



Centre for the New Midlands

## **Sent to Coventry? Sent to Bailiffs**

Council Tax is a significant bill for all households across the country and particularly for those who are just about managing to make ends meet. There are various groups across society who receive discounts of their Council Tax bills or are exempt from the taxation all together, however there are also an estimated **2.2 million households who are behind on their council tax across England and there is more than £3 billion of outstanding council tax debt** (Citizens Advice, 2018).

In a number of these cases, these households go on to find themselves trapped in a debt collection cycle consisting of court summons and bailiff enforcement as a consequence of central government providing local authorities with the guidance and powers to commence enforcement procedures.

Following on from a national Citizens' Advice Freedom of Information request to all councils in England which posed a number of questions regarding the collection of Council Tax arrears, the Centre for the New Midlands has explored the picture across the West Midlands, specifically focussing on the metropolitan local authorities of **Coventry City Council, Birmingham City Council and Wolverhampton City Council**.

**As this report will highlight, there are some significant discrepancies in the way in which the three West Midlands' local authorities approach the collection of Council Tax arrears which is becoming an increasingly challenging topic for taxpayers and local authorities alike.**

## Executive Summary:

### Recommendations for practical change:

Local authorities have a responsibility and a duty to all of its ratepayers to ensure that the Council Tax system is adhered to and that an effective method of collection is in operation. It also has a duty of care to ensure that every effort is made to avoid the need for enforcement action to take place in the first place.

- **Coventry City Council should review its approach to the collection of Council Tax arrears**, particularly with regard to the trigger points for referral to Bailiff enforcement action.

Over a six-year period, Coventry City Council has significantly increased the number and value of debts that it has referred to Bailiffs for enforcement action. However, it has not seen a correlating improvement in terms of its overall debt collection; at a cost of engaging Bailiffs with an additional 7,151 debts per annum (by the 2018/19 financial year).

The impact that this performance has on the individuals and households affected is significant and is the number one debt issue facing Coventry's Citizens' Advice clients (Citizens Advice, 2018/19), ahead of Fuel Poverty and Credit Card debt. The current practices are also not delivering the returns that Coventry City Council may have expected them to.

- If Bailiff enforcement action is deemed to be an essential part of debt collection then **Coventry City Council should work with its neighbouring Local Authorities to better understand how it can enhance its processes** (e.g. Wolverhampton City Council).

If Coventry City Council was able to replicate Wolverhampton's FY 2018/19 Bailiff debt recovery rate of 40.4% as opposed to the 14.4% debt recovery rate it achieved, then **it could be worth an additional £3 million per annum to Coventry City Council in debt recovery** (ie 40.4% of £11.9 million referred in 18/19 to Bailiffs).

### Questions for broader debate:

Council Tax needs fundamental root and branch reform, but is there any political will to address it?

