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Local authorities' approaches to council tax debt recovery in Wales

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Local authorities' approaches to council tax debt recovery in Wales

Welsh Government, Internal Research Programme

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

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Glossary

CIVEA	Civil Enforcement Association
CFS	Common Financial Statement
CTRS	Council Tax Reduction Scheme
CTS	Council Tax Support
CTB	Council Tax Benefit
CFS	Common Financial Statement
PIP	Personal Independence Payment
SFS	Standard Financial Statement
WIMD	Welsh Index of Multiple Deprivation

Executive Summary

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. 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.

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.

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.

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. 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.

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. 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.

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.

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.

Key Findings

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

Recommendations

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.

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.

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.

1. Introduction

- 1.1 This research aims to draw together existing evidence, and undertake further investigation to understand: how the recovery of council tax arrears is approached and managed in Wales; why it is approached in this way; and if approaches could be improved.
- 1.2 To inform the research specification, officials from the Knowledge and Analytical Services Division, Welsh Government met officials from the Local Government Strategic Finance Division to develop an understanding of the research requirements. It was decided that the research would be undertaken in-house using resources from the Internal Research Programme (IRP). This provided the most timely and cost effective option and would allow expertise to be developed within the Welsh Government.
- 1.3 This research with local authorities aims to understand why, despite Welsh Government's commitment to maintain entitlements under the Council Tax Reduction Scheme (CTRS), council tax arrears was the single most common debt-related issue reported to Citizens Advice in 2014-15 (Citizens Advice, 2016). This demonstrates both the significance of council tax debt and the justification for further research into how it could be addressed.
- 1.4 The Citizens Advice report, along with other UK research, provide us with a good understanding of aspects of council tax recovery practices which citizens and advisors feel could be improved, including: understanding individual circumstances; clarifying communications with individuals; offering affordable repayment plans; identifying difficulties sooner; and monitoring/changing the use of debt collection agents.
- 1.5 We are currently less clear, however, about how authorities deal with council tax arrears in practice and how this varies between authorities. We similarly lack evidence to inform an understanding of whether authorities have policies or consistent processes for dealing with cases of arrears; why particular approaches have been adopted; how they were developed; and to what extent their proportionality and effectiveness is being monitored and evaluated. There is also a lack of UK and Wales-level statistical data on collection and enforcement volumetrics, other than that captured voluntarily via the Welsh Revenues and Benefits Managers network for benchmarking purposes.

- 1.6 In addition, there is limited existing evidence on the most effective approaches to dealing with council tax arrears, and this research explores this evidence and considers its implications where possible. There have also been pilots undertaken in Wales which provide some evidence as to whether behavioural change approaches can be utilised in relation to council tax payment.
- 1.7 This research addresses an important evidence gap. It will improve our understanding of the various current approaches to the resolution of council tax arrears, and the rationale for their use. This will help us to improve our existing knowledge base with regard to the current challenges authorities face, the practices they have in place to manage these challenges and what support may be needed in future to ensure that policy and practice is fair, proportionate and cost-effective for authorities and individuals. This information, in turn, will inform possible changes and improvements, as the evidence dictates.
- 1.8 The UK Government abolished Council Tax Benefit (CTB) from 1 April 2013 and passed responsibility for developing replacement schemes to provide assistance in meeting council tax bills to Local Authorities in England. At the same time, the UK Government passed funding – subject to a reduction of 10% – to the Devolved Administrations in the expectation that they would develop replacement schemes. The relevant functions were not ‘devolved’ to the Welsh or Scottish Governments. The funding was also transferred from demand-led Annually Managed Expenditure (AME) to fixed Departmental Expenditure Limits (DEL) meaning demand for support must be managed within fixed budgets.
- 1.9 In Wales, £244m was provided in the local government settlement for the Council Tax Reduction Scheme (CTRS) for 2013-14. A fixed budget of £222m was transferred from the UK Government. However in order to support authorities to continue to provide all eligible applicants with their full entitlement to support, an additional £22m was provided by Welsh Government. The Welsh Government has maintained these funding arrangements. More information can be found here: <http://gov.wales/topics/localgovernment/finandfunding/council-tax-wales/council-tax-support/?lang=en>
- 1.10 A different approach has been taken in England. All 326 billing authorities have been required to develop their own schemes, subject to a requirement to protect applicants of pensionable age. The majority, 289 out of 326 (89 per cent), have cut

the amount of Council Tax Support (CTS) available to applicants primarily by introducing a minimum payment or a band cap.

- 1.11 This has created a great deal of variation across England. In some authorities low-income households continue to receive 100 per cent CTS whilst in others they are required pay up to 45 per cent of their bill. In the fifth year of local CTS, 2.2 million families have been adversely affected by the change from CTB. On average these families have to pay £191 additional council tax in 2017-18 in comparison to what they would have paid under CTB.
- 1.12 Issues with council tax arrears are likely to endure, and may worsen with continued Welfare Reform¹. There are likely to be continuing financial pressures for both households and authorities. Recognising this, 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.

Aim

- 1.13 The aim of this research is to improve our understanding of the various current approaches to the resolution of council tax arrears, and the rationale for their use. Findings from this research will help to address a gap in the existing knowledge base with regard to the current challenges authorities face, the practices they have in place to manage these challenges and what support may be needed in future to ensure that the recovery of council tax is fair, proportionate and cost-effective for authorities and individuals.

¹ More information on Welfare Reform can be found here: <http://gov.wales/topics/people-and-communities/welfare-reform-in-wales/?lang=en>

Objectives

- 1.14 From the citizen perspective the research will:
- Summarise the literature on preventative and pre-emptive approaches to council tax debt, including a focus on the effectiveness of such approaches in stopping debt from spiralling;
 - Identify any contextual evidence that aids our understanding of the factors which contribute to patterns of council tax debt e.g. who it affects, the geographical distribution, the reasons governing whether people do or do not repay debt successfully; and
 - Use existing evidence to review the ways that citizens would prefer to be helped, and conversely identify those practices which are felt to exacerbate negative situations.
- 1.15 From the authority perspective the research will establish:
- The most effective approaches to dealing with council tax arrears (this will aim to include an understanding the costs and benefits of the more common approaches such as repayment plans and enforcement agents, as well as any findings on behavioural insight approaches);
 - What range of approaches authorities in Wales use to tackle arrears;
 - The rationale behind the approaches used and barriers to change (perceived as well as actual);
 - 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.
- 1.16 The research will aim to summarise evidence on the most effective method(s) of responding to council tax arrears, both from the citizens' and authorities' points of view. Additionally, the research will provide recommendations for authorities and the Welsh Government on how approaches to the recovery of arrears might be improved in Wales.

2. Methodology

- 2.1 The purpose of the research was to gain an in-depth understanding of local authorities' views and experiences of recovering council tax arrears in Wales and in so doing, to address a gap in the existing evidence base on council tax debt collection. As such, it was decided that Revenue and Benefits Managers in local authorities would be the most viable source of information and an in-depth qualitative study would yield the most comprehensive and usable evidence .
- 2.2 It is important to recognise that the findings generated through this research represent experiences and perspectives of this single 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..
- 2.3 The research was undertaken in five main phases.
- 2.4 The **first phase** involved an evidence review of literature related to council tax collection and arrears, the Council Tax Reduction Scheme (CTRS) and the use of enforcement agents. The evidence review also included literature on time banking. This produced 23 relevant documents including government documents, journal articles as well as some wider literature from charities and interest groups. The evidence review can be found in Chapter 3.
- 2.5 The Fieldwork constituted the **second phase**.
- 2.6 It was determined that a qualitative study comprising a set of semi-structured telephone interviews with representatives of the Revenue and Benefits team in each local authority would be the preferred method of primary data collection.
- 2.7 Qualitative interviewing is a useful method when seeking to elicit and capture comprehensive and comparable data on a defined topic. Semi-structured interviews, facilitated by an interviewer and written topic guide, allow participants to express views and opinions in their own terms on a focused subject area and other relevant topics. The method can be a useful means of identifying new features and

perspectives on a given question or topic. In-depth interviews were considered best suited to gain a detailed understanding of experts' experiences in this sensitive area; the method is flexible and allows interviewers the opportunity to spend more time on certain aspects of the topic as required.

