

**AD HOC SCRUTINY PANEL**

A meeting of the Ad Hoc Scrutiny Panel was held on 8 February 2018.

**PRESENT:** Councillors Sharrocks (Chair), Lewis, McGloin, P Purvis and D Rooney and Dean (As Substitute for McGee).

**PRESENT BY INVITATION:** Councillor N Walker.

**OFFICERS:** S Bonner, J Bromiley, AM Johnstone, S Lightwing, C Lunn, J Savage and J Shiel.

**APOLOGIES FOR ABSENCE** Councillors J Hobson, McGee, Saunders and J Walker.

**DECLARATIONS OF INTERESTS**

There were no Declarations of Interest at this point in the meeting.

**17/5 MINUTES - AD HOC SCRUTINY PANEL - 4 JANUARY 2018**

The Minutes of the meeting held on 4 January 2018 were submitted and approved as a correct record.

**17/6 COUNCIL BUDGET 2018-2019 AND PROPOSED SAVINGS - FURTHER INFORMATION**

The Corporate Strategy Manager was in attendance at the meeting to provide Members with information regarding the budget consultation process and how engagement with stakeholders, in particular the public, had been achieved. Apologies on behalf of the Head of Performance and Partnerships were conveyed to the Panel.

Copies of the presentation slides were tabled for Members' perusal.

It was explained to Members that the budget consultation had been split into two areas this year:

1. Strategic priorities for the period under three themes: Business Imperatives, Social Regeneration, and Physical Regeneration; and
2. Budget proposals requiring consultation prior to implementation for 2018/19 (Appendix C).

Consultation activity had been undertaken with the public and other stakeholders prior to 31 January 2018 in order to inform the Council's 2018/19 budget and Strategic Plan. Reports would be considered by Full Council on 7 March 2018.

Members were appraised of the process undertaken in respect of the consultation activity. This involved placement of a questionnaire seeking views on the proposed strategic priorities and Appendix C placed Council website for public access. It was indicated that the questionnaire had been pre-loaded with questions and a selection of statements/responses to those questions for measurability, e.g. 'Agree/Strongly Agree/Disagree', however, free text space had also been provided in order to allow for respondents to supply any additional information.

This questionnaire was trailed by a press release and promoted through social media channels. The press release resulted in local media coverage, including radio. In addition, the link to the questionnaire was e-mailed to over 500 Voiceover Panel members asking for a response (those for which an e-mail address had been provided). Following closure of the consultation, a total of 127 responses had been received via the Council's online consultation portal, together with seven e-mails received via the Council's budget consultation e-mail address.

Executive members had been fully briefed and a briefing session for all Elected Members had

been provided in November 2017. The Ad Hoc Scrutiny Panel had been engaged early on in the process, which had included Members' comments being incorporated into the Strategic Planning report prior to its agreement by Full Council. In response to an enquiry, it was explained that all but one of the survey responses had been received from the general public; one community organisation had submitted a response. In terms of engagement work with various organisations that operated throughout the town, service directorates had contacted over 70 partners and stakeholders, including Community Councils, in order to ascertain their views/seek feedback. A list of the stakeholders engaged with would be forwarded to the Panel Members for information. It was explained that additional time had been allocated for this element of the consultation process in order for full feedback to be attained. Part of the process had involved the offering of briefing sessions in all cases, which had accounted for some of the delay. The closing date in respect of this was 12 February 2018.

It was highlighted to the Panel that, during the budget consultation period, the Local Government Financial Settlement (LGFS) had been announced, which provided for an additional Council Tax increase in 2018/19 and 2019/20. Following agreement by Full Council that this option would be consulted upon, this separate consultation activity had been trailed by a press release, which again had attracted media coverage. Anyone wishing to comment had been invited to e-mail the Council with their views; this consultation would also close on 12 February 2018, with a limited response expected given the unavoidable timescales involved. It was indicated that, to date, two e-mail responses specifically relating to the Council Tax rise had been received. The findings from both of the consultations would be set out in the report to Full Council on 7 March 2018.

The Panel considered the total number of responses that had been received. Of the 500 individuals and 70 organisations contacted, 134 had responded (23.5%), which was considered a good return. It was explained to Members that these individuals and organisations had been contacted directly in order to ensure wide promotion, however other avenues, such as social media, had also been utilised. Although the most effective channel could not be measured, it was felt that this combination of initiatives helped to achieve a wide approach.

