



Local authorities' approaches to council tax debt recovery in Wales

Executive Summary

1. Background

- 1.1 The Internal Research Programme (Knowledge and Analytical Services, Welsh Government) was commissioned in September 2016 by the Local Taxation policy team to undertake research with local authorities to better understand their approach to collecting and recovering council tax arrears in Wales.
- 1.2 Council tax is a devolved matter, meaning that the Welsh Government has the power to determine council tax policy in Wales. However, local authorities are responsible for the setting, collection and enforcement of council tax. Council tax is payable on all domestic properties unless they are exempt, although it should be noted that a range of discounts, disregards, and reduction schemes are in place to reduce liability in certain circumstances. Council tax levels are set annually by local authorities and charged according to valuation bands. Council tax comprises two basic components: it is partly based on property value and partly on the number and circumstances of liable adults in the household. The property value component is based on the value of an individual's property relative to others in the local area.
- 1.3 In April 2013, the UK Government took the decision to abolish Council Tax Benefit (CTB) and cut funding for replacement arrangements by 10 per cent. The UK Government passed responsibility for developing replacement schemes to provide assistance in meeting council tax bills to local authorities in England.
- 1.4 For Wales, the UK Government transferred a fixed budget of £222 million and the Welsh Government made an additional £22 million available, thereby providing local authorities with £244 million to support the administration of the replacement scheme implemented in Wales. The Welsh Government has continued to maintain these funding arrangements since 2013-14.
- 1.5 The Welsh Government's decision to work with local authorities to safeguard vulnerable and low-income households and maintain full entitlements to the Council Tax Reduction Scheme (CTRS) has ensured almost 300,000 households in Wales continue to be protected from any increase in their council tax liabilities. Of these, 220,000 households pay no council tax at all.
- 1.6 The Programme for Government, Taking Wales Forward – 2016-2021, sets out an aspiration to make council tax fairer so that people with low and moderately valued properties pay less. This includes the provision of the Council Tax Reduction Scheme.

- 1.7 In order to inform our understanding of what a proportionate local authority approach to recovering council tax arrears would constitute, this research firstly aimed to synthesise findings from existing evidence and secondly, undertook a series of qualitative semi-structured telephone interviews with Revenue and Benefits Managers across local authorities.

2. Research aims and methodology

- 2.1 Interviews were recorded and transcriptions of the recordings were coded to identify key themes. The report synthesises qualitative findings from the interview data with annual performance statistics collected from local authorities by the Welsh Government. It also draws on some benchmarking data provided on a voluntary basis by authorities which allows them to analyse trends and compare performance on collection and enforcement metrics. As these data are provided on a voluntary basis, it is important to note that the dataset is not subject to the same quality assurance checks as national performance statistics published by the Welsh Government.
- 2.2 In order to test the validity of the findings from the telephone interviews, researchers presented the emerging findings to the Revenue and Benefits Managers Forum in June 2017. Researchers and policy officials also facilitated a number of workshops with Revenue and Benefits staff on emerging themes from the research. The workshop themes were on; (i) performance data collection and monitoring; (ii) guidance, advice and information; (iii) engaging and educating individuals; and (iv) enforcement, with a view to exploring areas of good practice in more depth.
- 2.3 The aims of the research were to:
- explore the process and range of methods local authorities use to collect council tax and council tax arrears;
 - identify effective approaches to dealing with council tax arrears (this will aim to include an understanding of the costs and benefits of different collection and recovery methods);
 - understand the rationale behind the approaches used (and their perceived and actual enablers and barriers);
 - explore whether there is any evidence that alternative currencies such as time banking could be used to help settle council tax debts;
 - understand future challenges and opportunities to the recovery of council tax arrears;
 - identify areas of innovative practice.

3. Key findings

- 3.1 **Firstly, there was universal acknowledgement that the profile and performance of the local economy impacts on individuals' ability to pay and consequently, local authorities' ability to collect council tax.** This resonates with the evidence drawn from research conducted by the advice sector which cites the impact of local economic factors on their beneficiaries' ability to pay. Authorities consistently noted the impact of deprivation on individuals' ability to meet their obligations. A changing labour market, often comprising insecure, irregular work or low-paid work, declining incomes and financial shocks were all felt to have an effect on individuals' ability to pay and authorities' ability to collect in year. Authorities had implemented a number of measures to support individuals facing difficulties. These included offering flexible payment arrangements, weekly direct debits, multiple dates for direct debits and, in one authority, using local enforcement agents to offer tailored advice to those who suffered job losses as a result of a local industry closing.

