

# City of Council Tax Recovery Project Report December 2023

## Background

City of York Council has a duty to ensure revenue collection is efficient and effective for the benefit of all our taxpayers. We are streamlining our process for billing and receiving payment for all services, including using on-line and direct debit payments where possible.

We have been examining how we collect council tax arrears over the last five years, particularly regarding those who are unable to pay rather than unwilling. Several other local authorities have reported on the difficulties and successes of working differently, including Gateshead, Newcastle, Barking and Dagenham<sup>1</sup> and Calderdale<sup>2</sup>.

In 2020 the Greater London Authority (GLA) commissioned Policy in Practice to undertake an evaluation of flexible, customer-centric debt collection practices for low-income Londoners. The project report<sup>3</sup> focuses on the GLA's understanding of the business case for council tax collection practices that more effectively support low-income households. On 16 August 2021<sup>4</sup> the Government published new guidance 'Council tax collection: best practice guidance for local authorities, and the LGA is working on a Fair and Effective Debt Management Maturity Self-Assessment model for Council Tax collection.

We aim to be an exemplary organisation with regards to the collection of debt. The CYC Debt Policy<sup>5</sup> affirms the use of best practice methods providing ambitious standards of customer service dealing with all customers in a fair and inclusive manner, whilst carefully considering the needs of vulnerable customers.

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<sup>1</sup> <https://policyinpractice.co.uk/wp-content/uploads/Reimagine-debt-case-study-Cabinet-Office-Newcastle-CC-LB-Barking-and-Dagenham-and-Equifax-1.pdf>

<sup>2</sup> Briefing Note - Calderdale Council's response to residents struggling with Council Tax debt – see appendix

<sup>3</sup> <https://policyinpractice.co.uk/publications/>

<sup>4</sup> [www.gov.uk/government/publications/council-tax-collection-best-practice-guidance-for-local-authorities](http://www.gov.uk/government/publications/council-tax-collection-best-practice-guidance-for-local-authorities)

<sup>5</sup> [www.york.gov.uk/downloads/file/5/corporate-debt-policy-may-2021](http://www.york.gov.uk/downloads/file/5/corporate-debt-policy-may-2021)

However, over 7,000 households were in Council Tax arrears at the end of March 2023. Of those over 2580 had multiple year's arrears. Why does this matter?

“The impact of poverty on financial resilience, health and wellbeing, in addition to having lower incomes week-to-week, people in poverty are also much less likely to be able to build up savings to help cover unexpected expenses, invest in improvements to their homes or access opportunities.

Their options are often restrained by their circumstances. One in three of those in the poorest fifth have no savings at all. People on low incomes are also more likely to get into problem debt through falling behind with bills and credit payments. Six in ten people in the poorest fifth of the population report that they are in problem debt, most commonly falling behind with Council Tax payments, rent or utility bills.

Living in poverty affects every aspect of people's lives and contributes to those on lower incomes experiencing poorer physical health and being more likely to experience mental health conditions. Over a quarter of people in the poorest fifth of the population experience depression or anxiety.

The pressures of living in poverty cause considerable stress, which is often linked to poorer mental health as well as strained relationships within families. The long-term effects of poverty culminate in people in deprived areas having significantly lower life expectancy than those in better-off places.”

Findings - UK Poverty 2018, Joseph Rowntree Foundation

Current Council Tax collection policy and procedures in York are led and constrained by legal obligations and the need to maintain high collection rates. Within the current systems when a customer goes into arrears

- Often, there is no real understanding of whether a customer cannot pay or is refusing to pay.
- We wait for customers in arrears to contact us rather than contacting them to determine their circumstances.
- We do not have a consistent approach to working with advice agencies who are supporting people in Council Tax arrears or having difficulty paying.
- Litigation seen as an inevitable outcome where people are struggling to pay.

- There are limitations as to how and when a customer can pay their arrears and payment methods and arrangements are seen as inflexible.

However, some changes to processes were introduced over the last 5 years. We recognise that non-payment/arrears of council tax can be an indicator people are facing other issues in their lives and these are affecting their ability to pay their council tax. Therefore, if we can get a better understanding of these issues and offer appropriate support this could provide longer term benefits for the customer, improve their ability to pay, prevent further debt, reduce administration and leading wider community outcomes.

Coronavirus and the subsequent cost of living crisis have had a significant impact on Council Tax services and residents' finances including payment of Council Tax.

Central government implemented various support schemes which are administered by local authorities. Specifically, Revenues and Benefits teams dealing with Council Tax, Council Tax Support, Housing Benefit, York Financial Assistance Scheme, etc. Those teams were already stretched before Covid due to staff reductions and difficulties in recruitment, which have continued in to 2023. Following on from the pandemic we have moved in to the cost of living crisis and further pressure on services due to additional schemes, including the Household Support Fund and high demand for support. Their priority has been reacting to implementing the support schemes, leaving no capacity for service development and business change.