- 2.8 It was determined, in collaboration with the Local Taxation Policy team, that the semi-structured interview topic guide would focus principally on drawing out participants' experiences of council tax debt recovery and the particular features which could be described as enablers or barriers in the recovery process, such as relationships with third parties and engagement with individuals. In order to refine the structure and content of the topic guide, it was tested in a pilot interview with the Chair of the Welsh Revenue and Benefits Managers Working Group and representatives of the Revenue and Benefits team in Rhondda Cynon Taff County Borough Council. This approach was taken to ensure that the topic guide would elicit the necessary data in the allotted time and comprised questions that were comprehensible, relevant and avoided repetition. Following the pilot interview, minor revisions were made to the structure and content of the topic guide to improve narrative flow. A copy of the topic guide is provided in Annex A.
- 2.9 IRP researchers began recruitment of interviewees in February 2017 and continued for a period of six weeks. In order to encourage participation in the research, the Local Taxation Policy team drafted a letter of endorsement which was circulated to all Revenue and Benefits Managers in each of the local authorities.
- 2.10 To comply with the Welsh Language Standards 2016, recruitment materials, including a Q&A factsheet, were produced in English and Welsh and all participants offered the opportunity of participating in their preferred language. This initial communication prompted a number of participants to register their interest in an interview, or to send the information on to a colleague if they felt there was somebody else best placed to respond. This means that there was an element of self selection bias in the sample, which could potentially be problematic because respondents are more likely to be those with a greater interest or knowledge of the topic or issued and therefore not representative of the target population. However, for this research it is helpful as it allowed us to gather information from those with the greatest knowledge. After this stage, participants were contacted by e-mail and telephone to schedule interviews. Following a 100 per cent response rate, 22 interviews were conducted with Revenue and Benefits experts, some accompanied by colleagues in their respective collections teams and court liaison teams,

throughout March and April 2017. No participants opted to participate through the medium of Welsh.

- 2.11 All telephone interviews were recorded. Transcriptions of the recordings and notes taken during the interviews were collated and coded to identify themes. The identities of participants and that of the local authority they represent are anonymous and all efforts have been made to ensure that no individual can be identified from the information presented in this report. The exception to this anonymisation is in the innovative practices section where authorities are identified to enable learning to be shared.
- 2.12 Findings from the thematic analysis of the interviews were presented back to the Welsh Revenue and Benefits Managers Working Group to test their validity. This **third phase** also involved the running of four concurrent workshops with the group to explore key issues which had emerged from the interviews. Findings from these workshops were used alongside interview data to provide further evidence. These findings are presented in Chapter 4.
- 2.13 The **fourth phase** involved secondary analysis of data. This was conducted alongside the fieldwork and reporting. Data were gathered from local authority council tax returns and from unpublished benchmarking returns. Officials met with the lead of the local authority benchmarking group to explore and understand the possibilities offered by the data. The data are presented in Chapter 5. This phase also involved a review of authority council tax webpages to determine what information was accessible and available to the public. This information is presented in Chapter 6.
- 2.14 The fifth and **final phase** was the consolidation and reporting of the data presented in this report.
- 2.15 The following should be considered in relation to the findings presented in this report:
- The figures presented from the benchmarking data should be treated with caution and used as an indication only. These data were provided by authorities for their own benchmarking purposes and have not been checked for accuracy.
 - The interview findings are comprised of the comments and subjective viewpoints of the consultees. It should be noted that the recommendations

in this report have been shaped by the views of revenue and benefits staff and can only be considered indicative evidence drawn from one stakeholder group. The scope of this research did not seek to include the views and experiences of other key stakeholders such as citizens or advice agencies, although some information from these groups can be drawn from the evidence review. The aim of this research is to address a gap in the evidence base and this research comprises the most suitable methodology to fulfil this research need.

3. Evidence Review

This section provides a review of some relevant academic, research, policy documents and other literature from charities and special interest groups to outline the issues pertinent to this research. It explores the key perspectives in relation to collection, recovery and impact of council tax arrears in Wales and in the UK more widely, but does not provide a systematic review of the entire body of literature.

The majority of the literature discussed here is research derived from Third Sector sources and relates to the impact of council tax policy and practices on beneficiaries of debt management advice and support. The academic sources outlined in this review explore the impact of austerity on financial capability among disadvantaged populations or in areas of deprivation and the subject of national debt, more widely.

- 3.1 The first section of this review discusses the current political and financial landscape with regard to Welsh Government policy on council tax and how it relates to current UK Government policy. This section will also outline research which explores the impact of key changes to Council Tax Support (CTS) implemented across England. The following section will examine some of the current literature which explores the perspectives of debt advice and money management services and their beneficiaries on the causes, experiences and impacts of council tax debt on individuals. This section will also consider literature which outlines individuals' experiences of Local Authority debt collection practices in the context of increasing levels of council tax and a growing national debt problem. Finally, the discussion will turn to the literature on policy innovation, with a particular focus on whether and how time banking initiatives may have been used as an alternative method of addressing social problems such as debt.

Council Tax policy in Wales and the UK

- 3.2 Council tax is a devolved policy matter, meaning that the Welsh Government has powers to determine council tax policy in Wales. It is however, local authorities that are responsible for the setting, collection and enforcement of council tax. Council tax is payable on all domestic properties unless they are exempt. 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 are 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. Council tax is administered according to the legislative framework set out in Council Tax Regulations (1992 and subsequently)

- 3.3 Certain powers relating to debt enforcement are not devolved. The UK Government introduced legislation which sets out national standards of debt enforcement, including enforcement of council debt (Taking Control of (Fees) Goods Regulations; MoJ, 2014). The legislation determines that managing interactions with vulnerable clients may warrant the use of agreed indicators of vulnerable circumstances and the provision of clear and consistent mechanisms to refer cases back to local authorities.
- 3.4 In addition, the Welsh Government set out guidance to local councils on good practice in the collection of council tax arrears in the context of the recession and challenging financial climate (Welsh Government, 2009).² The good practice document was developed in partnership with the Welsh Local Government Association (WLGA), Local Government Association (LGA) and Citizens Advice. It sets out guidance relating to how local authorities and Citizens Advice should work together to strengthen local partnerships. It recommends the intelligence local authorities should consider prior to taking enforcement action, such as individuals' personal circumstances. The guidance advises that enforcement strategies should include criteria on what constitutes vulnerability and preferred approaches for dealing with vulnerable individuals.
- 3.5 In April 2013, the UK Government took the decision to abolish Council Tax Benefit (CTB) and cut funding for replacement arrangements by 10%. The UK Government passed responsibility for developing replacement schemes to provide assistance in meeting council tax bills to local authorities in England. It also passed funding – subject to a reduction of 10% – to the Devolved Administrations in Scotland and Wales with the expectation that they would develop replacement schemes. Full protection for pensioners was guaranteed in England (NPI; Joseph Rowntree Foundation (JRF), 2016).
- 3.6 The Welsh Government made an additional £22 million available to local authorities, supplementing the fixed budget transferred from the UK Government, to provide £244 million to support the administration of CTRS across Wales. Welsh

² Available at <http://gov.wales/topics/localgovernment/publications/ctrecession/?ang=en>

Government has since maintained these funding arrangements. 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 will include consideration of CTRS arrangements.