- 3.2 **Authorities consistently face challenges engaging with individuals and encouraging them to address arrears at the earliest opportunity.** Authorities share a frustration noted by debt advice agencies that individuals tend to engage with problem debt only when it had reached 'crisis point'. Authorities often described working with limited resources and stressed that had individuals engaged with the authority sooner, unnecessary costs, stress and the escalation of debt could be prevented. Authorities reported processing high volumes of accounts with limited resources and consequently, most were unable to proactively identify and contact individuals at the first sign of difficulty. Authorities stressed that early identification and preventative action is always preferable to enforcement action but were largely dependent on individuals seeking contact with them to discuss their situation.
- 3.3 **Authorities reported that they issued debt cases to enforcement agents only when above certain minimum thresholds and when alternative measures were unavailable due to the absence of account information.** This would appear to be at odds with concerns raised by the advice sector over small debts being sent to enforcement agencies where collection would incur fees. All authorities reported that they had minimum thresholds below which a debt would not be sent to enforcement agencies. Authorities felt that the use of enforcement agents should be limited and selective as it was not in the interests of the individual or the authority to incur additional recovery costs. Most authorities also described having some filtering procedure in place to identify accounts which may be unsuitable to send to enforcement. Authorities spoke positively about their relationships with enforcement agencies and felt that the Taking Control of Goods (Fees) Regulations (2014) had brought improvements, including greater consistency and transparency to the process. Many authorities welcomed the introduction of body-worn cameras for enforcement agents which were regarded as contributing to the reduction in the number of upheld complaints.
- 3.4 **Authorities' approach to the repatriation of council tax debt appeared varied. Evidence from the advice sector suggests that some authorities may be reluctant to repatriate debt at the request of a debt adviser.** Some authorities had developed and followed internal debt management policies or operating manuals when debt recovery remained in their care. There was however, variation with regard to the repatriation of debt depending on the agreement an authority had in place with its enforcement agencies. Some authorities described that they would seek to repatriate debt, minus any enforcement fees, on account of individuals being found to be vulnerable. Others described less flexible arrangements with their enforcement agencies where requests to repatriate debt could elicit a fee or a difficult response. The findings suggest that where repatriation results in additional costs to the authority, this has a bearing on whether or not the debt is repatriated. In a small number of cases, authorities took other factors into account when deciding whether or not to repatriate debt, namely the individual's account history and track record of discharging debt, or the individual's agreement to set up and maintain a direct debit.
- 3.5 **Authorities had limited processes and mechanisms in place for recovering debt returned from enforcement agencies.** Authorities expressed that, given their reluctance to write-off debt, they often lacked means to either source further information on individuals or recovery methods which would present a viable alternative to last resort enforcement actions. Consequently, some authorities reported that they reissued debt to other enforcement agencies or to the same enforcement agent for a second time. Others described using other avenues, such as social media channels or private investigation, for sourcing information about individuals that might enable them to collect the debt in other ways or to source evidence to substantiate the need for a last resort enforcement action.

- 3.6 **All authorities took account of vulnerability and made some attempt to identify individuals with vulnerable characteristics. There was variation with regard to what extent and at what point in the recovery process authorities proactively made efforts to identify vulnerable individuals.** Similarly, the advice sector reported variation with regard to how good they believed authorities were at identifying vulnerable individuals prior to taking enforcement action. Authorities acknowledged that they were often unable to identify vulnerable individuals prior to applying for a liability order owing to the large volume of accounts and their reliance on automated processes to manage these volumes. Following receipt of a liability order however, all authorities described steps that they take to manually identify vulnerability. Authorities noted that where a lack of account history and other intelligence necessitated a referral to an enforcement agent, the enforcement agent was often a source of rich information which enabled them to identify and make contact with vulnerable individuals.
- 3.7 **Authorities reported that they took steps to identify indicators of vulnerability or individuals with vulnerable characteristics.** Research conducted by the advice sector suggested there was variation with regard to how effectively authorities identify and support vulnerable individuals and recommended that authorities develop a vulnerability policy to improve consistency. The majority of authorities had refrained from developing a vulnerability policy or other prescribed approach, instead describing the conversations they have with individuals, advice agencies and enforcement agencies to consider what constitutes vulnerability in each case and what impact it has on individuals' ability to pay in the short and long-term. Authorities' methods for identifying vulnerability were flexible by design to enable judgment and discretion to prevail in a complex area. Authorities also described benefiting from training in vulnerability which had been provided by a variety of debt advice agencies, Third Sector and professional bodies as well as some enforcement agencies.
- 3.8 **The majority of authorities stated that they signposted to debt advice and money management services for those facing difficulties paying their council tax.** Evidence from the advice sector, suggests that there can be a lack of information and advice provided by authorities. There was some evidence that provision of information and signposting, particularly online, is inconsistent across local authorities. Authorities described the steps they take to provide signposting information in correspondence with individuals. However, on reviewing authorities' online content, signposting information to debt advice agencies was often lacking or unclear.
- 3.9 **Some authorities stressed the importance of making particular efforts to collect updated profile and contact information from individuals to ensure the accurate issuing of annual bills and processing of discounts and exemptions.** A smaller number of authorities were also encouraging individuals to update and manage their account online. Other authorities described the pressure on resources to manage the volume of incoming paper returns at particular points in the recovery cycle and for some, this impacted on the frequency with which they sent communications.
- 3.10 **All authorities offer flexible and multiple payment options and all offer flexible repayment arrangements where an individual has sought contact with the authority or has a good track record of maintaining prior commitments.** Direct debit is the most efficient and effective method of payment and all authorities encourage this. It should be noted that this research did not set out to address a concern raised in the existing literature that enforcement agencies do not make sufficient efforts to agree affordable and proportionate repayment arrangements.