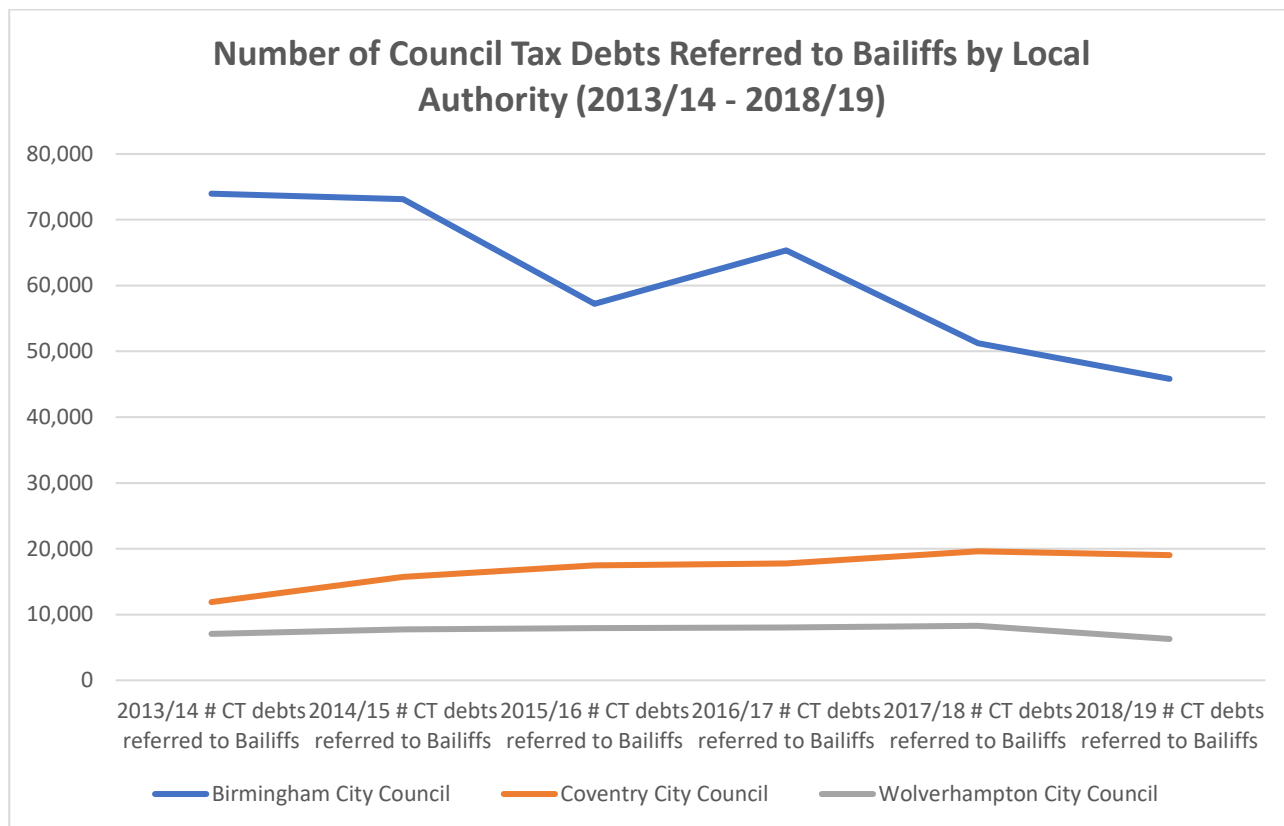
Could reforms to the Council Tax banding system alleviate some of the pressures on those who are the most likely to find themselves at risk of enforcement action?

By 2030, should the setting and collection of such taxation be administered at a regional level (i.e. Combined Authority) to ensure a more consistent/efficient approach?

What role do, and should, Bailiffs play in enforcement action?

