

Debt Management

Cabinet

Date: 11th July 2018

Author: Deputy Leader of the Council and Cabinet Member for Finance
Director of Finance / Head of Revenues & Benefits

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 The Council's Debt Management Policy requires officers to submit an annual report of write offs to the Cabinet. Debt management is a key component of the Council's Value for Money Strategy and help achieve the "Best use of Resources."
- 1.2 Reducing the requirement for Council Tax recovery action helps households avoid costs and help protect "our most vulnerable." Providing early support for people in debt and reducing the need to use Enforcement Agents (Bailiffs) is one of the Council's pledges (number 24).

2. Recommendations

Cabinet is recommended to:

- 2.1 Note collection rates for Business Rates and Business Improvement District charges improved in the financial year 2017/18. Collection rates for Council Tax and Housing Rents did reduce but note that work continues to maximise these. Most of the collection rates remain above the average compared to other Unitary Authorities (see appendix one).
- 2.2 Note the number of Car Parking Penalty Charge Notices being referred to Enforcement Agents (or Bailiffs) reduced in 2017/18. Unfortunately the number of Council Tax debts referred to Enforcement Agents did increase, although is still significantly less than in the year 2014/15 and work continues to maintain a reduction in referrals.
- 2.3 Authorise the Deputy Leader and Cabinet Member for Finance and Head of Revenues to carry out further research and other work as appropriate in order to continue to assist households in financial difficulty, within the Council's existing local welfare budgets.

3. Detail

Council Tax Recovery

- 3.1 In order to reduce the use of Bailiffs, the Council telephones customers prior to undertaking recovery proceedings for non-payment. Customers are requested to make payment of part or all of the arrears or if unable to, are offered a revised

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payment arrangement. This and an increased use of text reminders to residents' mobile phones did lead to a reduction in the number of summonses being issued in the years from 2014-2017, but in the last year the number has increased from that issued in 2016/17. The numbers of summonses issued is shown below:

	2013/14	2014/15	2015/6	2016/7	2017/8
Council Tax Summonses	14,024	11,016	9,416	8,642	9,630

- 3.2 The increase in the number of summonses is believed to be partly as a result of the Council Tax office undertaking a full review of single person discounts, which resulted in approximately 1,000 discounts being withdrawn. These households received a revised bill, which if unpaid after calls and reminders, has resulted in summonses being issued. Anecdotal evidence indicates that the changes to empty property discounts and transfer of welfare claimants to Universal Credits may have impacted on the numbers of unpaid debts.
- 3.3 The numbers of successful telephone calls (calls answered) in 2017/18 was 3,051. These calls prevented 2,158 summonses having to be issued, by obtaining payments or revising instalment payments.
- 3.4 During 2017/18 the 'in year' Council Tax collection rate reduced from 97.94% in 2016/17 to 97.37% 2017/18. The 'in year' collection rates are shown in appendix 1 and 2. Together with new properties, reductions in Council Tax support, and the full review of single person discounts the amount of Council Tax billed increased by £781,000 in the last six months of the financial year. This amount represents an increase in the amount to be collected of 0.7%. It is hoped that this amount and much of the outstanding Council Tax will be collected in the next few months. In recent years nearly 99% of Council Tax is eventually collected.
- 3.5 As at 31st March 2018 the collection of Council Tax for the six previous financial years was:

	Collection Rate (Excluding Credits)
2011/12	98.98%
2012/13	98.98%
2013/14	98.82%
2014/15	98.73%
2015/16	98.59%
2016/17	98.13%

