

Council Tax and Business Rates Recovery Policy

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Burnley Borough Council October 2023

Council Tax and Business Rates Recovery Policy

Section 1 - Introduction

1.1 Background and purpose

- The purpose of this document is to set out the strategic context for how debts will be recovered and to provide a more detailed policy framework for the efficient collection of Council Tax and Business Rates.
- Burnley still ranks highly in terms of social deprivation and the need to recover debts appropriately and efficiently against this background is important.

1.2 Aims and Objectives

The aims and objectives of this policy are to

- ☐ Maximise income to the Council.
- ☐ Reduce the overall level of debt.
- ☐ Address customer's debt problems and signpost to other organisations where appropriate
- ☐ Maximise people's ability to pay by encouraging the take up of benefits, discounts, exemptions and reliefs.
- ☐ Take a different approach for those who can't pay and those who won't pay.
- ☐ Ensure that appropriate and early recovery action is taken and that the debtor's circumstances are taken into account when determining what action should be taken.
- ☐ Make best use of the Council's resources and improve performance.
- ☐ To be pro –active in collecting in year balances and managing arrears
- ☐ To collect tax that is owed while remaining sensitive to the issues facing customers receiving Council Tax Support and who are subject to other Welfare Reform changes.

1.3 Corporate Links

- This Recovery Policy will comply with current Government regulations and take into account the Council's corporate policies. All complaints will be dealt with in accordance with the Corporate Complaints Procedure.
- The policy links with the Council's strategic objectives of:
 - continuing to develop processes for effective debt recovery.
 - reviewing the services that the council provides during the economic downturn to ensure vulnerable citizens are supported.

1.4 Partners

- Revenues and Benefits and Customer Service staff will signpost customers to other agencies who can help them more effectively to manage their debts. These advice agencies include the Step Change Debt Advice Charity www.stepchange.org. and Burnley Citizens Advice Service. Contact details for these agencies will be included on literature and on the Council's website.

Section 2 - Recovery in practice

2.1 Demand Notices

- Demand notices will usually be issued twice weekly (on Tuesday and Thursday) and in accordance with legislation.
- The Council will offer an instalment date of the 1st of the month to all non-direct debit payers.
- Direct debit is the most cost effective and efficient method of collecting Council Tax and Business Rates.
- To encourage customers to pay by direct debit the Council will offer a choice of five instalment dates 1st, 7th, 16th, 23rd and 30th and, for Council Tax payers, the option of increasing their instalments from ten to twelve months.
- The Council will offer fortnightly direct debits for those on benefits to coincide with welfare benefit payments and will also offer weekly direct debits to help manage budgets.
- Direct payment at Post Offices and Pay Point outlets for cash payers are available using the bar-coded bills and the Council also offers telephone, postal and internet payments.

2.2 Reminders and Final Notices

- Statutory payment reminders will be issued in accordance with legislative requirements each month.
- Reminders will be issued at least seven days after an instalment has become due. If more than one instalment has become overdue, then a reminder may be issued on the day the latest instalment falls due.
- The minimum amount that a reminder will be issued for is £10.00.
- Customers will be advised to pay their arrears within 7 days of the date of the reminder, otherwise the full amount due for the year will become payable within 14 days of the reminder.
- If a Council Tax payer subsequently fails to pay an instalment on time after paying the first overdue instalment, they will receive a second reminder (this does not apply to Business Ratepayers).
- If a Council Tax payer subsequently fails to pay a third instalment (in the same financial year) on time, or a second instalment for a Business Ratepayer, they will receive a final notice.
- This final notice will inform the customer that they have lost the right to pay by instalments and require payment of the full amount due for the year within 7 days. However, instalments will be re-instated where a customer contacts the Council and requests to pay by direct debit in future, as long as there has not been a failed direct debit in place already that financial year.
- All reminder notices will contain details of the potential for a summons to be issued if the amount is not paid along with details of the associated costs. The notices will also provide details of the various payment methods, how to obtain Council Tax Benefit and how to obtain debt advice.