- 3.7 Local authorities in England took different approaches. As of April 2017, 37 authorities (11 per cent) are continuing to provide the levels of support available under the former CTB system (Council Tax Support, 2017). The majority, 264 authorities (80 per cent) have introduced a minimum payment; a proportion of council tax liability that all working-age residents are obliged to pay regardless of income. These, and a number of other changes to CTS, have seen 2.2 million families adversely affected. Of these families, 1.5 million were in poverty (measured after housing costs) and 1.8 million were workless households (JRF, 2014). Research identifies that the most common financial impact affecting CTS applicants in England was that applicants faced the prospect of paying, on average, £50-100 more in council tax in 2013-14, rising to £150-200 more in 2016-17 than they would have done under CTB. Research has also shown that the largest increases in arrears have been seen in areas in England that introduced minimum payments (JRF, 2014) under their CTRS schemes. The not-for-profit debt advice and money management sector has also experienced increasing numbers of clients seeking help for council tax arrears. StepChange estimates that problem debt costs the UK economy £8.3 billion, when considering the knock-on effects on individuals and their families and the additional demand for services from local and national government, as well as drags on productivity that affect the wider economy. Research conducted by the debt charity, StepChange identified that 28 per cent of clients seeking their services had arrears on their council tax bills in 2014, compared with just 10 per cent of clients in 2010 (StepChange 2016). In Wales, Citizens Advice reports that council tax debt was their largest single debt related problem in 2014-15 (Citizens Advice 2016).
- 3.8 Recent studies that explore the causes and implications of financial hardship in deprived communities (Curl and Kearns, 2015) discuss the changing financial architecture of the UK following the economic downturn and the subsequent public spending cuts implemented over the period 2010-11 and 2014-15, over a third of which were made to the welfare budget (Elliott and Wintour, 2010).
- 3.9 Research has confirmed that deprived authorities across the UK will be most affected by welfare reforms, representing a significant loss of income to local economies and harbouring subsequent effects for local services, business and communities (Beatty

and Fothergill, 2011). Research undertaken by the Welsh Government found that Wales has a higher dependence on welfare benefits than Great Britain as a whole, with 18.4 per cent of working age adults claiming welfare benefits compared to an average of 14.5 per cent across Great Britain. It found that the main reason for higher benefit claimant rates in Wales is a higher proportion of people claiming disability and sickness benefit (Welsh Government, 2012).

3.10 The full effects of Welfare Reform will largely depend on the strength and resilience of the wider economy and the extent to which people change their behaviour in response to benefit reductions. However, analysis commissioned by the Welsh Government's Ministerial Task and Finish Group on Welfare Reform and conducted by the IFS in Wales (Adam and Phillips, 2013) estimated that households in Wales will experience direct income losses of around £590 million in 2014-15. This equates to around £7.26 per family, per week on average and roughly 1.5 per cent of their annual net income.

3.10 Adam and Phillips also suggest that these tax and benefit changes will be regressive in nature meaning that they will take more proportionately from lower income groups than from higher income groups (excepting the very highest income group) and are likely to be even more regressive in Wales. This is thought to be owing to the proportion of the population claiming out-of-work benefits and the distribution of low-income households in Wales.

3.11 The findings also note that welfare reforms will have wide-reaching impacts for benefit claimants and consequently on the devolved public services that support them. Previous research for the Welsh Government found that recipients of Council Tax Benefit were most likely to spend this income on everyday living and fuel suggesting that the money is spent locally contributing to local economies (Welsh Government, 2010). It could be argued that any cuts to Council Tax Reduction may have an adverse effect on the local economy. Adam and Phillips (2013) predict further potential impacts on the population's health, access to social care and housing services, educational outcomes and economic development. Local services and budgets may be affected as a result of possible negative impacts on poverty, financial inclusion, benefit/debt advice (which will also be affected by the UK Government's changes to legal aid), crime, anti-social behaviour, domestic abuse and digital inclusion.

- 3.12 Local Government is expected to experience an increase in demand for services such as welfare rights and information, online claiming assistance, debt advice and debt recovery, eviction, budgeting support and applications for benefits and other financial support. There will also be direct impacts on local authorities arising from the changes to be implemented to Housing Benefit under Universal Credit.
- 3.13 There could be a profound and cumulative effect in the most deprived authorities, with cuts to public services greatest (both in absolute and relative terms) and deprived communities least able to cope with less or without alternative support (Hastings, 2012; 2013). The need for support services in deprived areas is greater, not lesser, with studies finding that over a third of particular household groups in deprived areas have difficulty meeting basic costs for council tax, fuel and clothes. As such, there is a need to target support for particular areas and particular groups to help people manage budgeting and financial difficulties which may be caused by deprivation or by an economic shock such as a wave of redundancies in a particular sector or a traumatic life event in a particular family.
- 3.14 Findings drawn from research commissioned by the Welsh Government's Ministerial Task and Finish Group on Welfare Reform clearly illustrates that the impact of welfare reform varies across local authority areas. Although average income losses will vary widely depending on individual circumstances, the average annual loss per working-age adult in Neath Port Talbot, Blaenau Gwent and Merthyr Tydfil is estimated to be around £600 in 2015-16 compared to an average of £500 for Wales as a whole (IFS, 2013).
- 3.15 Nearly a quarter of the population aged 16-64 in these areas claim working-age benefits, the highest proportion in Wales. Negative impacts disproportionately fall on these areas largely owing to changes in the way benefits and tax credits are uprated, the time-limiting of contributory ESA, the introduction of Personal Independence Payments (PIP) and the size criteria in the social rented sector. The relatively high rates of working-age benefit claimants, particularly for disability and sickness benefits and the high proportion of rented social housing stock in these areas renders them particularly vulnerable to negative impacts arising from welfare reforms. At the other end of the scale, Powys, Gwynedd and Ceredigion are on average less affected by welfare reforms, which is a reflection of the significantly lower proportion of 16-64 benefit claimants, just over ten per cent of the population, living in these areas.

3.16 It is important to note that alternative analysis of the impact of Welfare Reform calculates absolute income losses as a share of the total Welsh loss borne by each local authority area and provides a different perspective on the estimated impacts of these reforms. Those highly populated local authorities that are estimated to incur the greatest total income losses in line with their share of the working-age population are likely to be Cardiff (£103 million), Rhondda Cynon Taff (£81 million) and Swansea (£75 million), each equivalent to 8-11 per cent of the total income loss to Wales. Taking this approach, Merthyr Tydfil (£22 million), the Isle of Anglesey (£19 million) and Ceredigion (£18 million) are among Wales' smallest local authority areas based on population share, each equivalent to 2-3 per cent of the Welsh total.

Impact of Welfare Reform on vulnerable groups

- 3.17 There is also a need to support particular household types. The biggest average losses from welfare reforms are expected to be experienced by low-middle income families. By family type, this means that the biggest average losses are likely to be felt by non-working families with children compared with pensioner households and working-age households without children (IFS, 2013). Furthermore the poorest households with children are estimated to lose the largest proportion of their income (Jenkins et al., 2011; CPAG, 2012). Particular attention should be paid to non-working lone parents (Brewer et al., 2011) and workless couples with children who are expected to feel a disproportionate financial impact owing to the introduction of Universal Credit. Families with children under five and families with more than two children will also be particularly badly affected (Welsh Government, 2012).
- 3.18 Research published by The Institute for Fiscal Studies (2016) adds to this changing picture. It shows that middle income families with children now more closely resemble poor families than in the past. Half now rent, rather than own, their homes and while more people are in work than ever before, the incomes of poor households are increasingly sensitive to what happens in the labour market. Changes to the labour market considered, the Trades Union Congress (TUC) warned that between 2010 and 2015 families with children and with an adult working in the public sector will also experience a growth in poverty due to changes in tax credits, benefits reforms and freezes on public sector pay.
- 3.19 Curl and Kearns (2015) found that high and increasing rates of affordability, difficulty with regard to the costs of fuel, council tax and clothes, particularly impacted households with disabled adults, under-occupiers and families with part-time

workers. Studies also identify that the availability and suitability of housing is likely to cause problems for large families, owing to the benefit cap and coupled with a series of changes to housing benefit regulations (Shelter, 2011).