## Key Statistics:

### Number of Council Tax Debts Being Referred to Bailiffs

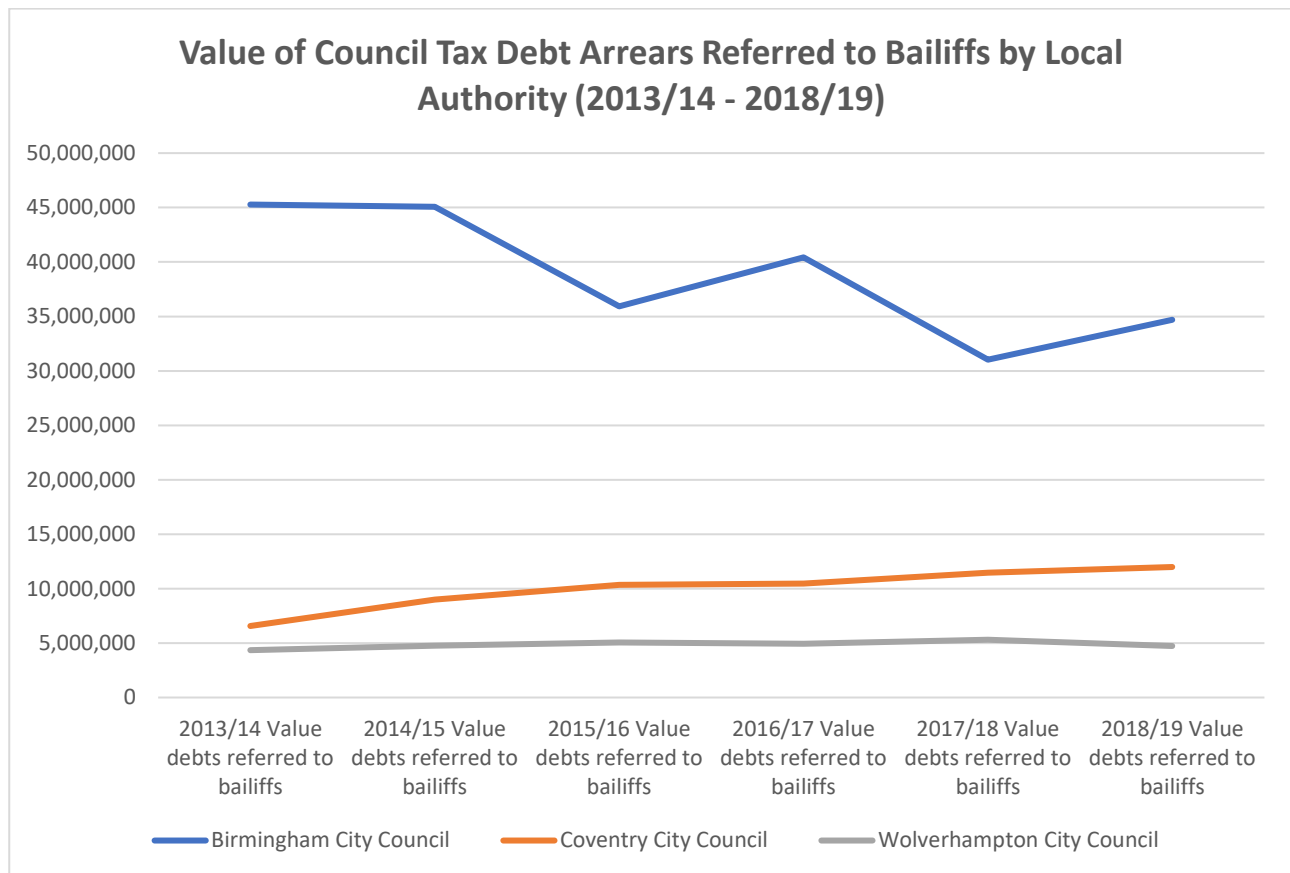


- In 2018/19, Coventry City Council referred 19,047 Council Tax debts to Bailiffs for enforcement action- **an increase of 60.1% from the 2013/14 figure of 11,896.**

In this same period, Birmingham City Council and Wolverhampton City Council decreased their number of Council Tax debt referrals to Bailiffs, falling from 73,694 to 45,820 (-38.1%) and 7,051 to 6,285 (-10.9%) respectively.

- Of the 235 Councils who responded to the FOI request, **Coventry City Council had the 6<sup>th</sup> highest increase in the number of Council Tax Debts referred to Bailiffs** for enforcement (7,151 debts). Birmingham City Council experienced the most significant reduction across the whole of England (28,144 debts).

