

CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Thursday, 13 July 2023
Report Subject	Council Tax Collections, Discretionary (s13a) Discounts/Write Offs
Cabinet Member	Cabinet Member for Governance and Corporate Services including Health and Safety and Human Resources
Report Author	Chief Officer (Governance)
Type of Report	Operational

EXECUTIVE SUMMARY

This report provides Scrutiny Members with a briefing on policy areas relating to Council Tax administration:

- The way in which Council Tax is collected
- Collection levels and comparisons to the national trends
- Current write off levels and the reasons for write offs
- The legal framework and scope to provide s13a discretionary discounts

RECOMMENDATIONS

1	For Scrutiny to note and support the work undertaken to maximise collections of Council Tax, maximise the take-up of discounts and reductions, and help those who struggle to pay.
2	For Scrutiny to note and support the circumstances where, in line with Cabinet policies, s13a discretionary discounts are already awarded and the limited circumstances and funds to waive or reduce Council Tax.
3	For Scrutiny Committee to endorse the exceptional circumstances where write offs are undertaken and which result in losses of income to fund public services.

REPORT DETAILS

1.00	EXPLAINING THE COLLECTION AND ADMINISTRATION OF COUNCIL TAX
1.01	To ensure Council finances are managed effectively, it is essential that Council Tax is collected efficiently and that debts owed to the Council are kept to a minimum. This is because the Council has both a legal duty and a responsibility to its residents to ensure that income due is paid promptly to maintain vital public services.
1.02	The agreed Corporate Debt Recovery Policy framework (adopted by Cabinet in 2019) also recognises that collection of debt should be fair to everyone, especially those on limited incomes who struggle to pay or those who have not paid because of an oversight. It is also recognised that some people deliberately avoid their payment obligations by delaying their payments or choosing not to make payment. Proportionate measures are always taken with the aim of encouraging those in need of help to contact the Council at an early stage.
1.03	<p>Underpinning this policy are effective income management processes, critical to the delivery of overall Council objectives, as every pound of income that is not collected or takes extra effort to collect, ultimately leads to additional financial pressures on the wider budget and future Council Tax rises. By collecting Council Tax, the Revenues Service ensure:</p> <ul style="list-style-type: none"><li data-bbox="293 1066 1410 1223">• Any recovery action taken will be proportionate Proportionality allows for a balance to be struck between the potential loss of income due to the Council and the costs of compliance.<li data-bbox="293 1267 1410 1626">• The approach taken will be consistent Consistency means taking a similar approach in similar circumstances to achieve similar objectives. The Council aims to achieve this in the advice given, the use of its powers and the recovery procedures used. At the same time, the Council recognises the need to treat everyone as individuals and therefore will aim to take account of many variables such as the social circumstances of the individual, the payment history, and their ability to pay.<li data-bbox="293 1648 1410 1962">• The actions taken will be transparent Transparency is important in maintaining public confidence in the Council. It means that helping people to understand what is expected of them, to meet their payment obligations and what they should expect from the Council. It also means clearly explaining the reasons for taking any recovery action and the next steps that the Council may take if payment is not made.

