Improving Council Tax Collection Rates in Scotland
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EXECUTIVE SUMMARY

The study

This Report presents the results of a study carried out for the Scottish Executive during 2005 on ‘Improving Council Tax Collection in Scotland’. The study aimed to: identify and quantify the factors which account for differences in Council Tax collection rates between different local authorities in Scotland, England and Wales; understand the nature of non-payment from different perspectives including that of non-payers; and recommend best practice and other measures which could promote higher collection rates.

The study entailed: reviewing previous research and policy documents; undertaking statistical analysis of CT collection and other data at different levels across the three countries; undertaking case studies in half a dozen local authorities; contacting and interviewing a number of ‘non-payers’ in these areas.

Issues and structures

‘Non-payment’ refers to a broad range of circumstances, including people who have paid nothing, people in partial arrears, people with ‘technical’ arrears generated by system properties (e.g. delay in setting up direct payments), and people with complex histories and/or multiple debts. It comprises a mixture of those who ‘can’t pay’ and some who ‘won’t pay’, but many cases cannot be simply classified. Half of non-payers are on CT Benefit, and more would be eligible if they actually did pay and claim.

The CT recovery mechanisms and sanctions available to Scottish local authorities are different from and generally weaker than those available in England. Key problems/limitations relate to: water and sewerage; timing of process; power to seize goods or property; and committal powers. Some difference in the use of powers reflects a general reluctance in Scotland to criminalise non-payers. In common with England, there is concern to access information from HMRC, to be able to attach all benefits, and to capitalise on the reform of bankruptcy law.

Council Tax and water charges are regressive taxes and this is reflected in the findings that non-payment is associated with low income, deprivation and that many are concerned about issues of affordability and fairness.

Statistical analysis

Most of the variation in collection rates between local authorities and smaller areas can be explained statistically by objective demographic and socio-economic factors. The strongest drivers of variation in CT collection rates are measures of poverty and deprivation, with unemployment and transitory/partial benefit status being particularly associated with problems. Demographic factors include the share of older people (fewer problems) and of single person or lone parent households (more problems), as well as indicators of transitory residence, including private renting, and more urbanised areas generally.
Ward level analyses help to separate the effect of local authority administration from the above factors, and confirm that there are quite significant differences between local authorities’ collection rates, even after controlling for socio-demographic factors. This evidence, and some of that from England, suggests that it is in deprived urban areas that administrative effectiveness can make most difference.

It is also clear that there is a large systematic difference in collection rates (4-5% points) between Scotland and England, which cannot be explained by the socio-economic or demographic factors included in a combined statistical model. This difference probably reflects structural differences as well as administrative and cultural factors.

Individual data indicate that non-payment incidence tends to be higher for those on benefit, particularly partial benefit, but that there is still a large number of non-payers who are not on benefit. Comparisons with other low income benefits data suggests that, in some areas of Scotland, a lot of low income households are not engaging with the Council Tax system at all.

**Perspectives on non-payment**

Council officials and independent money advisers provide a broadly consistent perspective on the reasons for non-payment, which supports the conclusions from both the statistical and qualitative parts of the research.

The problems associated with collecting water and sewerage charges with Council Tax in Scotland, and their interaction with the benefits system, are seen as a major issue by council officials. Transient populations in private renting are a more general problem for collection services.

Poverty and low income are universally perceived as a major cause of non-payment, with a particular concern about people with some non-benefit income or moving between different benefit statuses. Multiple debts are a common and growing factor in non-payment, with Council Tax often assigned low priority. Other factors like literacy and language and mental ill-health may be relevant for particular individuals and groups.

There is a group of non-payers who remain hidden from the system, through deliberate avoidance of contact, while others fail to face up to their problems.

Negative perceptions of Council Tax are common, but views about what services are paid for may be poorly informed. The Community Charge left a long legacy of arrears and a non-payment culture in some areas, but this is now less of a factor.

**Non-payers’ characteristics, circumstances and views**

A qualitative interview survey with 29 people currently in Council Tax arrears yielded a rich picture of the circumstances and views of non-payers. However, this survey was
intrinsically unlikely to represent those who avoid payment by avoiding all contact and moving around frequently.

A range of reasons for non-payment were voiced by non-payers, but there was an almost universal experience of affordability or hardship as the key reason for Council Tax non-payment. The study did not find evidence of a groundswell of objection to Council Tax in principle. But in general respondents were struggling financially, and Council Tax was afforded very low priority alongside other debts and financial commitments.

Chronic financial hardship was particularly an issue for respondents living on state benefits, whereas respondents in work on low or irregular incomes experienced more episodic problems, often triggered by one-off events such as ill-health or a previous redundancy.

Changes of circumstances, such as illness or redundancy, and transitions in and out of Council Tax Benefit eligibility appeared to be particularly disruptive for many respondents, compounded by some misunderstandings and delays in communication. The double burden of paying both CT arrears and current liabilities compounded affordability difficulties for many. These financial difficulties had negative impacts on quality of life, particularly on health.

Respondents were broadly positive about contact with local authority revenue and benefits staff, while giving more mixed views of sheriff officers. There were concerns about too-steep repayment schedules being pushed onto them, and about a lack of personalised approach. Money advice had rarely been sought by respondents, and there was a relatively low level of knowledge of this service.

Perceived unfairness regarding ability to pay was the most commonly raised general concern about the system. One third of respondents said that Council Tax should be based on ability to pay. Some were concerned about value for money, relationship to use, availability or quality of services. However, levels of knowledge of what services were paid for were low.

**Collection process issues**

All councils generally seek to maximise their collection rates, but the level of political support and management focus has varied.

Important general managerial approaches to improving performance include quantitative targets, use of IT for monitoring and targeting, customer orientation, specialist arrears teams, adequate staff numbers and skills, and attention to staff motivation and feedback. Formal benchmarking and comparison within peer groups is much more established for CT collection in England, and relatively lacking in Scotland.

Early billing and consistent speedy processing of cases through the subsequent stages are clearly important to keeping on top of collection. Maximising use of direct debit is a major
theme in relation to payment methods, with a changing mix of other methods featuring depending on the type of area.

The significant differences between Scotland and England/Wales in formal sanctions are reinforced by differences in the extent to which they are utilised, directly or as a threat. The timing of enforcement action and authorities control over the process are more constrained in Scotland, partly owing to the role of sheriff officers.

Deductions from benefits are an important mechanism but structural features limit their ability to collect all CT due. CT Benefit take-up may not be maximised owing to the complexity of the forms or the failure to provide documentation on change of circumstances.

**Recommendations**

Key recommendations for *national policy* include:

- Modifying the discount on water-sewerage charges for households on low income benefits to bring about compatibility with benefit system allowable deductions;

- reviewing CT banding structure at the lower end, in the context of revaluation;

- ability to make deductions from all state benefits*;

- by-pass Summary Warrant stage for most roll-over benefit deduction cases and for the seeking of information;

- routine access to HMRC information on employers and banks*;

- direct collection of CT from certain private landlords, linked to new registration scheme.

The items marked * clearly involve reserved UK-wide matters.

Authorities displaying good practice and results had a clear managerial commitment and political support. Beyond that there is no single technical fix or magic bullet, and best practice may vary with local circumstances. However, the following areas of *practice* offer scope for improvement for many authorities:

- writing off more of the older arrears;

- frequent, close communication with relevant agencies;

- promoting Direct Debit, telephone and other flexible payment routes;

- earlier billing and payment/ reminder timetable;
• benefits check to ensure CTB take-up and income maximisation;

• speed in processing CT queries and CTB claims;

• targeting of recovery initiatives on specific groups/areas, including areas with low CTB take-up relative to general low income benefit numbers;

• reviewing contracts with sheriff officers;

• benchmarking practice with other councils;

• staff training, performance targets, and feedback both ways on performance and ‘what works’;

• reference of cases with multiple debts or budgeting problems to money advice services;

• outreach to particular groups e.g. BME.
CHAPTER 1 INTRODUCTION

Key Point Summary

• This Report presents the results of a study carried out for the Scottish Executive during 2005 on ‘Improving Council Tax Collection in Scotland’.

• The study aimed to: identify and quantify the factors which account for differences in Council Tax collection rates between different local authorities in Scotland, England and Wales.

• It also sought to understand the nature of non-payment from different perspectives including that of non-payers; and to recommend best practice and other measures which could promote higher collection rates.

• The study entailed: reviewing previous research and policy documents; undertaking statistical analysis of CT collection and other data at different levels across the three countries; undertaking case studies in half a dozen local authorities; contacting and interviewing a number of ‘non-payers’ in these areas.

Context

1.1 Council Tax (CT) is levied on all eligible domestic properties. The amount of tax levied is dependent on the Council Tax band that the property falls into and the amount of tax to be raised by the local authority. The bands are based on property values as originally determined for 1991. Monies raised through Council Tax contribute to the Council’s income, alongside Revenue Support Grant and proceeds of the Non Domestic Rate, and help to pay for the full range of local services. The full rate of tax is liable to be paid unless the property, owner or occupier is eligible for a discount or exemption. The main examples here are single person discounts, exemptions for full-time students and discounts for empty properties. In addition, there is a means tested Council Tax Benefit (CTB), similar to Housing Benefit, which may pay all or part of the CT liability for low income households.

1.2 In general, the proportion of Council Tax due that is collected within the financial year has been steadily improving in recent years although there are significant variations between council areas. In 2004-05, the average in-year collection reached 96.6% in England and 96.1% in Wales but only 92.7% in Scotland. Table 1.1 below shows how these numbers have evolved over recent years.

TABLE 1.1: Council tax in-year collection rates in Scotland, England & Wales (%): 1999-00 to 2004-05

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Sources: Scottish Executive Finance website; ODPM Local Government Finance Website.
**Study Objectives**

1.3 The study objectives set in the brief were as follows:

- Identify the main factors underlying differences in Council Tax collection rates across local authorities
- Compare Council Tax collection in Scotland with authorities in England and Wales
- Identify the main reasons for the difference in Council Tax collection rates in Scotland compared with England and Wales
- Identify the characteristics of non-payers
- Explore the underlying reasons for non-payment
- Identify any wider social and behavioural issues that might be relevant to Council Tax payment and collection
- Identify best practice in Scotland and elsewhere regarding Council Tax collection
- Make recommendations for any further changes to improve collection levels bearing in mind the previous report ‘It pays to pay’

We return to these objectives at various stages in the report, but particularly in the Conclusions presented in Chapter 8.

**Policy and Research Background**

*Previous studies*

1.4 The study carried out by the Institute of Revenues, Rating and Valuation (IRRV) in 1999 (Scottish Executive CRU, 2000) identified ‘environmental factors’ contributing to lower in-year collection rates in Scotland compared to England. These included the legacy of four years of resistance to the Community Charge; local government reorganisation in 1996; higher bills due to the joint billing for Council Tax and water and sewerage charges, as well as withdrawal of sewerage charges from the rebate scheme in April 1996.

1.5 Such ‘environmental factors’ inhibiting council tax collection are likely to have lessened or been overcome in the last five years, partly due to the lapse of time and partly due to implementation of changes recommended by the joint Scottish Executive/COSLA report “It pays to pay” (Scottish Executive, 2000). Indeed rates of collection are improving, although it appears that the pace of improvement slackened after 2001/02. There is also considerable variation in Scottish councils’ rates of collection, costs of collection and costs of dealing with Housing and Council Tax Benefit claims (Accounts
Commission for Scotland, 2002). These are budgetary items which we would expect to be related.

1.6 It is therefore important to explore to what extent various differences between areas, and changes over time, in ‘environmental’ factors can explain variations in effectiveness. For example, to what extent can more effective IT systems reduce the cost of collecting council tax or the cost of dealing with benefit claims? Do cost variations between authorities reveal other differences in capacity to administer the system? It is also interesting to inquire how these environmental factors relate to citizens’ attitudes, since these also appear to have played a significant part in Scotland’s different profile.

1.7 **Socio-economic factors** form part of the ‘environmental factors’ that affect rates of collection. The Accounts Commission for Scotland (1998) identified three ‘families’ of councils based on the combined weight of social deprivation and population density. Such classification needs to be revisited and other factors taken into account such as income levels and employment status, types of households and housing, and so forth (as discussed further in Chapter 3). The study aims to employ more sophisticated statistical methods to tease out some of these effects.

1.8 Whilst the above factors can affect ability to pay and determine the types of incentives and barriers to payment encountered by citizens, attitudes to council tax and to debt in general are evolving. Larger and multiple debts are rising across the UK. In Scotland in 2004, Citizens Advice Scotland estimated that 80% of its debt clients had multiple debts, with an average of four creditors, leading to increasing knowledge of the risks involved with different types of creditors. Quite a few of these debt clients owed council tax.

1.9 Looking to the future, it is also important to look at the potential impact of various trends, including for example: a further rise in the ‘very old’ population; more people with disabilities (including those with mental health problems) living in the community; possible increases in cost levels for water and sewerage; transfer of council housing stock; further advances in IT/banking alongside post office closures; and the rise in the number of low-income households with a basic bank account.

1.10 **Procedural and legislative factors** impeding higher levels of in-year collection had been identified by the Accounts Commission (1998) and later, following public consultation, by COSLA and the Scottish Executive (Scottish Executive, 2000).

