

<b>Subject:</b>	Council Tax / National Non Domestic Rates Recovery Update and Council Tax Partnership Protocol	<b>Status:</b>	For Publication
<b>Report to:</b>	Cabinet	<b>Date:</b>	7 <sup>th</sup> October 2020
<b>Report of:</b>	Director of Communities	<b>Portfolio Holder:</b>	Communities
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	No	Attached: No
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: No
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## 1. RECOMMENDATION(S)

1.1 That Cabinet consider the content of this report and agree the following:

- The approach as outlined for the recovery of Council Tax and National Non-Domestic Rates (NNDR).
- Cabinet approve the Council Tax Partnership Protocol that has been developed between Rossendale Borough Council and the Citizens Advice Bureau.

## 2. PURPOSE OF REPORT

- 2.1 The purpose of this report is to update Cabinet on the current position with regard to Council Tax and NNDR arrears and the current arrangements for recovery during the Covid - 19 pandemic. This approach has been designed to be sympathetic to those in financial hardship due to the crisis.
- 2.2 Additionally, the report seeks member approval for a proposed package of measures that aim to provide an enhanced level of support to individuals that are currently experiencing financial difficulties and in particular issues with debt. These measures have been agreed with the Citizens Advice Bureau to create a Partnership Protocol.

## 3. BACKGROUND

### 3.1 Council Tax / NNDR Recovery

Recovery action for both Council Tax and NNDR was suspended in March 2020 due to the Covid - 19 pandemic and a recognition that residents would be suffering financial hardship. As a result, the collection performance in year for both Council Tax and NNDR has declined. It should also be noted that Court action is currently not possible due to Court Closures.

3.2 In addition, all recovery for previous years' arrears has been stopped for both Council Tax and NNDR. All Enforcement Agent customer visits have been suspended and enforcement agent activity suspended.

3.3 Quarter 1 Performance against target for Council Tax and NNDR in the current year is set out below:

### 3.4 COUNCIL TAX

- Council Tax Collected - 27.62% of total annual amount owed has been collected.

- Target for this time period is 28.9% (Performance was 1.27% below target)
- Last year as a comparison performance was 28.63%

### 3.5 NNDR

- Current Year - 25.62% of all NNDR Owed has been collected
- Target for this period is 28% (Performance was 2.38 % below target)
- Last year comparison performance was 28.68% (-3.06%)

### 3.6 **Income Shortfall**

The reduced collection rates have resulted in an income shortfall of £478k up to the end of August. A breakdown of the income shortfall by month is shown in the table below:

RBC Impact - Income Shortfall						
	April	May	June	July	August	Total
	£	£	£	£	£	£
CTax	45,000	34,000	34,000	34,000	28,000	175,000
NNDR	136,260	8,600	93,600	0	65,000	303,460
<b>Total Loss</b>	<b>181,260</b>	<b>42,600</b>	<b>127,600</b>	<b>34,000</b>	<b>93,000</b>	<b>478,460</b>

It is important to note that the identified shortfall does not include any adjustment for the application of the Hardship Fund or any new Council Tax Support Cases that have been granted. It is anticipated that this will reduce the shortfall.

### 3.7 **Recovery Measures Used for Council Tax During COVID Pandemic**

During the Covid - 19 situation the Council has adopted a sympathetic recovery approach, recognising the exceptional circumstances that have impacted many residents financially. This has included:

- A soft recovery letter to those customers who would ordinarily have received a reminder being sent on the 13 and 14 July.
- Follow up soft text messages and emails were sent out in August and in September.

In September the first proper recovery reminders were sent to approximately 2,300 households who had arrears over £100. A further reminder will be sent early in October. Currently the Courts are not dealing with Council Tax arrears cases and therefore further legal action is not possible at this time.

Recovery agents have also reinstated their work to recover historical debts that are subject to previous Court orders. This recommenced in August.

### 3.8 **Recommended Recovery Action for Customers with Court Orders:**

There are 6,600 individual Liability Orders for unpaid Council Tax from 2014 onwards with a balance still outstanding with a value of £4.6 million at various stages in the recovery process. There are 85 Liability Orders for NNDR from 2014 onwards with a balance still outstanding of £350k at various stages in the recovery process. Work has recommenced to:

- Contact customers who have fallen into arrears with direct arrangements. To do this a variety of methods is adopted such as letter and telephone contact.
- Enforcement Agents contacting customers who have fallen into arrears or who are not paying. Only the Enforcement Agents have up to date records and are able to do this function.
- Contacting employers where attachment of earnings have been served but they are not making deductions.

