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## Report of the Director of Resources

### *Scrutiny Board ( Central and Corporate Functions )*

Date: 01<sup>st</sup> December 2008

Subject: Income Collection

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#### Electoral Wards Affected:

All

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Ward Members consulted  
(referred to in report)

#### Specific Implications For:

Equality and Diversity

☐

Community Cohesion

☐

Narrowing the Gap

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## Executive Summary

The report provides a summary of income collection for council tax, business rates and sundry income and shows that Leeds is among the top performing Core Cities for income collection.

The report provides information both on collection levels achieved in-year (i.e. debt collected in the same year in which it is raised) and collection levels in the fullness of time (i.e. debt collected in year and in subsequent years) and shows that Leeds achieves ultimate collection rates of 99.17% for Council Tax and 99.4% for Business Rates.

The report also provides information on the payment options offered and volumes of payment transactions against each payment method. The report demonstrates that Leeds strives to provide convenient payment methods that provide real choice for Council Tax payers.

## 1.0 Purpose Of This Report

- 1.1 The report provides information and data on collection performance in relation to Council Tax, Business Rates and Sundry Debt and compares performance against other Core Cities.

## 2.0 Background Information

- 2.1 Council Tax, Business Rates and Sundry Income net collectable figure for 2007/08 was £650million. This is broken down as follows:

Council Tax                      £236m

Business Rates                £290m

Sundry Income                £124m

- 2.2 Collection performance in respect of Council Tax and Business Rates has been measured through Best Value Performance Indicators (BVPs) and this enables authorities to compare performance. The performance indicators no longer apply at a national level since the 1<sup>st</sup> April 2008 but they have been kept as local indicators within Leeds.
- 2.3 Table 1 shows collection performance for Council Tax and Business Rates against Core Cities at 31<sup>st</sup> March 2008 for the 2007/08 year only. (These figures are taken from the Quarterly Return on Collection (QRC), which is sent to DCLG)

Table 1

LA	Council Tax	Business Rates
Bristol	96.5%	99.2%
Leeds	96.4%	98.7%
Liverpool	95.7%	99.4%
Newcastle	95.5%	99.7%
Sheffield	95.4%	98.2%
Birmingham	93.8%	98.2%
Bradford	93.3%	98.1%
Manchester	89.1%	98.6%

### 3.0 Main Issues

#### *Council Tax*

3.1 Currently all performance measures are focused on measuring the amount collected in year. Whilst this is important it is also necessary to look at the overall collection rates over time. Unpaid Council Tax at the end of a financial year continues to be successfully pursued and collected in subsequent years. Table 2 shows the current collection position in relation to Council Tax bills raised since 2004/05. In relation to 2004/05 it shows:

- 95.85% was collected in the year in which it was raised;
- 98.19% of the 2004/05 Council Tax had been collected by the end of 2005/6;
- 98.97% of the 2004/05 Council Tax had been collected by the end of 2007/8.

3.2 In respect of 2004/05 the position at 31<sup>st</sup> October 2008 shows an overall collection rate of 99.03% with a figure of £860k still outstanding.

Liability year	Year 1	Year 2	Year 3	Year 4
<b>04/05</b>	95.85%	98.19%	98.71%	98.97%
<b>05/06</b>	96.04%	98.19%	98.69%	
<b>06/07</b>	96.16%	98.22%		
<b>07/08</b>	96.17%			

(The data above differs to the chart in 2.1 as this is the raw data from the system without any adjustments that are required for the QRC return).

3.3 The cumulative collection rate for all Council Tax raised between 1993/94 and 2005/06 is currently 99.17%. This is shown in appendix A.

3.4 The Service looks to maximise collection through providing customers with as many payment options as possible. The following options are available:

- Direct Debit by 10 and 12 instalments with an option of 3 payment dates. The option to pay by Direct Debit over 12 months was introduced in 2007/08 and the numbers electing to make payment by 12 instalments has shown an increase during 2008/9
- Post Office / Pay point
- Postal payments
- Debit card over the internet, using IVR (automated process) or by telephoning a member of staff
- Standing Order
- Over a bank counter
- Using internet banking

3.5 Direct debit is the Council's preferred option and at present there are 63% of customers using this method of payment. Appendix B shows the payment trends for

the Council overall and appendix C provides the same information for Council Tax only.

