



**EAST STAFFORDSHIRE BOROUGH COUNCIL**

**REPORT COVER SHEET**

<b>Title of Report:</b>	Review of Court Costs for Council Tax and Business Rates	To be marked with an 'X' by Democratic Services after report has been presented
<b>Meeting of:</b>	Corporate Management Team 16 February 2021	X
	Leader and Deputy Leaders 22 February 2021	X
	Leader's / Leader of the Opposition's Advisory Group / Independent Alliance Advisory Group 3 March 2021 / 4 March 2021	X
	Cabinet 15 March 2021	
	Scrutiny Audit and Value for Money Council Services Committee [DATE] / Scrutiny Community Regeneration, Environment and Health and Well Being Committee [DATE]	



<b>Is this an Executive Decision:</b>	NO	<b>Is this a Key Decision:</b>	NO
<b>Is this in the Forward Plan:</b>	YES	<b>Is the Report Confidential:</b>  <b>If so, please state relevant paragraph from Schedule 12A LGA 1972:</b>	NO  n/a

**Essential Signatories:**

**ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE**

Monitoring Officer: **Angela Wakefield**

Date ..... Signature .....

Chief Finance Officer: **Sal Khan**

Date ..... Signature .....

**EAST STAFFORDSHIRE BOROUGH COUNCIL**

**Report to Cabinet**

**Date: 15 March 2021**

**REPORT TITLE:** Review of Court Costs for Council Tax and Business Rates

**PORTFOLIO:** Environment and Housing

**HEAD OF SERVICE:** Sal Khan

**CONTACT OFFICER:** Sarah Richardson Ext. No. x1716

**WARD(S) AFFECTED:** None

**1. Purpose of the Report**

1.1. To approve the recommendations shown in the report.

**2. Executive Summary**

2.1. A county-wide benchmarking review of the costs imposed at summons and/or Liability Order in relation to Magistrates Court action taken against Council Tax and Business Rates debtors has been undertaken, alongside a detailed analysis of the costs involved in the Council having to recover the unpaid taxes.

**3. Background**

3.1. Legislation states that the Council can apply costs to outstanding debts laid before the Magistrates Court that have been reasonably incurred by the Council in obtaining a Liability Order for non-payment of Council Tax or Business Rates.

3.2. At Court, the Council is required to satisfy the Magistrates that the necessary statutory procedures have been followed before the Liability Order can be granted. The recovery procedures set in legislation are shown in Appendix 1 of this report.

#### 4. **Contribution to Corporate Priorities**

4.1. Council Tax and Business Rates are primary sources of revenue to the Council and therefore underpins all Corporate Priorities.

#### 5. **Review**

5.1. Officers have conducted a benchmarking exercise to identify the costs applied for unpaid Council Tax and Business Rates throughout Staffordshire. The results are in tables 1 and 2 below:

*Table 1 – Council Tax Court Costs in Staffordshire Authorities*

<b>Court Costs 2020-21</b>	<b>Council Tax Summons</b>	<b>Council Tax Liability Order</b>	<b>Total</b>
<b>East Staffs</b>	<b>£60.00</b>	<b>£30.00</b>	<b>£90.00</b>
Cannock Chase	£95.00	£0.00	£95.00
Lichfield	£70.00	£25.00	£95.00
Stafford	£95.00	£0.00	£95.00
Staffs Moorlands	£60.00	£35.00	£95.00
Stoke On Trent	£60.00	£35.00	£95.00
Tamworth	£60.00	£35.00	£95.00
South Staffs	£45.50	£50.00	£95.50
Newcastle	£60.00	£50.00	£110.00

*Table 2 – Business Rates Court Costs in Staffordshire Authorities*

<b>Court Costs 2020-21</b>	<b>Business Rates Summons</b>	<b>Business Rates Liability Order</b>	<b>Total</b>
<b>East Staffs</b>	<b>£60.00</b>	<b>£30.00</b>	<b>£90.00</b>
Cannock Chase	£95.00	£0.00	£95.00
Stafford	£95.00	£0.00	£95.00
Stoke On Trent	£60.00	£35.00	£95.00
Lichfield	£70.00	£25.00	£95.00
Tamworth	£60.00	£35.00	£95.00
South Staffs	£48.00	£50.00	£98.00
Staffs Moorlands	£65.00	£35.00	£100.00
Newcastle	£60.00	£50.00	£110.00

5.2 Members will note that the Council currently has the lowest Court Costs for Council Tax and Business Rates in Staffordshire.

5.3 A detailed costing exercise has been undertaken to determine the expenditure that has been reasonably incurred by the Council in obtaining the liability order.

In 2019/20 the Council issued 18,029 reminders and final notices for non-payment of Council Tax which lead to 5,561 summons notices being issued and 4,152 liability orders being obtained. In the same period 1,379 business rates reminders and final notices were issued which lead to 412 summonses being issued and 204 liability orders being obtained. The figures that the review is based on also takes into account any notices that have been withdrawn during the year, so are the net numbers issued as at the end of the financial year.

