

**REPORT TO: FINANCE COMMITTEE – 10 NOVEMBER 2003**

**REPORT ON: COUNCIL TAX AND COMMUNITY CHARGE COLLECTION**

**REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)**

**REPORT NO: 737-2003**

1 PURPOSE OF REPORT

The purpose of this report is to appraise members on the City Council's current and historic performance on Council Tax and Community Charge collection, and the recent action taken to improve this performance.

2 RECOMMENDATION

- 2.1 The Finance Committee are asked to note the contents of the report for its information.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications as a result of this report.
- 3.2 The report highlights the Council's historical performance on the collection of both Community Charge and Council Tax. Further it reminds members of the agreed new Recovery Initiative and the fact that the net cost of this over the three year period commencing 2003/04, will be £31,783 which will be contained within future Revenue Budgets.

4 LOCAL AGENDA 21 IMPLICATIONS

None.

5 EQUAL OPPORTUNITIES IMPLICATIONS

None.

6 COMMUNITY CHARGE

- 6.1 The Community Charge was billed for the four financial years, 1989-90 to 1992-93, and in total Tayside Regional Council billed £111.4m for the Dundee area, as at 30 September 2003, there was £5.7m or 5.1% of this sum outstanding still being actively pursued.
- 6.2 When the City Council assumed responsibility for the collection of the outstanding Community Charge on 1 April 1996, the level of collection for Dundee was 83.1%, compared with the Scottish average of 85.1%. In the intervening seven years, the City Council has made strenuous efforts to collect these sums and at 30 June 2003, the collection figure for Dundee had increased to 88.7%, compared with the comparable all Scotland average of 87.9%. This reflects the collection of over £6m in outstanding Community Charge since 1996.
- 6.3 It can be demonstrated from the above figures that over the last seven years the City Council have a higher than average performance on the collection of outstanding

Community Charge. In statistical terms, when comparing the amount collected since April 1996, against the amount outstanding at that date, the City Council has collected 33%, whereas the Scottish average is only 18.7%, and the City Council has the fifth highest performance of all 32 Councils.

- 6.4 The Council has 28,422 accounts under arrangement with Community Charge payers, totalling £4.3m or 75% of the outstanding Community Charge income. A large proportion of these arrangements have been suspended meantime pending clearance of the individuals outstanding Council Tax, which takes priority over Community Charge debt.

## 7 COUNCIL TAX

- 7.1 The Council Tax has been billed since 1993/94 and for the 10 years up to, and including, 2002/03 the total sum billed was £427.3m and at 30 September 2003, £410.4m of that sum had been collected.

Therefore, in respect of the last 10 years Council Tax, there is Council Tax income of £16.9m or 4.1% outstanding at 30 September 2003.

- 7.2 The Accounts Commission requires each Council to record and publish only one Statutory Performance Indicator in respect of Council Tax collection and that is "The percentage of income due from Council Tax for the year that was received by the end of the year". This Performance Indicator covers only the collection of the current years Council Tax within the current year.
- 7.3 Historically, the City Council's Statutory Performance Indicator has been relatively poor compared to the other 32 Councils as demonstrated in the following table:-

	<u>1996/97</u>	<u>1997/98</u>	<u>1998/99</u>	<u>1999/2000</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>
	%	%	%	%	%	%	%
Dundee	85.5	85.5	85.7	86.6	85.0	85.0	85.7
Scottish Average	86.8	87.3	87.2	88.3	89.2	90.6	N/A
Position in 32 Councils	23 <sup>rd</sup>	25 <sup>th</sup>	22 <sup>nd</sup>	26 <sup>th</sup>	29 <sup>th</sup>	30 <sup>th</sup>	N/A

- 7.4 In the Audit Scotland report on Council Tax collection, it was acknowledged that Councils with high density of population and relatively high levels of deprivation will have lower levels of Council Tax collection. The three Scottish Councils with the highest levels of deprivation are Glasgow, Dundee and West Dunbartonshire, and these three Councils have, with only one or two exceptions, had the lowest Council Tax collections since 1996.
- 7.5 In Dundee, approximately one third of Council Tax payers are on Council Tax Benefit, of which two thirds are on maximum benefit. These factors have a significant impact on the complexity of Council Tax collection.
- 7.6 In order to get a wider perspective on our Council Tax collection, rather than simply look at the current years collection of current years debt we need to consider the Council collection of historical Council Tax debt.

