

Debt Management

Cabinet

Date: 5th June 2019

Author: Cabinet Member for Finance, Education and Skills
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." The Council's Priority number four is to help people to help themselves, while always protecting the most vulnerable children and adults. Pledge 17 is to 'Provide early support so that Swindon residents are financially included and avoid getting into debt.'

2. Recommendations

Cabinet is recommended to:

- 2.1 Note collection rates for Council Tax, Housing Rents and Car Parking Penalty Charge Notices improved and Business Rates collection remained at a high level (see appendix one).
- 2.2 Note the number of Car Parking Penalty Charge Notices being referred to Enforcement Agents (or Bailiffs) reduced in 2018/19. The number of Council Tax debts referred to Enforcement Agents did increase, although the number of households involved was lower.

3. Detail

Council Tax Recovery

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 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 two years the number has increased. The numbers of summonses issued is shown below:

Debt Management

Cabinet

Date: 5th June 2019

	2013/14	2014/15	2015/6	2016/7	2017/8	2018/19
Council Tax Summonses	14,024	11,016	9,416	8,642	9,630	10,598

- 3.1 Although the number of summonses has increased, the telephone calls to Council Taxpayers who have been sent reminders prevented 1,769 Summonses in 2018/19. The numbers of telephone calls made and answered in 2018/19 was 2,703. The summonses were prevented by obtaining payments or revising instalment payments. The 10,598 summonses in 2018/19 represented 10.9% of the 97,275 households in the Swindon area as at 31st March 2019, whilst the 14,024 summonses in 2013/14 represented 15.2% of the 92,565 households as at 31st March 2014.
- 3.2 During 2018/19 the 'in year' Council Tax 'excluding credits' collection rate increased from 96.38% in 2017/18 to 96.45% in 2018/19. The 'excluding credits' rate increased from 97.37% in 2017/18 to 97.47% in 2018/19. The 'in year' collection rates are shown in appendix 1 and 2. This year the Council has reported the excluding credits figure, since the credits are used to offset liability owed in the next financial year. The Council continues to collect outstanding Council Tax after the financial year has ended and eventually 99% (excluding credits) of Council Tax is collected.
- 3.3 As at 31st March 2019 the collection of Council Tax for the six previous financial years was:

	Collection Rate (Excluding Credits)
2012/13	99.03%
2013/14	98.89%
2014/15	98.84%
2015/16	98.76%
2016/17	98.56%
2017/18	98.02%

** Full review of discounts took place in 2017/18

- 3.4 Comparisons with other Unitary Councils show that many have experienced a slight reduction in their Council Tax collection rates.
- 3.5 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

Further information on the subject of this report can be obtained from Andy Stevens, (01793) 464607, anstevens@swindon.gov.uk.

Debt Management

Cabinet

Date: 5th June 2019

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.

- 3.6 The Council works closely with Citizens' Advice, 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.
- 3.7 From 1st April 2018, Council Tax Discounts and Exemptions have been automatically granted to Swindon Care leavers under the age of 21. 21 individuals have been supported and a total of £13,855 Council Tax has been discounted. Those that reach 21 are offered further support, but none have asked for this from the Revenues and Benefits teams.
- 3.8 In 2018/9, the Council Tax office issued 67,031 telephone text messages when instalment payments were missed. 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 six 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
2018/19	67,031	36,115

*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.

- 3.9 In 2019 the Council Tax office is implementing email and voice message reminders in order to issue more reminders before undertaking recovery

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Debt Management

Cabinet

Date: 5th June 2019

proceedings. Residents can ask to opt out of any of these and will still receive 'paper' reminders.

- 3.10 The number of Council Tax debts referred to Enforcement Agents (bailiffs) increased to 8,119 in 2018/9. Analysis has shown that 3,907 of these referrals were 'repeat' referrals, where a debt was being passed to a second Enforcement Agent to collect. The actual number of households owing Council Tax debts referred to Enforcement Agents reduced in 2018/19 to 4,449 from 4,628 in 2017/18.

Debts Referred to Bailiffs	2013/14	2014/15	2015/6	2016/17	2017/18	2018/19
Council Tax debts	7,200	8,003	6,104	6,921	7,192	8,119
Car Parking PCNs	2,057	3,260	3,931	6,651*	5,737*	5,706*

* Includes Bus Lane Contraventions

- 3.11 The number of complaints regarding bailiffs were:

Number of Complaints Recorded	2013/4	2014/5	2015/6	2016/7	2017/8	2018/9
Council Tax Complaints – Bailiffs	34	20	11	11	14	11
Car Parking Complaints - Bailiffs	5	6	6	19	36	27

Business Rates

- 3.12 The Council's Business Rates 'in year' Collection Rate for both 2017/18 and 2018/19 was recorded as 98.7%.
- 3.13 Business Rates limiting large increases schemes continued during 2018/19. For businesses that received Small Business Rates Relief in 2016/17 increases are limited to £600 per annum (this has benefited 11 business). 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 been granted this. Thirdly medium sized businesses that could have faced increases of up to 42% have had increases limited to 12.5% in 2017/18 and 2018/19. 31 businesses have benefited from this relief, but many businesses were not eligible due to the state aid regulations.
- 3.14 A new retail relief scheme is operating in 2019/20 offering small and medium sized shops, cafes, restaurants and public houses a 33.3% reduction in their rates bills, again subject to state aid reliefs. This discount was automatically applied to those businesses that the Council believed would be eligible and 542 businesses were issued bills in April 2019 showing the 33.3% reduction. The value of the reduction granted is £1,581,319.

