

# Debt Management

**Cabinet**

**Date: 13<sup>th</sup> July 2016**

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Wards:	All
Locality Affected:	All
Parishes Affected:	All

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## **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. Improved 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 note that:

- 2.1 The Collection rates of all debt types improved in the financial year 2015/6. This includes Council Tax, Business Rates, Business Improvement District charges, Housing Rent, Parking collections, Overpaid Housing Benefits and Miscellaneous Incomes.
- 2.2 Collection rates remain above average compared to other Unitary Authorities.
- 2.3 The work being undertaken to reduce Council Tax recovery proceedings and the use of Enforcement Agents has led to a 33% reduction in the number of summonses issued (a fall of 4,608) in the last 2 years and a 24% reduction in referrals to bailiffs (a fall of 1,899 ) in the last year.

## **3. Detail**

### **Council Tax Recovery**

- 3.1 Since August 2014, the Council has been utilising additional resources to telephone customers prior to summonses being issued 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 the increased use of text reminders to residents' mobile phones led to a reduction in the

# Debt Management

**Cabinet**

**Date: 13<sup>th</sup> July 2016**

number of summonses being issued in the last two financial years. The number of summonses issued in 2015/6 was 9,416 compared to 11,016 in 2014/5 and 14,024 in 2013/14. A reduction of 4,608 in the last 2 years. At the same time the Council Tax collection rate improved by over 0.4% to 97.82 (97.73% in 2014/5 and 97.4% in 2013/4).

- 3.2 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 without creating any undue hardship. The Council hosts a stakeholder group and is working closely with Citizens Advice Bureau, Wiltshire Law, Christians Against Poverty, and other local partners. Utilising funding from the One Swindon Partnership the Council has also appointed a Social Inclusion and Welfare Manager, who together with the Council's partners, is looking at developing strategies to help low income households. There is a separate report on Financial Inclusion before Cabinet that addresses this.
- 3.3 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 are paid expediently.
- 3.4 In 2015/6 the Council Tax office issued 51,144 telephone text messages when instalment payments were missed. Where payments were still not made, paper reminders were issued later in the month or at the beginning of the following month (32,969 were issued). These measures and the telephoning mentioned in 3.1 above led to the reduction in summonses and Enforcement Agent (bailiff) referrals.
- 3.5 The number of Council Tax 'text' and 'paper' reminders issued in the last three financial years is shown below:

	'Text' Reminders issued prior to 'Paper Reminders'	Paper Reminders	'Text' Reminders on Court Arrangements
2013/14	43,660	42,280	2,636
2014/15	50,547	32,374	2,708
2015/16	51,114	32,969	2,463

- 3.6 If residents are summonsed they incur £60 summons costs and a further £40 court costs. If court orders are then passed to Enforcement Agents (bailiffs) this can incur a further £310 in Enforcement costs if a visit takes place. The Council

# Debt Management

**Cabinet**

**Date: 13<sup>th</sup> July 2016**

and its partners are working hard to help residents make payment promptly and reduce the numbers of households who may be burdened with such fees.

3.7 Where Council Taxpayers have defaulted and it has been necessary to obtain court orders, wherever possible Attachment of Benefits and Earnings orders are used in preference to Enforcement Agents. Requests are sent to these taxpayers to make arrangements to pay or provide employment details, but these are rarely returned.

3.8 The number of Council Tax debts referred to Enforcement Agents (bailiffs) reduced to 6,104 in 2015/6.

Debts Referred to Bailiffs	2012/13	2013/14	2014/15	2015/6
Council Tax debts	7,045	7,200	8,003	6,104
Car Parking PCNs	2,048	2,057	3,260	3,931*

\* Includes Bus Lane Contraventions

3.9 In March 2013, Cabinet resolved to introduce the civil enforcement of Bus lane and Bus gate contraventions (Cabinet Minute 128, 2012/13 refers). This proposal enjoyed cross-party support. An element of the increase in unpaid Car Parking PCNs relates to these violations of bus lanes and bus gates by private motorists.