Percentage of Council Tax Collected by 30 June 2003

	<u>1998/99</u>	<u>1999/2000</u>
	<u>%</u>	<u>%</u>
Dundee	95.9	94.7
Scottish Average	94.8	94.5

The above table demonstrates that while the City Council's current year collection is poor, in the medium term, ie over 3 to 4 years, it is much better and indeed is above the Scottish Council average. The reality is that we take longer to collect our Council Tax but will, over the medium term, achieve above average Council Tax collection.

- 7.7 It should be noted that the Council currently has 57,356 accounts under arrangement with Council Tax payers, totalling £14.2M. It should be noted that each debtor may have multiple accounts under arrangement.

8 FINANCIAL EFFECT OF SLOWER COUNCIL TAX COLLECTION

- 81 Firstly, it should be appreciated that when preparing its Abstract of Accounts for each financial year, the Council accounts for the final amount of Council Tax for each financial year, and usually this is in line with the level of collection assumed when the Council Tax was set, eg 96.5% for 2002/03. It is a common misnomer that the slower than average collection that the City Council has experienced, has a serious effect on the Council's overall funding. The real financial effect is in respect of cash flow and potential loss of interest. It is estimated that if the City Council had collected its Council Tax income in line with the Scottish average, then it would have generated an additional £106,000 interest per annum. While the Council is committed to improving its Council Tax collection, the direct financial benefits of improved collection are relatively small when compared with the level of savings that the City Council achieves due to the fact that its Loans Fund interest rate is well below the Scottish average interest rate, ie £1,210,000 in 2002/03 (Finance Committee - 8 September 2003).

9 NEW INITIATIVES TO IMPROVE COUNCIL TAX COLLECTION

- 9.1 At the Personnel & Management Services Committee on 19 May 2003, a report was approved which introduced a new improved Recovery Initiative for Council Tax collection.
- 9.2 The main elements of this new Initiative are as follows:-
- (a) New software which will consolidate all Council Tax debts for individual debtors.
  - (b) Additional 13 posts to take pro-active recovery action on Council Tax debts.
  - (c) New recovery staff to work shifts from 9.00 am to 8.00 pm weekdays and 10.00 am to 4.00 pm on Sundays, and to pro-actively contact Council Tax debtors.
  - (d) The New Initiative would specifically target only these Council Tax debtors who are not on Council Tax benefit.

- (e) Negotiated settlement with Scottish Water that they will provide an additional £50,000 per annum towards the recurring costs of the new initiative.
- (f) Net cost of new initiative is £31,783 over a three year period.
- (e) Targeted improvement in the current in-year collection from 86% to 90% over a five year period.

## 10 COUNCIL TAX AND NON-DOMESTIC RATES EXCEPTIONAL DEBTORS

- 10.1 Despite the Council taking all legal remedies to recover outstanding Council Tax and Non-domestic rates from commercial concerns, there are still some businesses in the City who will not pay. When these exceptional cases are identified, the Council is of the view that it should not continue to pay these companies monies due to them by the Council, until they themselves have settled long overdue sums with the Council. It is felt that this action will improve the Council's collection in respect of Council Tax and Non-Domestic Rates.

## 11 CONCLUSION

- 11.1 The Council's Community Charge collection since 1996, has been well above the Scottish average, and the Council has collected over £6m. The Council will continue to make every effort to collect the remaining £5.7m of outstanding Community Charge.
- 11.2 The City Council's performance on current year Council Tax collection is below the Scottish average, due to factors such as poverty and deprivation. However, over the medium term (3 to 4 years) the Council's collection performance has been above the Scottish average. Notwithstanding this good medium term performance, the Council agreed in May 2003, to a new Recovery Initiative to improve Council Tax collection. This new Recovery Initiative will improve the Council's in year collection of Council Tax to at least 90% in the medium term and this level would stand good comparison against other Councils.

DAVID K DORWARD  
DEPUTE CHIEF EXECUTIVE (FINANCE)

30 OCTOBER 2003

DKD/ID/30.10.03