Debt Management

Cabinet

Date: 5th June 2019

Business Improvement District Charges

- 3.15 The Council collects Business Improvement District (BID) charges on behalf of InSwindon Ltd, which is responsible for Swindon Town Centre management. A collection rate of 96.3% was achieved in 2018/19, which is above the 95% target. The amount collected was £394,827.

Housing Rents

- 3.16 Housing reported a 98.24% in rent collection during 2018/19. This includes current, former and garage rent arrears.

Percentage of Rent Collected						
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Swindon	98.61%	98.63%	98.78%	98.06%	96.91%	98.24%

- 3.17 Current rent arrears have reduced in the past year.

Balance of Current Housing Rent Arrears							
April 2005	April 2013	April 2014	April 2015	April 2016	April 2017	April 2018	April 2019
£1.2m	£0.63m	£0.65m	£0.76m	£0.75m	£1.06m	£1.28m	£1.06m

- 3.18 The rent arrears have reduced due to increased automation of the rent arrears processes and some Government changes in the administration of Universal Credit (UC) have helped. New U.C. claims now receive their first payment after five weeks instead of six, existing Housing Benefit claimants transferring to U.C. receive an additional two weeks of Housing Benefits before their Housing Benefit ends and U.C. Claimants claiming Advance payments now have 12 months to repay the advance (previously this was 6 months).
- 3.19 In March 2018, the Council registered as a Trusted Partner which gives access to the UC Landlord Portal. The portal allows social landlords to verify a U.C. claimant's rent, request an Alternative Payment Arrangement (APA) which will result in direct payment to the landlord and allows recovery of rent arrears. 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.
- 3.20 Improvements have been made to the Housing I.T. system to automate the issuing of arrears letters or text messages to tenants with arrears each week.

Debt Management

Cabinet

Date: 5th June 2019

This has allowed the Tenancy Services team to focus their work on the more complex rent recovery cases, making telephone calls or visits to tenants with higher levels of the arrears. The officers making home visits now use tablets and so have all the associated rent and arrears information available to them when visiting and are able to update the system in real time. This is ensuring that Housing officers are able to provide intensive support to those tenants in the greatest need.

- 3.21 There were 18 evictions during 2018/19, compared to 20 in 2017/18. Every effort is 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

- 3.22 The value of overpayments created reduced in 2018/19 to £1,455,801 (compared to £2,221,182 in 2017/18). The transfer of claimants to Universal Credit and data matching with the Department of Works and Pensions (DWP) has reduced the Council's claimant caseload and subsequent overpayments.
- 3.23 The amount collected in the financial year was £1,547,642 as many of the Overpayments created in previous years were collected.
- 3.24 Many 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 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'.
- 3.25 Many customers continue to pay back their overpayments in regular instalments based upon their means. These arrangements often exceed 12 months.
- 3.26 The DWP have recently introduced a new system, under which addresses and places of employments for former Housing Benefit claimants with overpayments can be found and this has helped improve the collection of these debts.

Car Parking Penalty Charge Notices

- 3.27 The collection rate for Penalty Charge Notices issued in 2018/19 and collected by 31st March 2019 was shown as 75.79%. The outstanding amounts will be continued to be pursued for collection.

Debt Management

Cabinet

Date: 5th June 2019

- 3.28 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.

Miscellaneous Debtors

- 3.29 The value of debts written off from the 'Miscellaneous Debtors' system was £261,261.
- 3.30 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.

Debt Management Summary

- 3.31 The total value of debt written off in 2018/19 is £2.76 million 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.
- 3.32 Officers will continue to pursue all debts in 2019/20 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.

Debt Management

Cabinet

Date: 5th June 2019

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. Pledge 17 is to 'Provide early support so that Swindon residents are financially included and avoid getting into debt'.

Diversity Impact Assessment

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

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 Director of Finance (Section 151 Officer) and Director of Law (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Collection Performance in 2018/19
- 8.2 Appendix 2 – Council Tax 'in year' collection rates 2004/5-2018/19
- 8.3 Appendix 3 - The net value of payments to Swindon B.C. in 2018/19
- 8.4 Appendix 4 – The value of debts written off and the annual amounts due in 2018/19
- 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 June 2019.