

# Debt Management

**Cabinet**

**Date: 12<sup>th</sup> July 2017**

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Author: Deputy Leader of the Council and Cabinet Member Finance,  
and Corporate Services  
Director of Law & Democratic Services / Head of Revenues &  
Benefits

Wards: 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 for Council Tax and Miscellaneous Incomes improved in the financial year 2016/7, whilst the collection rates for Business Rates and Housing Rents reduced. All collection rates remain above average compared to other Unitary Authorities.
- 2.2 The work being undertaken to reduce Council Tax recovery proceedings and the use of Enforcement Agents has led to a 38% reduction in the number of summonses issued (a fall of 5,382) in the last 3 years. The number of referrals to bailiffs did increase slightly in 2016/7, but is still lower than in the financial years 2013/14 and 2014/15.

## **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 number of summonses being issued in the last three financial years. The number of summonses issued in 2016/7 was 8,642 compared to 9,416 in 2015/6, 11,016

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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).

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in 2014/5 and 14,024 in 2013/14. A reduction of 5,382 in the last 3 years. At the same time the Council Tax collection rate improved by over 0.5% to 97.94 (97.82 in 2015/6, 97.73% in 2014/5 and 97.4% in 2013/4).

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

- 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 works closely with Citizens Advice Bureau, Christians Against Poverty, and other local partners. Utilising funding from the One Swindon Partnership the Council has appointed a Social Inclusion and Welfare Manager, who together with the Council's partners, has developed strategies to help low income households. Advice on budgeting supporting, debt advice, cheaper credit, credit union membership and reducing energy tariffs have all been promoted.
- 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 expeditiously.
- 3.4 In 2016/7 the Council Tax office issued 58,579 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 (34,542 were issued). These measures and the telephoning mentioned in 3.1 above led to the reduction in summonses.
- 3.5 The number of Council Tax 'text' and 'paper' reminders issued in the last four 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	58,579	34,542

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- 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 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 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) increased to 6,921 in 2016/7. Work to analyse if these are repeat referrals is being undertaken.

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

\* 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. The large increase in referrals in 2016/17 relates to this.

Number of Complaints Recorded	2012/13	2013/14	2014/5	2015/6	2016/7
Council Tax Complaints – Bailiffs	20	34	20	11	11
Car Parking Complaints - Bailiffs	1	5	6	6	19

- 3.10 The number of Council Tax complaints regarding enforcement Agents (bailiffs) has reduced as a result of the changes to the Enforcement Regulations and possibly as a result of the additional assistance being provided by the Revenues officers. The fees are now fixed and no longer set by the Enforcement Agents. Car Parking complaints have increased mainly as a result of cases involving Bus Lane Contraventions.
- 3.11 A summary of Swindon's collection rates is shown below and the total amount collected in 2016/17 is shown in Appendix 1 and 2.

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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%*
2016/17	97.94%*	96.94%*

\* 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 2017 the collection of Council Tax for the two previous financial years was:

2014-2015 – excluding credits = 98.55%

2015-2016 – excluding credits = 98.25%.

## Business Rates

3.13 The Council's Business Rates Collection Rate for 2016/17 was recorded as 98.2%. A reduction of 0.6% from the 98.8% recorded in 2015/6, although similar to the percentage collection rates recorded between 2011 and 2014 of 97.8%, 98.0%, 98.35% and 98.4%. Analysis of the outstanding debts has shown that approximately £1 million of the debt relates to new owners or occupiers of

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properties who only received their bills in March 2017. It is hoped that much of this debt will be collected. Another £1 million relates to occupiers of businesses who have gone into liquidation and claims will be made to administrators, but it is likely that these amounts will be submitted for write off. The amount received is within the Council's predicted collection levels (and bad debt provision).

- 3.14 A national revaluation of all rating assessments has been undertaken by the Valuation Office (HMRC) and came into force from the 1<sup>st</sup> 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 of these may be able to claim increased small business rate relief. During the 2017 budget, the Chancellor announced other measures to help those with increases and the Business Rates team are working with its software supplier to implement these measures.

## Business Improvement District Charges

- 3.15 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 95.8% was achieved in 2016/7, which is above the 95% target. The amount collected was £390,180.
- 3.16 Following a successful ballot of Town Centre businesses in January 2017, the BID will continue.

## Housing Rents

- 3.17 Housing reported 98.06% in rent collection during 2016/17. This includes current, former and garage rent arrears.

Percentage of Rent Collected						
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Swindon	98.98%	98.77%	98.61%	98.63%	98.78%	98.06%

- 3.18 Current rent arrears have increased in the past year, as a result changes in the way Housing Support or Housing Benefits are paid as part of Universal Credit

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Balance of Current Housing Rent Arrears							
April 2005	April 2011	April 2012	April 2013	April 2014	April 2015	April 2016	April 2017
£1.2m	£0.40m	£0.48m	£0.63	£0.65m	£0.756	£0.749	£1.059

- 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, when the scope of the system went from single people to include all new claims from working age residents (so now includes couples and families). 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. It takes at least 6 weeks for the first payment of UC to be made to a new claimant and this relates to their full benefit payment and not just the Housing Element. At the end of March 2017, of the 555 tenants claiming UC, 81% were in rent arrears owing a total of £334,952. It is anticipated that rent arrears will continue to increase during 2017/18 as the numbers claiming UC steadily increase. Changes to mitigate the impact have been implemented, including increased automation of the rent arrears processes. Further I.T. changes will be developed and implemented during the coming year. More work with the Department of Work and Pensions will be undertaken to support claimants making their first Universal Credit claims. Budgeting support and the Financial Inclusion work mentioned in 3.2 are offered to claimants.
- 3.20 There were 17 evictions during 2016/17, which is less than the 28 in 2015/6. 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

- 3.21 The number of overpayments created reduced in 2016/17 to £2,389,687 (compared to £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. 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.
- 3.22 The amount collected in the financial year was £1,835,987 (compared to £3,825,190 in 2015.16 and £3,252,696 in 2014/5).
- 3.23 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.

- 3.24 Many customers continue to pay back their overpayments in regular instalments based upon their means. These arrangements often exceed 12 months.

## Car Parking Penalty Charge Notices

- 3.25 The collection rate for Penalty Charge Notices issued in 2016/17 and collected by 31<sup>st</sup> March 2017 was shown as 72.60%. A further 9.06% remained outstanding and continued to be pursued for collection as at the end of April 2017.

- 3.26 This collection rates exceeds the overall collection rate achieved by similar local authorities.

## Miscellaneous Debtors

- 3.27 The value of debts written off from the 'Miscellaneous Debtors' system was £326,291
- 3.28 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.
- 3.29 With regards to Social Care debts and Deferred Property Agreements a business case has been agreed under which resources will be allocated to undertake prompt billing and ensure that the Council's debt position is protected.

## Debt Management Summary

- 3.30 The total value of debt written off in 2016/17 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.
- 3.31 Officers will continue to pursue all debts in 2017/18 and to administer amounts written off in accordance with the criteria set out for irrecoverable debts contained in the Council's Debt Management Policy.



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## **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.

### 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 recommended changes to Council Tax recovery processes has been undertaken and reviewed. The impacts of the changes have been positive and no adverse impacts have been highlighted. Therefore no further changes have been proposed as a result of the DIA review.

### 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 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 2016/17



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- 8.2 Appendix 2 - The net value of payments to Swindon B.C. in 2016/17
- 8.3 Appendix 3 – The value of debts written off and the annual amounts due in 2016/17
- 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 2017.