1.11 Some of the recommendations of the It Pays to Pay report have been implemented through new legislation or regulations. These include (in brief): permitting councils to collect council tax and rent jointly; reducing the level of debt for creditors petitioning for sequestration; and preventing council tax debtors from buying their council house under the Right To Buy. However, as explained in Chapter 2, not all of the recommendations were implemented. In addition, this period has also seen legislation to bring about the removal of poinding and warrant sales, which may have acted in a different direction.
1.12 In relation to process, many detailed suggestions were made, some of which required legislation and/or agreements with HM Revenue and Customs (HMRC, formerly Inland Revenue) or the Department of Work and Pensions (DWP). These are reviewed in Chapter 2. Again, not all of these have been implemented.

1.13 Whilst it is necessary to assess the extent to which such changes are making a difference, it is clear that more radical changes may be needed to significantly increase the collection rate in Scotland.

Wider Issues and Options

1.14 In the light of the above comment, and depending in part on the findings of the research, it may be appropriate to point to certain wider structural issues which might need to be addressed if the problem were to be fully resolved. In particular, evidence from all parts of this study, reported in later chapters, indicates considerable problems of financial hardship affecting council taxpayers who are on low or fluctuating incomes, and that non-collection is strongly related to these problems. Arguably certain structural changes could contribute to the easing or resolution of these problems, as has been suggested by other commentators (Sawkins & Dickie 2002, COSLA 2005, Kenway & Palmer 2003, 2005).

1.15 It is in the nature of these issues that they are typically wider in scope and implications than just being seen as a specific solution to the problem of Council Tax collection. There may be other policy arguments for addressing these issues, which go beyond the scope of this research.

1.16 Examples of such wider issues include:

- Separate billing of council tax and water and sewerage charges;
- Central collection agency for council tax and/or water/sewerage charges;
- Measures geared to countering financial exclusion, particularly financial education and money advice services (integrating relevant aspects into Scottish Executive Financial Inclusion Strategy and Action Plan);
- Reform of Council Tax structure, possibly linked to revaluation, and entailing re-banding, discounts, tax-take function, etc;
- Wider reform of local government finance, addressing balance of funding between different local and national revenue sources.

1.17 Some of these issues seem likely to come up the policy agenda anyway, not least because of the deliberations of the Local Government Finance Review Committee in Scotland and the Lyons Inquiry in England. For example, the prospect of Council Tax revaluation may encourage a wider review of the structure and operation of the system.

1.18 It would be beyond the scope of this research to subject some these possible policy options to exhaustive or rigorous discussion. However, it would be possible and appropriate to make comments on the possible implications of research findings for these areas of policy.
1.19 In Scotland, councils collect water and sewerage charges on behalf of Scottish Water alongside the Council Tax itself. This reflects the common basis for domestic water charges (i.e. Council Tax bands), although the Council Tax Benefit scheme does not apply to water1. The Brief for this research did not specifically identify water charges as a major issue to be addressed, but in practice this has emerged as being of some significance. The collection system is effectively a joint one, similar issues of affordability arise (Sawkins & Dickie 2005), while certain more specific issues arise in collection from the non-eligibility of water charges for CT Benefit. It is therefore necessary to discuss water charging and its interaction with Council Tax collection at various points, particularly in Chapters 2 and 4.

Research Methods Overview

1.20 The research involves a complementary mixture of methods. It has involved some background desk research and a substantial statistical analysis, followed by a case study approach. Almost uniquely, this study has sought information and views from a small group of non-payers as well as from Council officials and independent money advice workers. It looks specifically at changes that have taken place in the last few years, it compares different local authorities in Scotland, and it compares England and Wales with Scotland. We start from the hypothesis that the main types of factors involved include:

- Taxpayers’ attitudes to Council Tax;
- Socio-economic conditions and change at regional and local level;
- Legislative and regulatory structures and changes;
- Internal management arrangements and styles.

1.21 Much of the work focuses on half-a-dozen case study areas, four in Scotland and one each in England and Wales.

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1 There is a scheme for water charges reduction linked to CT Benefit eligibility for some households, as discussed further in Chapter 2.
CHAPTER 2  ISSUES AND STRUCTURES

Key Point Summary

- ‘Non-payment’ refers to a broad range of circumstances, including people who have paid nothing, people in partial arrears, people with ‘technical’ arrears, and people with complex histories and/or multiple debts.

- Non-payment comprises a mixture of those who ‘can’t pay’ and some who ‘won’t pay’, but many cases cannot be simply classified.

- In Scotland water and sewerage charges are collected with Council Tax but are not eligible for CT Benefit; this can often lead to households on Benefit having arrears.

- The CT recovery mechanisms and sanctions available to Scottish local authorities are different from and weaker than those available in England. Key problems/limitations relate to: water & sewerage; timing of process; power to seize goods or property; committal powers and their use.

- Relatively few of the recommendations of the 2000 It Pays to Pay report have been implemented.

- The most important outstanding issues which may require legislation are access to HMRC information, bypassing Summary Warrant, and water charge discounts.

- The most useful regulatory change has been allowing earlier instalments, but other potential changes are limited by the general reluctance in Scotland to criminalise non-payers.

- Further room for improvement is identified in relation to the ability to attach all benefits, reviewing rates of deduction, and a range of measures contained in the proposed Bankruptcy and Diligence (Scotland) Bill.

What do we mean by ‘non-payment’?

General process (UK-wide)

2.1 We use the general term non-payment to refer to all cases of arrears on payments due for Council Tax and water and sewerage charges. Thus, this includes both cases of people who have paid nothing and people who have paid some but not all of the amount due, including people who may intend to pay but are late.

2.2 Looked at in a different way, non-payment defined in this broad fashion includes both those who ‘can’t pay’ and those who ‘won’t pay’. As part of the legacy of protests against the Community Charge, there has been a tendency to assume that non-payers either ‘can’t pay’ or ‘won’t pay’. It is clear from this study that this distinction is too arbitrary and that
delaying payment is often the result of a mix of circumstances and opportunities in which negative attitudes towards Council Tax can sometimes play a part.

2.3 A key performance indicator is the ‘in-year collection rate’ (IYCR). This measures the amount of CT (and water charges) actually collected by the end of the financial year, as a percentage of the amount of CT, net Benefit/discount, due to be collected for the year in question. Table 1.1 in Chapter 1 showed IYCRs for the three countries since 1999. However, councils also monitor previous years’ arrears and seek to reduce them. Non-payment of current liabilities can be affected by the burden of repayments for arrears.

2.4 Eventually, when all methods of pursuing unpaid debt have been exhausted, or further measures are deemed uneconomic, councils may ‘write off’ the debt. The amount of debt written off may be an alternative performance measure; for example, it tends to be the preferred measure in the water industry.

2.5 Another way of measuring arrears for the current year is to take the percentage of liable households who are in arrears to some degree for the current year. This percentage is significantly higher than the IYCR, because of course many people have partial arrears and the IYCR is measured in terms of money rather than people.

Scottish Water and Sewerage charges

2.6 Water and sewerage charges create a significant complication in Scotland, in a way which differs markedly from the rest of the Britain, where these charges are collected separately by privatised water undertakings, and are based on different factors. In Scotland, water services are provided by Scottish Water and charged on an unsubsidised basis, with domestic customers charged on the basis of Council Tax banding with discounts (e.g. for single persons) similar to those applying to CT itself. In 2004/05 the Band D water & sewerage charge was £337, compared with the equivalent Council Tax average of £1,053. Thus water represents 24% of a typical domestic bill. However, while Council Tax had risen by 22% in real terms since 1996, water charges had risen by 110%.

2.7 Partly as a response to the rapid increase in water charges in the late 1990s, the Scottish Executive introduced an Interim Water and Sewerage Charge Reduction Scheme in 2001; a modified scheme will replace this in April 2006. Both schemes provide reductions for some households claiming CT Benefit.

2.8 Average domestic water charges in Scotland are now comparable with the middle of the range for England, where there are significant regional variations. Although it is sometimes argued that the Scottish system creates less burden for the less well-off, analysis by Sawkins & Dickie (2005, pp.232-4) shows that there was little difference in the key measures between the two countries in 2002-03. Water charges represent a larger proportion of income for lower income households in both countries.

2.9 In Scotland, it is common for households on Income Support and similar low income benefits, and eligible for full CT Benefit, to nevertheless be in repeated arrears on water
charges. This problem is compounded by delays in the Summary Warrant procedure and by the limits on amounts which DWP will deduct at source from IS, which in many cases are less than the amount of arrears, even for households in the lowest banded properties and allowing for the discount scheme.

2.10 This type of arrears is almost structured into the system, and is part of the wider picture of non-payment in Scotland. It might have been expected that the existence of the CT Benefit scheme would mean that people receiving full benefit would not have payment problems, but this is not the case. The water charge issue is the most obvious reason for this, but other factors like changes in benefit entitlement and past arrears can also be involved.

2.11 Detailed analysis suggests that the 2001 interim reduction scheme did initially ‘close the gap’ between the benefit system and water charges for most couple claimants, but that it did not do so for single claimants, particularly those who lived with other adults. Over time, the rise in water charge levels and scheme thresholds alongside the very low increase in DWP allowable deductions meant that the gaps increased, and reappeared in a small way for couples. The new 2006 scheme reduces costs for claimant couple/multi-adult households in lowest bands, but not for singles, compared with the interim scheme. Hence there is still a ‘gap’ between the systems which is likely to continue to generate arrears.

**Comparisons between Scotland, England and Wales**

2.12 There are several differences between Scotland and England (and Wales) which should be borne in mind when making direct comparison of collection rates between councils in these countries. Apart from Water Charges, there are different property bandings and different rules of enforcement.

2.13 It is interesting to consider what the collection rates for water and sewerage charges might be if Scottish Water had to undertake this task separately, and these charges remained outwith the scope of CTB or related benefits. Experience in England, where water charges are collected by the privatised water plcs, is relevant here. In 2004-05 the amount of household revenue outstanding up to 12 months, including amounts written off, was £400m or 8% of the total household revenue billed (OFWAT 2005). This percentage non-collection rate has risen from 7% in 1998-99, and the share written off has risen sharply. This non-collection rate compares with 3.4% for CT in England and 7.3% in Scotland. Informally, it appears that water undertakings recognise significant problems in collecting from low income households. This evidence suggests that a good deal of the Scottish difference in CT non-collection could be attributable to the attempt to collect water charges at the same time.

2.14 However, this evidence may be countered to some extent by observing that water undertakings pay most attention to the ultimate write-off of bad debt. On this basis, the English water companies perform markedly better with a rate of 2.2% in 2004/05 (OFWAT

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2 Personal communication, David Maddison, Local Government Association.
2005), compared with a roughly comparable figure of 4.5% for Scottish local authorities joint collection of water charges and CT. It appears that the English water utilities may apply a more rigorous approach to debt collection (WICS 2001, Ch.13, pp. 135-6).

2.15 We have argued that joint collection of water charges, and the way this does not fully dovetail with the Benefits system, is probably a partial explanation of differences between England and Scotland in collection rates. However, this is not necessarily to advocate separating the collection of water charges from local government. Separate collection would of course incur its own costs. In England, the water plcs spent £72m on the recovery of outstanding revenue, in addition to their basic costs of routine billing and collection. Benchmarking comparisons indicate that Scottish water customers get a reasonable deal from local authorities’ collection service.

2.16 Enforcement systems are compared in the next section. In general, Welsh enforcement mechanisms are the same as those in England.

**Enforcement systems in Scotland, England and Wales**

2.17 Enforcement rules are considerably different between Scotland on the one hand and England and Wales on the other.

2.18 The different rules of enforcement leave more of the process more in the control of local authorities in England and Wales than in Scotland, where sheriff officers must be involved before any action is taken. The ultimate sanction in England and Wales is imprisonment whilst, in Scotland, it is an Exceptional Attachment Order.

2.19 Annual increases in Council Tax levels in England, higher than in Scotland in the last five years, have given rise to protest by pensioners groups in some areas. For example, in September 2005, one 73-year old woman pensioner was given a suspended seven-day prison sentence for refusing to pay her council tax.

2.20 These individual cases of ‘protest’ are different in kind from people who have made no attempt to pay anything and who have reached the end of the line in terms of enforcement proceedings. The ‘ultimate’ sanction of imprisonment is said to apply to about 200 cases per year in England. Although still rare in the context of 20 million households, these events are seen by councils in England as having deterrent value.

2.21 To sum up, there are quite a few differences between Council Tax Collection arrangements in Scotland and those prevailing in England and Wales, some detailed or terminological but some substantive. The most important differences, from the viewpoint of this study, are the following:

---

- the collection of water and sewerage charges with the Council Tax in Scotland (as discussed above);
- the inability to request information or attach benefits before Summary Warrant;
- the lack of general power to seize goods within the home (except seen as a last resort);
- lack of general power to impose a charging order on domestic property (although a warrant of Inhibition on Sale may achieve a similar result); and
- the lack of an ultimate power of committal.

2.22 All of these could be said to reduce the effective ability of Scottish councils to collect CT, compared with their English counterparts. The only significant difference we perceive which goes somewhat in favour of enforcement in Scotland is the blanket bank arrestment, but this does not currently apply to non-Scottish banks (nor of course to those without bank accounts).

Follow-up from ‘It pays to pay’ in Scotland

Introduction

2.23 The joint Scottish Executive/COSLA report ‘It pays to pay – improving council tax collection in Scotland’, based on the IRRV (1999) study ‘Council tax collection arrangements in Scotland and England and Wales’, followed broad consultation and made a series of recommendations, including some for changes to the legislation. It stressed that individual measures would not be expected to have a major impact but that implementation of the full package of measures was needed.

2.24 Relatively few of the recommendations have been implemented since 2000. We asked case study councils to comment on changes implemented or still awaited in order to get a sense of priority if collection rates were to be further improved.