## The Value of Council Tax Debts Being Referred to Bailiffs



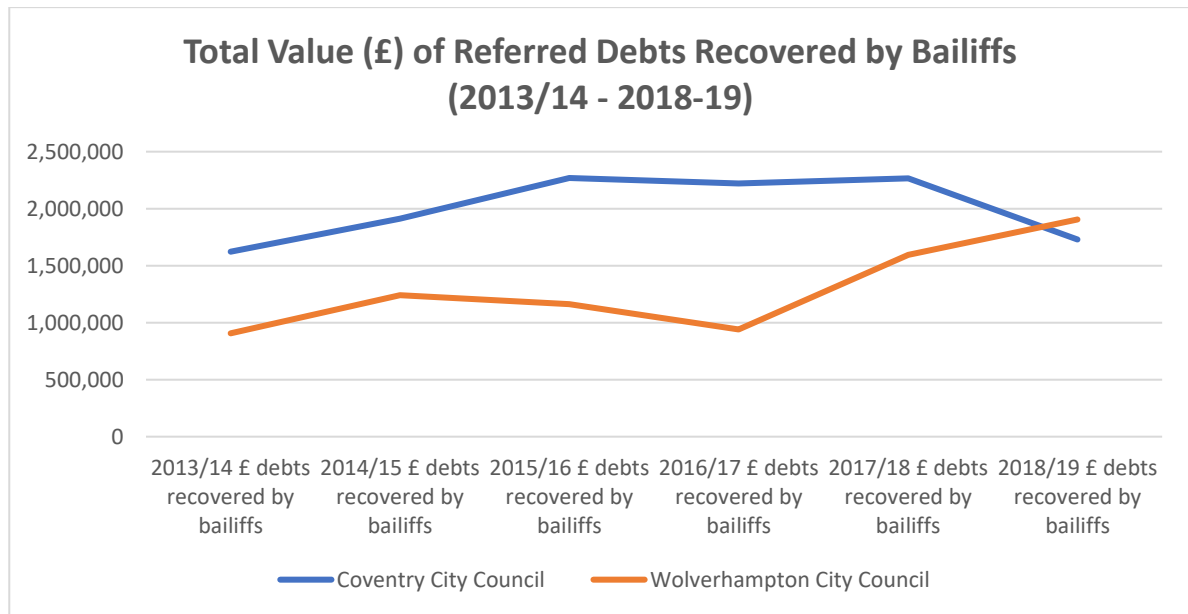
- In 2018/19, the total value of Council Tax debt referred to Bailiffs by Coventry City Council was £11.9 million - **an increase of 82.5% from the 2013/14 figure of £6.5 million.**

In this same period, Birmingham City Council reduced the total Council Tax debt it referred to Bailiffs by 23.4% (from £45.2 million in 2013/14 to £34.6 million). Wolverhampton City Council experienced a slight increase of 8.5% in its Council Tax Debt referral to Bailiffs (from £4.3 million in 2013/14 to £4.7 million in 2018/19).

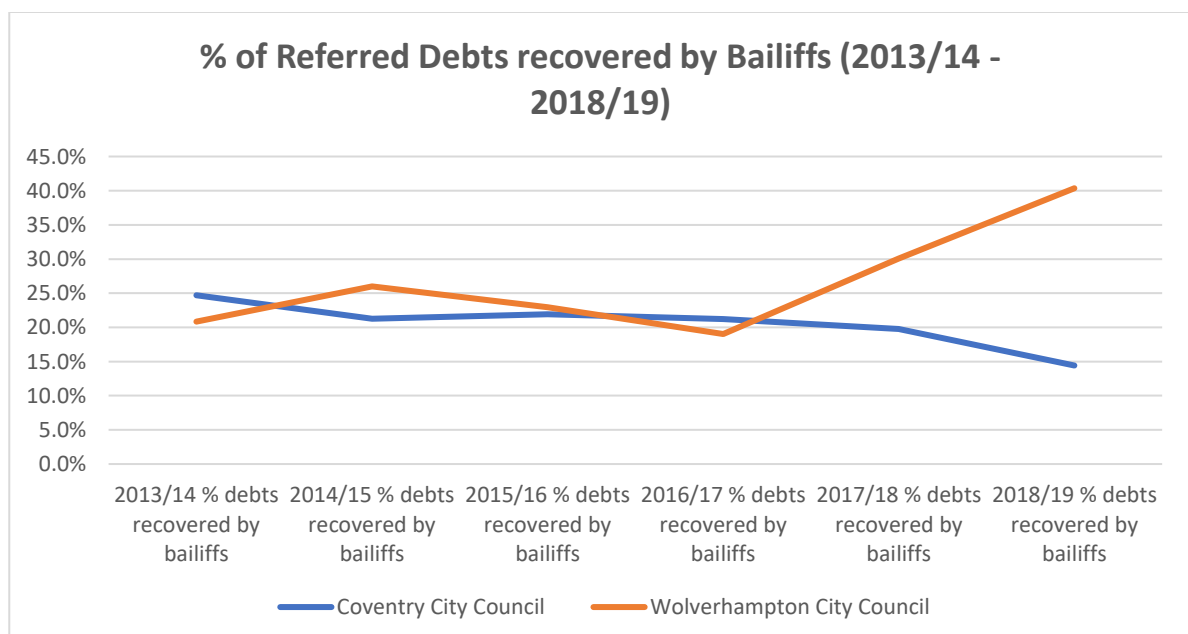
## Council Tax Debts Being Recovered by Bailiffs

- In 2013/14, Coventry City Council recovered 24.7% of the debt that it sent to Bailiffs for enforcement action (£1.62 million of £6.5 million). However, in FY 2018/19, it had recovered just 14.4% of the debt (£1.72 million of £11.9 million).