- 3.6 Current collection levels for 2008/09 along with Core City comparisons are shown in Table 3

Table 3: Performance for the current year at 30<sup>th</sup> September 2008

LA	Council Tax	Business Rates
Leeds	56.0% ( -0.06 )	61.48% (+0.27 )
Bristol	55.80% ( +0.30 )	57.38% (-0.86 )
Newcastle	54.68% ( +0.22 )	66.80% (+0.90 )
Sheffield	54.67% ( -0.03 )	58.77% ( -1.12 )
Birmingham	53.00% ( +0.39 )	59.65% (-2.67 )
Bradford	50.75% ( -0.02 )	58.40% ( -1.74 )
Manchester	49.11% ( +1.02 )	57.30% ( -0.70 )

Figures in brackets indicate the variation to the position in Sept 2007.

### *Business Rates*

- 3.7 Local authorities collect business rates on behalf of central government, with payments being made into a central pool and then redistributed to all authorities. Funding is provided by central government to cover the cost of collection.
- 3.8 As can be seen in Table 1 the in year collection rate for business rates was 98.7% in 2007/08, leaving arrears of £3.2m at the end of the year. These arrears have now been reduced to £1.7m, equating to a current collection rate of 99.4%. Overall arrears since 1990/1 are £2.4m as at 31<sup>st</sup> October 2008.
- 3.9 Changes relating to empty business premises were introduced from April 2008 which mean that most businesses have to pay 100% Business Rates on empty business premises. It is expected that this change will make collection more challenging but, as yet, there is no evidence that the change has impacted on the overall in year collection rates. Many other Core Cities have experienced a downturn in collection.

### *Write off levels*

- 3.10 Although the Service makes every effort to collect Council Tax and Business rates, there are cases where it is not possible to collect the outstanding debt. The main reason for this in relation to council tax is that customers have left the property without informing the Council and efforts to find their new address have been unsuccessful. To date the level of write off since the introduction of Council Tax in 1993/94 is equivalent to 0.6% of the debt raised since 1993/94.

- 3.11 In relation to Business Rates the main reason for write off is companies going into liquidation. Since the 2000/2001 financial year the level of write off has also averaged 0.6%.