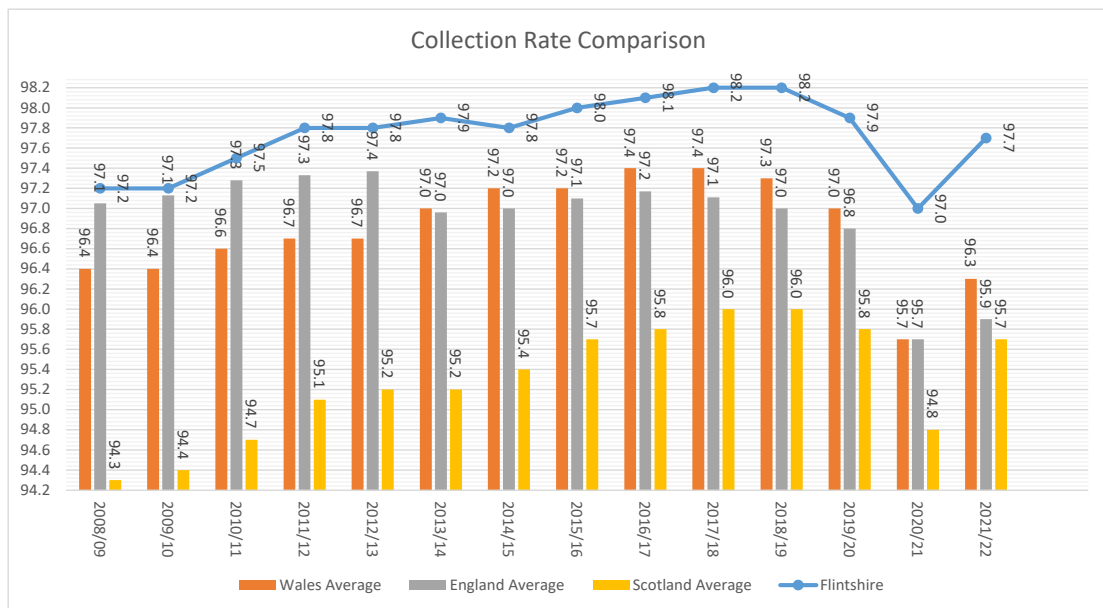
1.04	<p>The policy framework also ensures fairness in that every debtor has an obligation to repay their debt so that future services do not suffer. Another principle is that those who pay promptly should not subsidise those who are not prepared to pay what they owe.</p> <p>Where taxpayers have fallen, or are likely to, fall into arrears, officers work with residents and their representatives to set reasonable and realistic payment levels that they can maintain, ensuring that payment arrangements reflect the ability to pay as well as the level of debt owed.</p> <p>The key to maintaining good collection rates and service standards is always ensuring that taxpayers receive their full entitlement to benefits, Council Tax discounts and exemptions. The Revenues service also acknowledge that financial capability and vulnerability are sometimes underlying issues around non-payment, and we seek to help and support where we can so that we achieve sensible outcomes for both the Council and the taxpayer.</p>
1.05	<p>Annually, Welsh Government publishes a key performance indicator that analyses the amount of Council Tax collected by each authority during the financial year that the tax falls due. This measure is commonly referred to as the 'in-year' collection rates. In other words, it is how much the local authority collected by 31 March of the Council Tax as a percentage of the amount they would have collected if everyone had paid the full amount for which they were liable.</p>
1.06	<p>A hyperlink to the latest statistical release for Welsh Council Tax collection rates in 2022/23 is provided in section 6 of this report.</p> <p>Because the statistical release includes data for individual authorities, it enables the Council to measure its own collection performance against other local authorities in Wales.</p>
1.07	<p>For the collection of Council Tax, in 2022/23, most residents continue to pay their Council Tax on time and the 'in-year' collection level for Council Tax was 97.4%, well ahead of the 96.1% Welsh national average.</p> <p>Flintshire continues to be ranked as one of the highest performing Councils in Wales when it comes to collecting 'in-year' Council Tax. The Council is also ranked as having the second lowest outstanding amounts per chargeable dwelling when also considering longer-term arrears. The Council has maintained high collection levels over many years thanks to the cooperation and support of residents.</p>
1.08	<p>Overall, the latest statistics shows that despite</p> <ul style="list-style-type: none"> • financial challenges faced by the Council and households; and • the resource and capacity issues of delivering the Cost-of-Living Payments, <p>the Council continues to deliver the very best collection rates with one of the lowest levels of resources. This has been achieved by:</p> <ul style="list-style-type: none"> • continuous development and enhancement of service standards • digital delivery to make it easier for residents to pay their bills, and

- access to information about discounts and exemptions, especially support those who experience payment difficulties.

Using the published information available across the UK the table below also illustrates how Flintshire's 'in-year' collection rates up to 2021/22 compare with the Welsh average, including the average across England and Scotland.

In percentage terms, the in-year collection level of 97.7% for 2021/22 was 1.3% above the Welsh average, 1.8% above of the English average and 2.0% above the Scottish average.

In monetary terms, a 0.1% difference in collection terms might not sound significant, but this equates to a difference of £100k in income, so compared to the Welsh average, Flintshire is collecting an additional £1.3m in-year.



1.09 It is recognised that not all outstanding Council Tax can be collected. In appropriate cases, where a Council Tax debt is irrecoverable, prompt, and regular writing off is important so that the Council can budget for bad debts.

An integral part of debt recovery is the effective management of bad debts to ensure resources are applied efficiently to the collection of monies outstanding which can reasonably be expected to be collected.