Legislative changes

2.25 One legislative change has given councils the right to refuse to sell council housing to tenants who have outstanding council tax and community charge arrears. This has resulted in debts being cleared but only applies to a very small number of cases.

2.26 Several recommended changes involving new legislation have not been implemented. Case study councils indicated that those which would have the greatest impact on collection rates, if implemented, were:

(a) giving access to HMRC tax records of bank accounts and employment details; and
(b) powers to bypass the Summary Warrant process when seeking voluntary direct deductions by the DWP from a debtor’s Income Support.

2.27 The HMRC and DWP have so far declined to assist. Inevitably issues of data confidentiality and protection are raised in this context, and may need to be resolved as part of a wider solution to wider demands for data sharing within the public sector. It should be noted that there is already routine electronic data sharing between DWP and LAs using the RATS system.

2.28 **By-passing Summary Warrant.** Households in receipt of IS, IS-JSA or Pension Credit and who are unable or unwilling to pay by instalment soon after the beginning of April will generally delay payment until a Summary Warrant is served; this then enables councils to request that DWP make weekly deductions towards the bill. This happens year after year in ‘roll-over’ cases. There is also an issue about being able to proceed to obtain information about non-payers’ employment or other financial circumstances before obtaining a Summary Warrant.

2.29 **Water and Sewerage Charges Discounts.** Water and Sewerage charges were removed from the Council Tax Benefit scheme in 1996 in Scotland. Direct inclusion in a mainstream benefit such as CT Benefit is of course a matter for reserved powers. However, as described above, the Scottish Executive introduced an Interim Water and Sewerage Charges reduction scheme from 2001, which is contingent upon CT Benefit eligibility, with a modified scheme planned for 2006.

**Regulatory changes**

2.30 ‘*It pays to pay*’ also recommended changes to regulations. Three have been implemented and two have not. Of those implemented, an April start to the instalment scheme has had the most impact.

2.31 The issue of Houses in Multiple Occupation (HMO) relates to the problems often associated with some areas of privately rented housing where it is difficult to keep track of a highly transient population, as discussed in Chapter 4.

2.32 Some of the further steps under either regulatory or legislative headings might have the effect of ‘criminalising’ people in certain situations, for example where information has not been supplied. There seems to be a general reluctance to go down this road in Scotland, in contrast with the position in England. This reluctance seems to be shared by councils, judging by our case study interviews.

**Other room for improvement**

**Deductions from benefits**

2.33 **Attachment of all benefits.** This was not raised in 2000 but is now a general problem, particularly as the number of households in receipt of Incapacity Benefit has become more prominent. Some officials felt that it was inequitable to deduct CT payments and arrears
contributions from the poorest group, those on Income Support, while not doing this for a group who are financially better off.

2.34 Levels of maximum deductions from benefits. The rates at which maximum deductions from benefit have risen in recent years are very low. These are deductions from what is meant to be the “minimum necessary” for people to live on – as stated on leaflets and application forms. From a CT collection perspective, the problem is that the level of deduction does not cover current levels of water and sewerage charges in many cases, thus adding to households’ arrears year-on-year if they stay on benefit.

Bankruptcy and Diligence (Scotland) Bill

2.35 Some of the measures expected as part of the Bankruptcy and Diligence (Scotland) Bill could contribute to improving collection. These concern regulations for earnings arrestment:

- Debtor duty to inform of employment changes;
- Use of Mandate from arrestees (usually banks) and debtor to release funds to Council; and
- 3 yearly up-rating of maximum wage deductions in earnings attachment.

2.36 However, Council Tax managers expressed concern about proposed changes that could on balance make bankruptcy less of a deterrent. The draft bill, first tabled by Jim Wallace in July 2004, included the following key proposals:

- reducing the bankruptcy period from three years to one year;
- streamlining the bankruptcy process and reducing court involvement;
- introducing time-limited claims against a bankrupt's home and inheritance;
- Bankruptcy Restriction Orders (BROs) on potentially fraudulent bankrupts; and
- encouraging a 'can pay, should pay' principle post-discharge.

2.37 This proposed Bill is included in the Executive’s legislative programme for 2005-06 (First Minister’s Statement, 6 September 2005). This appears to retain the same proposals as the 2004 draft. There is a general theme of ‘modernisation’ in the proposals, both in terms of the overall philosophy, balancing the rights of creditors with more support for business risk, and in terms of creating specific diligence mechanisms relating to different kinds of property, money, bank accounts, and goods. The proposed diligence relating to land/property may be used in the case of second homes, which are a significant source of non-payment in some authorities. The legislation may also reform the existing sheriff officer system, and give creditors better information including an information disclosure
scheme for relevant details held by Government and other bodies’ – perhaps the latter may provide some basis for moving forward on the information issues with HMRC and DWP mentioned above.
CHAPTER 3 \hspace{0.15cm} STATISTICAL ANALYSIS

**Key Point Summary**

- Most of the variation in collection rates between local authorities and smaller areas is explained by objective demographic and socio-economic factors. The strongest drivers of variation in CT collection rates are measures of poverty and deprivation, with unemployment and transitory/partial benefit status being particularly associated with problems.

- Areas with higher numbers of older people generally show higher collection rates and areas with more single person or lone parent households have lower rates. Transitory residence, often associated with private renting, is also clearly associated with more non-payment. Non-collection is more prevalent in urban areas and somewhat less prevalent in rural areas.

- Ward level analyses help to separate the effect of local authority administration from the above factors, and confirm that there are quite significant differences between local authorities’ collection rates, even after controlling for socio-demographic factors. This evidence, and some of that from England, suggests that it is in deprived urban areas that differences in administrative effectiveness can make most difference.

- It is also clear that there is a large systematic difference in collection rates (4-5% points) between Scotland and England, which cannot be explained by the socio-economic or demographic factors included in a combined statistical model. This difference may reflect structural differences as well as administrative and cultural factors.

- Individual data indicate that non-payment incidence tends to be higher for those on benefit, particularly partial benefit, but that there is still a large number of non-payers who are not on benefit.

- Comparisons of ward data on Council Tax Benefit and other low income benefits suggests that, in some areas of Scotland, a lot of low income households are not engaging with the Council Tax system at all. If this group were brought into the system, overall collection rates would rise but most of the cost would be met by CT benefit rather than by the individual households.

**Introduction to Statistical Analysis**

3.1 This section of the report presents more substantive findings from one part of the research, namely the statistical analysis of data on council tax collection rates and related indicators. The Brief for this project required such an analysis in relation to Scottish local authorities, and also a comparable investigation for local authorities in England and Wales.
3.2 The analysis starts with a descriptive account of the key indicators and their variation between individual local authorities and broader types of authority. However, the main added value is in undertaking a multivariate analysis in order to identify and quantify the impact of a range of measurable factors on collection rates and the incidence of arrears. This uses the standard technique of multiple regression analysis, a familiar tool in other areas of local government finance and in the wider fields of urban studies and economic modelling. The potential value of this analysis includes:

- Providing evidence to confirm or question the significance of certain factors which are argued to influence collection rates;
- Providing a benchmark against which the performance of individual authorities may be assessed – given that the difficulty of the task varies between localities;
- Identifying in this way authorities which appear, on the basis of their performance, to display good practice, as a preliminary to case studies in some of these authorities to examine in more detail the practices which may account for more effective performance;
- Helping to interpret the apparent differences between Scotland, England and Wales, by applying comparable models to data from each country.

3.3 The research team suggested an additional approach, beyond that specified in the Brief, to enhance the value of the research. This entailed obtaining data from case study authorities on the Council Tax collection rates and related statistics for smaller areas within the authorities, wards in this case, and relating these to a range of data obtained from Neighbourhood Statistics, the Census and the Scottish Indices of Multiple Deprivation (SIMD). As in other research relating to spending needs formulae, it can be argued that this approach helps to separate the effects of demographic and socio-economic conditions from the effects of differing local authority policies and practices (Smith et al 2001).

3.4 We also looked to see if it would be possible to undertake analyses at the level of individuals/households, by drawing on data from major national surveys. In the event, it has not been possible to find directly relevant indicators on Council Tax arrears within these data sources, although some indirectly relevant material on housing payment difficulties is briefly reported.

3.5 Table 1.1 in Chapter 1 provided summary information on Council Tax in-year collection rates for Scotland, England and Wales. The table shows that the Scottish collection rate has risen from just over 88% in 1999/00 to nearly 93% in 2004/05, the most recent year for which figures are available. However, the collection rate in England in the latest year is still 4% points higher than the rate in Scotland, although the gap has narrowed from 7% points in 1999/00. The rate in Wales is similar to but marginally lower than the rate in England, currently at just over 96%. The table is interesting for showing the extent of variation in England between types of authority, ranging from 92.9% in Inner London to
97.8% in shire districts. The Scottish collection rate is similar to the rate for Inner London, and this has been the case throughout this period.

Development of the Statistical Analysis

3.6 Most of the analysis focuses on the In-Year (Non-) Collection Rate, regarded as the best single measure of the problem of arrears or non-payment. Distinct analyses are undertaken for:

- Local authorities in Scotland;
- Local authorities in England;
- Local authorities in Wales;
- Local authorities in England and Scotland combined;
- Wards in three Scottish authorities;
- Arrears incidence rates for wards in four Scottish authorities.

3.7 All of these analyses seek to explain variations in the non-collection rate using a range of demographic, socio-economic, geographical and administrative factors. The rationale for choosing these factors and for expecting them to have particular effects is discussed only briefly in this abridged report.

Results at Local Authority Level

General model

3.8 Table 3.1 presents a summary of the results of the multiple regression model to explain the variations in non-collection rates (averaged over two years) for Scottish local authorities. This model reflects both judgement and statistical criteria, and can explain a high proportion (88%) of the overall variance between authorities and an average error in the predicted non-collection rate of 0.7% points.
Table 3.1: Summary of Regression Analysis Results for Non-Collection Rate across Scottish Local Authorities

<table>
<thead>
<tr>
<th>Factor</th>
<th>Expected Effect</th>
<th>Effect Direction &amp; Strength</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>+++</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>Sparsity: Hectares/Person (Rurality)</td>
<td>-</td>
<td>-</td>
<td>*</td>
</tr>
<tr>
<td>Gross Weekly Household Income £</td>
<td>-</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Ave SIMD Rank (non-deprivation)</td>
<td>-</td>
<td>---</td>
<td>**</td>
</tr>
<tr>
<td>% Unemployment Rate 2001</td>
<td>+</td>
<td>+++</td>
<td>***</td>
</tr>
<tr>
<td>% Limiting Long-term Illness 2001</td>
<td>-?</td>
<td>---</td>
<td>***</td>
</tr>
<tr>
<td>% one adult households</td>
<td>+</td>
<td>++</td>
<td>*</td>
</tr>
<tr>
<td>% elderly (60+) population</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>CT Bill £ per household pa</td>
<td>+</td>
<td>++</td>
<td>*</td>
</tr>
<tr>
<td>% paying CT by Direct Debit</td>
<td>-</td>
<td>--</td>
<td>*</td>
</tr>
<tr>
<td>% of variation explained</td>
<td></td>
<td></td>
<td>88.1%</td>
</tr>
<tr>
<td>Ave ‘error’ predicted vs. actual % point</td>
<td></td>
<td></td>
<td>0.7%</td>
</tr>
</tbody>
</table>

Effects of particular factors

3.9 All of the factors which are statistically significant in this model have effects in the expected direction.

3.10 Sparsely populated rural areas tend to have a lower non-collection rate. More prosperous/less deprived areas (with a higher average SIMD rank) have lower non-collection rates, and this is one of the stronger drivers in the model. This is reinforced by the higher non-collection rates in areas which have high unemployment. By contrast, areas with a high level of long-term limiting illness/disability (LTI) have higher collection rates. We interpret this as suggesting that the kind of benefit dependency associated with LTI, being essentially stable and long-term, is less associated with collection problems, whereas benefit dependency associated with unemployment, which is more short term and unstable, is particularly associated with problems.

3.11 Is non-collection a greater problem in areas with higher Council Tax? The variable average bill per household is included in the model and found to have such a positive effect. However, this does not apply in all models, and it should be remembered that the size of the bill depends on both the rate set by the local authority (the so-called ‘Band D’ Council Tax) and the average property value banding.

Administrative factors

3.12 We did test also for the inclusion of the administrative variable, percentage paid by direct debit (based on Gunn 2004 study). Direct debit does appear to be associated with lower rates of non-collection, as expected, although it is itself strongly reflective of socio-economic conditions.
3.13 We attempted to include spending on local tax and benefits administration in this model, but this was not very successful, partly for technical reasons. Costs seem to respond to some of the same factors as non-collection, including private renting (transient populations), but also are higher in the largest authorities (diseconomies of scale?).

3.14 The pattern of spending may suggest that a common factor linking low collection and high spending is inefficiency. An alternative interpretation might be that collecting Council Tax from certain (particularly deprived) populations is very difficult, but local authorities have been strongly encouraged to improve their collection. Therefore they have spent more resources, particularly in the worst affected local authorities, but this spending has not been sufficient to level up the collection rates completely.

3.15 As a by-product, it is then possible to use the model to pinpoint more clearly which authorities seem to have relatively high or low collection rates, allowing for their socio-economic and demographic characteristics. For example, authorities with higher-than-predicted collection rates include Angus, East Renfrewshire, Renfrewshire, Stirling and West Dunbartonshire. Authorities with lower-than-predicted collection rates on this basis include East Ayrshire, East Dunbartonshire, Inverclyde, Midlothian and Western Isles. This information has been helpful in selecting case studies.