Number of Complaints Recorded	2012/13	2013/14	2014/5	2015/6
Council Tax Complaints – Bailiffs	20	34	20	11
Car Parking Complaints - Bailiffs	1	5	6	6

3.10 The number of complaints regarding enforcement Agents (bailiffs) has reduced. This is as a result of the reduced referral, additional assistance being provided and the changes in the Enforcement Regulations regarding fees. The fees are now fixed and no longer set by the Enforcement Agents as 'reasonable costs'.

3.11 A summary of Swindon's collection rates is shown below and the total amount collected in 2014/15 is shown in Appendix 1 and 2.

# Debt Management

Cabinet

Date: 13<sup>th</sup> July 2016

In year Council Tax Collection Rates		
Year	Council Tax Collection – Traditional Calculation Method	Council Tax Collection – Excluding Credits
2004/5	95.20%	94.14%
2005/6	97.15%	95.75%
2006/7	98.05%	96.64%
2007/8	97.98%	96.57%
2008/9	97.76%	96.65%
2009/10	97.66%	96.52%
2010/11	97.79%	96.81%
2011/12	97.80%	96.89%
2012/13	97.90%	97.10%
2013/14	97.40%*	96.42%*
2014/15	97.73%*	96.76%*
2015/16	97.82%*	96.79%*

\* The changes to Council Tax Benefits (Support) that were introduced in April 2013 have had an impact on collection rates since 2013/14.

3.12 As at 31<sup>st</sup> March 2016 the collection of Council Tax for the two previous financial years was:

2013-2014 – excluding credits = 98.53%

2014-2015 – excluding credits = 98.18%.

3.13 Following the Cabinet report of 22<sup>nd</sup> April 2015 on Council Tax recovery and Social Inclusion (Minute 85, 2014/15 refers), research was undertaken into debt and financial deprivation and the results from this were reported to the Cabinet Member Advisory Group for 'Benefits Strategy and Welfare Reform.' This has led to the appointment of a Social Inclusion and Welfare Manager, and the work being undertaken as detailed in the separate report on Financial Inclusion. Financial Inclusion projects will contribute in assisting residents improving their finances.

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Further information on the subject of this report can be obtained from Andy Stevens, (01793) 464661, [anstevens@swindon.gov.uk](mailto:anstevens@swindon.gov.uk).

# Debt Management

Cabinet

Date: 13<sup>th</sup> July 2016

- 3.14 A presentation by the Behavioural Insights Organisation was given to the Revenues managers and many ideas that were demonstrated has already been adopted, such as reviewing the wording on reminders letters and issuing text reminders.

## Business Rates

- 3.15 The Council's Business Rates Collection Rate for 2015/16 was recorded as 98.6. This represents an increase on the 97.8%, 98.0%, 98.35% and 98.4% achieved in the previous financial years. With the introduction of a National scheme under which part of the Business Rates income is retained by local authorities from April 2013, it is important for the Council to continue to collect Business Rates income efficiently.
- 3.16 For rates retention purposes, the Council's income is affected by potential rating reductions that ratepayers may receive following appeals on rating assessments. A deadline date of 31<sup>st</sup> March 2015 for appeals resulted in a large number of appeals being registered. These appeals are reviewed by HM Revenues and Customs and can take a considerable period to resolve, but the Council has to assume that a certain percentage of appeals will be successful.
- 3.17 A revaluation of all rating assessments is due to be undertaken and will come into force from the 1<sup>st</sup> April 2017. The relative increase or reductions in rateable values compared with other local authorities will have an impact on the Council's income; although in 2017 there may be some national equalisation through central grants.
- 3.18 An increased scheme of Small Business Rates Relief to help smaller businesses has been implemented in 2016 and will continue in 2017.

## Business Improvement District Charges

- 3.19 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 96.7% was achieved in 2015/16. This is the highest ever collection rate since the BID began in 2007. The amount collected was £367,933.

## Housing Rents

- 3.20 Housing reported an improvement in rent collection during 2015/16. This includes current, former and garage rent arrears.

Percentage of Rent Collected						
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Swindon	99.04%	98.98%	98.77%	98.61%	98.63%	98.78%

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# Debt Management

**Cabinet**

**Date: 13<sup>th</sup> July 2016**

- 3.21 Current rent arrears decreased as shown below.