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- 3.6 Comparisons with other Unitary Councils saw that many of them have experienced a similar reduction in their Council Tax collection rates, although by a smaller percentage.
- 3.7 Debt and Benefits advice is provided to help customers and the Council works with residents to ensure that debts are paid in accordance with Council requirements, and to avoid creating hardship. Before undertaking recovery proceedings, residents are encouraged and assisted in making realistic repayment arrangements. Those with low incomes are given help to claim Benefits to help pay their debts. The Benefits Service ensures that claims for Council Tax Support are paid expediently. If recovery proceedings have been undertaken Attachments of Benefits or Earnings are utilised in preference to Enforcement Agent (Bailiff) referral. A report by the Childrens Society in 2015 entitled 'The Wolf at the Door' highlighted some of the adverse impacts bailiff visits could have on families with children.
- 3.8 The Council works closely with Citizens' Advice Bureau, Christians Against Poverty, and other local partners in order to promote assistance for those having difficulty paying. Through "Financial Inclusion" advice on budgeting supporting, debt advice, cheaper credit, credit union membership and reducing energy tariffs have all been promoted.
- 3.9 With effect from 1st April 2018, Discounts and Exemptions are being automatically granted to Swindon Care leavers under the age of 21. Twelve individuals with Council Tax responsibility are being assisted.
- 3.10 In 2017/8 the Council Tax office issued 55,089 telephone text messages when instalment payments were missed. This is slightly less than the previous year, since a system issue meant that the text reminders could not be issued in May 2017. Where payments are still not made, paper reminders are issued later in the month or at the beginning of the following month. The number of Council Tax 'text' and 'paper' reminders issued in the last five financial years is shown below:

	'Text' Reminders issued prior to 'Paper Reminders'	Paper Reminders
2013/14	43,660	42,280
2014/15	50,547	32,374
2015/16	51,114	32,969
2016/17	61,190	34,542
2017/18	55,089*	36,484

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*Due to a system issue no text reminders could be produced in May 2017 and so this led to a reduction in the numbers of texts during 2017/18.

- 3.11 The number of Council Tax debts referred to Enforcement Agents (bailiffs) increased to 7,192 in 2017/8. Analysis has shown that 3,105 of these referrals were 'repeat' referrals, where a debt was being passed to a second Enforcement Agent to collect.

Debts Referred to Bailiffs	2012/13	2013/14	2014/15	2015/6	2016/17	2017/18
Council Tax debts	7,045	7,200	8,003	6,104	6,921	7,192
Car Parking PCNs	2,048	2,057	3,260	3,931	6,651*	5,737*

* Includes Bus Lane Contraventions

- 3.12 The number of complaints regarding bailiffs were:

Number of Complaints Recorded	2013/14	2014/5	2015/6	2016/7	2017/18
Council Tax Complaints – Bailiffs	34	20	11	11	14
Car Parking Complaints - Bailiffs	5	6	6	19	36

Business Rates

- 3.13 The Council's Business Rates 'in year' Collection Rate for 2017/18 was recorded as 98.7%. An increase of 0.5% from the 98.2% recorded in 2016/7.
- 3.14 A national revaluation of all rating assessments has been undertaken by the Valuation Office (HMRC) and came into force from the 1st April 2017. Comparing the new valuation list with the previous list in Swindon, 3,100 properties increased in value, 1,000 remained the same and 1,400 properties had decreases in their rateable values. Since the 'multiplier' by which bills are multiplied has reduced, 2,000 ratepayers have had increased bills and 3,500 reduced bills. Of the 2,000 with increases, many were able to claim increased small business rate relief. Utilising funding available from the Minister for Housing, Communities and Local Government, the Council also introduced three schemes to help small and medium sized local businesses that were facing increases in rates.
- 3.15 Under the 3 new schemes 97 businesses were given rates reductions. For businesses that received Small Business Rates Relief in 2016/17 increases have

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been limited to £600 per annum (this benefited 11 businesses in 2017/18). Public Houses with a rateable value of less than £100,000 have been offered a £1,000 reduction for both 2017/18 and 2018/19. 40 businesses have applied and received this (before relief is granted businesses have to make a state aid declaration). Thirdly medium sized businesses that could have faced increases of up to 42% have had increases limited to 12.5%, and 46 businesses have benefited from this relief and been awarded £57,042 in total. Assistance was offered to many more businesses, but because these reliefs are subject to state aid regulations, many national or multi-national businesses could not make claims as they had received reductions from other Councils.