- 3.20 Research has also sought to understand the impact of welfare reforms on groups with protected characteristics. Overall, evidence suggests that women are more likely to be affected by the welfare reforms, with caps on most working-age benefits, tax credits and child benefit as well as the knock-on effects of Disability Living Allowance, reforms on Carer's Allowance claimants and the extension of Lone Parent Obligations adversely affecting more women than men. Non-working lone parents (of which around 90 per cent are female) are one of the groups that will incur the largest income losses.
- 3.21 The Department for Work and Pensions (DWP) has put in place some protection for disabled groups via exemptions and increased discretionary housing payments (DHP), however there will be significant impacts on disabled people in Wales. Given the relatively high level of dependency on disability and sickness benefits in Wales, a high number of disabled people are likely to be adversely affected. Carers of disabled people are also likely to experience income losses owing to move from Disability Living Allowance to the Personal Independence Payment (PIP) and the introduction of Universal Credit which will restrict carers to either a carer or disability benefit, not both. Overall, Universal Credit will mean a comparatively smaller household income increase for disabled people than that for all households in receipt of Universal Credit.
- 3.22 Welfare reforms have mixed effects on different age groups. Most of the welfare changes apply to working-age benefits, leaving pensioners largely unaffected. Research suggests that more younger than older working-age people will be adversely affected by some of the reforms such as the abolition of concessionary ESA 'youth' National Insurance qualification conditions and increasing the age threshold for the shared accommodation rate. However, other reforms such as those to Disability Living Allowance, Child Benefit and time-limiting Employment Support Allowance will affect more older than younger working-age people. On average, it is older working-age people who will see an income loss under Universal Credit.
- 3.23 Some welfare reforms, such as the household benefit cap, are likely to have a disproportionate impact on some Black and Ethnic Minority claimants owing to the characteristics of some of these households (e.g. larger family units among some

BME groups). Other reforms, such as the changes to Disability Living Allowance, are more likely to adversely affect white claimants.

- 3.24 Statistical analysis of the impact of UK Government changes to the benefit sanctions regime since its implementation in late 2012. During 2012/13, Wales saw a rise in the number of adverse Jobseekers Allowance (JSA) sanction decisions as a percentage of the claimant count (up 1.9 per cent, compared to 1.5 per cent across Great Britain). Over the same period, there was nearly a threefold increase in the number of Employment Support Allowance (ESA) adverse sanction decisions (up from 77 to 301 sanctions).
- 3.25 Research provides little indication of deliberate non-compliance with employment services or programmes. Evidence suggests that poor information, lack of understanding and non-intentional behaviour, such as forgetfulness are more likely to be the reasons behind a sanction. Other reported reasons for claimants receiving sanctions are personal and practical barriers such as issues with transport, childcare chaotic lifestyles, homelessness, health and disability, substance misuse and domestic violence. Those individuals facing multiple barriers, who are often the most disadvantaged in our society, are particularly vulnerable to sanctions.
- 3.26 Few studies measure the long-term outcomes of benefit sanctions but the limited evidence that does exist suggests that those who exit benefits early as a result of a sanction often experience poorer quality employment in the form of job stability. Claimants, for example, may feel forced into accepting part-time, temporary or lower-paid employment in order to alleviate the impact of a sanction and those that do are more likely to leave them and return to unemployment.
- 3.27 Other long-term negative impacts of sanctions include financial hardship and debt, crime, poor emotional and physical wellbeing, and knock-on effects on family and friends. Sanctions have also been shown to have mixed effects on claimants motivation to seek employment, both encouraging and hampering claimants from finding work. Some claimants for example, expressed increased desire to find employment sooner to end the need for benefit dependency and risk of sanction. Other claimants however, were demotivated due to increased fear of applying for unsuitable or unwanted jobs lest they terminate the employment and receive a sanction, thereby reducing the amount of money they had available to spend on job search activities.

Council tax debt in Wales and the UK

- 3.28 There is a clear correlation between levels of CTS provided in English local authorities and the level of council tax arrears in those areas. In Scotland, research conducted with beneficiaries of debt advice services found that clients in council tax arrears seeking debt advice were more likely to be from within vulnerable groups; namely, families with children, women, to be single-parent families, those who rent their home and work part-time. The study also found that there was not a significant difference between the incomes of clients with arrears compared with the incomes of those without but that clients with arrears were more likely to have higher outgoings. This was thought to be driven by factors such as clients being more likely to have children and rent from a private landlord, both of which have a significant impact on household expenditure (StepChange, 2016).
- 3.29 In addition to economic consequences, researchers have found that economic policy can also have profound and unintended consequences on public health and note that unemployment, loss of income and rising household debt can present additional threats to individuals' mental health and wellbeing (Karanikolos et al., 2013). Longitudinal health studies have shown that, among at risk or vulnerable groups, a third of single parents working part-time were struggling to meet their council tax obligations and those families where one adult works and households with part-time workers experienced increased difficulty paying for council tax (Curl and Kearns, 2015). Increased difficulty affording council tax, (as well as food and fuel) are significantly associated with a mental health problem over time. Research on the cumulative impact of benefit cuts and reductions to services for disabled people (White, 2013) are said to result in the isolation and deterioration of their mental health as well as in increased burden and loss of income for their carers (Wood, 2012).
- 3.30 These findings are corroborated by research conducted with beneficiaries of debt advice in Scotland. StepChange Debt Charity (2016) identifies that the mounting pressure of debt is often associated with other personal issues in clients' lives, with more than a third suffering from stress or poor mental health. StepChange clients were also managing financial pressures whilst dealing with physical illness or disability and some had recently experienced a traumatic life event, such as a family bereavement. Whilst it is not possible to draw any conclusions about the direction of causality, evidence strongly suggests that financial difficulties do contribute to worsening mental health, even if the reverse is also true that people with poor mental health tend to have more financial difficulties (Curl and Kearns, 2015).

- 3.31 Research conducted by Citizens' Advice however, suggests that the situation in Wales may be particularly complex. Despite the Welsh Government maintaining full entitlements to CTRS, Citizens' Advice indicate that they are seeing increased applications for debt advice in Wales; during 2015-16 they received 7 per cent more council tax arrears queries than during 2014-15 (Citizens' Advice Cymru 2016). They identify a number of factors which contribute to the rise in council tax debt such as beneficiaries' low income or experiences of 'financial shocks', such as a family bereavement or job loss.
- 3.32 The report also cites a number of other related factors such as insecure, irregular and low-paid work, changes to Council Tax Reduction as a consequence of being in and out of work, benefit changes, delays to benefit payments and sanctions, uncertainty and confusion over the benefits system and an inability to prioritise debt repayments, as well as poor literacy and numeracy skills. Debt advisers also commented on the growing complexity of cases, with increasing numbers of clients seeking advice on historic council tax debt, as well as on current arrears. It was felt that clients generally only sought advice and support once they reached a crisis point (following enforcement action).
- 3.33 Research undertaken by Citizens' Advice Cymru (2016) cites two principal factors that contribute to increasing levels of council tax debt. Firstly, there is widespread concern about the appropriateness of enforcement action to collect small debts, particularly when the most common reasons cited by beneficiaries for council tax arrears are low-paid, irregular and insecure work. Advisers commonly referred to the perceived over-reliance of local authorities on enforcement agents as a significant factor in mounting council tax arrears, and expressed concern about the use of enforcement agents to recover relatively small debts. Similarly, StepChange Debt Charity (2016) found that, though legislation has seen enforcement fees capped, fees contribute to clients' problem debt. Some advisers noted improvements since the introduction of the National Standards for Enforcement Agents (2014) which sets out a standardised chargeable fee structure for enforcement actions³. However, those who felt the situation had worsened expressed concerns about local authorities' willingness to repatriate debt once issued to enforcement agents. Research into lending practices (StepChange Debt Charity, 2016) suggests that enforcement

³ More information on the fee structure can be found here: <https://www.citizensadvice.org.uk/debt-and-money/action-your-creditor-can-take/bailiffs/bailiffs-fees-and-charges/fees-bailiffs-can-charge/>

agencies may be failing to comply with the National Standards for Enforcement Agents (MoJ, 2014) in some cases and that some enforcement practices may be exacerbating problem debt.