In response to an enquiry, Members heard that the consultation process had been different this year in that the Strategic Priorities had, unlike last year, also been included. In addition, a Voiceover Panel had been utilised this year, whereas last year it had not. The same level of promotional activity had been carried out this year as last, however, the response rate had significantly increased, which demonstrated that the additional work had encouraged more people to participate.

In terms of the avenues followed, a press release was issued to all local media outlets and social media promotion had been achieved via the Council's social media accounts. Confirmation as to which social media platforms/sites were utilised would be obtained, and also whether or not information was provided in the 'Love Middlesbrough' magazine and in the various Community Hubs.

Members felt that, although the number of responses that had been obtained was good in terms of the number of individuals and organisations contacted, it was felt that more work was required in terms of ensuring greater participation and a greater reflection of the town as a whole. This view was acknowledged; it was indicated to the Panel that a range of options were currently being explored in order to improve engagement. This included potential replacement of the Council's current consultation portal to offer a more modern social media-like experience, which would also broaden the range of functionalities available, e.g. opportunity to undertake consultation activity in respect of sensitive topics with specific individuals.

The Panel discussed the use of social media in the context of promoting consultation activity and the advantages and disadvantages that this could potentially bring. Consideration was given to such matters as the use of social media in providing efficient messages and links, and the effectiveness of social media in reaching varying audiences - in comparison to more traditional resources such as leaflets and posters. It was highlighted that social media could

only be one element of any engagement campaign. Reference was made to work currently being undertaken by the Marketing and Communications Team in respect of developing the Council's Engagement Strategy. Members were informed that a Resident's Survey report would be considered by the Executive in April 2018, which would show the preferences that people had in terms of receiving information.

The Panel discussed the concerns that Members had in terms of whether the resources already available were being effectively utilised. It was acknowledged that work was progressing in this regard, with, for example, the outcome of the Engagement Strategy activity offering potential opportunity. Work was also being undertaken in respect of the 'My Middlesbrough' facility and the opportunity for further intelligence and participation in consultation activity to be achieved.

A Member commented that, in addition to the factors already considered, a further matter concerning the number of responses received referred to the controversial nature of the budget proposals. As an example, reference was made to previous budget consultation activity and the significant number of responses that had been received in respect of proposed Library closures.

A Member commented that it may have been beneficial for Members to be provided with posters in the lead-up to, and during, the consultation activity, as these could have been distributed to local businesses and community organisations for display. Members discussed the use of business cards and suggested that these could be provided alongside posters and leaflets, subject to cost, in preparation for the publicising of future budget consultation activity. Consideration was given to Community Council meetings and the potential for Members to provide reports and/or presentations in respect of budget consultation activity.

In relation to the 70 organisations being contacted to participate in the consultation activity, in particular Community Councils, a Member suggested that it may be useful to apply a 'trigger' to allow for confirmation that communications have been delivered/received. It was acknowledged that this would not be possible for every medium, but would prove useful in instances where it could.

With regards to next steps, Members requested that an update be provided prior to consultation activity being undertaken next year, to include such information as how, when and where this would be undertaken, and who would be consulted. It was agreed that an update would be provided to the Overview and Scrutiny Board in October 2018.

The Panel thanked the Corporate Strategy Manager for her attendance and contribution to the meeting.

#### **AGREED:**

- 1. That, with regards to the publicising of the budget consultation, confirmation as to which social media platforms/sites were utilised would be obtained, and also whether or not information was provided in the 'Love Middlesbrough' magazine and in the various Community Hubs.**
- 2. That an update be provided prior to consultation activity being undertaken next year, to include such information as how, when and where this would be undertaken, and who would be consulted. This update would be provided to the Overview and Scrutiny Board in October 2018.**
- 3. That the information, as presented, be noted.**

17/7

#### **NEW TOPIC: COUNCIL TAX COLLECTION**

Officers provided Members with a Presentation that gave an overview of Council Tax collection processes and the factors affecting them.

It was explained there was a total of 63,300 dwellings in Middlesbrough from which £60m in Council Tax was collected, constituting approximately 22% of Council income. Of those

dwelling 19,600 were in receipt of Council Tax Support (CTS), meaning they received a reduction to their Council Tax bill because of their financial position.

Of those 19,600 dwellings, 4,000 had 100% Council Tax Support, meaning those dwellings did not pay any Council Tax (Old Aged Pensioners, for example) and 2,400 were exempt from paying Council Tax (churches, for example).