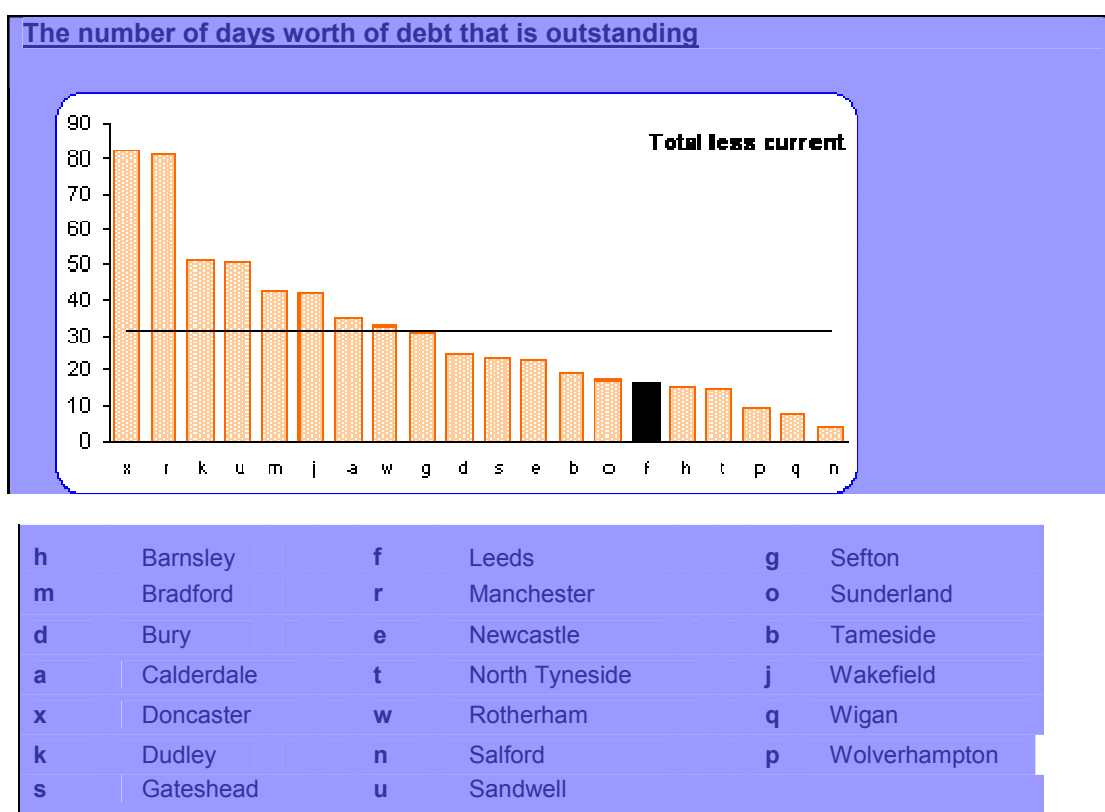
### *Sundry Income*

- 3.12 Sundry income is different to both council tax and business rates where invoices are raised on a regular basis throughout the year. In order to be able to measure how successful the service is in collection, a performance measure of 97% against invoices which are more than 30 days old has been agreed. Currently, at the end of October 2008 the collection figure is 93.9% compared to a figure of 93.1% in 2007/08. Expectations are that the target will be achieved by the year end. This indicator has been in use since 2005/06 and there has been a steady improvement in performance as shown in Table 4:

Table 4

Year	Percent collected
2005/6	94.0
2006/7	95.5
2007/8	97.1

- 3.13 There is no benchmarking arrangement with other Core City authorities. This is largely due to the varying approaches adopted by Councils to managing and measuring Sundry Debtor performance. There is, however, some benchmarking data available from CIPFA. The most up to date information relates to 2006/07 and a comparison with the other metropolitan authorities who participate in the CIPFA benchmarking arrangement is provided below. This shows the number of day's worth of debt (greater than 30 days old) that is outstanding. The black bar indicates Leeds and the straight line is the average number of days



3.14 The Institute of Credit Management uses a Days Revenue Outstanding measure which is also used by private sector firms. The measures are:

- Revenues outstanding for under 45 days: very good
- Revenues outstanding for between 46 - 59 days: good
- Revenues outstanding for between 60 - 74 days: fair
- Revenues outstanding for over 75 days: poor

3.15 This measure has been used for the last 2 years in Leeds and shows 42.75 days for 2006/7 and 45.21 days for 2007/8, indicating good or very good performance.

#### **4.0 Implications For Council Policy And Governance**

4.1 None

#### **5.0 Legal And Resource Implications**

5.1 None

#### **6.0 Conclusions**

6.1 The figures show improvements in the “in year” collection rate and also demonstrate that by the end of 2<sup>nd</sup> or 3<sup>rd</sup> years of subsequent recovery that collection rates in the fullness of time appear to be coming back together at around 98.2% (end of year 2) and 98.7% (end of year 3).

6.2 While the drive remains to increase “in year” collection, it is unlikely that in-year increases would significantly increase ultimate collection. They may, however, deliver some low level cash flow benefits.

6.3 Collections levels for Business Rates for both in year and overall are at a good level which is within the upper quartile for Metropolitan authorities.

6.4 Collection rates are on track to achieve 2008/09 targets are the limited benchmarking data shows that Leeds is performing well. The service is now looking to increase the number of services where payment up front is made and therefore reduce the number of invoices going through the system.

#### **7.0 Recommendations**

7.1 Members are asked to note the collection performance.

## Appendix A

### In 2008/09

	Cumulative To 2006/07	2007/08	Cumulative To 2007/08	2008/09	Cumulative To 2008/09
	%	%	%	%	%
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
April	99.13%	97.21%	98.94%	23.39%	91.81%
May	99.14%	97.43%	98.97%	31.41%	92.59%
June	99.15%	97.60%	98.99%	39.17%	93.34%
July	99.15%	97.75%	99.02%	47.05%	94.10%
August	99.16%	97.84%	99.03%	54.69%	94.83%
September	99.16%	97.95%	99.04%	62.58%	95.58%
October	99.17%	98.04%	99.06%	70.56%	96.35%
November					
December					
January					
February					
March					

Table shows ultimate collection rates for Council Tax

Column A shows collection progress throughout 2008/09 against all Council Tax raised from 1993/94 to 2006/07 inclusive;

Column B shows collection progress throughout 2008/09 against Council Tax raised in 2007/08-only

