

# Item 5

## STRATEGIC LEADERSHIP OVERVIEW AND SCRUTINY COMMITTEE

8 JANUARY 2008

### REPORT OF THE DIRECTOR OF RESOURCES

#### **COUNCIL TAX SERVICE - PERFORMANCE**

##### **1. SUMMARY**

- 1.1 There has been a strong focus in recent years on improving the in-year collection rates of council tax. This is evidenced by a Best Value Performance indicator (BVPI), Government targets and publication of improvement tables.
- 1.2 The Borough Council has been successful in collecting tax over time but its in-year collection rate has not kept pace with improvement by other authorities. Whilst this has been monitored and limited improvements have taken place within existing resources there has been a long held view that collection costs should be kept low.
- 1.3 Although the collections costs have traditionally been very low, this Council's in-year collection rate has been the worst in County Durham for some time and in 2006/07, collection was the fourth worst in the country. If this matter was left unaddressed, the Council's Use of Resources Assessment could be adversely affected. The Chief Executive therefore recently approved the creation of two new posts in the Council Tax Service to address this issue following a report to the Audit Committee which looked at a number of options available to improve cash flow.
- 1.4 This report outlines the main issues regarding the collection of council tax and highlights how performance can be improved.

##### **2. RECOMMENDATION**

- 2.1 That the information be received

##### **3 BACKGROUND**

- 3.1 There is one Key Best Value Performance Indicator in relation to council tax. BVPI 009, "Proportion of council tax collected in year", is a measure of performance that the Audit Commission regularly reviews.

- 3.2 Since the introduction of the Key BVPI's in 2002/03 the Council's performance in respect of this Indicator had improved year on year until 2006/07 as shown below:

Year	%
2002/03	94.6
2003/04	94.9
2004/05	95.3
2005/06	95.4
2006/07	95.0

- 3.3 Although the trend is one of gradual improvement this still represents a bottom quartile level of performance. It was determined in the past that increasing collection costs would not represent value for money with increased returns being more than offset by costs. However, the amount due for 2007/08 of £33M is now over three times the amount due in 1993/94 when council tax was first introduced and the case to review the level of staffing to improve cash flow can now be justified.
- 3.4 The additional resources referred to in 1.3 will enable a Visiting Officer to be appointed who will try to ensure that vulnerable taxpayers receive all of the reductions to which they are entitled, including discounts, exemptions and/or council tax benefit. An Administration Officer will assist the Council Tax Service to speed up recovery by issuing recovery notices earlier and promoting payment by direct debit more actively.
- 3.5 Even with the inclusion of the additional resources the most recent information suggests that Sedgefield will still have the lowest collection costs of the authorities in County Durham. Low collection costs have been a feature of our approach over the life of the tax.
- 3.6 Members should be aware that over time, the Council has an excellent record of collecting council tax with a relatively low amount being written off. In the 15 years since council tax was introduced, the total amount due to be collected from taxpayers is in excess of £316m of which the total amount written off during that time amounts to only £614,000. This represents less than two tenths of one per cent of the amount to be collected.

#### **4 IMPROVING THE COLLECTION RATE**

- 4.1 The Council has a duty to maximise collection and cash flow and the Government has determined that all Councils should aim to achieve 98.3% in-year collection rate. This is a demanding target and there is therefore a need to strengthen recovery procedures by issuing recovery notices earlier and promoting direct debit to council tax payers as the preferred means of payment.
- 4.2 Procedural changes also need to ensure a customer focus with the intention that any push for earlier payment is not targeted at those who cannot pay but those who choose to pay late.

- 4.3 Promotion of the Benefits Service is an important factor in the event of identifying taxpayers who are having genuine difficulty in meeting their obligations.
- 4.4 It must also be borne in mind that any tightening of current procedures will be unpopular as there will be many taxpayers who believe that the current culture of paying within the month, missing months to catch up later or waiting for recovery action to take place is perfectly reasonable. It is important, therefore, to communicate changes in policy as widely as possible, ensuring that members are aware and prepared to deal with comments and issues as they arise.
- 4.5 The picture will not change overnight but whilst short-term problems and resistance to change may be encountered this is not sufficient reason not to attempt to improve the current collection rates.
- 4.6 A review of Council Tax recovery procedures has identified key features for improving the collection rate for staff to follow. The key features that need to be considered in improving the collection rate are:
- Instalments are due on the first of the month. A concession is made to those choosing to pay by direct debit where a range of dates is offered. This is on the basis that direct debit offers certainty of collection and reduces administration. This is in line with other authorities and utility companies that recognise that direct debit is a cost effective method of collection
  - The instalment date will be enforced with earlier reminders
  - The Council will utilise its full range of powers to recover the outstanding amounts.
- 4.7 Mail shots are being prepared to advise council tax payers about the new procedures and also to encourage payment by direct debit.

## **5 CONCLUSION**

- 5.1 The authority is falling behind in terms of achieving targets of in-year council tax collection. A review of current processes and resources has been considered to improve the current position. There are a number of benefits associated with improving collection rates including:
- Improving cash flow
  - Reducing arrears
  - Reducing correspondence
  - Better use of resources
  - More consistent service
- 5.2 Improvements in performance will not happen overnight as the existing payment culture will need to be challenged and changed and this will inevitably lead to resistance in some quarters. However, this is not sufficient reason not to make the changes to

satisfy an obligation to the good taxpayers in the Borough and to achieve greater efficiencies and optimum use of resources.

5.2.1.1 5.3 Local Government Reorganisation in County Durham is now a reality and this Council has a duty to match other constituent Councils by maximising its in-year collection rate and thereby minimising any arrears to be transferred to the new Authority.

- 5.4 As a result of increasing the staffing capacity within the Service and having completed the review of current processes, it will be possible to increase the in-year collection rate target for 2008/09 in line with Members of this Committee's expectations.

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