5.4 The analysis of costs includes the costs across Revenues, Benefits and Customer Contacts service due to generic working. Staff within the service are now multi-skilled and can deal with more varied tasks across the disciplines. Using this analysis, three cost options have become apparent:

- 1) Costs to remain as is;
- 2) Costs to increase to £95.00 match the average level across Staffordshire authorities;
- 3) Costs to increase to £99.00 to recover the costs incurred by the Council to recover unpaid amounts.

The Council requires income to meet the demands of this area of Revenues collection so option 1 has been discounted. Option 3 will be a big increase compared to our current level and will put the Council second highest in the County for Council Tax costs and equal third with South Staffordshire District Council for Business Rates costs. The preferred option is Option 2, where the Council will be able to generate more income whilst aligning with costs charged by the majority of authorities in the County.

5.6 It is therefore proposed that the Council increase its costs to £95.00 with effect from 1 April 2021, to reflect the increased costs to the Council of collecting unpaid amounts and be in line with the majority of Staffordshire authorities. As the majority of work to collect unpaid amounts is in the processes leading up to liability order stage, it is proposed that summons costs be increased to £65.00 and liability order costs remain unchanged at £30.00. It is also proposed that a further review of costs is conducted during quarter 2 of 2022 where it is anticipated that the full financial effects of the pandemic have been realised and any consequential changes can be built into the MTFS.

## 6. **Financial Considerations**

*This section has been approved by the following member of the Financial Management Unit: Geoff Bagnall.*

6.1. The main financial issues arising from this report are set out within the following paragraphs.

6.2. Due to the Covid-19 pandemic, enforcement action was paused from April to November due to Her Majesty's Court and Tribunal Service (HMCTS) Magistrates Court buildings being closed. During that period, the Council was unable to enforce any recovery action and as a consequence, no summons notices were issued and no liability orders were obtained. Therefore, the normal

income expected from the issue of these notices has been severely impacted during the course of the current financial year.

6.3. Looking ahead to 2021/22, the review identified three options:

6.3.1. **Option 1** - Costs remain unchanged. By not increasing costs, it is estimated that the income to the Council will be £413k per annum and is based on the anticipated increase in caseload as enforcement action returns to normal levels.

6.3.2. **Option 2** (the preferred option) – increase costs to the average level of Staffordshire Authorities, £95.00. It is estimated that the income to the Council will be £437k per annum, an increase of £24k per annum compared to not changing the amounts. The increase will reflect some of the increased costs of maintaining recovery processes whilst not increasing hardship on taxpayers and ratepayers who have also suffered with the financial effects of the pandemic.

6.3.3. **Option 3** – increase costs to £99.00 to recover the costs of the recovery process. It is estimated that this option will generate income of £454k per annum, an increase of £41k per annum compared to keeping costs unchanged. This is not the preferred option, due to the reasons discussed in paragraph 5.4.

Revenue	2021/22	2022/23
<b>Estimated Increased Cost Recovery Income (Option 2)- Proposed increase of Costs to £95 (subject to case load)</b>	£24k	£24k

## 7. **Risk Assessment and Management**

7.1. The main risks to this Report and the Council achieving its objectives are as follows:

7.2. **Positive** (Opportunities/Benefits):

7.2.1. Adding Court Costs to accounts reflects the time spent on the administration relating to the recovery of unpaid Council Tax and Business Rates.

7.2.2. Reviewing the costs incurred in the administration of the collection and recovery process ensures the Council is providing value for money with its services.

7.3. **Negative** (Threats):

7.3.1. The Council could open itself to an unnecessary financial burden if the applied costs are short of the costs incurred in the recovery process.

7.4. The risks do not need to be entered in the Risk Register. Any financial implications to mitigate against these risks are considered above.

## 8. **Legal Considerations**

*This section has been approved by the following member of the Legal Team:  
Angela Wakefield.*

8.1. The main legal issues arising from this Report are as follows.

8.2. Council Tax (Administration and Enforcement) Regulations 1992;  
Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989.

## 9. **Equalities and Health**

9.1. **Equality impacts:** The subject of this Report is not a policy, strategy, function or service that is new or being revised. An equality and health impact assessment is not required.

## 10. **Human Rights**

10.1. There are no Human Rights issues arising from this Report.

## 11. **Sustainability** (including climate change and change adaptation measures)

11.1. Does the proposal result in an overall positive effect in terms of sustainability (including climate change and change adaptation measures) N/A

## 12. **Recommendation(s)**

12.1. That Court Costs for Council Tax and Business Rates be increased to £95.00 with effect from 1 April 2021, as proposed in paragraph 5.6.

12.2. That summons notice costs for Council Tax and Business Rates be increased to £65.00 and liability order costs remain at £30.00 with effect from 1 April 2021, as proposed in paragraph 5.6.

12.3. That a review of Court Costs be undertaken in quarter 2 of 2022, as proposed in paragraph 5.6.

## 13. **Appendices**

13.1. Appendix 1: Council Tax and Business Rates Recovery Procedure .