**Results for England, Wales and Scotland**

*Model for English local authorities*

3.16 We have applied similar regression models to the non-collection rates for English local authorities. The average CT in-year collection rate in England is markedly higher than in Scotland and there are few local authorities with particularly low rates. These tend to be in (Inner) London.

3.17 A broadly comparable regression model for English local authorities was tested. It should be noted that the ‘fit’ of the model is poorer, with only 71% of the variance explained. However, the average ‘error’ in the predicted collection rate is similar to that found in Scotland (0.7% points). Some of the variables included in the model are the same, and some are different. Not all of the variables included are statistically significant, although in one or two cases they are only marginally outside the conventional criteria of significance.

3.18 It is difficult to draw strong conclusions about the differences in the factors underlying non-collection in the two countries. The models are more similar than different, with most main factors operating in the same way. Compared with Scotland, non-collection in England appears to be less related to unemployment and more to lone parents, ethnic minorities, and vacant/low demand housing. In England factors associated with transience play a strong role, but this is perhaps represented by different variables in the two countries. There is less evidence in England that the level of the CT Bill is a significant factor,
although it is difficult to separate this from housing wealth, which varies more significantly in England.

3.19 Examination of the differences between actual and predicted collection rates reveals that deprived urban authorities appear at both ends of the list, as do rural authorities. This suggests that local managerial factors still play an important part. The lower predicted rates for many deprived urban authorities reinforces the message that such authorities face a more challenging task in collecting Council Tax, and perhaps not all of them have organisations fully equal to the task, but some have as noted achieved significant improvements. This may reflect the work of the LGA and some other benchmarking groups which have been working to share ideas for improvement.

**Combining English and Scottish Authorities**

3.20 A more interesting exercise is to try to fit a common model to the combination of English and Scottish local authorities, using a set of directly comparable explanatory variables. The overall fit of the model is slightly better than that for the England only model, with 76% of the variance explained.

3.21 Most of the effects are as expected and as previously reported. Non-collection is:

- greater in denser urban areas and less in rural areas;
- greater in areas of lower income and more deprivation;
- greater where there are more lone parents;
- lower where there are more elderly people overall, but more where there are more lone pensioners;
- greater where there is more non-white population;
- greater where there is more private renting.

3.22 This model contains a ‘dummy’ or shift variable for local authorities in Scotland. This has a strongly significant positive effect, allowing for all the other socio-economic and demographic effects. This means that non-collection rates are significantly higher in Scotland, even when we have allowed for all these other measurable factors. It confirms that there is clearly a ‘Scotland effect’, although we cannot say exactly what accounts for it – it could reflect a combination of the water and sewerage payment issue, other legal and administrative differences, and possible managerial or cultural influences insofar as these are systematically different between the countries.

3.23 Table 3.2 shows the actual and predicted rates for England and Scotland as a whole, based on this combined model. It shows that the size of the ‘Scotland effect’ is quite sizeable, amounting to 4.8% points. This difference is as great as the overall difference in actual rates between the countries. In other words, the socio-economic and demographic factors in the model do not appear to account for any of the difference between the countries. If the model correctly captures the effects of these variables, then we would expect there to be no difference between the countries in the outturn rates of collection. All
of the actual difference is attributable to the kinds of factors mentioned at the end of the previous paragraph.

Table 3.2: Actual and Predicted Collection Rates for England and Scotland based on combined model

<table>
<thead>
<tr>
<th>Country</th>
<th>Actual Ave IYCR 2003-5</th>
<th>Predicted IYCR</th>
<th>Predicted - Scottish effect</th>
<th>Scotland difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>96.28</td>
<td>96.43</td>
<td>96.43</td>
<td>0.00</td>
</tr>
<tr>
<td>Scotland</td>
<td>91.95</td>
<td>91.99</td>
<td>96.79</td>
<td>-4.81</td>
</tr>
<tr>
<td>Total</td>
<td>95.92</td>
<td>96.06</td>
<td>96.46</td>
<td>-0.40</td>
</tr>
</tbody>
</table>

Note: Scottish effect/difference based on dummy variable for Scotland, transformed back into percentage rate terms.

3.24 Whilst it is true that some factors point to more non-collection in Scotland, including lower incomes, more lone parents, lone pensioners and vacant dwellings, these are more than outweighed by other factors. These ‘other factors’ which point towards fewer collection problems in Scotland, and more in England, are as follows: density (the London effect); sparsity (the Highlands effect); more elderly people and less ethnic minority populations; lower CT Bills; and less private renting.

3.25 This is clearly a key finding. It underlines that there is a systematic difference in non-collection between Scotland and England, and suggests that this is more likely to be due to differences in the legal and regulatory framework, as well as any systematic inter-country differences in administrative efficiency and/or in culture and attitudes. Since Chapter 2 has already identified several significant differences in the structural, legal and regulatory framework, which disadvantage Scotland in the task of CT collection, it would seem reasonable to treat these as an important part of the explanation.

3.26 Managerial efficiency is generally regarded, in economic analyses of local government finance and performance, as something which varies randomly between different local authorities. Taking this ‘normal’ assumption, we would not expect to find a systematic difference in managerial efficiency between England and Scotland. However, such a hypothesis cannot be ruled out. In addition, and perhaps more pertinently, it can be argued that certain cultural and attitudinal factors interact with the rigour with which debt collection processes are pursued, for example attitudes to criminalisation or the use of sanctions such as sequestration.

Results at Ward Level (Scotland)

Ward model for in-year non-collection

3.27 Two ward level analyses were successfully carried out for case study local authorities in Scotland. In both cases the overall fit of the model is extremely good, with 95% of the variance being explained. Most of the variables included are statistically significant and all have effects in the expected direction. Such a small area analysis helps to separate out the
effects of socio-economic, geographic and demographic factors from factors associated with individual local authorities’ administrative effectiveness (Smith et al 2001).

3.28 The demographic factors in the model accord with expectations and the local authority level results. Wards with more elderly households are associated with less non-collection problems, whilst those with more lone parents are associated with more problems, as are wards with more smaller households (including single person households). Deprivation (low SIMD ranking) is associated with more problems, as is having a lower employment rate. There is a strong positive association with part-eligibility for CT Benefit, confirming the hypothesis about partial and changing benefit status being a problem. There is some evidence for lower problems in wealthier areas with higher house prices and in more rural areas (proxied by the SIMD access indicator). There is also some evidence that chaotic lifestyles, proxied by secondary school absences, may be a factor, but this is of marginal statistical significance.

Table 3.3: Summary Regression Model Results for Ward Level Non-Collection Rates in three Scottish authorities 2004/05

<table>
<thead>
<tr>
<th>Factor</th>
<th>Expected Effect</th>
<th>Effect-Direction strength</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
<td>***</td>
</tr>
<tr>
<td>Authority C</td>
<td>+</td>
<td>++</td>
<td>***</td>
</tr>
<tr>
<td>Authority D</td>
<td>-</td>
<td>-</td>
<td>***</td>
</tr>
<tr>
<td>% elderly households</td>
<td>-</td>
<td>-</td>
<td>***</td>
</tr>
<tr>
<td>Full CT Benefit claimant %</td>
<td>?</td>
<td>-</td>
<td>***</td>
</tr>
<tr>
<td>Part-CTB claimants %</td>
<td>+</td>
<td>+++</td>
<td>***</td>
</tr>
<tr>
<td>Aver Household Size Persons</td>
<td>-</td>
<td>-</td>
<td>***</td>
</tr>
<tr>
<td>% Lone parent families</td>
<td>+</td>
<td>+</td>
<td>**</td>
</tr>
<tr>
<td>% working age in employment</td>
<td>-</td>
<td>-</td>
<td>*</td>
</tr>
<tr>
<td>% private renting households</td>
<td>+</td>
<td>++</td>
<td>***</td>
</tr>
<tr>
<td>Median house price 2003</td>
<td>-</td>
<td>-</td>
<td>***</td>
</tr>
<tr>
<td>SIMD Ranking</td>
<td>-</td>
<td>---</td>
<td>***</td>
</tr>
<tr>
<td>SIMD 2004 Access Score (Rurality)</td>
<td>-</td>
<td>-</td>
<td>***</td>
</tr>
<tr>
<td>Secondary Absences</td>
<td>+</td>
<td>+</td>
<td>***</td>
</tr>
<tr>
<td>% of variance explained</td>
<td></td>
<td></td>
<td>95.2</td>
</tr>
</tbody>
</table>

3.29 ‘Dummy’ variables are used in the model to represent the individual authorities, showing the difference from case B treated as a reference case. Authority C has more collection problems than B, allowing for the other factors, while D has fewer problems. These results are as expected on the basis of the case study work, and support the view that there are differences in administrative effectiveness between authorities, as well as socio-
economic differences which have been controlled for. These authority differences may also reflect cultural factors, however.

3.30 The second analysis covers all four Scottish case studies, but uses a different measure, the percentage of households in arrears on Council Tax in the relevant year (2004/05).

3.31 Wards with more single person households have more arrears cases, but the share of lone parents is no longer significant. Partial CT benefit cannot be distinguished but the overall CT Benefit take-up variable is strongly positive. Taken in conjunction with the strong negative effect of SIMD ranking, this confirms the importance of deprivation. In this model, however, the employment rate appears to have a positive effect. Rurality is more clearly negative. There is stronger support for the hypotheses about transience, reflected in the private renting and migration turnover variables.

3.32 The relative positions of Authorities C and D are confirmed, while Authority A also shows a higher arrears rate than the reference case (B) allowing for the other factors.

3.33 To put flesh on the bones of these differences between authorities, the following Table 3.4 summarises the differences in arrears incidence between these cases, showing the part not attributable to socio-economic factors. This shows that the differences attributable to local authority administrative effectiveness and other local cultural factors are quite sizeable. Authority C has an arrears incidence which is 18.4% points higher than would be predicted given the characteristics of its wards but assuming it had the same local administrative and cultural characteristics as B (the reference case). The differences for A and D are less striking but still significant, at 5 to 7%.

### Table 3.4: Actual and Predicted Arrears Incidence by Local Authority, 2004/05

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Actual Arrears %</th>
<th>Predicted Arrears %</th>
<th>Predicted ref case</th>
<th>LA difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>24.92</td>
<td>24.81</td>
<td>17.98</td>
<td>6.83</td>
</tr>
<tr>
<td>B</td>
<td>15.47</td>
<td>15.23</td>
<td>15.23</td>
<td>0.00</td>
</tr>
<tr>
<td>C</td>
<td>38.32</td>
<td>38.77</td>
<td>20.36</td>
<td>18.41</td>
</tr>
<tr>
<td>D</td>
<td>7.79</td>
<td>7.06</td>
<td>12.12</td>
<td>-5.06</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24.66</strong></td>
<td><strong>24.64</strong></td>
<td><strong>17.24</strong></td>
<td><strong>7.40</strong></td>
</tr>
</tbody>
</table>

3.34 Associated with these average results, it can be seen that there is a large concentration of wards with very high arrears levels, above predicted levels albeit typically cases where the predicted level (due to deprivation etc) is also rather high. This concentration is mainly in Authority C. There are a smaller number of individual cases with this characteristic in Authorities A and B.

3.35 Overall, the ward level results, while they broadly confirm the hypothesized relationships between socio-economic factors and non-collection, also serve to underline more strongly the conclusion that there are substantial differences between local authorities.
which cannot be explained by these factors. By implication, the differences in administrative effectiveness, along with any cultural differences, are quite important in some cases.

**Related Results at Individual Level**

*Arrears and benefit status*

3.36 Some local authorities supplied ward data distinguishing the benefit statuses of non-payers (those in arrears) and those fully paid up. Table 3.5 provides a simple illustrative analysis, showing the breakdown of households in Authorities D and C by benefit status and arrears status. This does clearly indicate that arrears incidence or risk is much higher for those on benefit, and that it is somewhat higher for partial benefit cases than for full benefit cases. But, at the same time, there are still a large number of non-payers or part-payers who are not on benefit, accounting for half of the total households in arrears in both authorities. Local Authority C has, as noted earlier, much higher arrears than other authorities generally. This table shows that this higher probability of arrears applies in each benefit status category. However, in proportional terms the risk of arrears is increased much more for non-benefit households than for those on benefit, as you move from case D to case C.

**Table 3.5: Council Taxpayers by Arrears Status by Benefit Status in Two Scottish Local authorities 2004-05**

<table>
<thead>
<tr>
<th>LA &amp; Arrears Status</th>
<th>Not Benefit</th>
<th>Part-Benefit</th>
<th>Full Benefit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Authority D</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% probability of arrears</td>
<td>4.8%</td>
<td>27.3%</td>
<td>24.7%</td>
<td>8.1%</td>
</tr>
<tr>
<td>% share of arrears cases</td>
<td>49.7%</td>
<td>25.0%</td>
<td>25.3%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Local Authority C</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% probability of arrears</td>
<td>30.5%</td>
<td>57.1%</td>
<td>46.9%</td>
<td>38.7%</td>
</tr>
<tr>
<td>% share of arrears cases</td>
<td>47.4%</td>
<td>23.6%</td>
<td>29.0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.37 It might be argued that, if the CT Benefit system were fully effective in protecting poor households from hardship relating to local taxation, then the probability of arrears would not be markedly greater for people on benefit than for people not on benefit. In particular, people on full CT Benefit would (in theory, and in England) not have to pay any part of the cost, and should not therefore have any general reason for getting into arrears. However, in Scotland people on benefit still have to pay water and sewerage charges. For this group, it may well be the water charges which account for the arrears. This is an oversimplification, insofar as some people’s benefit status changes during the year. Nevertheless, the evidence suggests that there are a considerable number of people in this situation, between a quarter and a third⁴.