- 3.11 **Most authorities felt it would be beneficial to be able to apply an attachment of earnings or an attachment of benefits prior to applying for a liability order. It was felt that, where voluntarily requested by the individual, this ability would avoid unnecessary costs to the individual and the authority, reduce the volume of liability orders to process and ensure debt is collected in the most efficient manner.** Post liability order, all authorities endeavour to set up an attachment of earnings or an attachment of benefits before attempting other approaches. However, this is dependent on the return of employment and benefit information from individuals; authorities reported variation in return rates and low return rates often prevent this option being feasible.
- 3.12 **Irrespective of whether authorities currently use committal action, all authorities valued their ability to use the threat of committal action when necessary with the intention of initiating contact and negotiations with individuals.** Authorities that did use committal action stressed the importance of having a selective approach to identifying, evidencing and approving a minority of cases. Those that chose not to pursue committal action either reverted to other last resort enforcement actions in small volumes or continued to work old cases, but had limited options other than to write off the debt in the long-term.
- 3.13 **Authorities described very few committal cases proceeding to court and for those that did, held mixed views with regard to its effectiveness.** Some authorities described circumstances where the individuals, during the court hearing had offered to discharge the debt in full resulting in significant sums being recovered. Other authorities described court hearings that resulted in repayment arrangements that were insufficient to discharge the debt or committals which rendered the debt irrecoverable and suitable only for write-off.

4. Recommendations

- 4.1 These recommendations are based on the views of Revenue and Benefits Managers from local authorities. As such they have been formulated on the strength of evidence drawn from only one stakeholder group. Though efforts have been made to draw on findings from other relevant research (for example research undertaken by the advice sector), the scope of this study was to fill a particular gap in the evidence base around the practices of local authorities. It did not seek to represent the views and experiences of other key stakeholders such as citizens with experience of local authority debt enforcement, debt advice agencies or enforcement agencies. The views and experiences of these stakeholders are, arguably, relatively well represented among the existing evidence.
- 4.2 It is important to bear the narrow scope of this research in mind when considering these recommendations and recognise that it presents a partial view of the issues.
- 4.3 Recommendations are split into areas for authorities, areas regarded as being for the Welsh Government and areas which could be jointly addressed:

Local authorities

1. Local authorities should have an agreed collection and arrears management policy that outlines minimum standards authorities would expect to meet when collecting and recovering council tax. This should include expectations with regards to how authorities work with the free advice sector, external enforcement agents and other third parties.

2. Local authorities should seek information and guidance on data sharing and data holding and establish an agreed and consistent approach that is compliant with regulations. There was widespread variation in the local approaches authorities took to data sharing and data holding. These differences accounted for a range of difference practices with regard to councils' cross-departmental data sharing and ways of working with debt advice agencies. A guide for authorities would advise on what is permissible and feasible and how the introduction of the General Data Protection Regulations (GDPR) will impact on their practices.

3. The provision of signposting information and advice should be clear, easily accessible and consistent across all communication channels. Web content, should be reviewed regularly to ensure it contains all relevant information. This should include clearly showing the purpose and process of collection of council tax, information on how council tax is spent, what happens if individuals go into arrears and the costs involved. Website content should also be customer-oriented, taking care to ensure that the language, navigation and supporting documentation are accessible and logical for individuals. As best practice, we would recommend that authorities clearly signpost to debt advice agencies on all reminder and enforcement notices, on websites and other online platforms and whenever an individual contacts them in difficulty with council tax.