- 3.34 Secondly, advisers share concerns that local authorities do not take into consideration or make allowances for individuals who may be considered vulnerable. According to Citizens Advice Bureau Cymru (2016) 49 per cent of debt advisers disagreed that their local authority was good at identifying clients who may be vulnerable *before* pursuing enforcement action. A high proportion of advisers (43 per cent) also rated their local authority's willingness to repatriate the debt, even after the client had been identified as vulnerable, as poor. Where advisers noted that processes are place, they felt that methods for identifying and dealing with vulnerable individuals vary across local authorities. Advisers were commonly more critical of enforcement agencies' approach to vulnerability citing they have more restrictive policies and are less prepared to accept evidence of vulnerability. Research conducted by the Financial Conduct Authority (2014) would appear to support these concerns, finding that people with vulnerable characteristics are disproportionately adversely affected by council tax debt and find it harder to challenge poor practice.
- 3.35 With regard to the collection and recovery processes administered by local authorities, debt advisers felt that there was generally confusion around the process of paying council tax and a poor understanding of the implications of not paying. Advisers considered local authorities' provision and promotion of information and advice to be poor and access to more interpersonal and "hands-on" support to be inconsistent. There are mixed views with regard to the influence that legislation and national standards have had on improving council tax collection and recovery processes (Citizens Advice, 2016). Advisers generally felt that the poor conduct of enforcement agents, particularly with regard to considering affordable repayment plans, and a lack of clarity about what constitutes vulnerable circumstances continue to be contributory factors (StepChange, 2016).
- 3.36 This contrasts with the view from CIVEA (the Civil Enforcement Association) who conducted a survey of 104 local authorities across England and Wales. They found that the reforms under the *Taking Control of (Fees) Goods* regulations (MoJ, 2014) resulted in fewer complaints (fewer than 0.01 per cent of liability orders referred led to a complaint that was upheld) and an improvement in standards and professionalism (reported by 96 per cent of authorities surveyed).

Challenges

- 3.37 In 2012, the Welsh Government commissioned an Advice Services Review to look at the Not-for-Profit advice sector and at the information, advice and guidance services provided by the public and private sectors. This was in the context of significant UK Government cuts to Legal Aid for Social Welfare Law from April 2013, sweeping Welfare Reforms, an economic downturn, and increased demand for services. The Review was published in 2013. In response to the recommendations, Welsh Government established a National Advice Network (NAN) in March 2015. The NAN provides guidance to the Welsh Government on policy requirements to improve access to good quality social welfare law information and advice services.
- 3.38 Recent Welsh Government research (Knowledge and Analytical Services, 2017)⁴, proposed by NAN, forms part of a vision to develop a single strategic approach to the delivery of social welfare advice. It aims to provide estimates of the local level of need for general and specialist help on six social welfare topics. Welsh Government recognises that it is important for the estimates to be independent of current advice provision and to include latent and expressed need. Three justiciable⁵ problem areas are directly relevant to this research; Welfare Benefits, Debt, and Consumer and Finance (including financial guidance). The research finds that Wrexham suffers from particularly high rates of debt problems, whilst Torfaen experiences high rates of problems with benefits, employment, debt, and consumer and finance. It gives an indication of the need for preventative advice on debt and shows that Cardiff, Swansea, Rhondda Cynon Taff, Caerphilly, Bridgend, Carmarthenshire, Wrexham, and Flintshire have the highest need.
- 3.39 Under the Welsh Government's current financial inclusion agenda⁶, a Welsh Government-funded Better Advice, Better Lives (BABL) project delivered by Citizens Advice provides advice on specified benefits to particular target groups in a range of ways, with an overall aim to maximise benefit income for people living in deprived areas of Wales. The Council Tax Reduction Scheme and Housing Benefit take-up strand (funded since 2012) aims to encourage increased access to Housing Benefit entitlements, and where eligible, apply for reductions in council tax. Clients are referred through a number of different routes: some come through the primary and

⁴ Available at <http://gov.wales/statistics-and-research/modelling-need-advice-social-welfare-topics/?lang=en>

⁵ Justiciable problems refer to matters that raise legal issues or, if not resolved earlier, could ultimately result in court action or some other form of legal procedure (e.g. tribunals) being initiated (Genn, H. & Paterson, A. 2001).

⁶ Available at <http://gov.wales/topics/people-and-communities/communities/debt/?lang=en>

community health settings route or from other agencies while many come from internal Citizens Advice referrals or Adviceline Cymru.

- 3.40 An independent evaluation found that clients generally have a poor understanding of the benefits system and how to access help. An additional difficulty was that clients had typically undergone recent changes to their personal circumstances such as bereavement, worsening health condition or loss of employment and, while dealing with an immediate crisis, found it difficult to focus on accessing their benefit entitlement. Citizens Advice advisers also observed that mental health problems can make it difficult to manage money and financial concerns and this can in turn affect mental health (corroborated by literature review). Citizens Advice staff reported that a large proportion of their clients suffered from mental health problems and in some areas the BABL team focused exclusively on advising clients with mental health problems.
- 3.41 Debt advisers most commonly cited concerns about changes to the welfare system and the implementation of Universal Credit as key factors that would influence clients' ability to pay council tax in future (Citizens Advice, 2016; StepChange Debt Charity, 2016). Concerns included delays in people receiving their first Universal Credit payment, the fact that those eligible for Council Tax Reduction would have to be aware and proactive in making a separate application, a higher limit for direct deductions, enforcement agents targeting people on payment days and the ongoing impact of the under-occupancy charge and the related rise in rent arrears. Advisers also shared concerns about potential changes to Council Tax Support in Wales in the future and many cited the importance of getting this right to avoid local authorities experiencing an increase in council tax arrears (Citizens Advice, 2016).
- 3.42 Advisers stressed the importance of providing individuals with financial education ahead of the roll out of Universal Credit and the provision of information on the purpose and importance of council tax, more generally (Citizens Advice, 2016). Advisers felt it important that people are provided with the support to help them budget and prioritise their household spending.

Innovative practice

- 3.43 Given advisers' concerns about the affordability of council tax and individuals' ability to pay council tax in the context of an increasingly challenging labour market and rising levels of consumer debt, the Welsh Government and Local Government share

an interest in innovation and best practice. One such innovative concept this research set out to explore involves the potential use of time banking, a complementary currency system that allows voluntary members of a time bank to exchange their time, knowledge and expertise credits to be spent in the local community, as a method for addressing social problems, such as debt.

- 3.44 Time banks are grounded in collaborative social creation of value, principally through the voluntary exchange of time banking credits, which represent worked-hours for the benefit of time bank members. Time banks represent a complementary system to standard monetary economies. There is however, a lack of research focused on time banks as an economic concept.
- 3.45 The existing evidence offers nothing to suggest that time banking schemes have been trialled as a means of recovering or discharging debt through the accrual of social value. Instead time banks have typically been used as a method for developing social capital, especially among the unemployed and the socially excluded (the elderly and disabled), as a means to foster inclusion, reciprocity and equality. Valor et al (2017) note that several authors (Collom, 2008, Kimmel, 2008; Seyfang, 2006) advocate that time banking tries to deal with the social problems created by the current system: the erosion of the Economy of Care due to the impossibility of reaching full employment and the criminalisation or denigration of unpaid work.
- 3.46 Seyfang's study of time banking in the UK (2003) found that there were five main motivations for joining a scheme: meeting personal goals, building community capacity, improving skills, helping other people and building social capital. Since then studies have sought to better understand the factors that motivate people to actively participate, once members.
- 3.47 Three main factors are thought to influence people to participate in the time bank: personal motivation, socio-economic factors like education and income and structural factors such as other commitments and a lack of time (Garcia-Mainar and Marcuello, 2007). A qualitative study of membership organisations found that people join to realise four broad types of goals: purposive, solidary, hobby and material goals. Purposive goals were linked to acting on global concerns, such as promoting social justice or fighting poverty. Solidary goals are related to social action and the establishment of social networks. Hobby goals capture the lifelong interest in a subject or site supported by the time bank. Finally, material goals refer to benefits of

a more tangible nature, such as the receipt of discounts. The study found that hobbyists were the most active participants but did not offer any rationale as to why they were found to be the most actively involved.