Column C shows collection progress throughout 2008/09 against all Council Tax raised from 1993/94 to 2007/08 inclusive

Column D shows collection progress throughout 2008/09 against Council Tax raised in 2008/09-only

Column E shows collection progress throughout 2008/09 against all Council Tax raised from 1993/94 to 2008/09 inclusive

## Appendix B

### Payment Trends as at 31<sup>st</sup> March 2008

	Volume					Value				
Overall Totals	2006/07		2007/08		+/-	2006/07		2007/08		+/-
<b>Fully Automated Payments</b>										
Direct Debit	2,054,760	49.9%	2,128,945	51.0%	3.6%	317,997,206.17	7.0%	334,651,658.96	6.9%	5.2%
Post Office	959,039	23.3%	840,873	20.1%	-12.3%	63,280,937.83	1.4%	58,211,013.19	1.2%	-8.0%
Payroll	49,104	1.2%	49,080	1.2%	0.0%	4,966,973.07	0.1%	5,313,336.49	0.1%	7.0%
SO/Tele/PC Banking	137,647	3.3%	140,558	3.4%	2.1%	159,286,400.47	3.5%	177,040,651.50	3.7%	11.1%
DWP Deduction	72,575	1.8%	77,199	1.8%	6.4%	856,013.56	0.0%	885,262.25	0.0%	3.4%
Bank Counter	39,468	1.0%	35,917	0.9%	-9.0%	5,403,591.20	0.1%	5,791,762.96	0.1%	7.2%
IVR	144,261	3.5%	148,322	3.6%	2.8%	13,063,886.33	0.3%	13,948,474.16	0.3%	6.8%
Bailiffs	41,782	1.0%	53,124	1.3%	27.1%	4,088,077.28	0.1%	4,908,258.95	0.1%	20.1%
Coop Paypoint	196,884	4.8%	249,422	6.0%	26.7%	10,981,305.71	0.2%	14,463,993.88	0.3%	31.7%
Telephone Payments	67,518	1.6%	79,504	1.9%	17.8%	9,510,250.70	0.2%	11,293,087.21	0.2%	18.7%
Unpaid Direct Debit	25,388	0.6%	28,677	0.7%	13.0%	-3,771,001.18	-0.1%	-4,961,437.10	-0.1%	31.6%
LCC Internet	28,194	0.7%	60,650	1.5%	115.1%	2,937,765.63	0.1%	5,786,129.23	0.1%	97.0%
Giro Internet	6,278	0.2%	0	0.0%	-100.0%	570,830.71	0.0%	0.00	0.0%	-100.0%
<b>Sub Total</b>	<b>3,822,898</b>	<b>92.8%</b>	<b>3,892,271</b>	<b>93.2%</b>	<b>1.8%</b>	<b>589,172,237.48</b>	<b>13.0%</b>	<b>627,332,191.68</b>	<b>13.0%</b>	<b>6.5%</b>
<b>Non/Partly Automated Payments</b>										
Postal	147,410	3.6%	142,987	3.4%	-3.0%	81,653,789.93	1.8%	97,745,899.93	2.0%	19.7%
RD Cheque	1,652	0.0%	1,285	0.0%	-22.2%	-607,137.43	0.0%	-1,004,386.92	0.0%	65.4%
DSS direct payments	509	0.0%	648	0.0%	27.3%	84,330.56	0.0%	87,190.59	0.0%	3.4%
Departmental Banking	71,653	1.7%	72,290	1.7%	0.9%	61,581,835.82	1.4%	51,578,928.49	1.1%	-16.2%
Multi Payments	29,990	0.7%	32,971	0.8%	9.9%	203,118,723.62	4.5%	614,109,006.89	12.7%	202.3%
Transfer/Adjustment	41,725	1.0%	30,049	0.7%	-28.0%	10,065,153.38	0.2%	2,055,363.37	0.0%	-79.6%
Misc Bank Credit/Debit	5,616	0.1%	5,481	0.1%	-2.4%	3,586,736,545.03	79.1%	3,436,241,599.05	71.2%	-4.2%
<b>Sub Total</b>	<b>298,555</b>	<b>7.2%</b>	<b>285,711</b>	<b>6.8%</b>	<b>-4.3%</b>	<b>3,942,633,240.91</b>	<b>87.0%</b>	<b>4,200,813,601.40</b>	<b>87.0%</b>	<b>6.5%</b>
<b>Grand Total</b>	<b>4,121,453</b>		<b>4,177,982</b>			<b>4,531,805,478.39</b>		<b>4,828,145,793.08</b>		