4. Authorities should review their contracts with enforcement agents to ensure they receive the best service possible. In particular, authorities should review their arrangements for repatriation of debt and the fees involved. Authorities should also review enforcement agencies' practices with regard to agreeing affordable and proportionate repayment arrangements for accounts in their care.

5. Authorities should investigate the wide range of rates of return of information requests issued following a liability order being obtained. Explore whether different practices impact on rates of return, whether rates could be improved and whether this would impact on the number of liability orders discharged via attachment to earnings or benefits.

Welsh Government

6. Welsh Government should explore the feasibility of facilitating local authorities' access to HMRC employment data to enable prompt implementation of attachments to earnings where appropriate. Local authorities consistently described a need for better and earlier access to information in order to enact the most efficient method of recovery and prevent the escalation of fees for the individual and the council.

7. Welsh Government to consider undertaking a review of Attachment of Earnings/ Attachment of Benefits processes and conclude whether any of the following can be addressed:

- Providing guidance on attachment of earnings thresholds to account for the changing nature of work (e.g. insecure, low-paid, zero-hours contracts)
- Reviewing attachment of earnings thresholds to take account of individuals' outgoings, rather than just income
- Exploring the possibility of granting attachments of earnings/benefits prior to liability order, if voluntarily requested by the debtor
- Exploring the possibility of attaching deductions to a wider range of welfare benefits

8. Undertake further work to explore the different methods used immediately prior to last resort enforcement methods. This should consider whether any methods are successful in reducing the use of last resort enforcement action. It should explore the use of alternative avenues employed by authorities to gather further information on individuals, such as social media channels and private investigation and seek to clarify what steps can legitimately be taken.

9. Clarify the decision making process around last resort enforcement actions. Provide guidance on what methods may be employed and in what circumstances. Clarify any procedures which should be followed and if possible, decision making thresholds to be put in place prior to any decision on last resort enforcement actions being taken forward. It should also seek to provide guidance in respect of what circumstances in which it might be appropriate to use the committal process, bankruptcy and charging orders.

Welsh Government and local authorities

10. Welsh Government in collaboration with local authorities should consider developing an education campaign aimed at improving the understanding of what council tax pays for, and the implications of not paying council tax. Consider whether this is best delivered as part of the financial inclusion agenda or as a separate campaign. Local authorities consistently raised the need to educate individuals with regard to the purpose of council tax, the implications of not paying council tax and its status as a priority debt. All councils saw the value of engaging and educating individuals and wanted to do more but felt they lacked the resources to do this effectively.

11. Welsh Government in collaboration with local authorities to agree a method for increasing the sharing of information around innovative practices, research and trials. Consider the use of the Invest to Save fund to support new practices where they are likely to lead to a cost saving.

12. Welsh Government and local authorities should review its performance monitoring, indicators and data collection processes to ensure they are fit for purpose. Authorities questioned whether the current in-year performance monitoring cycle and indicators fully reflected the demographics and tax-base in which authorities are operating and the volume of monies recovered beyond the end of the financial year.

13. Welsh Government and local authorities in collaboration with the Third Sector to consider rationalising an approach to working with the advice sector, building on the good practice that already exists, in preparation for implementation of Universal Credit. All authorities voiced concerns about increasing rates of council tax and its affordability in future. Many articulated the need for a tailored approach to working with advice agencies and housing associations to embed new processes ahead of the implementation of Universal Credit. Some have already established working groups and Service Level Agreements with their local Job Centre Plus, debt advice and housing associations.

Further Research for Welsh Government

14. Consider the range of data the Welsh Government requires from authorities and whether these could be supplemented to aid transparency and accountability. Consideration should be given to the collection and publication of data on enforcement and methods of collection.

15. Undertake research the impact of court closures on council tax arrears recovery. Authorities indicated closures had impacted on the flexibility of their recovery process. Research should explore the issues faced by debtors as well as authorities.

Greenall, C., Prosser, N. (2017). *Local authorities' approaches to council tax debt recovery in Wales*. Cardiff: Welsh Government, GSR report number 57/2017.>

Available at: <http://gov.wales/statistics-and-research/local-authorities-approaches-council-tax-debt-recovery/?lang=en>

Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government

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This document is also available in Welsh.

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