Enforcement Agents did send a soft letter aimed at re-establishing contact and identifying new hardship cases. There has also been a resumption of broken arrangement letters with a view to identifying issues and setting new arrangements. Enforcement Agents have been conducting visits as and when required from the 24 August 2020 in accordance with government guidance.

### 3.9 Support for Individuals Experiencing Financial Difficulties

#### **Council Tax Partnership Protocol between Rossendale Citizens Advice Bureau and Rossendale Council(Appendix 1)**

Rossendale Council works closely with the Citizens Advice Bureau and we have established effective partnership working in the area of debt management and recovery. In addition, prior to Covid - 19 the Citizens Advice Bureau provided services from the Council One Stop Shop offices and will be again in the future.

The Council Tax Partnership Protocol is the next stage to develop our partnership and provide the best possible service to customers. Protecting and supporting the vulnerable where we can whilst also ensuring that Council Tax can be paid. Only a very small number of authorities in Lancashire have signed such an arrangement. In practice the protocol agrees how we will work with customers and how we will continue to develop effective partnership working putting the customer, at the centre. Implementing the protocol will improve the information supplied to Council Tax Customers about the support that can be accessed and how they can pay. It will also ensure adequate training for staff working with the financially vulnerable and join the services together more seamlessly.

#### **4. RISK**

- 4.1 Failure to adopt the proposed recovery options will result in a reduced collection performance for both Council Tax and NNDR and also reduced revenue.
- 4.2 It is now probable that an increased number of customers will carry forward arrears into the 2021/22 tax year with negative impacts on collection rates for next year also.
- 4.3 Some customers will only address Council Tax when prompted. It is likely that changes in circumstances have not been reported and records are becoming inaccurate.
- 4.4 There is likely to be some negative feedback on the resumption of recovery. This will happen at whatever stage recovery resumes.
- 4.5 The Council's payments to Preceptors are based on pre-Covid estimates. This is having a negative impact on the Council's cash flow and increases the risk that the Council will have to replace some of its internal borrowing with external borrowing, this risk is

increasing as the pandemic progresses and further restrictions are introduced.

**5. FINANCE**

- 5.1 The Council is a billing authority for Council Tax and NNDR, collecting on behalf of Lancashire County Council, the Police and Crime Commissioner for Lancashire and the Lancashire Combined Fire Authority.
- 5.2 The Council is distributing the 2020/21 monies collected, based on the budget set in February 2020, prior to the Covid pandemic. Therefore 100% of the Covid related shortfall in collection, is impacting on the Council's cash balances. For April through to June the Government deferred collecting their share of NNDR, however they began collecting in July, increasing their collection rates to make up for the earlier deferral.
- 5.3 Collection rates for both Council Tax and NNDR remain below the budget estimates.

**6. LEGAL**

- 6.1 None at this stage however legal input will be sought in the preparation of the protocol. All enforcement shall be carried out within the agreed parameters and in line with government guidance.

**7. POLICY AND EQUALITIES IMPLICATIONS**

- 7.1 None at this stage.

**8. CONCLUSION**

- 8.1 This report outlines the sympathetic approach that has been adopted by Rossendale Council towards those that are struggling financially due to the Covid – 19 pandemic. Support will continue to be provided by Council staff to help residents pay their Council tax and agree payment plans that can be sustained. In addition, the Council have developed a partnership protocol with the Citizens Advice Bureau to provide a joined up partnership approach to residents that are in arrears for their Council Tax. This report seeks the support of Cabinet for this approach.

Background Papers	
Document	Place of Inspection
RBC/CA COUNCIL TAX Protocol	Appendix 1

# **Rossendale Borough Council & Citizen's Advice – Council Tax Protocol**

## **Partnership**

### **To foster more effective partnership working:**

1. Local authorities, enforcement agencies and advice agencies should meet regularly to discuss practical and policy issues with a recommendation to meet quarterly at officer level.
2. All parties should have dedicated contacts accessible on direct lines and electronically so that issues can be taken up quickly.
3. All parties should promote mutual understanding by providing training workshops, undertaking exchange visits and sharing good practice.
4. As local authorities are responsible for the overall collections process, they should ensure all their staff, external contractors and enforcement agencies receive the appropriate training, particularly on vulnerability and hardship.