This means there were 56,900 dwellings that had something to pay toward their Council Tax liability.

The panel heard there were two rates when discussing Council Tax Collection: In-Year collection and Overall collection. It was explained that while rates for collection In-Year were not performing as hoped, the Overall collection rates were positive. For example, the Council, overall, had collected 98.06% of Council Tax between 1993 and 2016/17.

A query was raised about potential comparisons between Council performances on Council Tax Collection but it was explained that no overall method for calculating this exists.

It was noted, however, that In-Year collection rates for some Councils was 98% or more but such Councils tended to have higher levels of affluence. It was also noted that Overall rates of collection were part of the Council's budget setting process.

Middlesbrough was performing well in terms of Overall Collection, but the In-Year position was in need of improvement.

The Executive Member for Finance and Governance clarified that In-Year collection was not a factor in the budget but the Overall Collection rate was.

Members heard how significant sums were being collected In-Year, but there was a recognised delay in current processes that slowed the In-Year collection rate. This situation was not unique to Middlesbrough and was an issue for all Councils that had higher levels of deprivation. It was confirmed that the delay for In-Year collection had an impact on the current financial situation for the Council and that it was similar to being in payment arrears.

It was explained that during 2016/17 the Council placed third from bottom for In-Year collection rates across England. The English average In-Year collection rate was 97.2% and analysis showed there was a correlation between Councils with high deprivation rates and low collection rates. Based on the evidence presented by the officers it was also noted that Middlesbrough was classed as the most deprived area in England.

The least deprived area was Wokingham, Surrey, which collected 99.6% of its Council Tax In-Year. From the officer's analysis it was noted that of the 11 Councils with the best In-Year collection rates, five were within Surrey and were the least deprived areas of England, making collection easier for those Councils. A Member commented that lower collection rates may be more to do with a resident's ability to pay Council Tax rather than it being difficult for a Council to collect it.

It was queried if further analysis could be undertaken on deprivation and Council Tax collection at Ward level. The officers confirmed this type of analysis can be done but on Administrative Area, classified as 1 to 33 and broken down by collection and recovery rates. Initial analysis had already indicated that areas of Middlesbrough with lower levels of deprivation had higher rates of collection than areas with higher levels of deprivation. A Member commented that some residents could be more affluent in deprived Wards. However, this was difficult to analyse effectively.

Middlesbrough's In-Year collection rate for 2012/13 was 96% and the introduction of Council Tax Support in 2013/14 meant this number had fallen. Council Tax Support required Councils to introduce support schemes that were appropriate to their circumstances and was not fully funded by Central Government. Middlesbrough's scheme required residents of working age to pay at least 20% of their Council Tax bill which, on average, was approximately £220. This was a new liability for some residents who had previously paid nothing toward their bill. Members pointed out that this period also saw the introduction of the Bedroom Tax and other welfare reforms.

Some Councils introduced changes to their support schemes, such as the removal of discounts, over an extended period of time. However, because of the sums of income required the situation in Middlesbrough was treated differently. Changes to the support scheme, the removal of discounts and the introduction of other Welfare reform had had a comparatively greater impact on the residents of Middlesbrough. This has led to collection rates falling.

A query was raised regarding Councils with similar deprivation rates to Middlesbrough but who have better collection rates and what they may be doing that Middlesbrough was not. The officers commented there were several nuances that made direct comparison difficult, for example Stockton Council did not have the same level of deprivation as Middlesbrough, and therefore its In-Year collection rates were higher.

The Executive Member for Finance and Governance commented that Stockton Council's collection and enforcement processes were in-house and had strong links with their Welfare Rights teams. It was also noted that Stockton Council's collection rate improved when it moved to this model of collection.

The officers reiterated that collection rates also depend on the support scheme in place, for example Middlesbrough had a 20% scheme, whereas others had 100% schemes making comparisons between Councils difficult.

The officers pointed to factors affecting collection rates including the rise in liability orders which, between 2012/13 and 2016/17, rose from 6,548 to 15,371 respectively (135%). Other factors included an increase in the overall Council Tax liability. For example, due to increased house building in Middlesbrough the overall liability increased from £44.9m 2012/13 to £60.8m in 2017/18.