- 3.48 Some studies however have shown that members are willing to offer services but are reluctant to ask for any (Papaoikonomou and Valor, 2016), which may mean schemes fall short of achieving the reciprocity time banks are intended to foster. Other work has shown that there is a correlation between membership rates and unemployment rates and that demands on services are more related to wants and needs (Carnero, Martinez and Sanchez-Mangas, 2015). Research by Collum (2011) also found that users with economic needs engaged in more transactions.
- 3.49 Time banks can provide inclusive working opportunities, allowing all members of the community, including those who are socially excluded, unemployed or otherwise disadvantaged groups to participate and benefit. Effective time banking can have positive impacts in areas such as labour economics, regional economics and contribute to the establishment of sustainable social networks. Research shows that time banking schemes can be particularly effective at engaging members of the community who do not typically volunteer and are less commonly represented among those who choose to volunteer with a voluntary or Third Sector organisation. Rather than resembling traditional forms of volunteering, time banks may offer more formalised opportunities that more closely resemble co-production (Tucnik et al., 2016).
- 3.50 Though there is no evidence to suggest that time banking has been used as an alternative method of repayment for council tax debt, the literature suggests that time banks may contribute positively to the local sharing economy by encouraging those who are less likely to volunteer through traditional means to participate.
- 3.51 Another area of potential innovative practice is behavioural insights. Such techniques have had success in increasing wider tax compliance. A trial in Medway showed that the use of social norms marketing in council tax letters increased payments by 22 percent whilst a trial in Lambeth that used social norms messages on bills increased payment by 4 percentage points (Behavioural Insights, 2016; Lambeth Council, 2015).
- 3.52 However, two randomised control trials undertaken in Newport Council and Merthyr Tydfil Council attempted to improve council tax collection and increase the proportion of residents paying by direct debit (Welsh Government, 2017) and had less success.

These trials sent text messages to encourage payment. In one trial there was a significant increase in the proportion paying by direct debit initially, but no increase over the whole time frame. In the other trial those who received text encouraging them to pay were less likely to make a payment than others. Interestingly this finding was mirrored by a text message trial undertaken by Lambeth which also showed no overall effect, but found that using text messages in short bursts had the greatest results (their effectiveness degrades over time).

- 3.53 These mixed results highlight the difficulties in increasing collection rates and in understanding which methods may be effective, but indicate that tailoring traditional letters may be more effective than using text messages.

Summary

- 3.54 The evidence suggests that factors influencing the prevalence and levels of council tax debt in Wales are varied and may interact in complex ways. Extensive UK Government welfare reforms have been shown to have disproportionate negative impacts in areas of deprivation and on groups of individuals which may already be considered vulnerable. The free advice sector has identified increasing numbers of individuals, over-represented in these groups, among their caseloads and struggling with more complex debt. Despite the Welsh Government's steps to maintain entitlements for council tax reductions in Wales, the existing evidence indicates that further research is necessary to understand what and how local factors affect local authorities' ability to collect and recover council tax arrears. As such, this research will seek to understand local authorities' policies and practices with regard to council debt recovery, with a particular focus on how authorities take account of vulnerability and communicate and work with stakeholders and individuals to recover arrears. It will also seek local authorities' views and ideas with regard to how the sector continues to learn, adapt and innovate to improve and enhance council tax collection in future.

4. Findings

- 4.1 This section presents findings from the interviews with revenues and benefits experts within the local authorities. Firstly it outlines the general messages from respondents in terms of context. Secondly, it goes on to discuss the collection methods used by authorities – pre-liability order, before presenting the findings on enforcement action – post-liability order. Thirdly, it discusses the findings as they relate to third party relationships with debt advice agencies and enforcement agencies, before finally discussing current innovative practices and authorities' views on the future challenges and opportunities they face. All vignettes are from Revenues and Benefits Staff unless otherwise indicated.
- 4.2 Authorities emphasised that council tax collection rates are generally very high; the average in-year collection rate for Wales has increased from 96.6 per cent in 2010/11 to 97.4 per cent in 2016-17. They also emphasised that the majority of the resources they have available to recover council tax are invested in a minority of cases; the small percentage of individuals who do not pay on time. Authorities shared the view that if individuals contacted them when they were struggling to pay, the recovery process could be more efficient, less stressful, and that enforcement action could be averted. Participants most commonly described a recovery process and mechanisms that were largely dependent on positive engagement and communication between the authority and individuals. Authorities shared the frustration that an effective and efficient recovery process was often hampered by limited resources to proactively identify individuals who may be experiencing difficulties paying, contact individuals who have missed payments and offer additional support to those who need help to pay. Consequently, they felt the extent to which they were able to be effective was often dependent on individuals contacting the authority to advise of changes to their personal circumstances or seek support. Irrespective of the resources available to authorities, they felt that if engagement could be initiated by either party earlier in the recovery process, significant time, cost and stress could be avoided to the benefit of both individuals and the local authority.
- 4.3 Although authorities stressed that the majority of their resources were invested in managing a minority of complex or hard-to-reach cases, they typically described a collection and recovery process which is administratively intensive. Correspondence with individuals is largely written and paper-based and, as such, sending annual

bills, reminder notices and summonses generates a significant paper-return. Authorities frequently described the strains that this can place on resources and some had altered their routine practice to ensure that administrative tasks were less burdensome or more evenly distributed. Authorities were positive about the need to embrace new technology but all had different capabilities and were at various stages with regard to implementing new technologies, such as e-billing or SMS text message reminders. This report discusses the communication methods authorities use to engage with individuals later in this chapter.

- 4.4 A number of authorities spoke about a need for greater clarity on the strategic priorities that guide their approach to collecting and recovering council tax; authorities felt that it was not always easy to reconcile a need to collect the debt with an increasing desire to support the individual. It was clear that many authorities appear to have found ways to achieve a harmony between both objectives; authorities strive to provide a supportive approach to working with individuals and to be very aware of the difficult circumstances that some people face, whilst also aiming to maximise income by increasing their collection rates. However, given that authorities' performance is measured in terms of their collection rates, some authorities felt that the efforts they made to ensure people can pay, despite their personal circumstances, went unnoticed and others were more determined that their primary goal is to collect the debt.
- 4.5 Authorities were clear that as collection rates were already high it was important to recognise that any improvements to collection and recovery practices would increasingly deliver smaller gains. Authorities already felt that margins for gains were small and that they were approaching a plateau in terms of the volumes they felt able to collect.
- 4.6 The majority of authorities noted that the way in which local authority performance data is reported in end-of-year cycles is not fully representative of overall collection rates achieved. There was a view that the emphasis on in-year collection rates puts pressure on councils to ensure outstanding debits were paid by the year end. This means that individuals struggling towards the end of the year may face less flexible arrangements than those requesting flexibility at the start of the year.
- 4.7 Councils noted that council tax is a priority debt (as non-payment can ultimately lead to the taxpayer receiving a prison sentence) but many highlighted differences among individuals regarding their understanding of the purpose of council tax, and

the importance and consequences of failing to prioritise their council tax obligations. A number of councils identified that those individuals who encounter difficulties paying their council tax, often fail to budget and prioritise their other household expenditure. Councils felt that this was due to a number of factors; some felt that individuals may lack experience or skills in managing their personal finances, others suggested that structural factors such as changes to the labour market and individuals' working patterns were a factor influencing people's ability to pay their council tax. A number of councils noticed that, among those individuals having difficulties paying, the nature of the debts accrued was more complex. Councils described working with individuals who were indebted to multiple providers, struggling to manage a complex set of financial commitments and sometimes entering into additional lending arrangements to relieve immediate financial pressures which aggravated their financial situation in the long-term.