1.10 Council Tax debts will normally be considered for write off only where the account is 'closed' and there are no reoccurring debts. Only in exceptional circumstances will ongoing accruing debts be considered for write off. All such cases must demonstrate that further recovery will not achieve collection of the debt.

Appendix 1 to this report provides a detailed analysis of the reasons, volumes, and value of Council Tax write offs.

£5.12m of Council Tax has been written off over 14 years, but compared to the Council Tax yield, this is less than 1% of the annual Council Tax charges/yield in each financial year. In other words, the Council eventually collects on average 99% of the Council Tax that is due for each year.

	<p>Write offs have been increasing over recent years for several reasons. The decision to end committal as a recovery remedy is impacting on write off levels. These are expected to rise in future years as a small number of households refuse to pay or cooperate with the Council in the knowledge that all recovery options have been taken by the Council.</p> <p>There are many reasons for write-offs, but the majority relate to circumstances where:</p> <ul style="list-style-type: none"> • Taxpayers vacate the property without a forwarding address and the Council is unable to trace their whereabouts • All recovery options have been considered or taken and the Council is unable to collect the outstanding debt • Taxpayers are subject to Debt Relief or Bankruptcy Orders for multiple debts with many creditors, not just debts owed to the Council • It is uneconomical to pursue the debt, often because of the size of the prior year debt and especially if the taxpayer is on a limited income
1.11	<p>Under Section 13(a) 1c of the Local Government Finance Act 1992 (as inserted by Section 76 of the Local Government Act 2003), the Council also has the power to reduce liability for Council Tax in relation to individual cases or class(es) of properties that it may determine and where national discounts and exemptions cannot be applied.</p> <p>A class of property is where several people who pay Council Tax would fall into a group because their circumstances are similar - for example, Council Taxpayers that have had to leave their homes due to flooding.</p> <p>The Act states:</p> <ul style="list-style-type: none"> • Where a person is liable to pay Council Tax in respect of any chargeable dwelling and day, the billing authority for the area in which the dwelling is situated may reduce the amount which he is liable to pay as respects the dwelling and the day to such extent as it thinks fit. • The power also includes the power to reduce an amount to nil. • The power may be exercised in relation to cases or by determining a class of case in which liability is to be reduced to an extent provided by the determination. <p>There are financial implications in awarding any discounts other than those currently available under the statutory legislation as the financial burden of Section 13A discounts must be met 100% by the Council through an increase in the general level of Council Tax for other taxpayers.</p> <p>The Council must therefore carefully balance the needs of the individual taxpayer requiring financial support against the interests of the wider Council Taxpayers within Flintshire who subsidise the cost of these discretionary awards.</p>
1.12	<p>There are circumstances where the Council already uses its s13a discretionary powers to support Council Taxpayers.</p> <p>The introduction of the Council Tax Discretionary Discount scheme for Local Authority Foster Carers from 2020 is permitted by utilising section 13a (1) (c)</p>

	<p>of the Local Government Finance Act 1992. This provision enables the Council to reduce the amount of Council Tax a person must pay.</p> <p>The introduction of this scheme formed part of the Council Plan for 2019-2023 and a strategy to enhance fostering service models by improving local placements for children whose families are unable to look after them.</p>
1.13	<p>One of the key objectives for the Council is continuing to ensure there is a sufficient and resilient provision of in-house Foster Carers for local children. Growing the number of in-house Foster Carers is critical to supporting looked after-children and offering a Council Tax Discretionary Discount scheme, continues to form a key part of a wider package of support for in-house Foster Carers.</p>
1.14	<p>It is also recognised that Foster Carers sometimes choose to foster for private fostering agencies because those agencies can offer a better rate of payment. It is difficult for the Council to compete against these rates so offering a Discretionary Council Tax Discount is aimed at providing a more competitive financial package to Local Authority Foster Carers and bring savings to the Council by reducing reliance of private sector fostering agencies.</p>
1.15	<p>Like all s13a awards, the introduction of the Council Tax Discretionary Discount scheme for Local Authority Foster Carers from April 2020 is not incorporated into the Tax Base. Locally funded discretionary discounts or exemptions under section 13a of the Local Government Finance Act 1992 are specifically excluded from the Tax Base calculations. This is because any decrease in the Tax Base made because of such discounts or exemptions would lead to an increase in entitlement to Revenue Support Grant (RSG) and hence to the discounts being funded by central rather than local government.</p>
1.16	<p>Other than for the s13a Local Authority Foster Carers Council Tax Discount scheme, the Council's current policy states that Section 13A may be granted in very limited prescribed circumstances. This would only be exercised where other Council Tax reductions, discounts, or exemptions available have been explored and exhausted and only in cases of natural disasters and civil emergencies.</p>
1.17	<p>With the Council Tax system in Wales already having a Council Tax Reduction Scheme (CTRS) that can provide awards of up to 100%, as well as 3 statutory discount schemes, 17 disregarded person discount schemes, 24 exemption schemes and 7 Council Tax premium exception scheme, there are many supporting schemes to support residents.</p> <p>Despite the number of schemes available, a small number of s13a requests are received from time to time (mainly from advice agencies), with a request to discount or write off Council Tax balances but there have been no cases to date where awards have been made and which are in the wider public interest.</p>
1.18	<p>A small number of these cases have subsequently been challenged at the Valuation Tribunal for Wales ("VTW"). Having considered all the evidence placed before it, the independent VTW have decided to dismiss the appeals. In all cases, the Tribunal found that the Council had acted very reasonably in</p>