- Accounts with benefit or correspondence outstanding will be suppressed to ensure that they do not receive a reminder.

2.3 Arrangements

- Staff will try to negotiate the most appropriate payment arrangement given the customer's circumstances.
- Telephone debt recovery exercises will be carried out regularly as part of the strong and effective monitoring of existing arrangements.
- Arrangements should be made for all outstanding balances where possible.
- Only one arrangement should be made for the whole balance rather than separate arrangements for each balance outstanding.
- A long-term arrangement will not be made for an amount which equates to less than the current monthly instalment.
- Long term arrangements with small instalment values should only be made on closed accounts or where no on-going liability exists e.g., for charge payers who have left the area.
- Temporary arrangements can be made for short periods only and only in the following circumstances.
 - a) The customer is in receipt of benefit and awaiting a claim to be processed. These holds should be for no longer than 4 weeks.
 - b) A signed undertaking has been received from a solicitor proposing payment in full from the proceeds of sale.
 - c) Where action has been taken to recover other outstanding balances at a high rate, e.g., where an attachment of earnings order is in force and the level of deduction is causing hardship.
- Where there is previous enforcement history, employment details will be obtained when making arrangements with customers including name of employer, workplace address, and payroll address if different and pay ref or employment number.
- If a final arrangement is being made with a customer, we will tell the customer this and make a note of it.
- Payment arrangements will be considered at any time, but no more than two arrangements will be made with anyone while a case is at any recovery stage.
- Arrangements will be monitored monthly, with defaulters being contacted by post or by telephone to ascertain why they have failed to maintain the agreement and to ensure that they comply with the agreement in future.

2.4 Summons and Liability Orders

- A summons is issued by the Magistrates' Court for non-payment of Council Tax and Business Rates.
- The purpose of the summons is to prove the outstanding amount and establish liability for the outstanding balance.
- A summons will always be issued at least 14 days before the liability order hearing date.
- An FAQ information sheet will be issued along with the summons giving details of valid defences against the issuing of a liability order and details of where to obtain debt, benefits and legal advice.
- Summonses will not be issued for less than £35.00. The costs for the issuing of the summons and liability order are agreed with the magistrate's court. The current costs levels for 2023 are shown below.

	Summons Costs	Liability Orders Costs
Council Tax	£75.00	£20.00
Business Rates	£105.00	£20.00

- The summons will be withdrawn when the customer pays their account in full (including costs) prior to the liability order hearing. The Council will continue to seek a liability order when a customer has arranged to pay the account after the summons was issued but before the liability order hearing date. This is to ensure that recovery proceedings can commence immediately if the arrangement is not maintained.
- For Council Tax, the summons will have a suggested payment arrangement already set out on it. If the customer adheres to this, while we will still obtain the liability order in the Magistrates Court, the customer will not be contacted further about the debt. The costs will still apply.
- The liability order hearing is held in the Magistrates' Court at the time and date stated on the summons. The person representing the authority at the hearing must be a duly authorised person.
- The Magistrates must grant a liability order if liability for Council Tax is proved.
- Accounts with correspondence outstanding will be suppressed to ensure that they do not receive a summons.

2.5 Breathing Space

- The legislation for the Breathing space scheme came into effect on 4 May 2021.
- Burnley Borough Council will act in line with the Breathing space legislation in relation to any of its debts that are covered under the scheme .
- Breathing space is a government scheme designed to give time to receive debt advice and find a solution to sort out debt problems. There are **two** kinds of breathing space.
- Standard breathing space is where most creditors will have to stop collection and enforcement of debts. Creditors will also have to freeze interest and charges on any eligible debts.
- Once in a breathing space, all creditors who have been included will be informed and they must stop any collection or enforcement activity.
- Breathing space will last for 60 days. Once the breathing space ends, creditors will be able to collect the debt in the usual way. Once you have had standard breathing space you will not be able to have another one for 12 months.
- Mental health crisis breathing space can provide extra protection for people who are receiving mental health crisis treatment.
- A mental health crisis breathing space provides protection from creditors for people who are struggling with debts and who are also receiving mental health crisis treatment.
- A mental health crisis breathing space provides the same protections as the standard breathing space but lasts for the duration of your mental health crisis treatment plus 30 days.
- Unlike a standard breathing space, people who wish to enter a mental health crisis breathing space will not need to receive advice and find a debt solution.
- There is no limit to the number of times that you can enter a mental health crisis breathing space. You can also apply if you have had a standard breathing space in the last 12 months.
- To enter the breathing space scheme, customers must contact a Debt Advice Agency directly who will be able to arrange this for them, where appropriate.