- 4.8 Some councils felt that their abilities to recover arrears were inferior compared with the measures available to other providers, such as private utility companies that are able to withhold essential services from individuals in arrears. Often these authorities did not feel it appropriate to use all the powers afforded to them (such as committals). Other councils took a different view of the powers available to them and noted that they were able to draw on a diverse range of enforcement methods to prompt individuals to pay that were not available to other businesses collecting charges/debts.
- 4.9 Authorities recognised that their unique demographic profile presented them with different challenges. For some, levels of deprivation and unemployment were high. Others encountered issues with aging populations and high liabilities per property. Some faced challenges collecting and recovering council tax from transient or socially mobile populations such as young professionals and young families which required resources to chase accounts and issue adjustment notices. Others described the problematic nature of a local population being highly dependent on one industry which may face difficulties resulting in financial shocks. These challenges affected authorities in different ways, with it generally being accepted that the deprivation factor had the largest impact on collection rates (this was borne out in the benchmarking data from 2016-17).
- 4.10 Irrespective of the unique demographic profile of each local authority area, councils frequently cited concerns about individuals' ability to pay increasing levels of council tax in the context of a changing labour market. Councils spoke about the impact

that rates of unemployment, insecure and low paid work and increasing levels of consumer borrowing were felt to have on individuals' ability to afford their council tax payments.

- 4.11 All authorities were conscious of the need to consider vulnerability and described steps that they take to identify and support individuals in vulnerable circumstances or with vulnerable characteristics. Consideration of vulnerable individuals featured at various points in authorities' processes and practices, often informed the kinds of relationships they had developed with third parties, such as advice agencies, charities and enforcement agents and for some, had resulted in the development of tailored practices or debt management policies. This report discusses vulnerability in more depth later in this chapter.

Pre-liability order

Methods and approach to the collection of council tax

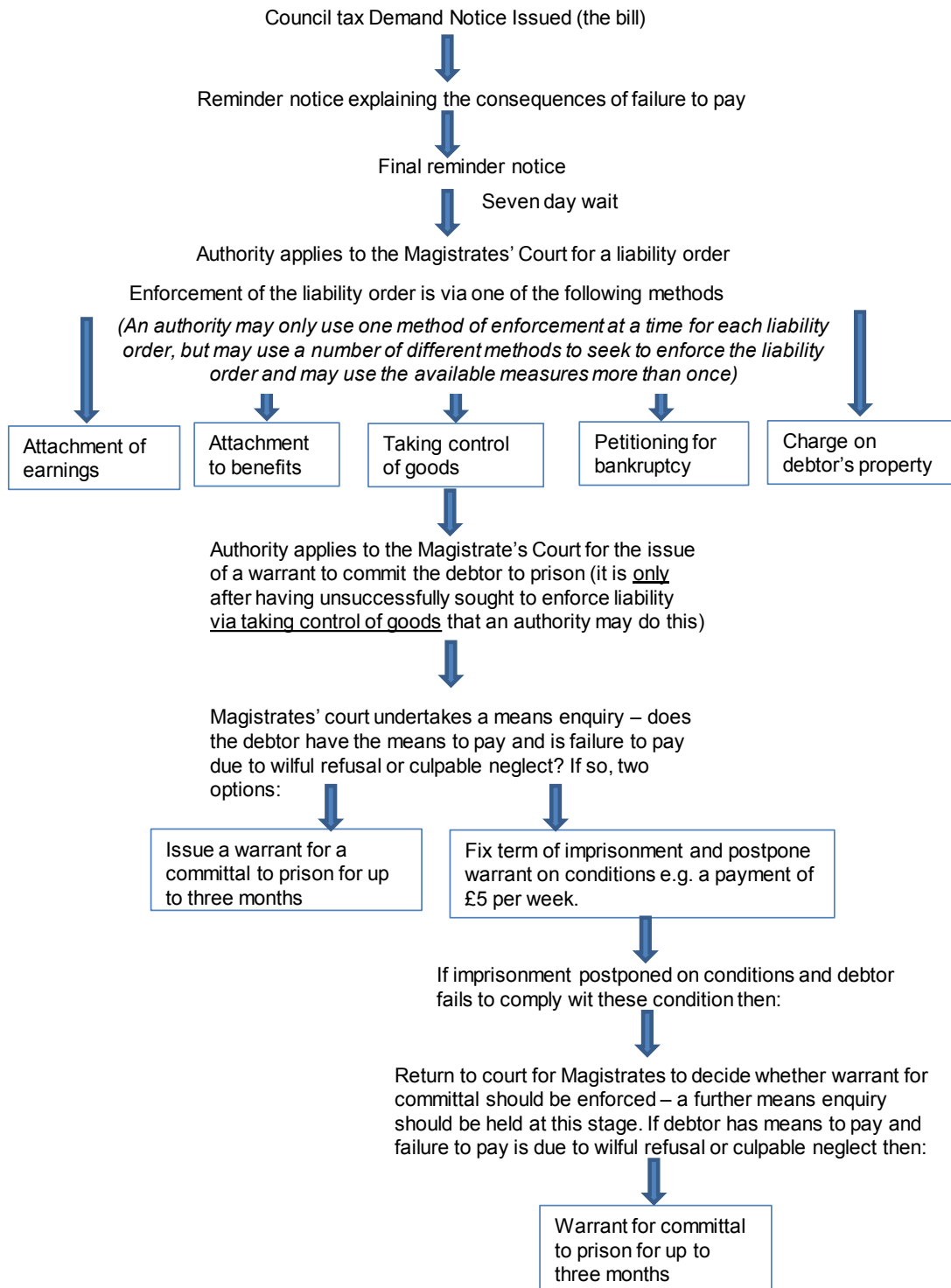
- 4.12 The general feedback from authorities was that the legislative framework which governs the collections process works well. It provides an adequate framework to ensure some level of consistency and uniformity of approach to collecting and recovering council tax. Authorities felt that the legislative framework provided them with a rationale with which to explain their processes and methods to individuals. A number of participants noted that the Taking Control of (Fees) Goods Regulations (MoJ, 2014) had been effective in regulating the level of enforcement fees charged for enforcement action and reducing the number of upheld complaints they received about enforcement fees. Authorities also attributed some of the success of the legislation to the flexibility it affords them to adapt collection and recovery processes to suit their needs.
- 4.13 Figure 5.1 illustrates the statutory council tax recovery process, including the steps an authority can take to remind individuals of their commitments prior to applying for a liability order and the enforcement options available to the authority to recover the debt following enforcement of the liability order.
- 4.14 As illustrated, an authority can issue two reminder notices before a final notice demanding full payment of the year's council tax if a third payment is missed. If this is not paid, the authority can then apply for a liability order from a magistrate. This is a legal demand for payment and will include an additional fee (capped at £70 in

Wales). Once a liability order is granted, an authority can deduct directly from certain benefits or from earnings subject to certain thresholds. An authority can also send enforcement agents to collect the debt, apply for committal, bankruptcy or a charging order. In certain circumstances an authority may also write off a debt.

- 4.15 If at any point the debtor comes to an agreement with an authority to pay back the debt, the enforcement process would stop. Debtors can have multiple debts and multiple liability orders if they fall into arrears more than once. More information can be found here: <https://www.gov.uk/council-tax-arrears>.

