/14. A report on the outcomes will be put to Scrutiny around July 2013.

Financial Implications

The Financial implications are set out in both the Localisation of Council Tax and The Council Tax Base 2013/14 reports.

Performance Issues

The performance issues are set out in both the Localisation of Council Tax and The Council Tax Base 2013/14 reports.

Environmental Impact

There are no direct environmental impacts.

Risk Management Implications

The risk issues are set out in both the Localisation of Council Tax and The Council Tax Base 2013/14 reports.

Equalities implications

There are none specific to this report.

Corporate Priorities

The report addresses the Council's corporate priorities as monitoring income and taking appropriate corrective action to maximise the amount of council tax we collect supports and funds all services.

Section 3 - Contact Details and Background Papers

Contact:

Fern Silverio (Divisional Director – Collections & Housing Benefits),
Tel: 020-8736-6818 / email: fern.silverio@harrow.gov.uk