To respond to the financial pressures on households caused by Covid the government suspended Council Tax recovery processes in April 2020 until October 2021, when the recover process resumed.

York Council has a consistently high collection rate compared to other local authorities across England.

The Council Tax recovery cycle consist of the following stages:

- Bill stating the full amount due for the year and when monthly payments are due
- A first reminder is posted when the CT payment is not paid by the required date
- A second reminder is posted when the first reminder is paid on time but, a second payment is missed

- A summons letter is issued for the total outstanding amount for the year if payment is not made following the second reminder
- The court date - when the CYC apply for a liability order.

Council tax collected as a percentage of council tax due from 2017/18 to 2022/23 for York<sup>6</sup>

	York %	Minimum for All English unitary authorities	Mean for All English unitary authorities	Maximum for All English unitary authorities
2017/18	97.33	91.33	96.76	99.49
2018/19	97.71	92.00	96.73	99.44
2019/20	97.59	91.49	96.46	99.49
2020/21	96.60	87.76	95.51	99.09
2021/22	96.77	88.00	95.68	99.47
2022/23	97.46	88.87	95.92	99.49

Number of Council Tax	2021/22	2022/23	
reminders	27,678	27,415	-263
summons	12,452	12,201	-251
liability orders granted	7,820	9,257	1,437

Council Tax Support caseload

	Working age	Pensioners	Total
March 2020	4,682	4,034	8,716
March 2021	5,512	3,887	9,399
March 2022	4,685	3,735	8,420
March 2023	4,446	3,572	8,018

Discretionary Council Tax Reduction Awards 2022/23

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<sup>6</sup> Department for Levelling Up, Housing & Communities

	No of applications	No of awards	Total £
CTS claimants	Not available	28	£18,910
Non-CTS claimants	20	0	

## **The Council Tax Benefits Adviser Project**

To better understand the current systems and where improvements could be made to better support people who are struggling to pay Council Tax, in September 2021 proposals were agreed to pilot and evaluate a different approach to supporting people in Council Tax arrears.

The Council Tax Benefits Adviser Project was a one-year pilot from April 2022 to March 2023, to explore and develop a positive, collective approach to City of York Council (CYC) Council Tax recovery for people who are in Council Tax arrears who cannot pay or are struggling to pay due to low income.

A dedicated welfare benefits adviser provided support to people in Council Tax arrears to look at their whole situation, maximise income and develop budgeting skills to manage their money and finances in a sustainable way going forward. Whilst a number of services offer assistance to people in Council Tax arrears and the Council signposts to these services, this type of support linked to Council Tax non-payment is not currently available.

The aim was to develop and evaluate a different model of working between advisers and Council Tax, Housing and Benefits services which takes person-centred approach of residents' situations and the support that is available,

Alongside the advice service, funding from Deciding Together was secured for two independent evaluation projects with Healthwatch York and Centre for Housing Policy University of York.

The two evaluations gathered views from residents who have been/are in Council Tax arrears and internal and external stakeholders on the working of the current systems. Summaries of the findings of these are included in this report.

## **Key themes and findings**

The project report and the two evaluations have identified key themes from residents who go into arrears with Council Tax payments.

CYC have put in place a range of measures to mitigate and support people in CT arrears, including

- Introducing a new Corporate Debt Policy in March 2021 which supports this approach and supports the aims of the current Government Council Tax debt recovery review which could include:
  - o ensuring affordability assessments are central to Council Tax collection processes so individual circumstances are taken into account and people are given appropriate time to pay off arrears
  - o improving the links between councils and the debt advice sector
  - o developing and supporting fairer debt intervention methods.

The policy has the following key principles:

- Minimising debt
  - Proactive approach
  - Preventative measures
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- Extending monthly instalments over 12 months where needed
  - Limiting court costs for people in receipt of Council Tax Support
  - Introducing a process for special payment arrangements to be offered as part of the court process
  - Recent changes have also enabled special payment arrangements to be spread beyond 12 months
  - Enforcement agents are not used where people are receiving Council Tax Support
  - The Council has signed the Council Tax Arrears Good Practice Protocol for York with Citizens Advice York<sup>7</sup>.and regular meetings have restarted.
  - Promoting our discretionary council tax reduction scheme over the last 5 years; both within CYC, including benefits teams, benefits advisors,

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<sup>7</sup> [www.york.gov.uk/CouncilTaxArrears](http://www.york.gov.uk/CouncilTaxArrears)

housing management officers, local area coordinators, and across the advice and support services in the city.

- Revising guidance and training for the Customer Service Representatives, who answer calls to the council relating to Council Tax; so that people who cannot pay council tax are directed to the financial support and advice service available as soon as possible.
- Revised correspondence to people in council tax arrears to include detailed guidance on available advice and support.
- We have worked with advice and support services across the city to improve understanding of the Council Tax recovery process and the advice and support provided by organisations. Including the agreeing the Council Tax Arrears Good Practice Protocol for York with Citizens Advice York.