# Information

## To improve the information supplied to council tax payers about the billing process, how to get support and debt advice and to promote engagement:

1. Local authorities should consider reviewing payment arrangements and offer more flexible options, including, subject to practicality, different payment dates within the month, spreading payments over 12 months and, potentially, different payment amounts to assist those on fluctuating incomes. This can allow people to budget more effectively.
2. Local authorities and enforcement agents should publicise local and national debt advice contact details on literature and notices. Advice agencies can help by promoting the need for debtors to contact their local authority promptly in order to agree payment plans. Parties can work together to ensure the tone of letters is not intimidating but encouraging of engagement.
3. Local authorities should ensure that enforcement agencies have appropriate information about the council tax debts they are recovering, so they can put this in letters they send to debtors and answer any questions.
4. Local authorities should consider providing literature about concerns council tax debtors may have about enforcement agents and enforcement. Information could cover charges enforcement agencies are allowed to make by law, how to complain about enforcement agent behaviour or check enforcement agent certification and further help available from the local authority or advice agencies.
5. All parties should work together to review and promote better engagement by council taxpayers. This should include information on how bills can be reduced through reliefs, exemptions and council tax support schemes, advising taxpayers that they should contact the local authority if they experience financial hardship and the consequences of allowing priority debts to accumulate. Information and budgeting tools should be made available on local authority and advice agency websites, via social media and at offices of relevant agencies. This is an opportunity for joint campaign work.

# Recovery

**If a council tax bill is not paid, then the local authority's recovery process comes into play. While local authorities strive to make early contact with a debtor, the first contact is usually made at point of engagement by a debtor and often only occurs when an enforcement agent visits the premises. Greater effort should be made at or before the Tribunal Courts and Enforcement Act's compliance stage, including debt and money advice referrals and to assess whether vulnerability or hardship applies, so as to avoid escalating a debt. Therefore:**

1. Local authorities and enforcement agencies should work in partnership with advice agencies on the content, language and layout of all documents, produced by the local authority and agents acting on its behalf which are part of the enforcement process. This should aim to ensure that the rights and responsibilities of all parties, particularly those of the debtor, are clearly set out.
2. Enforcement agents should provide the debtor with a contact number and email address.
3. Local authorities should keep all charges associated with recovery under regular review to ensure they are reasonable and as clear and transparent as possible and reflect actual costs incurred. Enforcement agents should only make charges in accordance with council tax collection and enforcement regulations, particularly the Tribunal Courts and Enforcement Act.
4. Local authorities should periodically review their corporate policy on debt and recovery, particularly what level of debt (inclusive of liability order fees) should have accrued before enforcement agent action, as enforcement will add additional costs to a debt.
5. As part of their corporate policy on debt and recovery, local authorities should have a process for dealing with cases that are identified as vulnerable, bearing in mind that different local authorities may have different definitions of a vulnerable person or household. Any local definition of vulnerability should be developed in consultation with advice agencies and enforcement agencies and, wherever possible, the local authority should aim to publish clear guidelines on what constitutes vulnerability locally. Where a local authority's vulnerability criteria apply, in these cases, debts should be considered carefully before being passed to enforcement agencies. Where enforcement agents or other parties identify a vulnerable customer, appropriate adjustments will be made.
6. Local authorities should review and publish their guidance which cover hardship, including how these relate to council tax arrears.

7. Local authorities and their enforcement agents should consider offering a 28 days hold or “breathing space” on enforcement action if debtors are seeking debt advice from an accredited advice provider.
8. Procedures should exist for debt advisers to negotiate payments on behalf of the taxpayer at any point in the process, including when the debt has been passed to the enforcement agent. In some cases, the debtor may only contact an advice agency following a visit from the enforcement agent.
9. Each case should be examined on its merits and repayment arrangements need to be affordable and sustainable, while ensuring that the debt is paid off within a reasonable period. Where appropriate, local authorities should provide the flexibility to spread repayments over 12 months for the current years CTAX charge and more than a year for previous year’s debts.
10. Local authorities should prioritise direct deduction from benefits or attachment of earnings in preference to using enforcement agents. This avoids extra debts being incurred by people who may already have substantial liabilities.
11. Clarity should be provided to the debtor and enforcement agency as to which debts are being paid off, in what amounts and when, especially where a debtor has multiple liability orders. Where appropriate, debts should be consolidated before being sent to enforcement agents.
12. Local authorities should publish a clear procedure for people to report complaints about all stages of recovery action. Local authorities will regularly monitor and, subject to requirements of commercial confidentiality and the Data Protection Act 2018 and the General Data Protection Regulation, publish the performance (including complaints) of those recovering debts on their behalf and ensure that contractual and legal arrangements are met.