

<b>Report of:</b>	<b>Head of Finance</b>
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<b>Portfolio Leader:</b>	<b>Leader of the Council</b>
<b>Key Decision:</b>	<b>No</b>
<b>Report Track:</b>	<b>Cabinet: 12/11/15</b>

**CABINET**  
**12 NOVEMBER 2015**  
**REVIEW OF COUNCIL TAX AND BUSINESS RATES RECOVERY**

**1 Purpose of Report**

- 1.1 The purpose of this briefing note is to report progress on the **Billing, Collection and Recovery Policy** and **Bankruptcy, Insolvency and Charging Order Policy**, both of which were approved by Cabinet on 20 November 2014.

**2 Recommendations**

- 2.1 That the content of this report be noted.

**3 Key Issues and Reasons for Recommendation**

- 3.1 The two policies formalised procedures to tackle the Council Tax and Business Rate arrears, which despite collection rates being good, have been increasing over a number of years.
- 3.2 In particular, action was needed to address the actions of individuals and companies who regularly defaulted on their bills, ran up large debts and took specific actions to avoid their debts being recovered.
- 3.3 The Council recognised that, in fairness to the large majority of taxpayers who pay their bills, harsh action needed to be taken against these debtors.
- 3.4 The policies do provide for safeguards to ensure that vulnerable people are protected and that all debtors are given a fair chance to pay their bills.

## 4 Relationship to Corporate Priorities

- 4.1 This report supports the Council's Corporate Priorities as follows:
- (i) The significant financial impact of Council Tax and Business Rate income, affects the Council's ability to deliver all of its priorities.
  - (ii) This report confirms the success of the introduction of the two policies.

## 5 Report Detail

- 5.1 The **Billing, Collection and Recovery Policy** did not introduce any new procedures of itself. It documented and confirmed the actions that were traditionally taken by the Revenues service. The issue of the policy did help to refocus the attention of the revenues recovery function and re-emphasise the importance of timely recovery action, when a bill is not paid.
- 5.2 The cycle of monthly recovery action has been operated since the implementation of the policy and our "in-year" collection rates have benefited from this.
- 5.3 The **Bankruptcy, Insolvency and Charging Order Policy** represents the area where the most change was made. Whilst these legal powers had existed previously, the Council had not used them.
- 5.4 With the support of a specialist insolvency law firm, a number of cases have been progressed through bankruptcy and insolvency processes, a smaller number have been subject to charging orders.
- One individual has been made personally bankrupt.
  - Nine companies have been wound up as a result of the Council's applications.
  - Three properties are subject to Charging Orders granted in favour of the Council.
  - Many debtors have responded to warning letters and agreed to clear their arrears.
  - Several other cases are currently being processed by our agents and the courts.
- 5.5 The implementation of the two policies has undoubtedly benefited the Council financially. The detail below shows the effect on both the in-year collection rates and recovery of aged debts in the last year.

	<b>30 September 2014</b>	<b>30 September 2015</b>	<b>Comment</b>
Business Rates in-year collection rate	53.6%	55.7%	The improved collection rate of 2.1% in the first half year equates to around £795K. By the end of 2014-15 we recovered 97.2% of the year's charges. We expect to improve on that in 2015-16
Business Rates prior year arrears owing	£2.6m	£1.7m	Overall arrears have reduced by £0.9M, even though £1m (2.8%) of the 2014-15 charges were not paid within the year.
Council Tax in- year collection rate	54.9%	55.6%	Improved collections of 0.7% in the first half year equates to around £290K, By the end of 2014-15 we recovered 96.6% of the year's charges. We expect to improve on that in 2015-16
Council Tax prior year arrears owing	£5.6m	£5.7m	The 3.4% of the 2014-15 charges that were not paid within the year equated to £1.4m

5.6 In addition to the obvious financial benefits of increase recovery, other benefits are derived from the actions taken in accordance with our policies:

- Scams intended to deliberately avoid rate liability are exposed and the public funds protected.
- Actions can be taken against Ratepayers operating these scams which may cause errant companies to close and could lead to individuals being prevented from being directors of companies in the future.
- Companies or organisations who cannot meet their liabilities may be forced to close, and their properties transferred to organisations who will pay the rates.
- A number of individuals, that had previously not addressed their liabilities, have been motivated to apply for reductions and reliefs, following our enforcement action.

5.7 The policies will continue to be operated and appropriate action taken to recover all outstanding arrears.

**6 Implications****6.1 Financial**

The financial implications of the two policies were contained in the report to Cabinet on 20 November 2014. The financial benefits of the actions taken are apparent from the above statistics, as the council will retain 13% of council tax receipts and 40% of Business rate receipts.

There are no further financial implications resulting from this report.

**6.2 Legal**

The legal implications of the two policies were contained in the report to Cabinet on 20 November 2014.

**6.3 Human Resources**

There are no direct implications within this report.

**6.4 Section 17 (Crime Prevention)**

There are no direct implications within this report.

**6.5 Human Rights Act**

There are no direct implications within this report.

**6.6 Data Protection**

There are no direct implications within this report.

**6.7 Risk Management**

Failure to maintain robust collection procedures would have serious consequences to the Council's finances.

**6.8 Equality & Diversity**

The Equality and diversity implications of the two policies were contained in the report to Cabinet on 20 November 2014.

There are no further implications resulting from this report.

**6.9 Best Value**

By the adoption of the two policies on 20 November 2014, the Council sought to make best use of its resource and to optimise its revenue collections.

The evidence of this review is that this goal is being achieved.

**7 Appendices to the Report**

None

**Previous Consideration**

Billing, Collection and Recovery of Council Tax and Business Rates	Cabinet	20 November 2014
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**Background Papers**