An overview of how Council Tax was administered was provided by the officer representing Kier Group, the Council's strategic partner. Legally, the collection process was administered in accordance with the Local Government Finance Act 1992, meaning there were restrictions on how the process could be administered. The process of issuing a Council Tax bill followed a rigid course in that a bill was issued, failure to pay after a prescribed deadline resulted in up to two Reminder Notices. A Final Notice could then be issued after which a Court Summons was issued.

It was noted that the higher proportion of residents receiving benefits the harder it was to collect Council Tax. This was due to frequent changes in circumstances for those on benefits and any instalment arrangements were frequently re-set.

53% of Council Tax bill-payers in Middlesbrough paid by Direct Debit with 11% classed as cash payers who did not require a prompt for payment. 34% of bill-payers received a summons due to non-payment. It was noted that if a summons was issued additional administrative costs (£65) were added to the account and these costs had to be collected before the Council Tax debt was collected. This year it was estimated additional costs of £900,000 would be generated because of non-payment, which needed to be collected before being able to impact on collection rates.

The Panel heard that residents only engaged with the collection process at the summons stage. A query was raised about why this was the case, and it was suggested apathy was likely to be a key factor. At summons there were harder messages involved in communications which prompted residents to make contact and make arrangements for payment. However, given the time scales involved for payment, should a resident not engage until the summons stage this would result in a reduced time period in which payment could be made which in turn resulted in higher instalments. This had the cumulative effect of reducing a resident's ability to pay.

Members were told that many residents were already trying to pay back a debt from a previous bill when they received a summons for their current bill.

A query was raised about how many people were sent to prison because of non-payment and it was confirmed that committal to prison was last carried out over 20 years ago. The officers also stated the Courts were reluctant to perform this action as there had to be evidence of a

lack of will to pay and this could be difficult if the resident was in receipt of benefits. Additional costs were also incurred when performing this kind of action, and on the whole additional costs should try to be kept to a minimum.

The officers highlighted initiatives to encourage people to pay any contribution as this was better than nothing, but it was re-emphasised that factors effecting collection rates could vary but include deprivation levels. It was also emphasised that, due to the different support schemes in place across the country, it was difficult to measure Middlesbrough's performance against other Councils.

Middlesbrough had one of the highest levels of benefit caseload against its chargeable dwellings but recent evidence suggested that residents were no longer making benefit claims with Middlesbrough having £600,000 in unclaimed benefit. A piece of work had been undertaken with 52 residents entitled to Council Tax Reduction but only one of these residents has taken up this benefit. More work was being undertaken to further understand why there was little engagement in these instances. This trend was concerning because a fall in benefit take-up increased the amount of Council Tax requiring collection. Because residents were not claiming their benefit they may be unable to pay their Council Tax Bills which in turn may lead to increased additional costs.

The officers stated that it was important to try and engage with residents to make payments earlier in the collection process.

A query was raised about the work with the 52 residents and if this was a multi-team approach. It was confirmed the staff carrying out this work were not qualified to undertake this work beyond the levels already carried out and it would likely fall outside of the remit of the Kier/ Council contract. However, undertaking this work as part of a multi-team approach could be examined later as a recommendation.

It was highlighted that a number of initiatives had, or were being, introduced to improve the current situation with collection rates. These included early intervention to try and prevent residents falling through the system as well as establishing a Revenue Services presence in Community Hubs, Libraries and so on in order to better engage with residents. A query was raised if these initiatives were linked in with the Financial Improvement Group. It was confirmed that this did happen but take-up was low.

Another initiative had been the merging of the Revenue and Benefits Services. Instead of two separate services and processes, residents could now discuss both what monies they owed and what benefits they were be entitled to. This system had now been in place for approximately two months and had also led the service to work more closely with Landlords in relation to housing benefit. A query was raised as to why this initiative had come into being relatively recently. It was explained that Revenues and Benefits were traditionally two large, separate services that had to be broken down into more manageable components. This involved a long process of re-structuring.

Current Council Tax collection processes utilised external Enforcement Agents, previously called Bailiffs. The officers explained that this may not be the best solution, as it was better to engage with residents. There were several options available for the use of Enforcement Agents namely; External Agents models, Internal Agents models and hybrid models. An example of the hybrid model was for those residents in Council tax arrears and receiving benefits an Internal Agent model was preferred whereas those in arrears but not on benefit could have utilised the External Agents model.