Balance of Current Housing Rent Arrears							
April 2005	April 2010	April 2011	April 2012	April 2013	April 2014	April 2015	April 2016
£1.2m	£0.47m	£0.40m	£0.48m	£0.63	£0.65m	£0.756	£0.749

- 3.22 There were 28 evictions during 2015/16. 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

- 3.23 A large number and value of overpayments were created in 2015/16 although less than 2014/15. Data matching exercises between Housing Benefits, the Department of Works and Pensions (DWP) and HM Revenues & Customs continued. As part of this, claimants' earnings were reviewed in accordance with HM Revenues & Customs information. The DWP initiative to review more claims from self-employed persons and 'nil' income claimants also continued. In 2015/6 £3,882,089 was created (compared to £4,359,822 in 2014/5 and £3,224,142 in 2013/14).
- 3.24 The amount collected in the financial year was £3,825,190 (compared to £3,252,696 in 2014/5).
- 3.25 In addition to the above mentioned exercises, the vast majority of 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 have to be 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'. Unfortunately, many claimants are slow to advise the Council of changes in their circumstances.
- 3.26 Many customers continue to pay back their overpayments in regular instalments based upon their means. These arrangements often exceed 12 months.
- 3.27 Overpaid Housing Benefits with a value of £163,786.48 are currently being put forward for write off.

# Debt Management

Cabinet

Date: 13<sup>th</sup> July 2016

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## Car Parking Penalty Charge Notices

- 3.28 The collection rate for Penalty Charge Notices issued in 2015/16 and collected by 31<sup>st</sup> March 2015 was shown as 72.65%. A further 9.5% remained outstanding and continued to be pursued for collection as at the end of April 2016.
- 3.29 This collection rates exceeds the overall collection rate achieved by similar local authorities.

## Miscellaneous Debtors

- 3.30 The value of debts written off from the 'Miscellaneous Debtors' system was £249,196.31
- 3.31 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

- 3.32 The total value of debt written off by the Director of Resources in 2015/16 under his delegated authority is shown in Appendix 3. 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 4.
- 3.33 Officers will continue to pursue all debts in 2016/17 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. The reduction in summonses has led to a reduction in court costs income for the Council and additional resources have been employed to telephone residents and offer assistance. However, it appears that the increase in Council Tax collection in the last two years offsets the reduction in costs income and the cost of employing additional staff.



# Debt Management

Cabinet

Date: 13<sup>th</sup> July 2016

---

## 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 An additional member of staff has been employed by the Council in the Credit team to undertake telephoning of residents prior to issuing summonses and offering assistance to them. 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 recommended changes to Council Tax recovery processes was first undertaken in June 2014 and this has now been reviewed. No adverse impacts were highlighted under this process and no further changes proposed as a result of the DIA review, except the Council's Debt Collection Teams will promote Financial Inclusion work. The work being undertaken under 'Financial Inclusion' will provide further benefits to residents in reducing poverty. A copy of the DIA can be obtained from the report author.

## Risk Management

- 5.5 This report is for information only and so there is no decision or risk to be considered. The Revenues and Benefits Service maintains a risk register.

## **6. Consultees**

- 6.1 The Board Director, Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

## **7. Background Papers**

- 7.1 None

## **8. Appendices**

- 8.1 Appendix 1 – Collection Performance in 2015/16
- 8.2 Appendix 2 - The net value of payments to Swindon B.C. in 2015/16
- 8.3 Appendix 3 – The value of debts written off and the annual amounts due in 2015/16



# Debt Management

**Cabinet**

**Date: 13<sup>th</sup> July 2016**

---

- 8.4 Appendix 4 – Breakdown of Council Tax write off by year the debt was due
- 8.5 Appendix 5 – Debt Management Policy extract showing reasons for write offs
- 9. Key Decision/Decision in Cabinet Work Programme and Forward Plan**
- 9.1 This is not a Key Decision and is included in the Cabinet Work Programme and Forward Plan for July 2016.