However, the feedback from residents, advice and support workers and teams with CYC found

- Many people struggling to pay Council Tax are missing out on support available to them, such as Council Tax Support, Single Person Discount and other discretionary or grant support. They are not aware of the support available or not able to apply.
- Universal Credit (UC) is having an impact on the take up of Council Tax Support (CTS); People must apply separately for CTS, if they apply for UC. When someone makes a claim for CTS, it is up to the individual to notify CYC of any changes in their income that will affect their CTS. DWP notify councils if someone goes off UC, but do not notify them if they go back on to UC. People are unaware or confused by what they need to do.
- There are opportunities to use discretionary funding effectively to reduce Council Tax arrears, including Discretionary Council Tax Reduction<sup>8</sup>, YFAS, HSF. However, there is a lack of clarity over the criteria and administration processes for Discretionary Council Tax Reduction; People's circumstances and different financial support schemes are considered in isolation.

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<sup>8</sup> [www.york.gov.uk/DiscretionaryCouncilTaxReduction](http://www.york.gov.uk/DiscretionaryCouncilTaxReduction)

- Getting advice and support to apply for assistance improved people's financial situation and they were better able to pay Council Tax. However, effective processes are not in place to refer people directly for advice and support.
- There is agreement that arrears are dealt with as quickly as possible. However, the lack of advice alongside the strict recovery process, create a barrier to active dialogue with people who have missed payments and are looking to understand the process and find ways to pay.
- The recovery process, bills and letters are confusing and difficult to understand, and construed as unpredictable, unsympathetic, and excessively punitive. As a result, there are people who do not engage with the process or try and have a negative experience.
- Residents who contacted the Council or asked for advice about their arrears had a reason, sometimes complex reasons, why they had not been able to pay, they wanted to pay what they could and were worried about not being able to pay.
- When people contact the Council about their arrears, if are unable to pay the full amount to bring their account up to date, they are often told there is nothing they can do about it except wait until the Liability Order is obtained and after this more information will be sought, and a payment arrangement can be made.
- Once people are in Council Tax arrears and go through the recovery process it is difficult to clear the arrears, and this often means they have payment arrangements into the following year. As result many are unable to afford arrears payments and current years instalments.
- Advice and support workers found it difficult to get information on their client's situation and to engage in a dialogue with CYC to resolve issues for their clients.
- There is no clear consensus within the Council and amongst advice workers on how to identify people unable to pay CT and target assistance.
- See annex 1 for report on Heathwatch York Snapshot Conversations with residents about their experiences of Council Tax arrears.



## **Recommendations/ Action plan**

The recommendations below highlight a range of actions we would like to take forward for a council wide approach to supporting people in Council Tax arrears and make recovery processes as effective as possible within the current resources and financial climate of the council.

- Bring together the relevant staff across the council to ensure the key principles of our debt policy are embedded in our practice:
  - Minimising debt
  - Proactive approach
  - Preventative measures
  
- Use good practice and guidance to put in place procedures that recognise non-payment of Council Tax is an indicator of financial difficulty, and to:
  - Offer Council Tax Support and income maximisation advice and support at every contact and conversation relating to Council Tax arrears, including Customer Services, Local Taxation & Recovery and Revenues & Benefits
  - Ask people the reason they have been unable to pay their Council Tax and record this on their Council Tax account, so that CT recovery team can identify vulnerable people and offer appropriate advice and support.
  - Develop effective referral process to advice and support services for people in Council Tax arrears.
  - Record telephone numbers on the CT system so that we can contact people about their CT accounts.
  - Check GDPR/privacy notices to ensure we can use data pro-actively to reduce arrears and increase CTS take-up.
  
- Review criteria and processes for Discretionary Council Tax Reduction.
  
- Ensure regular liaison meetings take place between Local Taxation & Recovery, Customer Services and advice and support services, to build greater knowledge, understanding and cooperation of policies, processes and issues arising.

- Explore opportunities to
  - o Put provision in place to pro-actively contact people who have multiple years Council Tax arrears to offer advice and support to help clear the arrears and prevent future arrears.
  - o Encourage the take-up of Council Tax Support
  - o Improve letters and communications, using good practice form guidance and other areas.
  - o Gather regular feedback from customers who are/ have been in arrears.
  - o Provide dedicated routes so that advice agencies can more quickly access to the information they need to support their clients.

## **Conclusion**

Whilst CYC overall Council Tax recovery rates are high and compare well with other local authorities, there are improvements we could make to improve the experience of residents who are in financial hardship and support them to be in a better position to pay their Council Tax.

Good practice from our pilot and other areas shows that tailored support to residents who are struggling to pay their Council Tax, does not negatively impact collection rates and can have a positive impact for residents and services, reducing stress, maximising their income, and improving their CT payment.

By building on the work already undertaken to embed a pro-active approach supporting residents struggling to pay their Council Tax we could improve outcomes both for the Council and residents.