Despite an additional £5.4 million being referred to Bailiffs for enforcement action in 2018/19, Coventry City Council was only able to collect an additional £105k in Council Tax debt arrears.



In 2018/19, Wolverhampton City Council recovered 40.4% of the debt it sent to Bailiffs (£1.9 million of £4.7 million), which is a substantial increase on its 2013/14 performance in which it recovered 20.8% of its debts (£906k of £4.3 million). **(Birmingham City Council withheld the sums it recovered through Bailiff enforcement action).**



## Further information:

### **Collection rates and receipts of council tax and non-domestic rates in England 2017-18** (Ministry of Housing, Communities and Local Government, 2018)

	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>England (£ millions collected)</b>	23,386	24,052	24,782	26,039	27,502
<b>England - collection rate (%)</b>	97%	97	97.1	97.2	97.1
<b>Metropolitan districts - collection rate (%)</b>	95.4	95.3	95.4	95.4	95.4
<b>Inner London - collection rate (%)</b>	95.4	95.7	95.8	96	95.9
<b>Shire districts - collection rate (%)</b>	97.9	97.9	98	98.1	98

## Guidance on Paying Council Tax Arrears (HM Government, n.d.)

Contact your council as soon as possible if you're struggling to pay your Council Tax or are behind with your payments.

You can choose to spread your payments over 12 months instead of the usual 10 to reduce the amount you're asked to pay on each bill. Ask your council to set this up for you.

Your council may give you a one-off discount if you still can't pay what you owe.

You should also check if you're eligible for:

- Council Tax Reduction if you're on a low income or get benefits
- a reduced council tax bill, eg if you live on your own

### If you miss Council Tax payments

Your council will send you a reminder notice giving you 7 days to pay if you miss a payment. If you don't pay within 7 days, you'll have to pay the whole year's Council Tax instead.

You'll be sent a second reminder notice if you miss another Council Tax payment.

You'll only get a maximum of 2 reminder notices in a financial year - this runs from April 1 to March 31 of the next year.

Your council will send you a final notice saying you must pay the whole year's Council Tax if you miss a payment for the third time.

If you don't pay your whole year's Council Tax within 7 days, the council may take legal action to get the Council Tax you owe.

### Legal demands for payment

Your council can ask a magistrate for a 'liability order' if you owe them unpaid Council Tax. This is a legal demand for payment. The council's legal costs, eg for hiring a lawyer, may be added to the money you owe. You're allowed to go to the court and give your reasons for not paying if you want.

If you receive a liability order you should speak to your council or your local Citizens Advice bureau about your options.

### If you still don't pay

Your council can get your employer to pay your unpaid Council Tax directly from your wages.

Your council can also apply to take money from the following benefits:

- Employment and Support Allowance
- Income Support
- Jobseeker's Allowance
- Pension Credit
- Universal Credit

If this means you don't have enough money to pay other bills, you can ask your council if you can make smaller payments. Your council doesn't have to agree but will usually try to make an arrangement with you.

## Bailiffs

Your council can send bailiffs ('enforcement agents') to seize your property if there's no other way to recover your debt. They'll tell you how much you owe before the bailiff visits you.

The bailiffs' costs can be added to the total amount you owe the council.

## Court

Your council can take you to court if you don't pay the money you owe and the bailiffs can't recover enough property to cover it.

The court will consider whether you:

- can afford to pay the bill
- have a valid reason to not pay

You can be sent to prison for up to 3 months if the court decides you don't have a good reason to not pay your Council Tax and you refuse to do so.

If the court decides you have something to pay back you may be able to make an arrangement to pay your debt over time.



## References

Citizens Advice. (2018). *The Costs of Collection*.

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