Section 3 Post Liability Order Recovery

3.1 Introduction

- The liability order enables Burnley Borough Council to take further steps by way of enforcement.
- The various remedies are -
 - Attachment of Benefits
 - Attachment of Earnings
 - Attachment of Allowances
 - Enforcement Agents
 - Charging Order
 - Insolvency
 - Means Test Enquiry / Committal to Prison
- Except for committal proceedings where the use of Enforcement Agents must already have taken place, we may resort to these remedies in any order although we may not pursue more than one option at any time.

3.2 Further notice (14 Day Notice)

- For Council Tax, upon obtaining the liability order, the Council (or its Enforcement Agents) will confirm the situation in writing to the customer and will explain that Enforcement Agents may be instructed to collect the debt after a further 14 days.
- For Business Rates, we may issue a further warning letter advising that the debt needs to be paid within 7 days or the debt may be referred to an Enforcement Agent.

3.3 Attachment of Benefits

- Where a liability order is made against a person who is receiving Income Support, Jobseekers Allowance, Employment Support Allowance, Universal Credit or Pension Credit, the billing authority will wherever possible apply to the Department for Work and Pensions (DWP) for a deduction to be made from benefit.
- This will be the preferred post liability order recovery option for those working age claimants in receipt of Council Tax Support.
- This method is most effective where arrears levels are not too high as only 5% of the Income Support Personal Allowance can be deducted.
- Payments of deductions from benefits are made to the Council from the DWP every month.

3.4 Attachment of Earnings

- Where a liability order has been made, the Council can secure payment by way of an attachment of earnings order.
- A maximum of two orders can be in place at any one time, and for these cases the employer will apply the orders in date order.
- When deciding on attachment of earnings orders, consideration will be given to the rate of deductions and if they are sufficient to clear the debt and how regular the employment is.
- If we have 2 Attachment of Earnings Orders in place, we may consider reducing this to one and operating them one at a time under certain circumstances. The customer would be required to complete an income and expenditure form as well as provide the relevant evidence. We would not, however, remove both Attachments and replace with an arrangement.

3.5 Attachment of Elected Member Allowances & Voting Implications

- The regulations allow an attachment of the allowances of an elected member of the Council to be made when the billing authority has obtained a liability order.
- Any decision as to an attachment of allowances will be referred to the Head of Finance and Property before action is taken.
- Statutory Voting Implications - If any Elected Member falls into two months arrears their voting rights will be restricted.
- The Revenues Manager will report such cases to the Head of Finance and Property upon request.
- All Elected Members are made aware of this upon election to the Council.

3.6 Enforcement Agents

- On 6th April 2014, the system of Enforcement changed.
- The 'Taking Control of Goods' regulations were implemented, replacing the previous system of enforcing debts through Enforcement Agents Activity or 'Distress'.
- The term 'Bailiffs' will no longer be used, being replaced by the term Enforcement Agents.