Concern was raised by the officers that either model resulted in additional cost when used. It was noted that Enforcement Agents now worked in stages, for example there were letter and telephone interactions before personal visits. Middlesbrough had an enforcement strategy in place, however a paper was being drafted that costed an Internal Agent model at minimal cost. It was emphasised that were Enforcement Agents used, any previous administrative costs would be added to this so early intervention was again highlighted as the best solution to addressing collection rates.

The officers outlined several initiatives that aimed to address the current collection rate, even

though it was recognised that given high levels of deprivation and an inability to pay, there was little that could be done once an arrear reached the point of summons. When an arrear reached summons it ordinarily only left the Council with two options; do nothing, or engage the Enforcement Agents. One initiative described was the Cash Maximisation Strategy, which aimed to ensure residents paying cash (those not on Direct Debit), paid their bill on time. It was also highlighted that there was a concern that when a Council Tax debt reached the enforcement stage it would not be recoverable as it was not as high a priority as others debts, such as water and heating bills for example.

The Propensity to Pay initiative was an attempt to analyse how Revenue Services communicates with residents in order to tailor their communications to different residents depending on their circumstances.

Officers discussed the various options that had been used to improve collection rates including the Community Support Fund whereby £300,000 was used to reduce the liability for people on Council Tax Support. This involved writing to residents receiving a summons and offering, over a set period of time, to contribute toward the cost of their overall liability. If the resident matched the Council contribution this, in essence, encouraged people to pay something toward their debt.

However, of several thousand residents asked only 205 took up the offer and the initiative was not deemed to be popular. A query was raised as to why this initiative did not work, and it was agreed that it was most likely the resident's inability to pay any amount toward their debt.

It was also noted that a review of the Council Tax Support Scheme had recently been undertaken but had yet to be agreed by full Council. For 2018/19 it had been reduced from 20% to 15% meaning that should a resident be required to pay Council Tax their liability will be reduced. This initiative was funded from the Community Support fund. Because the reduction in Council Tax was viewed as a discount this should result in an improved collection rate. It was noted that other Councils operate different rates, for example Durham operated 100% Council Tax Support. This was explored in Middlesbrough in 2013, however the cost at that time was £2m and was not pursued.

A Member queried if there would be another fall in collection rates when Universal Credit was introduced. It was discussed that intelligence from other Councils suggested residents were not applying for Housing Benefit and, as such, Council Tax arrears were rising substantially. A discussion ensued regarding resources being put into place to assist in addressing this. It was queried if Kier had the resources required to implement the outlined initiatives. It was confirmed that discussions would be held with the Council as a matter of course but Kier would do the best job it could with the resources it had.

A Member queried that if more financial resources were put into Council Tax collection would this help the situation. It was discussed that any extra resources would be dependent on what objective for Council Tax collection was agreed.

Officers stated that an increased presence of staff engaging with residents did improve collection rates. However, it was also noted that it usually required 6 to 8 contacts with residents to arrange a payment schedule. When this contact time was multiplied by the 20,000 residents in arrears this amounted to a significant resource allocation.

Due to summons issues almost tripling in Middlesbrough, Kier agreed with the Council for an additional 8 Full Time Equivalent in Revenue services. The objective for those additional staff was to generate a 1% increase for In-Year collection. The recruitment process for the additional staff, however, did not occur until August 2017 with none having previous experience in Revenue Services. They were put on a fast track training programme and became effective by November/ December 2017. In order to hit the target of 93% In-Year collection rate Revenue services staff needed to generate £51,000 per day and have been achieving this for several weeks.

The officers stated that the additional resources installed had generated results, and this should be combined with early intervention to further improve the situation. This initiative, however, is only in place until the 31 March 2018 and a query was raised about what would

happen after this point. It was confirmed that the additional resource would be lost. Due to staff leaving their posts Revenue Services currently have 6 FTE and were using agency staff to undertake this task.

The 1% improvement had been witnessed since November/ December 2017 and it was assumed a result of 92.8% to 93% would be achieved. However, it is uncertain how other Councils would perform so Middlesbrough's position on the league tables was not guaranteed. There was more concern that due to benefit applications falling this would make it more difficult for residents to pay and therefore more difficult for the Council to collect Council Tax.

It was queried if there were any contingency plans for the introduction of Universal Credit and it was discussed that the Welfare Rights team had already begun work on this. A Universal Credit expert worked within the Revenue Services department to provide advice.

The Chair thanked all involved for the contribution to proceedings.

**AGREED that:**

1. **Analysis of Administrative Areas and their collection rates to circulated to Members**
2. **That the information, as presented, be noted.**