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⁴ Unfortunately, we do not have comparable data in this form for our English or Welsh case studies, nor for the other Scottish case studies.
3.38 People on part-benefit have to make some partial CT payment, but they are also on a relatively low income; many are operating on the margins of the labour market, in and out of low paid, temporary or part-time employment. Some of this group experience frequent changes of circumstances, which benefit systems are imperfect at picking up, and such changes are known to be a common trigger for personal financial problems. For these reasons, it is unsurprising that this group have the highest probability of arrears.

3.39 The evidence that (in these authorities) nearly half the total arrears cases are not on benefit could also be interpreted as suggesting that there is a large number of people who ‘won’t pay’ rather than ‘can’t pay’. However, the case is, again, not as simple as that. If someone is not engaging with the authority at all in relation to CT, then they would neither have paid anything nor be on CT Benefit either. For this group, we do not know what their income/poverty status is. If they did engage with the authority, it might turn out that they were in fact eligible for full or partial CT Benefit. Alternatively, they might be just beyond the margins of CTB eligibility. In either case, they would be relatively poor if not absolutely poor. The ward results from Authority C, in particular, suggest that in some areas there the degree of non-engagement by poor households (those receiving IS or other income-related DWP benefits) may be significant, because we would actually expect the level of CTB take-up to be greater than it is.

3.40 For the ten wards in Authority C where the non-collection rate is most in excess of the predicted level, in all cases the CTB claim rate is significantly below the SIMD poverty rate (e.g. ward A 15% vs. 25%; ward G 29% vs. 41%; ward W 12% vs. 22%; ward T 28% vs. 40%). There are a few cases in other authorities of high-poverty wards where CTB rates are above SIMD poverty scores. It would seem that the relationship between these two different benefit measures may be worthy of closer investigation. For Authority C, there is a substantial financial penalty being incurred by the locality, for if more of these benefit-dependent households were hooked into Council Tax, the authority would be receiving a substantial amount of additional CT Benefit subsidy.
CHAPTER 4 PERSPECTIVES ON NON-PAYMENT

Key Point Summary

- Local authorities perceive the value of data analysis to aid understanding of collection problems and target responses, although IT systems may require development to allow this.

- The problems associated with collecting Water and sewerage charges with Council Tax in Scotland, and their interaction with the benefits system, are seen as a major issue by council officials.

- Transient populations in private renting are a general problem for collection services.

- Poverty and low income are universally perceived as a major cause of non-payment, with a particular concern about people with some non-benefit income or moving between different benefit statuses.

- Multiple debts are a common and growing factor in non-payment, with Council Tax often assigned low priority and money advice services commonly being involved.

- There is a group of non-payers who remain hidden from the system, through deliberate avoidance of contact, while others fail to face up to their problems in a more passive way.

- Negative perceptions of Council Tax are common, but views about what services are paid for may be poorly informed.

- The Community Charge left a long legacy of arrears and a non-payment culture in some areas, but this is now less of a factor in current non-payment.

- Other factors such as literacy and language and mental ill-health may be relevant for particular individuals and groups.

- Money advisers place more emphasis on poverty levels, multiple debts, poor household budgeting, and low priority to Council Tax, while also mentioning system features like the hangover of debts from Community Charge, the separation of rent and CT payments and the different regime for consumer debt.
**Local officials’ perspectives on non-payment**

**Introduction**

4.1 This chapter concentrates on reasons for non-payment as perceived by Revenues and Benefits officials and independent money advice workers. It is important to emphasise that these are predominantly views and opinions, albeit based on experience. As with any such collection of views, there is some possibility of bias; for example, officials may be less critical of their own organisation than they may be of others. In synthesising research findings later, we weigh this evidence with other evidence of different kinds or from different sources, in order to reach a balanced assessment.

4.2 The demography and socio-economic situation of an area clearly affects the relative importance given to various reasons for non-payment. Councils are increasingly undertaking statistical analyses of accounts to help target action. Several officials felt the distinction between ‘can’t pays’ and ‘won’t pays’ was not particularly helpful, as people themselves would say they won’t pay because they can’t, given their financial circumstances.

**Water and Sewerage charges for households on benefit – a Scottish problem**

4.3 All Scottish case study councils identified the joint Council Tax and water and sewerage bill as a major factor in limiting improvements in collection rates, and pointed to its links to the extent of poverty and low income. They remarked that a large proportion of people living on benefits reduces the council’s chances of achieving a high rate of in-year collection. It is noteworthy that this came up as it was not a feature much highlighted or prompted in the interview topic guide.

4.4 Collecting water charges creates various problems, particularly with households on benefit, as explained in Chapter 2. This is particularly serious for councils with large proportions of the resident population on benefit. Maximising in-year collection from this group therefore also depends to some extent on the quality of co-operation achieved with local DWP agencies such as Jobcentre Plus and Pension Credit administrations.

4.5 There have been recent improvement in staffing and turn-around time in some local areas in Scotland and is said to have had an impact on collection rates as it brings in payments for additional weeks. This issue was a motivation for the ‘It Pays to Pay’ recommendation that councils be allowed to ‘by-pass’ the Summary Warrant. This is a reserved power and DWP has declined to assist so far.

**Population mobility**

4.6 There is a significant transient population, mostly living in private sector tenancies. This was identified as a feature associated with non-collection across all case study councils but was particularly prominent in large urban areas. In some towns in case study areas, this population includes many students. In other areas, they include young people
who move around a lot, appearing to be neither on benefit nor in regular employment, or older unemployed people moving to the country or the seaside. Full-time students living in all-student households (or institutional accommodation) are exempt. However, many students are not full-time and live on tight budgets.

4.7 Private landlords often fail to volunteer information about changes of tenancies. However, if they cannot prove that the property was occupied, they are liable to pay Council Tax. Some landlords apparently change their behaviour over time and begin to report information or introduce new tenants to the council. This can be encouraged by billing them systematically unless there is proof that the property is occupied or by ensuring that inspections quickly identify empty property.

**Poverty and low income**

4.8 All case study councils cited poverty and low income as a significant factor in non-collection. Having a small disposable income was perceived as being associated with giving low priority to the payment of Council Tax. People living on Incapacity Benefit appears to be a factor in some areas, as at present this form of benefit income cannot be attached for CT arrears while some people living on such incomes may assume that they do not have to pay.

4.9 Improvement in some households’ income does not necessarily lead to improved Council Tax collection, because people may be unused to paying rent and CT, unused to claiming tax credits, and sometimes having to repay overpaid tax credits. Such households can benefit from advice targeted on transitions into work.

4.10 Low income is often associated with frequent job change, and changes of circumstances are a challenge for Council Tax administrations. At each change of situation, Council Tax administrations must be notified and CT Benefit claimed again, yet often this does not happen or is delayed. Another kind of change of circumstances arises when people with mortgages lose their jobs and lack MPPI insurance; paying the mortgage is generally seen as a priority over paying CT.

**Multiple debts**

4.11 Councils and money advisers pointed to a changing culture that makes it more acceptable to live on credit, with much encouragement to take on consumer credit, and less stigma associated with debt collectors at the door.

4.12 Money advisers confirm that for most people with multiple debts, Council Tax is not seen as a priority, even after the situation is fully explained. Levels of debts can still be affected by arrears going back to the Community Charge. Debts to moneylenders are given higher priority, partly because debt collectors come to the door and build a relationship, and partly because of the more immediate and tangible needs which this money meets (see also Leyshon et al 2006).
4.13 Perception of the ‘worst that could happen’ if you fail to pay Council Tax appears very limited. By contrast, officials perceived some people as being very ‘clued up’ and willing go to great lengths to avoid an earnings arrestment and conscious that the local authority is one of the first creditors to take action.

4.14 In some multiple debt cases, charge payers are paying several small amounts for arrears of three years or more. There are different practices and views about packaging together current payments with arrears.

‘Most hidden from the system’

4.15 Council officials presume the existence of a group that is ‘most hidden from the system’, ‘a hard core who can’t or won’t pay’. Some should be on Council Tax Benefit; some have mental health issues, some stay temporarily in other people’s flats. Not all are necessarily deliberately evading payment; they may just ‘stick their heads in the sand’.

Negative perception of Council Tax

4.16 Both officials and money advisers report a lot of resentment about CT (‘where is my money going?’). This can often come from affluent and articulate payers as well as those not paying or in difficulty, and often relates to perceived service inadequacies or lack of relevant services provided or actually used. However, officials and money advisers reported that the great majority of debtors do not know what Council Tax is actually for.

Legacy of the community charge

4.17 In Scotland, it is clear that there has been a ‘culture of non-payment’ associated with the Community Charge, particularly in some areas, and affected the level of arrears for a number of years after the introduction of CT. This is not believed to be one of the strongest factors in non-payment now, and the view of officials. Nevertheless, in high unemployment areas in Scotland, there are reports of ‘a historical attitude that militates against paying rates’.

4.18 Several money advisers in Scotland saw it as problematic that the Community Charge broke the links between rent and rates. The previous joint billing regime made it clear that the tax was directly linked to services provided by the council. In that sense, they felt the legacy was very much alive now as, for council tenants at least, the new regime was perceived as an impediment to viewing the tax positively.

Other Issues

4.19 Although literacy problems were only mentioned by some money advisers, such difficulties should arguably be identified earlier in the process, although many clients are resistant to be referred for help. Similarly, language difficulties are difficult to identify but may respond to targeted promotional campaigns. Some money advisers reported a growing
number of clients with severe mental health problems. This may reflect the higher level of care in the community for this client group.

4.20 Rising Council Tax levels have been noted as a possible factor by officials and money advisers in some areas, but the greatest concern was with levels for people in low bands and people on low incomes. The lack of a robust recovery strategy can be a factor in non-collection, comparing the situation in different case studies and where strategies had changed.

Money advice services

4.21 Money advisers tend to see people who are in multiple debt and threatened by some action of diligence, but they tend not to see those who deliberately ‘won’t pay’. All advisers treat CT as a priority debt, and try to break the cycle of non-payment; they spend a lot of time explaining how all creditors must be paid within a viable current budget.

4.22 More provision was seen as needed, based on steadily increasing demand. In Canada and the USA, a statutory levy is paid by creditors to fund money advice services.
CHAPTER 5  NON-PAYERS’ CHARACTERISTICS AND ATTITUDES

Key Point Summary

- A range of reasons for non-payment were voiced by non-payers, but there was overwhelming commonality of experience regarding affordability or hardship as the key reason for Council Tax non-payment. Causes were often due to a sequence of factors or circumstances that had precipitated current difficulties.

- The study did not find evidence of a groundswell of objection to Council Tax in principle. There was some evidence of the existence of a general sense of a duty to pay CT and other taxes, and a waning legacy of the Community Charge. But in general respondents were struggling financially, and Council Tax was afforded very low priority alongside other debts and financial commitments.

- Chronic financial hardship was particularly an issue for respondents living on state benefits, whereas respondents in work on low or irregular incomes experienced more episodic problems, often triggered by one-off events such as ill-health or a previous redundancy.

- Transitions in and out of Council Tax Benefit eligibility appeared to be particularly disruptive for many respondents, both in terms of their own ability to afford payments when deemed ineligible, and to dealing with delays and misunderstandings associated with CTB claims.

- The double burden of paying both CT arrears and current liabilities was a further theme compounding affordability difficulties for many respondents. Other important themes emerging related to the negative impacts on health and quality of life associated with the circumstances leading to non-payment of CT.

- Whilst respondents were broadly positive about contact with local authority revenue and benefits section staff when reasonable payment agreements were put in place by mutual consent, such agreements were often described as having been pushed onto respondents, who were often then unable to maintain the payment schedule.

- There was some support for a more personalised approach by staff towards people’s circumstances, but balanced by some concerns about discretion. Other concerns included staff with insufficient knowledge and overly bureaucratic procedures. Mixed and sometimes strong views were voiced regarding contact with sheriff officers.

- Money advice had rarely been sought by respondents, and there was a relatively low level of knowledge of this service.
• Perceived unfairness regarding ability to pay was most commonly raised; with one third of respondents highlighting their belief that Council Tax should be based on ability to pay. Other aspects of perceived unfairness related to the extent to which individuals perceived they used services, and to availability or quality of services in some areas.

Qualitative survey of non-payers

5.1 The survey of non-payers aimed to identify the characteristics of non-payers, explore the underlying reasons for non-payment and identify any wider social and behavioural issues that might be relevant to Council Tax payment and collection. In this chapter, we report on life circumstances, experiences and opinions from twenty-nine respondent households in arrears with Council Tax payments and draw inferences concerning implicit and explicit reasons for non-payment. Research focussed on this group is relatively rare (but see Orton 2004).

Reasons for non-payment

5.2 The study findings indicate that there were multiple reasons for non-payment.

Affordability reasons for non-payment

5.3 Most of the reasons identified can be broadly related to affordability. These included:

• Financial hardship, particularly for those living on benefits where the authority was seeking levels of repayment which could not be met (including for past arrears, the so-called ‘double burden’);

• Low and/or irregular income from work, e.g. single women working in home care or leisure services, sometimes complicated by periods of study or unemployment, and sometimes compounded by Council errors in CTB calculation;

• Mismanagement of finances by another member of the household (e.g. preceding relationship breakdown, or in cases of mental illness);

• Irregular income from self-employment, combined with CTB rules focussed on current rather than previous year’s income;

• Low priority of expenditure on CT (or CT debts), for low income households, compared with rent/mortgage, gas/electricity, or children’s’ clothes; allied to the perception that in many instances the Council had limited sanctions;

• Delays and misunderstandings over eligibility to Council Tax Benefit;
• Episodes of *ill-health* and associated changes in benefit status or initial accumulation of debt;

• *Redundancies or periods of unemployment*, including those affecting other family members, and the problem of disqualification from CTB associated with small savings derived from redundancy payments;

• *Change of liability* from landlord to tenant (former tied accommodation).

