

Taunton Deane Borough Council

Executive - 10 February 2011

Review of proposals to increase Summons and Liability Order Costs for Council Tax and Business Rate Defaulters

Report of the Strategic Finance Officer

(This matter is the responsibility of Executive Councillor Terry Hall)

1. Executive Summary

1.1 The levels of "reasonable costs" levied for issuing summonses and liability orders for non-payment of Council Tax and Business Rates have not been reviewed for four years. This report seeks approval to increase summons costs from 1 April 2011.

2. Background

- 2.1 As part of routine recovery procedures, the Council summonses and liability orders for non-payment of Council Tax and Business Rates.
- 2.2 The Council is allowed to add "reasonable costs" to the debts if recovery is assisted through the Magistrates' Court.
- 2.3 The Government does not guide on what constitutes "reasonable costs". The Council is allowed to request the Magistrates Court to grant costs on each Liability Order application. The level of costs for a standard application is agreed in advance with the Court. Should the increase in costs be agreed then Taunton Deane would seek civil cost structure approval from the Court.
- 2.4 A Court fee of £3.00 is payable by the Council to the Magistrates Court for each case listed.
- 2.5 The last increase for Taunton Deane Borough Council's summonses and liability orders took effect from 1 April 2006. Since then, the costs charged by neighbouring authorities have increased. Taunton Deane Borough Council's costs are now the lowest in Somerset

3. Proposed Summons and Liability Costs

- 3.1 Council Tax and Business Rate payers have a statutory right to pay their bills by a maximum of 10 instalments when they receive their bill at the start of the financial year concerned. Most tax payers choose to pay their bills over 10 instalments, but they can opt to pay half-yearly or yearly instead. Where we issue a bill part-way through the year, for example when a person moves into a property, then we can reduce the number of instalments by which the bill can be paid on a statutory scale. Where an instalment of a bill remains unpaid, we issue at least one reminder to encourage payment. If the account is not paid or brought up to date in response to our reminder, a summons can be issued after a further 14 days. Council Tax and Business Rate payers therefore have adequate warning that their accounts are overdue and plenty of opportunity to contact Revenues Officers to discuss and agree payment arrangements before a summons is issued.
- 3.2 While we are not required to increase our current summons costs levels, there are good reasons for doing so. The work involved in issuing a summons, dealing with resulting correspondence and attending Court all involve significant work and can divert resources away from more routine account maintenance work.
- 3.3 Failure to collect Council Tax due to non-payment impacts on Council Tax because those losses have to be subsidised by higher charges. Thus those who do pay on time are paying extra Council Tax because of non-payers.
- 3.4 Increasing the levels of summons costs may act as a deterrent to non-payment or late payment of Council Tax and Business Rates. It should also improve fairness by ensuring those people who fail to pay, contribute to the costs associated with that failure. Finally, it has the potential to increase the percentage of tax collected
- 3.5 Since 1 April 2006, costs charged to Taunton Deane Borough Council's Council Tax and Business Rate payers are:-

Summons Costs	£40.00
Liability Order Costs	£5.00
Combined costs	£45.00

- 3.6 Taunton Deane Borough Council share use of the Magistrates Court with West Somerset Council that currently charges:-

Authority	Summons	Liability Order	Combined
West Somerset District Council	£61.00	£11.00	£71.00

- 3.7 The charges for other Somerset authorities are provided below for comparison:

Authority	Summons	Liability Order	Combined
Mendip District Council	£35.00	£17.00	£52.00
Sedgemoor	£55.00	£0.00	£55.00
South Somerset	£50.00	£20.00	£70.00
North Somerset	£73.50	£0.00	£73.50
Bath & North East Somerset	£55.00	£10.00	£65.00
Average	£53.70	£9.40	£63.10

- 3.8 The Strategic Finance Officer has calculated the cost of issuing summonses and liability orders for non-payment of Council Tax and Business Rates as being £74.57. Allowing for small variation in the assumptions made, it is suggested that the charge for a summons be increased to £63.50 and the charge for a liability order be increased to £10 from 1 April 2011.
- 3.9 It is anticipated that the proposed increase will generate further income of £50,000 thus enabling the Council to cover the costs of issuing summonses and liability orders for non-payment of Council Tax and Business Rates.

4. Finance Comments

- 4.1 This is a financial report and there are no further comments to make.

5. Legal Comments

- 5.1 There are no legal implications within this report.

6. Links to Corporate Aims

- 6.1 In providing necessary finance and maximising efficiencies, the proposals set out in this report will be cross-cutting on all the Corporate Aims.

7. Environmental and Community Safety Implications

- 7.1 Not applicable.

8. Equalities Impact

- 8.1 Although there is no monitoring at present, it is likely that people with disabilities and those in ethnic minorities are likely to be over-represented in low-income groups. Therefore, they are more likely to receive Council Tax Benefit. People getting full Council Tax Benefit will not be

summonsed because the benefit they receive covers their liability.

- 8.2 The Revenues and Benefits Service has robust procedures to identify those who may be “vulnerable” and their circumstances will be individually case managed

9. Risk Management

- 9.1 Although increasing charges more accurately reflects the costs associated with issuing a summons, it has the potential to upset some taxpayers and could lead to an increase in complaints. To help minimise this, we need to advertise costs clearly before we issue a summons.
- 9.2 In addition, if we wrongly issue a summons, we will ensure any fees are re-credited/cancelled as they are at present. Even after a summons is issued, officers are sympathetic to genuine hardship cases and can arrange to spread the debt owed.

10. Partnership Implications

- 10.1 The provision of the Council Tax and Business Rates Collection is through the contract with Southwest One. Southwest One will charge this amount which is revenue to Taunton Deane.

11. Recommendations

- 11.1 That the Executive recommends to Council the increase in costs for summonses and liability orders for non-payment of Council Tax and Business Rates as per paragraph 3.8
- 11.2 That the costs for summonses and liability orders for non-payment of Council Tax and Business Rates be reviewed annually along with fees and charges.

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