Business Improvement District Charges

- 3.16 The Council collects Business Improvement District (BID) charges on behalf of InSwindon Ltd who are responsible for Swindon Town Centre management. A collection rate of 96.8% was achieved in 2017/8, which is above the 95% target. The amount collected was £403,155.

Housing Rents

- 3.17 Housing reported a 96.91% in rent collection during 2017/18. This includes current, former and garage rent arrears.

Percentage of Rent Collected						
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Swindon	98.77%	98.61%	98.63%	98.78%	98.06%	96.91%

- 3.18 Current rent arrears have increased in the past year, as a result challenges some tenants are facing in managing their finances following changes in the way Housing Support or Housing Benefits are paid as part of Universal Credit.

Balance of Current Housing Rent Arrears							
April 2005	April 2012	April 2013	April 2014	April 2015	April 2016	April 2017	April 2018
£1.2m	£0.48m	£0.63	£0.65m	£0.756	£0.749	£1.059	£1.275

- 3.19 There has been a significant increase in rent arrears directly linked to the roll out of Universal Credit (UC). The 'full' Universal Credit system went live in Swindon on 30th November 2016. UC is paid directly to the claimant and monthly in arrears, unlike Housing Benefit which is paid weekly and directly onto the tenants rent account. At the end of March 2018 there were 1,387 (555 March 2017)

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tenants claiming UC, 79% were in rent arrears owing a total of £788,198. It is anticipated that rent arrears will continue to increase during 2018/19 as the numbers claiming UC steadily increase. Changes to mitigate the impact have been implemented, including increased automation of the rent arrears processes.

- 3.20 In February and April 2018 the Government introduced a number of measures to reduce the impact on rent arrears. New UC claims now receive their first payment after five weeks instead of six, existing Housing Benefit claimants transferring to UC receive an additional two weeks of Housing Benefits before their Housing Benefit ends and UC Claimants claiming Advance payments now have 12 months to repay the advance (previously this was 6 months).
- 3.21 In March 2018 the Council was invited to register as a Trusted Partner which gives access to the UC Landlord Portal. The portal allows social landlords to: verify a UC claimant's rent, request an Alternative Payment Arrangement (APA) which will result in direct payment to the landlord, and allows recovery of rent arrears and to request more frequent payments than monthly for their tenant. This has the benefit of speeding up the associated processes as it replaces the email verification process for landlords and it streamlines the matching of rent verification data.
- 3.22 In partnership with DWP, the Library Service and Citizens Advice support UC claimants with Budgeting support and help getting online.
- 3.23 There were 20 evictions during 2017/18, compared to 17 in 2016/17 though still less than the 28 in 2015/6. Every effort is being made to focus on early intervention and prevention. It is a long process to reach the stage of eviction. Tenants are given intensive support to ensure they are given every assistance and advice to avoid eviction.

Overpaid Housing Benefits

- 3.24 The value of overpayments created reduced in 2017/18 to £2,221,182 (compared to £2,389,687 in 2016/17, £3,882,089 in 2015/16 and £4,359,822 in 2014/5). The data matching between the Department of Works and Pensions (DWP) and HM Revenues & Customs continues, but since this is now undertaken regularly the value of the overpayments has decreased. Overpayments are also created when claimants transfer to Universal Credit and these Overpayments will transfer to DWP to recover from Universal Credit Payments.
- 3.25 The amount collected in the financial year 2017/18 was £1,699,589. The percentage collected as a percentage of the amount created was 76.52%, which is similar to that in 2016/17 (76.83%).
- 3.26 Many of the overpayments are caused by claimants failing to advise the Council of changes to their financial circumstances promptly. The Benefits Team limit the number and value of overpayments, since claims are suspended as soon as the

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Council becomes aware of improvements in the financial circumstances of claimants. The Council receives electronic information from the Department of Works and Pensions (DWP), when there are changes to claimant's DWP Benefits or Tax Credits. Overpayments created by error or delay are low and under the threshold set by the DWP, and so the Council receives maximum 'Benefits subsidy'. Unfortunately, many claimants are slow to advise the Council of changes in their circumstances.