**Other reasons for non-payment**

5.4 In a small number of cases, non-payment was related to factors not necessarily directly associated with affordability.

5.5 Disputes over exemptions. One particular case was encountered where there was a complicated ongoing dispute about the CT rules on empty property.

5.6 Objection in principle to payment of Council Tax was not a key reason associated with non-payment for the majority of study respondents. There were however a couple of cases where principled objections to payment of CT were highlighted by respondents.

**Non-payment: combined factors and impacts on quality of life**

5.7 Interviewee evidence highlighted that multiple factors were often the cause of non-payment. These frequently had resulted from a sequence of circumstances which led to the current situation. One example featured a sequence of relationship breakdown, homelessness and unemployment. Hardship was more keenly felt by individuals currently living on state benefits. However, the underlying causes of missed Council Tax payments were often similar to those arising for individuals in work i.e. redundancies, periods of unemployment, episodes of ill-health, mismanagement by partners of the family finances. For those in work or in transitional situations between work and benefits, moving in and out of eligibility for Council Tax Benefit was a common source of difficulty.

5.8 Many interviewees described the ‘knock-on effects’ of their problems with Council Tax. A considerable number described how they were required to cut down on expenditure by reducing their weekly food bill, or described how they were unable to afford to go out, as well as accumulating debts and/or cutting down on non-essentials such holidays. Of particular concern were respondents’ comments regarding the impact of their situation on their physical and mental health. Many respondents perceived they were caught up in a vicious circle from which there was no exit, or that it would ‘take forever’ to actually pay back
Views on Council Tax administration

Dealing with staff in administrations

5.9 On the whole respondents indicated that council staff were ‘alright’, making comments which indicated they were aware that staff were fulfilling their required responsibilities: (‘They’ve got a job to do’), or that they were more concerned with the system as a whole than their treatment by local authority staff. In general, local authority staff involved in CT arrears collection were considered helpful by respondents when reasonable payment arrangements were agreed. However, a number of respondents described situations in which they had felt pushed into agreeing to make payments that they could not keep.

5.10 Occasionally respondents perceived local authority staff to be unhelpful, making inappropriate or insensitive remarks or inquiries or exercising too much discretion. However, some respondents wished for more personal attention to their needs and associated case. For example, there was a tendency for those respondents with more complex cases to highlight what they perceived as the anonymity of the system and lack of holistic personal attention to their own individual situation, although some respondents held rather unrealistic expectations of the extent to which the system could engage with them individually.

Council Tax payment methods

5.11 The choice of payment methods for council tax did not appear to feature generally as an issue for respondents. Indeed, respondents did not raise this as an issue from any of the case study areas. Access to post offices or local council payment offices was not perceived as problematic. Direct Debit (DD) was rarely mentioned by respondents as a payment method they had used, although one respondent highlighted difficulties he had experienced associated with DD.

5.12 Arrears payment methods. The methods through which arrears were currently being collected were, however raised by several respondents. A number of specific issues emerged, including:

- Several respondents indicated that the loss of ability to pay in instalments due to a missed instalment had been a factor in the build up of arrears;

- Most respondents who were in receipt of state benefits were very happy to have deductions for CT at source, which were usually smaller than payments expected in the yearly bill.

- Several respondents put forward the viewpoint that there was insufficient time between accrual of arrears and the local authority passing the arrears over to be dealt with by sheriff officers (in Scotland) or bailiffs (in England).
• Other concerns were raised by several respondents who had had their wages arrested for non-payment of CT, related to the perceived stigma of wages arrestment.

Other Council Tax and Benefits administration issues

5.13 Council Tax Benefit: Producing documentation as proof of income emerged as a particular hurdle in claiming CTB for respondents, and was particularly the case for individuals whose situations changed several times within the year. Several respondents were in employment but experiencing seasonal work and/or irregular wages, while others described ill-health over long periods or particular issues relating to self-employment income.

5.14 Sheriff Officers: Respondent views regarding sheriff officers were varied, and ranged from the fairly positive to very negative. Contact with sheriff officers was often described by respondents in emotive terms, although other respondents described their contact in more pragmatic or even positive terms. However, contact with sheriff officers could result in arrears payment arrangements being put in place which respondents were unable to afford, particularly given the continuing need to pay current CT bills.

5.15 Communication between and within agencies: Communication difficulties or ‘crossed wires’ were described by a number of respondents that were important in shaping their views of the system. Internal communication problems were more likely to occur in larger council operations and where computer systems have not yet been upgraded or electronic document reading was not yet in place. On balance, it would seem joint claims for CTB and HB are beneficial, and respondents who were in contact with housing officers found them helpful.

5.16 Money Advice Provision: Money advice was rarely suggested as a potential source of support by revenues staff, rarely approached by this group of respondents and rarely found helpful by people on benefit. This is a rather surprising finding. It could indicate that there is more scope for money advice, as a contribution to resolving non-payment problems, but the service must overcome the kinds of inhibitions identified by the people surveyed.

Broader Attitudes and Council Tax

Attitudes to Council Tax

5.17 With regard to Council Tax, a number of key attitudinal issues emerged.

5.18 Sense of duty to pay. As described in paragraphs 5.2-5.8 above, there was only very limited evidence of principled objection to payment of CT. Rather, the majority of respondents were more resigned and just believed you ‘have to pay’. Many respondents not currently working pointed out that they used to pay Council Tax when they were working and perceived they were better able to afford to pay.
5.19 **Waning legacy of the Community Charge.** Reference to the unfairness of the ‘Poll Tax’ days rarely featured as a basis for current behaviour amongst respondents. A couple of respondents referred back to this period or voiced more principled objections to the current regime of local taxation.

5.20 **Levels of payment and value for money.** There were some differences in perception regarding levels of payment and value for money, with the latter more often an issue in English and Welsh cases. In Scotland, more objections were voiced about the affordability of charges - ‘It should be cheaper for people on benefit’; ‘It’s too high for ordinary working people’.

5.21 **Value for money versus level of understanding.** Views regarding the value for money of CT were associated with a frequently limited understanding of what services are financed by it. Among this group of respondents, the general view was that CT did not represent value for money, and that they did not receive much personal benefit from the services provided.

5.22 **An unfair tax - ability to pay?** About a third of respondents believed council tax should be ‘means-tested’, ‘related to your earnings’, ‘related to your ability to pay’. This view was expressed by many who also thought ‘it must be paid’. However, the reason for falling behind in CT payments was almost always that it was ‘too much’. This applied both to working people and people on state benefits. It created puzzlement for some, resentment for others: ‘It’s too high for what you can earn. I can’t understand why’.

5.23 **An unfair tax – use of services?** Many respondents indicated that they hardly used any of the services which Council Tax pays for. This was not reported as a reason for not paying, but more as another example of missing out. This was particularly the case for single people in financial hardship and/or poor health, who stated that they hardly left home at all.

5.24 **An unfair tax – areas with poorer services?** For those on better incomes who had fallen into arrears after temporary problems, and who had a better understanding of local taxation, the narrower range of services provided in rural areas were viewed as grounds for paying less. Households on low income benefits were generally less aware of services provided. People were more likely to mention refuse and street maintenance, and sometimes police and fire. Mentioned much more rarely were schools, public transport, and house repairs. Water and sewerage were rarely mentioned even in Scotland. Several respondents admitted that they had no idea what Council Tax paid for.

5.25 The fact that water charges were not mentioned explicitly should not be taken as evidence that these are insignificant. The more important finding here is that most of this group of people in arrears had a very poor understanding of what they were (supposed to be) paying for. In all cases their arrears will have been for a combination of CT and water; in some cases the bill will effectively have been only for water. However, they are clearly in most cases unaware of this.
Broader attitudinal issues

5.26 Discussion of council tax led some respondents to express views on a number of related issues. Some of these could be described as broader political opinions which do not have much bearing on the specific focus of this study.

5.27 Slightly more relevant are policies affecting incentives to study and work, which came in for criticism. Attitude to study and employment could be affected by the experience of arrears. Sometimes, individuals had been put off taking a job ever again, or they half regretted having made debts whilst studying. This led to comment about government incentives to study or work that are not accompanied by adequate financial and other personalised follow-up on coping with finances. For many, their debt situation raised the question of whether they would be better off on benefits. This was mainly because of difficulties in paying whilst in work or in the process of leaving work.

Ideas to improve the system

5.28 Apart from making payments more proportionate to income, especially when on very low income, there were a few other suggestions for a different system.

5.29 There were some arguments for going back to ‘rent and rates’ (i.e. joint billing and rebating). Several respondents, both in Scotland and England and Wales, felt that the rent and rates system was better, fairer and with greater ease of payment. For them, the problem had started with the Community Charge.

5.30 Opportunities could be made available to enable direct deductions from Income Support at source from the start of the financial year instead of having to proceed via Summary Warrant stage. This point was implied from comments raised by respondents currently in receipt of Income Support.

5.31 Another suggestion was that landlords should continue to be responsible to make payments when accommodation is linked to employment.
CHAPTER 6  COLLECTION PROCESS ISSUES

Key Point Summary

- All councils generally seek to maximise their collection rates, but the level of political support and management focus has varied.

- Important general managerial approaches to improving performance include quantitative targets, use of IT for monitoring and targeting, customer orientation, specialist arrears teams, adequate staff numbers and skills, and attention to staff motivation and feedback.

- Formal benchmarking and comparison within peer groups is much more established for CT collection in England, and relatively lacking in Scotland.

- Early billing and consistent speedy processing of cases through the subsequent stages are clearly important to keeping on top of collection.

- Maximising use of direct debit is a major theme in relation to payment methods, with a changing mix of other methods featuring depending on the type of area.

- The significant differences between Scotland and England/Wales in formal sanctions are reinforced by differences in the extent to which they are utilised, directly or as a threat.

- The timing of enforcement action and authorities’ control over the process are more constrained in Scotland, partly owing to the role of sheriff officers.

- Deductions from benefits are an important mechanism but structural features limit their ability to collect all CT due.

- CT Benefit take-up may not be maximised owing to the complexity of the forms or the failure to provide documentation on change of circumstances.

Strategic outlook

Overview

6.1 This chapter draws primarily on case study interviews with council officials in the six case study areas. It also reflects previous studies (e.g. IRRV 1999, Scottish Executive 2000, Gunn 2004), and draws on interviews with money advisers. As in Chapter 4, it must be emphasised that some of this material relies on views and opinions, although there is perhaps a greater proportionate emphasis on factual descriptions of local systems, procedures and outcomes. With only six case studies, the findings can best be described as indicative and suggestive rather than systematic and definitive.
6.2 It is the sum total of good practice initiatives that impacts on collection rates, rather than individual measures. Some are common and some reflect the circumstances (e.g. demography) of an area. All case study councils aimed to improve their collection rates through a package of measures defined as part of the management process or business plans. Organisational culture and management styles were observed to have considerable impact, and a number of strategic orientations and management tools were cited as having had a significant impact on collection rates.

**Political support**

6.3 Political support for an improvement strategy was clearly important. It made possible the mobilisation of adequate resources and the implementation of staff reorganisation. It was also crucial in broadcasting a strong and consistent message to staff and public. Council W improved its collection rate (from 89% to 96%) by changing both staffing structures and modes of operations, following public concern over rising deficits and a need to rein in the authority’s finances.

**Sharing of good practice between councils**

6.4 Extensive monitoring is a pre-condition of effective sharing of good practice within and between councils. Some case study councils had devoted more resources than others to analysing the impact of different initiatives. In England and Wales, benchmarking clubs have been developing for some years, and were considered a key element of successful collection strategy by our two southern case studies. The ODPM (2005) good practice report was also seen as very useful.

**Management tools**

6.5 **Setting quantitative targets:** In all councils, it is a strategic goal to increase in-year collection rates and reduce arrears. However, more refined target-setting allows closer monitoring of the costs and benefits of different billing or recovery procedures and the evaluation of targeted initiatives. Furthermore, Revenues Managers are able to motivate staff by ensuring regular feedback on collection performance.

6.6 **IT developments:** There seemed to have been some delays in introducing the most appropriate IT systems in Scottish councils. Most case study councils have also introduced document-imaging software (or will shortly), to speed workflow and improve accuracy. Other software provides links to property ownership databases or serves automated payments online or over the telephone. An IT post dedicated to Revenues and Benefits was found particularly effective in one case.

6.7 **Customer-orientation:** All of the better performing councils stressed the need to actively develop customer orientation. This could entail decentralised ‘one-stop shops’ as well as the centralised telephone answering system covering all council services.
6.8 **Specialist teams:** Separating collection teams from benefits teams is essential to minimise the risk of a confusion of roles. Specialist arrears teams with visiting capabilities or teams dedicated to large debtors are also reported to be essential to improving collection.

6.9 **Staff attitude and motivation.** Council E cited staffing (number as well as orientation) as the most important factor in their success in improving collection rates, but for all councils training and development and team spirit/motivation were important.

**Process management**

6.10 The key issues identified by case study councils differ somewhat from those highlighted as priorities by the IRRV (1999) study. This is partly because of the lapse of time, the changing importance of different issues, and the gaining of experience with different approaches.