- A 'fixed' three stage fee regime has been applied across all debt types as follows.
 1. Compliance Stage This fee of £75.00 is triggered once the Enforcement Agent issues the Notice of Enforcement. A 30-day compliance period has been agreed with the Council's Enforcement Agents. This will mean that up to 3 letters will be issued during the compliance stage and Enforcement Agents will also attempt telephone contact with the debtor.
 2. Enforcement Stage This fee is triggered once an attendance is made to the relevant premises to take control of goods, following non-compliance. The fee is £235.00 plus 7.5% of any debt more than £1500.
 3. Sale Stage This fee of £110.00 plus 7.5% of the debt exceeding £1500 is triggered when a visit is made to the relevant address for the purpose of transporting goods to the place of sale.
- These fees are set out in legislation and are not discretionary.
- The Enforcement Agent will follow a strict Code of Practice agreed with Burnley Borough Council.
- Enforcement Agents will give the opportunity to make a satisfactory arrangement for payment with them before considering removal of goods.
- Payments must be paid directly to the Enforcement Agents (not the Council) once the case has been passed to them.

3.7 Charging Orders

- After a liability order has been obtained, the billing authority can apply to the County Court for a charging order against the charge payer's property.
- The aggregate amount outstanding on the liability order(s) must be above £1,000.00.
- Third party practitioners may be used to carry out this work on behalf of the Council.
- The order gives the billing authority an equitable charge on the property so that if it is sold, it is automatically entitled to receive the outstanding amount from the proceeds of the sale, providing there is sufficient equity remaining when any higher-ranking charges, e.g., mortgages, have been redeemed.
- In cases where a sale is imminent the debt should be above £1,000. When considering the option of a charging order the following should be considered:
 - Whether there are other beneficial owners
 - Whether there are other higher-ranking charges
 - The current realistic valuation of the property
 - Full consideration should be given to arrangements, which should not exceed two years.

- The charging order should be renewed every three years if the property has not been sold.
 - Charging orders are not to be used when liability orders have been obtained in respect of more than one property for the same individual.
- Following the granting of the charging order by the county court, an order for sale can be obtained.
- Orders for sale must be agreed by the Head of Finance and Property and the Executive Member for Resources and will normally only be approved where:
 - the property is unoccupied,
 - it has not been possible to make a suitable arrangement.
 - the debt is over £3,000.

3.8 Insolvency

- A billing authority can instigate bankruptcy proceedings if a debtor owes more than £5,000.00.
- The action is taken by presenting a petition to the County Court for a person's bankruptcy. Third party practitioners may be used to carry out this work on behalf of the Council.
- For Burnley Borough Council, bankruptcy action is to be considered in the following circumstances:
 - The debt is over £5,000.00.
 - There appears to be equity available of over £30,000.
 - A sale of the property does not appear to be imminent.
 - The debtor is not classed as vulnerable; reasonable checks will be made to establish any vulnerability issues.
 - The debtor has not attempted to clear the debt owed to the Council.
 - The debtor resides in the UK.
 - All liability and benefit issues are to have been settled prior to the hearing taking place.

3.9 Employment detail checks

- Appropriate cases, including those returned by Enforcement Agents, will be checked for employment details using Experian.
- Any employment details that are returned by Experian will be checked and an attachment of earnings set up if appropriate.

3.10 Means Test Enquiry / Committal to Prison

- Where the Council has attempted to recover the amount due by using Enforcement Agents and the debt exceeds £1,000 and remains unpaid, then Means Test Enquiry / Committal to Prison action will be considered.
- This action will only be considered if there is not another suitable remedy available.
- This action is costly, and care must be taken to allocate appropriate cases for committal. The number of cases taken are unlikely to exceed 100 cases per annum (both Council Tax and Business Rates) and success of this action will be closely monitored.
- For Burnley Borough Council, Means Test Enquiry / Committal to Prison action is to be considered in the following circumstances:
 - The debt is over £1,000.00.
 - The debtor is not classed as vulnerable; reasonable checks will be made to establish any vulnerability issues.
 - The debtor resides in the UK.
 - All liability and benefit issues are to have been settled prior to the hearing taking place.
 - The debtor has ignored or not complied with all previous attempts to engage with the Council over discharging their outstanding liability.
- Committal summonses will be hand delivered or sent recorded delivery if out of the area.
- The court officer is to request the court for 'reasonable costs' of £300 in each case. This is due to the court costs and administration costs that the Council will have incurred.
- Cases where the customer pays in full between the date the committal summons was issued, and the date of the hearing will have costs applied to the account. The costs will equate to the maximum amount permitted by legislation.
- The court will consider if non –payment resulted from 'wilful refusal' or 'culpable neglect' and if a prison sentence is appropriate. The maximum prison sentence is three months.
- When a taxpayer fails to attend the committal hearing the Council will apply for a warrant for their arrest.
- Initially a warrant with bail will be applied for. In these cases, costs up to the maximum allowed by legislation will be added to the account. If the taxpayer still fails to attend court a warrant without bail will be applied for. In these cases, costs up to the maximum allowed by legislation will also be added to the account.