- 3.27 Many customers continue to pay back their overpayments in regular instalments based upon their means. These arrangements often exceed 12 months.
- 3.28 The DWP and HMRC have recently introduced a new system, under which addresses and places of employments for former Housing Benefit claimants with overpayments can be traced. It is hoped that this will improve the collection of these debts.

Car Parking Penalty Charge Notices

- 3.29 The collection rate for Penalty Charge Notices issued in 2017/18 and collected by 31st March 2018 was shown as 72.33%. A further 10.93% remained outstanding and continued to be pursued for collection as at the end of April 2018.
- 3.30 Recent comparisons by Marstons Enforcement Agency has shown Swindon has some of the highest collection rates achieved by similar local authorities for bus lane and parking contraventions for debts referred to an Enforcement Agent.
- 3.31 The numbers of Enforcement Agent (bailiff) referrals reduced in 2017/18 and this could be due to a number of reasons, such as better compliance of drivers. The number of Bus Lane PCN's also reduced from the previous year

Miscellaneous Debtors

- 3.32 The value of debts written off from the 'Miscellaneous Debtors' system was £188,466.
- 3.33 The collection rate in respect of Miscellaneous Debts is above average compared with other Unitary authorities. Prompt issuing of reminder notices and telephoning of large value debts has helped maintain this collection rate.
- 3.34 With regards to Social Care debts and Deferred Property Agreements work has been undertaken to ensure billing and that the Council's debt position is protected.

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Debt Management Summary

- 3.35 The total value of debt written off in 2017/18 is £2.331m as detailed in Appendix 4. Whilst it is a significant sum, it is important for Members to note that it represents less than 1% of the total that is collectable for the year. In most cases the debts that were written off also fell due in previous financial years, and a breakdown of the years during which the Council Tax fell due is shown in Appendix 5.
- 3.36 Officers will continue to pursue all debts in 2018/19 and to administer amounts written off in accordance with the criteria set out for irrecoverable debts contained in the Council's Debt Management Policy.

4. Alternative Options

- 4.1 Since this report is for Information only no alternative options are suggested.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 Improved Council Tax and debt collection performance results in additional income for the Council. However, Members are mindful that enforcement actions may have consequences for other Council services if there are adverse effects, especially on children.

Legal and Human Rights Implications

- 5.2 Legal and Human Rights considerations have been taken fully into account in compiling this report. It is considered that the steps taken by the Council in relation to debt management are proportionate and compatible with convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 Reducing the numbers of people against whom recovery action is undertaken may help reduce poverty and possible links to crime, in addition to helping meet the Council's pledge number 24.

Diversity Impact Assessment

- 5.4 A Diversity Impact Assessment (DIA) in respect of the Council Tax recovery processes was undertaken and reviewed in July 2017. The effects of the changes previously made to processes were noted to have been positive and no adverse impacts have been highlighted.

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Risk Management

- 5.5 This report is for information only and so there is no decision or risk to be considered.

6. Consultees

- 6.1 The Council's Report Writing standard requires authors to consult appropriate Corporate Directors, Directors or Heads of Service, other officers and relevant partners on the purpose, content, and recommendations of the report before it is presented for decision. In respect of reports to Cabinet, authors are also required to consult the relevant Cabinet Member.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Collection Performance in 2017/18
- 8.2 Appendix 2 – Council Tax 'in year' collection rates 2004/5-2017/18
- 8.3 Appendix 3 - The net value of payments to Swindon B.C. in 2017/18
- 8.4 Appendix 4 – The value of debts written off and the annual amounts due in 2017/18
- 8.5 Appendix 5 – Breakdown of Council Tax write off by year the debt was due
- 8.6 Appendix 6 – Debt Management Policy extract showing reasons for write offs

9. Key Decision/Decision in Cabinet Work Programme

- 9.1 This is not a Key Decision and is included in the Cabinet Work Programme for July 2018.