**Billing process and methods of payment**

6.11 An efficient billing process requires attention to speed, transparency, consistency and local customer preference.

6.12 **Speed of process:** All agree that a quick and transparent billing process with a planned and consistently applied cycle of events is essential. Improvements to the process are most effective when they are well publicised, consistent and transparent. There are local variations in what motivates swift payment. A key point is that better performing councils come to decisions on the basis of benchmarking results against those of other councils and feedback from staff. Scottish councils have moved forward the date of first billing, but this could go further. Offering a wide range of payment dates can be costly but may pre-empt objections to direct debit.

6.13 **Methods of payment:** Councils offer a range of payment methods that suit different income patterns and lifestyles in their area and staff are trained to promote most appropriate methods. All of them stress that a key improvement is the extension of payment by direct debit. Councils set yearly targets to increase the proportion of accounts on direct debit, but there are still considerable disparities (between 20% and 69% in our case studies). One constraint to widening payment by direct debit is the number of payers that have suitable bank accounts. In Scotland this varies from 20% (C) to 90% (D). For people on low or irregular income, payment at the post office or at the ‘rent office’ has been traditional. This is generally available and payers are now increasingly issued with payment cards. Some councils have subscribed to PayPoint which allows payment in shops and supermarkets and seems popular in several Scottish council areas. Easy payment methods introduced in recent years also include paying over the telephone, usually via a dedicated number; automated telephone payment; with internet payment beginning to appear.

6.14 **Changes of circumstances:** Speed and accuracy in dealing with notifications are essential to retain contact with those in arrears and prevent underpayment or overpayment of CTB. Mutual sharing of information with DWP helps this process, particularly through
access to read-only DWP records through the RATS system. The complexity of exemptions and discount rules occasions various misunderstandings, which can result in at least temporary loss of revenue. In some areas, there is concern about the degree to which false declarations are made. Information from the Land Registry or Valuation Roll and from Planning Department is valuable, particularly in areas where the housing stock is expanding rapidly or where there are empty properties. Most council tax offices have their own teams of inspectors who will visit applicants.

**Recovery and Enforcement**

**Overview**

6.15 Contrasts between Scotland and England (and Wales) are greater in relation to recovery and enforcement post Summary Warrant or Liability Order. The main differences are:

- bank arrestments and blanket bank arrestments are only possible in Scotland;

- failure to provide information on sources of income can result in payment of a fine issued by the County Court in England and Wales;

- councils in England and Wales can issue earnings arrestment orders before involving bailiffs;

- councils in England and Wales can appoint internal bailiffs;

- the sanction of taking possession of goods in the home is treated as ‘exceptional’ in Scotland; and,

- the ultimate sanction in England and Wales is committal to prison.

**Council Commitment and Strategy**

6.16 The success of collection and recovery methods comes down to the commitment of the council. A council may get a reputation for not following through with threatened actions, as with council W some years ago. This can reflect attitudes of elected members but also the roles and expectations of staff. Several councils emphasise the need for staff to be fully committed to their collector’s role. Setting targets for percentage of recovery at different stages and reviewing achievements monthly or weekly is also seen as key.

6.17 Recovery strategies require attention to costs per case, staff expertise and commitment as well as speed of action. All better-performing councils also stressed that improvements had followed from an enhanced capacity to analyse cases by category and develop targeted actions for different groups. New IT systems have therefore played a key role in improving collection rates. A key principle is to catch non-payers early in the process. Internal cost analyses can help highlight the rapid increase of administration costs as cases break through different key stages in the process. For example, cost considerations
therefore figure highly in decision to continue to pursue cases returned by bailiffs or sheriff officers or to go for sequestration.

**Sanctions and Mechanisms**

6.18 *Earnings or bank arrestment:* Attachment of earnings or bank accounts are the more common and effective forms of enforcement for people in work. Earnings arrestment is not feasible for those who are self-employed and can also be difficult for payers who change employment frequently. Two main problems arising are the difficulty is accessing employment details, and delays occurring in banks obtaining signed mandates from the debtor.

6.19 Councils in England and Wales are able to order earnings arrestments after the liability order is issued and before bringing in the bailiffs. They therefore asked debtors to complete information on income and expenditure prior to arrestment. Failure to provide such information by a deadline is automatically followed by an application to the County Court and a fine applied, which constitutes a criminal record. There is more reluctance in Scotland to criminalise the process. Councils can apply penalties but rarely do so as they find them ineffective. Scottish councils must also currently involve Sheriff Officers before wage arrestments can be implemented. All case study councils support the idea of accessing information held by HMRC, whilst accepting Data Protection rules may need to be adapted.

6.20 Bank arrestments in Scotland can be ‘blanket arrestments’ by which any/all accounts at one of the four Scottish banks can be frozen. However, there are remaining problems with certain banks that are slow in obtaining signed mandates from charge payers.

6.21 *Inhibition/Charging Orders and Sequestration:* These are only options with tax payers owning property or assets. There is a clear difference of attitude to sequestration; Scottish case study councils admit they rarely threaten sequestration and very few actually move beyond the threat. The English case study council (E) had no such compunction about using bankruptcy. Notices of Inhibitions (Charging Orders in England and Wales) allow councils to recoup the debt when property is sold, which can be useful in relation to private landlords as well as some owner occupiers.

6.22 In relation to multiple debts, the Debt Arrangement Scheme (DAS) raised a lot of expectations in Scotland in 2003. Whilst it is still generally welcome as an additional tool, our enquiry shows that the impact of the scheme on CT collection is likely to be small.

6.23 *Sheriff officers and bailiffs:* There are many issues surrounding contracts between councils and bailiffs or sheriff officers. In England and Wales many cases are returned to the Council by bailiffs as ‘abandoned’. In Scotland, councils put out tenders for new firms of Sheriff Officers every 3 years or so. This gives them an opportunity to review contracts. Several Scottish councils indicated the relationships could improve including in respect of sharing of information. Councils in Scotland do not have the option to appoint internal bailiffs, unlike councils in England.
6.24 **Committal to prison and goods attachment:** Committal is used in councils England and Wales, but it remains relatively rare and cases are publicised to maximise the deterrent effect. The ‘worst case scenario’ for debtors without assets in Scotland is the Exceptional Attachment Order or Special EAO. Case study officials in smaller councils indicated that they almost never used warrant sales in the past and are still unlikely to use EAOs now. The possibility still serves as a threat in a number of cases and Sheriff Officers do remind debtors of the possibility.

6.25 **Other sanctions related to other council services:** Refusal to consider Right-To-Buy applications were only ever relevant to a very few cases. While they were effective in most cases in obtaining a one-off payment, experience showed that the same charge-payers often went into arrears again after the sale had gone through. Most councils sent reminders regarding council tax arrears to people applying for taxi or pub licences, business premises rentals or student grants. Legal departments were cautious about supporting a policy of denying services, however.

6.26 **Preventive action:** Budgeting education was thought to be the most relevant preventative action and various initiatives in schools and elsewhere were described.

**Administration of Council Tax Benefits**

**Overview**

6.27 Any charge payer entitled to full CTB in Scotland must still pay the water charges, although this may be subject to a discount as explained in Chapter 2. Thus, in relation to charge payers entitled to ‘full CTB’, issues affecting collection rates concern:

- the speed in making arrangements for deduction at source;
- the speed of money transfers from DWP.

6.28 For those entitled to partial CTB, the main collection issues are:

- dealing with changes of circumstances;
- backdating claims.

6.29 In Scotland, ensuring maximum claims is important, but anyone losing full or part CTB immediately becomes liable for the full accumulated arrears (often associated with the water charge). Hence there is higher pressure on low-income workers in Scotland. At the same time, any Council Tax debtors claiming benefit for the first time still have to make payments towards arrears, and taken in conjunction with the maximum weekly deduction from benefit this can reduce in-year collection.

6.30 A common concern in England and Wales as well as Scotland is the current inability to arrange deductions for benefit incomes such as Incapacity Benefit and Pensions.
6.31 One recent improvement is that DWP now transfers payments daily to councils electronically, eliminating delays. Now implemented across Great Britain is the electronic sharing of information between DWP and council under the RATS (Read Only) System, which allows councils to access customers’ current benefit entitlement at DWP.

**Maximising take-up of Council Tax Benefit**

6.32 One well-performing Scottish council is seeking to address the delayed start to payments by inviting repeat claimants to make arrangements direct with the council to pay the equivalent minimum weekly sum from April onwards. Most job centres, but apparently not all, routinely provide applications to CTB and Housing Benefit with applications for Income Support.

6.33 Income maximisation is a task undertaken by social work or social services departments amongst their clients and through other initiatives. Revenue and Benefit sections, as well as social work departments, see it as their task to maximise take up of CTB. All case study councils had taken action to maximise CTB take-up among pensioners (Bramley, Lancaster & Gordon, 2000). Only council E had targeted other hard-to-reach groups. Pension Credit administrations are prepared to share information to establish a match with those already claiming CTB.

6.34 **Changes of circumstances and backdating:** Efficient handling of changes of circumstances and late applications affects collection rates. A minority of well-performing councils had simplified the procedure to notify changes of circumstances, including accepting telephone or email notification. Leniency in the use of discretion over backdating varied but was more evident in more deprived councils.

6.35 **Complexity and provision of documentary evidence:** The claim form’s complexity can discourage some people, and a pilot initiative in England is testing a simplified four-page form instead of the current 28 pages. One way of maximising take-up of CTB is by linking to payment of Housing Benefit, and some authorities use a joint application form. Producing documentation can lead to serious delays and loss of entitlement but councils have little discretion in this respect.

6.36 **Low income workers and partial benefit entitlement:** All case study councils acknowledge that low income workers may miss out on partial CTB. The council is not able to identify them until they get into arrears and they are hard to reach through general publicity. Households in receipt of Working Tax Credit or Child Tax Credit usually lose entitlement to CTB as their income rises. Money advice workers help such households to budget and understand the requirements to pay CT. However, few of them contact money advice agencies.
Key factors in process improvement

6.37 Factors playing a key role in improving council tax collection are:

- daily electronic payments from DWP to councils
- speed in turn around of claims, both at DWP and in councils
- *provision of CTB claim forms at Job Centres
- targeted initiatives to maximise take-up
- *budgeting advice to people returning to employment
- *combined housing benefit/council tax benefit claim form (on balance)
- *simplified handling of changes of circumstances
- *simplified handling of ‘roll-over’ annual claims
- *generous backdating of claims

6.38 We have flagged with an asterisk those that are partially implemented in Scotland and need to be considered more widely.

Councils’ view of key factors of improvement

6.39 When asked for their recommendations for improvement, officials tended to quote the measures which had most contributed to improvement in their area. Promotion of direct debit, tight timetables, case analysis and targeting, and efficient use of staff resources were the most frequently cited initiatives overall.

6.40 It is important to note that officials also made recommendations for legislative/regulatory changes required at national (or UK) level which they felt were necessary to secure improvements. These included discounts on water charges, obtaining income information from HMRC, deductions from all state benefits.

Money advisers’ perspective on process issues

6.41 Money advice workers views have already been integrated in the preceding discussion of relevant issues. However, it is worth stressing that they gave more emphasis to a number of aspects of the process.

- Information in plain English, particularly on new/changing rules and laws
- Tougher contracts with Sheriff Officers
- Bankruptcy - special lighter provision for smaller debts
CHAPTER 7 CONCLUSIONS AND RECOMMENDATIONS

Principal Conclusions

Main Factors underlying differences in Council Tax Collection Rates

7.1 Based mainly on evidence from statistical analysis of non-collection rates across local authorities in Scotland, England and Wales, and across wards in selected Scottish authorities, we can clearly identify the major drivers of differences in collection rates. These findings largely accord with prior expectations and with the views of practitioners.

7.2 Low income and deprivation are primary factors in creating lower rates of collection. Within this, a younger population of households with changing income, employment and household status is more problematic than a stable population of retired households or older households living on sickness-related benefits. A transient population of younger single people often living in private rented accommodation is another factor associated with collection problems.

7.3 Non-collection is more prevalent in urban areas and somewhat less prevalent in rural areas, even after controlling for the above factors. There is some evidence that the level of council tax, or the relative size of bills, has some influence on non-collection, but it can be difficult to separate this from the effect of wealth and house values.

7.4 There also appear to be variations in the effectiveness of local authorities’ administration and enforcement processes.

Comparing Scotland with England and Wales

7.5 There are quite a few differences between Council Tax collection arrangements in Scotland and those prevailing in England and Wales. The most important differences concern:

- the collection of water and sewerage charges with the Council Tax in Scotland;
- the inability to request information or attach benefits before Summary Warrant;
- the lack of general power to seize goods within the home;
- the lack of ultimate power of committal; and
- the ability to access bank accounts.

7.6 All of these, except the last, could be said to reduce the effective ability of Scottish councils to collect CT, compared with their English counterparts.

7.7 The statistical analysis shows clearly that there is a substantial (4-5% points) difference in collection rates between England and Scotland, even after allowing for measurable socio-economic and demographic factors.
7.8 Some of the factors which frustrate local Revenues staff in their task are common to both Scotland and England: important examples would be the lack of information sharing by HMRC and the inability to attach the full range of benefit incomes.