4. Vulnerable Persons: Debt Recovery

- We recognise that certain groups of customers may be more vulnerable than others. Whilst not all customers in such groups may be vulnerable, we will consider customer's individual circumstances where a potential vulnerability is identified.
- The groups more likely to be vulnerable may include, but are not restricted to:
 - Recent care leavers
 - Pregnant women or recent parents within a month of giving birth.
 - Those with a serious long term medical condition, illness or are frail.
 - The elderly
 - Those with a low literacy or numeracy capability skills
 - Those with a physical disability
 - People with learning difficulties, or mental health problems
 - People experiencing recent bereavement.
 - Those experiencing severe financial difficulties and/or have recently experienced a change in their financial circumstances.
 - Customers with communication difficulties
 - Customers with a history of alcohol or drug misuse
 - Victims of domestic violence
 - Non-digital customers
 - Armed forces Veterans
- We recognise that certain debt recovery options may not be appropriate where a customer is identified as vulnerable. Where we are aware that a person may be vulnerable, we will adapt our debt recovery and collection procedure accordingly to minimise any hardship or distress.

What we will do

- When dealing with vulnerable customers we will adopt key principles that Burnley Council/Liberata officers will follow:
- - We will attempt to identify vulnerable customers at every stage of our debt recovery process. If identified at a later stage, recovery action will be reviewed.
 - We will review the personal circumstances of our identified vulnerable customers before taking any debt recovery action.
 - Should a vulnerable customer be identified as in receipt of Income Support, Job Seekers Allowance Employment Support Allowance or Pension Credit, we may consider for their debt to be paid by deductions from their benefit rather than the use of enforcement agents, to avoid extra debt being incurred.
 - Prior to taking bankruptcy action against a customer, we will take proactive action to contact Lancashire County Council to identify whether the customer is known to the Adult Social Care team.

- We will direct our customers to Citizens Advice Bureau for debt advice early on in the debt recovery process and refer to other sources of advice / support at the request of the customer.
- We will monitor our complaints procedure to identify any trends.
- Our enforcement agents will be obliged under contract to advise Liberata of any customers they identify as possibly being vulnerable.
- Our enforcement agents will provide the debtor with the Customer Services contact number and email should they wish to speak to Liberata.
- The Liberata contract with our enforcement agents will insist that they maintain a vulnerable persons and safe guarding policy.
- We will monitor all enforcement agents and meet regularly with them to review their practices.
- We will regularly meet with advice agencies in order to discuss practical ways to assist vulnerable customers.
- We will work with the individual and advice agencies to agree repayment schedules that are affordable.
- We will publicise debt advice contact details with our literature.
- If known, we will consider a customer's total indebtedness to the Council when considering repayment arrangements.
- We will encourage other partners to identify possible vulnerable customers and where possible, develop a joint strategy for repayment of any debts.
- Where agreed by the customer, we will share data with external agencies in order to try to help the individual
- We will promote our Council Tax Support Scheme and Council Tax Hardship Fund, exemptions and discounts on our literature and on our website.
- We will encourage customers to contact us if they are experiencing financial hardship.
- We may ask customers experiencing financial hardship to complete income and expenditure statements, to enable us to agree fully informed repayment schedules that are affordable to the customer, and in the best interest of the council.
- We will offer face to face appointments for vulnerable customers unable to access services on-line (Customer Services)
- We will hold regular meetings with CAB and our Enforcement Agents to discuss practical and policy issues.