# Appendix C

## Payment Trends for Council Tax as at 31<sup>st</sup> March 2008.

	Volume					Value				
Council Tax	2006/07		2007/08		+/-	2006/07		2007/08		+/-
<b>Fully Automated Payments</b>										
Direct Debit	1,586,157	64.0%	1,654,894	65.0%	4.3%	151,606,545.32	67.8%	163,863,320.32	69.4%	8.1%
Post Office	419,846	16.9%	371,770	14.6%	-11.5%	30,963,362.58	13.9%	28,615,936.34	12.1%	-7.6%
Payroll	40,720	1.6%	40,270	1.6%	-1.1%	3,497,668.77	1.6%	3,580,072.72	1.5%	2.4%
SO/Tele/PC Banking	74,582	3.0%	76,170	3.0%	2.1%	6,290,738.76	2.8%	6,509,886.53	2.8%	3.5%
DWP Deduction	43,186	1.7%	46,194	1.8%	7.0%	467,614.11	0.2%	481,312.41	0.2%	2.9%
Bank Counter	32,453	1.3%	29,012	1.1%	-10.6%	2,902,242.19	1.3%	2,724,786.66	1.2%	-6.1%
IVR	69,544	2.8%	74,304	2.9%	6.8%	7,936,704.24	3.6%	8,670,242.47	3.7%	9.2%
Bailiffs	21,128	0.9%	28,399	1.1%	34.4%	2,253,384.15	1.0%	2,742,389.68	1.2%	21.7%
Coop Paypoint	62,055	2.5%	88,754	3.5%	43.0%	3,414,706.67	1.5%	5,168,970.34	2.2%	51.4%
Telephone Payments	27,240	1.1%	28,167	1.1%	3.4%	4,073,293.34	1.8%	4,235,882.51	1.8%	4.0%
Unpaid Direct Debit	13,567	0.5%	15,014	0.6%	10.7%	-1,422,127.09	-0.6%	-2,354,222.30	-1.0%	65.5%
LCC Internet	17,362	0.7%	33,126	1.3%	90.8%	2,018,613.19	0.9%	3,733,262.21	1.6%	84.9%
Giro Internet	4,558	0.2%	0	0.0%	-100.0%	404,564.56	0.2%	0.00	0.0%	-100.0%
<b>Sub Total</b>	<b>2,412,398</b>	<b>97.3%</b>	<b>2,486,074</b>	<b>97.7%</b>	<b>3.1%</b>	<b>214,407,310.79</b>	<b>95.9%</b>	<b>227,971,839.89</b>	<b>96.5%</b>	<b>6.3%</b>
<b>Non/Partly Automated Payments</b>										
Postal	50,472	2.0%	48,968	1.9%	-3.0%	6,843,626.92	3.1%	6,902,910.19	2.9%	0.9%
RD Cheque	307	0.0%	224	0.0%	-27.0%	-57,820.35	0.0%	-50,008.33	0.0%	-13.5%
DSS direct payments	17	0.0%	0	0.0%	-100.0%	2,080.47	0.0%	0.00	0.0%	-100.0%
Departmental Banking	31	0.0%	31	0.0%	0.0%	54,204.63	0.0%	28,315.92	0.0%	-47.8%
Multi Payments	4,388	0.2%	3,978	0.2%	-9.3%	612,236.65	0.3%	630,522.43	0.3%	3.0%
Transfer/Adjustment	10,109	0.4%	4,564	0.2%	-54.9%	1,580,536.58	0.7%	634,148.27	0.3%	-59.9%
Misc Bank Credit/Debit	525	0.0%	248	0.0%	-52.8%	24,271.12	0.0%	1,465.50	0.0%	-94.0%
<b>Sub Total</b>	<b>65,849</b>	<b>2.7%</b>	<b>58,013</b>	<b>2.3%</b>	<b>-11.9%</b>	<b>9,059,136.02</b>	<b>4.1%</b>	<b>8,147,353.98</b>	<b>3.5%</b>	<b>-10.1%</b>
<b>Grand Total</b>	<b>2,478,247</b>		<b>2,544,087</b>			<b>223,466,446.81</b>		<b>236,119,193.87</b>		