**Characteristics of Non-Payers**

7.9 In drawing a picture of non-payers, we are making indirect inferences from statistical analyses and reflecting the interviews with LA officials and money advisers, as well as reflecting the qualitative interviews with non-payers themselves. Non-payers, including those with partial arrears, are predominantly a low income group. Half are on CT Benefit, and more would be eligible if they actually did pay and claim. They tend to be younger adults in small households, rather than families or pensioners. Many are not working, including for reasons of long-term illness, and most are tenants rather than owner occupiers. However, there is quite a strong theme of changing circumstances, including moving in and out of work (or fluctuating self-employment), relationship changes and episodes of ill-health. There is also a group of relatively transient people moving around geographically or within the locality, particularly in the private rented sector.

**Underlying Reasons for Non-Payment, including Wider Issues**

7.10 The most important underlying reasons for non-payment are:

- Low basic state benefit income, which does not allow for paying back arrears or the water charges;
- Widespread relatively low incomes, including incomes which fluctuate with employment or household situation;
- Changes of employment, health or housing circumstances;
- The limitations of the CT Benefit system, particularly in responding to changing circumstances;
- The generally low priority assigned by most households to CT debt relative to other debt;
- The growth of multiple debts for many households, particularly younger and family households.

7.11 These factors often interact, for example changing circumstances with CT Benefit adjustment delays, or low priority with multiple debts. It may also be argued that there are underlying reasons below the factors mentioned here. For example, Scottish councils have relatively limited sanctions against non-payers, and this may contribute to the lower priority assigned to these debts. Some people resent the burden of CT, which they regard as unfair and/or disproportionate to what they perceive as the benefits of local services, and this may also contribute to low prioritisation.
Best Practice in Council Tax Collection

7.12 An overarching finding is that authorities displaying good practice and good or improving results had a clear managerial commitment and political support. Beyond that there is no single technical fix or magic bullet, however, it appears that the following areas of practice offer scope for improvement for many authorities:

- Frequent, close communication with relevant agencies including DWP, Jobcentre Plus, social landlords;
- Promoting Direct Debit, telephone and other payment routes most appropriate to local circumstances, including flexibility to accept frequent smaller payments or irregular payments;
- Earlier billing and payment/ reminder timetable;
- Benefits check to ensure CTB take-up and income maximised;
- Speed in processing CT queries and CTB claims;
- Targeting of recovery initiatives on specific groups/areas, based on database queries (e.g. areas with low CTB take-up relative to low income benefit take-up);
- Reviewing incentives to sheriffs officers and considering handling more of this work in-house;
- Cooperation with other councils re cross-boundary movements;
- Benchmarking practice and results with other councils;
- Staff training, target-setting and feedback;
- Reference of cases with multiple debts or budgeting problems to money advice services;
- Outreach to particular groups e.g. BME, using simpler/clearer information and translations.

Recommendations for Policy

Water and Sewerage charges

7.13 It is clear from this research that there is a problem of structural mismatch in the current system in Scotland through the inclusion of water and sewerage charges within Council Tax collection, while they are outwith the scope of the CT Benefit system. In our
view, this accounts for some at least of the difference in CT collection rates between England and Scotland. However, there are difficulties and dilemmas in any policy responses to this situation. CTB is a reserved matter, as are the detailed regulations on maximum allowable deductions for CT and related charges from other benefits. Because this is a Scottish issue, which does not arise in the same form in England, it is difficult to see how national benefits policy could be changed.

7.14 Furthermore, it is not an attractive policy option from the Government’s viewpoint to separate domestic water charge collection from CT collection, as this would almost certainly cost more and might risk being less effective. Separating out the collection of these charges would create duplicate administrative costs and shift part of the non-collection problem to Scottish Water, another part of the wider public sector. Scottish local authorities, although they may not be as effective at chasing debt as the English water companies, still provide a cheaper collection service.

7.15 The most practical way of ‘fixing’ the specific incompatibility problem is to offer a more generous level of discount to certain categories water charge payers in receipt of CTB. The precedent of a Scottish discount scheme is established; this would affect its cost and take-up. Our analysis suggests modifying the proposed scheme to offer additional discount to single adult CTB claimants in lower banded properties. Some method of avoiding the 30-50 day initial delay in setting up this recovery mechanism would also be highly desirable. Further improvement would result from being able to attach other benefits such as Incapacity Benefits and Pensions (as argued below).

7.16 Even if the more specific problem relating to benefit deductions were ‘fixed’, with a more generous charge reduction scheme in place, it is still likely that Scotland would have a greater problem of non-collection than England and Wales, so long as water and sewerage charges remained combined with CT for collection purposes. This is simply because there would continue to be large numbers of poor households from whom some water charge has to be collected.

**Tax Structure and Revaluation**

7.17 Council Tax is broadly regressive, producing a relatively high burden on lower income households (particularly those on or just beyond the margins of CTB). Since low income is clearly a strong underlying factor in non-payment, and since also issues of fairness may influence attitudes to payment, there is logically a case for considering structural changes in the basis of the tax as part of the longer term agenda for change. Obviously, structural reform of the Council Tax, or even simply changing its base through revaluation, are major matters requiring consideration in the context of much wider issues, such as the financial basis for local government or the overall balance of the tax system. However, it is reasonable to consider ‘ease and costs of collection’ as one of the criteria when reforming or restructuring a tax.
7.18 We have not carried out a detailed investigation into possible restructuring or revaluation of the Council Tax as this was beyond our brief\(^5\). However, it is reasonable to argue that certain measures of reform would lower the burden of CT for certain groups who are at risk of arrears, particularly introducing a lower valuation band below Band A, and making the progression of tax rates across bands closer to proportional. Some local actors suggested that such changes should be considered. A general revaluation would probably be the occasion for introducing new or different bandings. This in itself would raise bills in some areas while lowering them in other areas. The Council Tax regime also affects distributional impact through the system of discounts. There does not seem to be a strong groundswell from local actors to suggest extending or increasing the single adult discount; indeed, there was concern about its probable abuse in some cases.

7.19 The broader structure and role is of course a central issue in the remit of the Local Government Finance Review Committee\(^6\).

**Deduction from All Benefits**

7.20 An important change, which was strongly supported by local authority actors, would be to allow routine deduction of council tax arrears payments from the full range of state benefit (and tax credit) incomes, particularly Incapacity Benefit and Pensions. This would make a major difference to collection rates in some areas in Scotland, where substantial numbers of households are living on such benefits. There is also an argument that the prescribed amounts of such deductions should be reviewed (upwards) and perhaps subject to full indexation. These recommendations would apply to the UK-wide system and obviously touch on a reserved matter. However, in this case the Scottish Executive and the Local Authorities could make common cause with their English counterparts, because the same issue arises there.

**By-passing Summary Warrant**

7.21 Because of the delay and automatic accumulation of arrears associated with the Summary Warrant procedure, it is recommended that at least in (lower risk) ‘roll-over’ cases could follow a ‘default’ option of continued payment of CTB. Some methods could be piloted by which the majority of low risk cases could be identified. Confidence in the low risk level of such a scheme can best be built by reliance on robust statistical analysis of current accounts.

7.22 There is also a case for authorities being able to request information (on employment or benefits) immediately, as can happen in England.

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\(^6\) See http://www.localgovernmentfinancereview.org/our-remit/remit.aspx
Access to HMRC information

7.23 Local authorities should have access to data from HMRC on the employment and bank details of CT payers in arrears, subject to certain safeguards, to enable systematic attachment of earnings. Lack of cooperation from HMRC on this issue is currently one of the major blockages to better CT collection rates. Again, this recommendation would apply UK-wide.

7.24 Indirectly relevant to this is the National Fraud Prevention Initiative of the Audit Commission, initiated in England and Wales around 1999/2000 but only operational in Scotland for the last 2 years. In the first year, data on payroll and pensions was shared and this year benefits data was added. It would be reasonable to expect that HMRC information would be considered relevant. This confirms that councils handle ‘protected information’ routinely, while sheriff officers also hold details on their files. The Scottish Executive has encouraged local authorities to work towards setting up customer information databases that would possibly be joined at Scottish level eventually. In the first instance, the database content could be shared beyond revenues and benefits and beyond the council, subject to Data Protection rules.

Prosecution and criminalisation

7.25 The better performing case study councils, whether in Scotland or in England and Wales used all means at their disposal including penalties and prosecution as a matter of routine, although criminal convictions tend to be a rare last resort. However, some Scottish case study councils remain reticent to extend the risk of criminal charges in the council tax diligence process. There is clearly some trade-off with collection rates, and perhaps there is a need for a more open and robust debate about this.

Bankruptcy and Diligence Bill

7.26 Experience in England and Scotland suggests that bankruptcy is becoming a more common way of resolving multiple debts, which frequently involve CT among others, particularly with the accelerated bankruptcy discharge procedure. The proposed Bankruptcy and Diligence Bill is before the Scottish Parliament in the current session. While bankruptcy is never going to affect more than a small minority of CT arrears cases, and in some cases it may defer the settlement of debts, other provisions of the draft Bill would have a wider impact on diligence processes. We also note that the DAS scheme appears to have had minimal impact. Notwithstanding these reservations, reform and modernisation of the bankruptcy law is desirable as part of the overall framework for addressing all aspects of debt, including Council Tax.

Collection from Private Landlords

7.27 There is a case that for certain classes of private rental properties, particularly those subject to high turnover (not just those formally designated HMOs), the liability for payment should be shifted to the landlord. Our evidence shows a significant clustering of problem non-collection in this sector in some areas. The tenancy agreement and rent
accounts for tenants would need to clearly distinguish rent and CT elements. A basis for determining which properties should be treated in this way could be based partly on track record of non-payment incidence by property address and landlord. This could be linked to the new comprehensive registration scheme for private landlords to be implemented in 2006.

**Collection Agency**

7.28 We do not believe that the suggested idea of a single national collection agency for CT in Scotland is an appropriate way forward. There is no evidence to support this from this study, and a number of arguments and pieces of evidence point in a different direction. Central Government should arguably concentrate on getting the statutory and regulatory framework right, providing more effective tools plus information, advice and exhortation as necessary. Local government can and should work within such a framework to produce the most effective revenue service that is likely to achievable; they have the experience, the infrastructure, and the incentive to do so.

**Amnesty**

7.29 The notion of an amnesty for certain types of (past year) arrears was suggested by certain money advice officers. It does seem odd, and in some ways counterproductive, that councils are still being expected to collect old arrears dating back to pre-reorganisation and the ‘Community Charge’ era, although in practice little is collected now for these earlier years. Whilst such a concession can be seen to undermine the fairness of the system, and possibly act as a disincentive to payment, it could be worth reviewing current practice (see 7.30 below).

**Recommendations for Practice**

**Treatment of old arrears**

7.30 Some evidence from this study suggested that inappropriate arrangements for collecting previous years’ arrears were getting in the way of effective in-year collection. Greater discretion might for example be allowed in writing-off arrears once in-year collection rates show particular levels of improvement. Alternatively, general good practice guidance might include systematic and accelerated writing off of various categories of debt.

**Review of practice in the relationship between Sheriff Officers and local authorities**

7.31 We suggest that the use of external contracted debt recovery agencies (i.e. Sheriffs Officers) is not always working well, and should be reviewed. In particular, this needs to address potential conflicts between separate actions taken in relation to previous years’ debts, incentives for Sheriffs Officers to progress cases, and the limited sharing of information.
**Speed of process**

7.32 Local authorities should endeavour to achieve speedy processing of CT inquiries and payment arrangements, and of CT Benefit claims and changes. If this requires additional investment in IT and staffing, these may be justified.

**Flexible payment methods**

7.33 Authorities should promote the most effective and flexible payment arrangements, including Direct Debit, paperless Direct Debit, telephone, PayPoint, use of housing offices and other routes, having regard to local circumstances. Early billing and reminders help, and the ability to spread payments over more time periods should be offered.

**Efficient management of resources**

7.34 It is clear that a determined, consistent and strategic approach to managing collection can achieve significant improvements, as is demonstrated by some of our case studies. The emphasis should perhaps be more on effectiveness than on cost-minimisation, and it should be recognised that the task is much more difficult (and will cost more) in deprived urban areas. Targeting of intensive recovery efforts on particular groups and areas, identified through sophisticated analysis of databases, and general development of staff through training, target-setting, feedback on performance and lessons learned, and other means are important general tools in improved management of administration.

**Benchmarking**

7.35 Local authorities in Scotland are involved in benchmarking clubs on other issues (e.g. payroll) but not currently on CT collection. There is very little sharing of good practice beyond the publication of the Standard Performance Indicators and the existing CoSLA/IRRV Best Practice Guide. There are however some examples of informal exchanges and visits, often based on long-term personal contacts and affinities between senior officials. Our observation of experience from England is that benchmarking clubs, often involving authorities with similar characteristics, are a valuable resource and spur to improvement. We therefore recommend the establishment of such a club in Scotland.
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# ANNEX 2 ABBREVIATIONS AND ACRONYMS

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<td>BRO</td>
<td>Bankruptcy Restriction Orders</td>
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<td>CAB</td>
<td>Citizens Advice Bureau</td>
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<td>CIPFA</td>
<td>Chartered Institute of Public Finance and Accountancy</td>
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<td>COSLA</td>
<td>Convention of Scottish Local Authorities</td>
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<td>Debt Arrangement Scheme</td>
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<td>Disability Living Allowance</td>
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<td>Houses in Multiple Occupation</td>
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<td>Institute of Revenues, Rating and Valuation</td>
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<td>IS</td>
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<td>IS-JSA</td>
<td>Income Support plus Income-based Job Seekers Allowance</td>
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<td>Job Seekers Allowance (Contribution Based)</td>
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<td>JSA (IB)</td>
<td>Job Seekers Allowance (Income Based)</td>
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<td>Scottish Indices of Multiple Deprivation</td>
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<td>SPD</td>
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