	coming to the conclusions it did and that it was not appropriate to award s13a discounts.
1.19	<p>In summary, Council Tax ‘in-year’ collections in Flintshire are ranked as being the absolute best in Wales and across the UK. The Council is also ranked as having one of the highest assumed and budgeted collection levels, and the second lowest outstanding amounts per chargeable dwelling when considering longer-term arrears across Wales.</p> <p>The key to maintaining good collection rates and service standards is always helping taxpayers to receive their full entitlement to benefits, Council Tax discounts and exemptions and with a CTRS that continues to provide up to 100% means-tested awards in some cases, as well as 51 other discount and exemption schemes, there are many supporting mechanisms and safeguards already in place in which Council Tax can be discounted for residents, especially those who struggle to pay.</p>

2.00	RESOURCE IMPLICATIONS
2.01	The collection of Council Tax is a statutory function and the efficient collection is critical to the funding and delivery Council services, including the public services delivered by the other precepting organisations (Town and Community Councils and The Office of the Police & Crime Commissioner for North Wales).

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	Officers carefully track and monitor collection performance on a monthly basis and the results feed into corporate monitoring through the Councils Corporate Performance Management reporting processes.
3.02	<p>The collection of Council Tax is critical to fund Council services and to pay out other precepts to the Police and Crime Commissioner and the Town and Community Councils, as losses in collection and financial risks are borne to the County Council as the Council Tax Billing Authority.</p> <p>The financial implications for the Council are significant. If, for example, Flintshire’s 2022/23 ‘in-year’ collection level fell to the Welsh average of 96.1% the loss of income would be £1.3m. If Flintshire’s collection levels fell to the 2021/22 Scottish average of 95.7% (a reduction of 2.0%), the loss of income would be £2.0m.</p>

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None.

5.00	APPENDICES
5.01	Appendix 1 to this report provides Scrutiny Members with the analysis of Council Tax write offs.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Local Government Finance Act 1992 • Council Tax (Administration and Enforcement) Regulations 1992 • Corporate Debt Recovery Policy Framework • National Council Tax Collection Statistics for Wales: https://www.gov.wales/council-tax-collection-rates-april-2022-march-2023

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: David Barnes, Revenues & Procurement Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
	<p>Council Tax: a local charge (or charges) set by the Council in order to collect sufficient revenue to meet their budget and the precepts issued by the precepting authorities. It is calculated based on the Council Tax band assigned to the dwelling.</p> <p>Council Tax Arrears: unpaid Council Tax that, in the opinion of the Council, can still be collected.</p> <p>Council Tax ‘in-year’ collection rates: The in-year collection rate is the amount of Council Tax due for the financial year that was received by 31 March of the year in question shown as a percentage of the net collectable debit in respect of that year's Council Tax. In other words, it is how much the local authority collected by 31 March of the Council Tax as a percentage of the amount they would have collected if everyone liable had paid what they were supposed to.</p> <p>Precepting Organisations: Precepting authorities do not collect Council Tax directly, but instruct a billing authority to do it on their behalf by setting a precept</p>