Figure: .1 – The Council Tax Enforcement Process

Council Tax Enforcement Process



- 4.16 Beyond the statutory framework, local authorities have introduced flexibility into their collections process in a number of different ways. One interviewee had recently moved from one authority to another and had found many differences in approach:

“what strikes you is that although you are all doing it by the same legislation, you’re all doing it in slightly different ways”

Accounts and reminders

- 4.17 Some councils emphasised the importance of maintaining up to date individual accounts, timely administration and accurate billing in preparation for the new tax year. Authorities spoke about the need for updating accounts with individual contact details, changes of address and changes of circumstances. Participants who emphasised the importance of good ‘housekeeping’ tended to highlight the need for prompt and frequent reminders to individuals.

“...the starting point is to make sure that the bill is accurate because you don’t want to be billing people for things if they’re entitled to a discount or an exemption or Council Tax Reduction so you really want to make sure that their bill is accurate before you start chasing them for money that they shouldn’t have to pay so it’s making sure that all that information is clear as well – that they have that to hand. Then, once we’ve done that, once we have issued bills, the important thing from a collections point of view is that you take prompt recovery action if the payments aren’t forthcoming.”

- 4.18 There were a variety of viewpoints from authorities on the sending of reminder notices. Some authorities felt that it was advantageous to send reminders promptly and frequently, as soon as practicable once a payment is overdue as this allows the individual the maximum amount of time to respond.

“So to me, it’s getting it right at the front end, and then usually on that back end, processes are watertight and I think It’s worth its weight in gold, getting your processes right at the front end, that’s the critical part, not your enforcement agents”.

Some authorities commented that this was also better for council cash flow purposes and helped prevent escalating debt among individuals.

- 4.19 One authority revealed that they had changed their system in recent years, moving to a system of early reminders. They found that deferred reminders were delaying the process and allowing individuals to build up arrears, making it more difficult for

them to catch up in the longer term. Similarly, another authority noted that a system of early reminders had benefits not only for individuals but also with regard to managing internal resources and administrative pressures at busy times in the collections cycle.

“We used to send [reminders] out once every few months and you used to have to thousands in one go. Well, that became too much to work with when you had all the correspondence coming in – the telephone calls, etc. So, rather than having peaks and troughs, we evened it out and we found that it works much better. People are aware of the process that we work with and you know, they know that they have to pay their reminders on time [...] if somebody misses [a payment] they’re going to be picked up quicker so the process will start quicker but it’ll ultimately give them longer during the year to pay it off then.”

- 4.20 On the other hand, some authorities took the view that the majority of those who were late paying, would pay and they did not want to contact people unnecessarily.

“So we’ll issue the reminder then when they fall two months behind. The reason we do it like that and we don’t do it in the first month is that depending on when someone gets paid in the month, their instalment may be on the first but if they don’t get paid until the 20th, in reality they’ll pay when they get paid, so we allow that little bit of flexibility.”

- 4.21 Part of the reason for the differences expressed in how much emphasis was placed on the front end may have been due to the set up of the department. Some authorities reported that they had a department which dealt with arrears (reminders, summonses, court hearings, liaising with enforcement agents, administering attachments), and a maintenance department which dealt with general account issues. Other authorities reported that they had one department to do everything.

- 4.22 Three authorities reported that their ability to proactively contact individuals depended on how busy they were with the rest of the system at the time, for instance, at the beginning of the financial year when all the bills are sent out, those authorities with a single council tax department may have to divert all resources to this task. One authority mentioned that they even out peaks and troughs in workload by sending reminders out to different parishes at different times. This ensures that they do not receive a huge influx of correspondence coming in at one time.

- 4.23 There were also differences in the minimum value authorities would issue a reminder for. This minimum value threshold varied across authorities.⁷ The minimum values do not seem to have any bearing on the frequency with which reminders were sent, or the length of time between missed payments and the first reminder being sent (i.e. those with higher minimum debt levels are often not those which leave longer between a missed payment and a reminder).
- 4.24 There was some variance in the number of reminders issued. One authority appeared to adopt a more lenient process whereby they issued more reminders than required by the legislation (two reminders and then a final notice for full payment). If an individual received a reminder and paid the overdue instalment, they become eligible for a further reminder notice if they were to fall behind again. This authority felt that issuing the standard reminders fast-tracked too many people to the court process which is more resource intensive and brings extra cost and concern for the individual. They reported issuing fewer summonses for a liability order and believed that they passed fewer cases to enforcement agents than the average authority⁸.
- 4.25 A number of authorities had changed wording on reminders; one had highlighted the costs of the next stage of the process and some had been involved in the testing of different methods by the Behavioural Insights Team (2017). These trials had attempted to increase the proportion of people signed up to direct debit by sending text messages, and tried to improve collection rates by changing the wording of reminder letters. Although the results from the Behavioural Insights trials had been inconclusive, one authority said that they used similar 'nudge' techniques in the wording of their reminder notices such as 'why don't you join the 75 per cent of council tax payers who pay by direct debit'. Another authority tailored the reminders intelligently, taking account of the individual's credit score and segmenting the action accordingly.

Applying for a liability order

- 4.26 There was evidence, particularly in some rural areas, where demands on the courts outstripped capacity. Authorities that had experienced court closures in these areas

⁷ These data are from the benchmarking returns. It is not known how closely these minimum levels are adhered to, or whether they represent more of an estimation.

⁸ This is self reported and cannot be verified by the data.

felt that these steps had an impact on the extent to which they were able to be flexible in their recovery process. Participants described the strain that processing large volumes of liability orders through a smaller number of Magistrates' courts had on resources, particularly in the context of cuts to local authority budgets.

"[...] As far as the courts are concerned, we used to have different court dates in different locations, one of those towns on a Monday, we could be in a different court on a Wednesday, another on a Thursday. We could manage our workload a bit more effectively. But now because you've only got one court, that does makes things a wee bit more difficult".

- 4.27 Some authorities noted that their recovery system was largely dictated by availability in the courts to process applications for liability order notices. The courts' limited capacity to process large volumes of liability orders was felt to restrict the extent to which the authority could introduce flexibility in their application of the legislation. One authority explained that their recovery cycle of daily demands, monthly reminders and monthly court dates had driven a need to be more proactive in their contacting of individuals. It was felt to have increased the speed with which accounts progressed to liability order stage.

"We have 4 weekly courts, so first off we do a schedule to see what reminders are going and what court dates, so we plan our reminders around our court dates. We're given the dates by the courts and there's no flexibility."

Further research will be needed to explore the extent and ways in which pressures on the court system may be impacting on authorities' debt recovery processes and whether or not it is affecting their ability to recover council tax debt.

- 4.28 Authorities frequently drew a distinction between the approach recovery teams could take to contact individuals pre-liability order stage and post-liability order stage. Participants noted that managing large volumes of accounts pre-liability order stage necessitated a more automated process which comprised the systematic generation of letters to issue to individuals at specific points in the cycle. Post-liability order stage, the majority of authorities were able to take a more targeted and sometimes, personalised approach to contacting individuals across a smaller caseload of accounts. Benchmarking data highlighted differences in approaches regarding liability orders. On average in 2016-7, the number of

summonses which resulted in a liability order being granted was 74 per cent but a number of authorities had significantly lower proportions. This is likely to be due to an approach of issuing a summons but withdrawing the application of a liability order if the debtor brings the account up to date or allowing more flexibility by permitting the debtor to return to statutory instalments or setting up informal payment arrangements. The majority of authorities reported that they would still obtain the liability order even if arrangements were made or the account settled so that they could use it at a subsequent time if necessary⁹.

- 4.29 One authority however described a particular type of debtor who necessitated a different approach to recovery at this stage. Authorities often spoke about a minority of individuals who routinely resisted contact from the authority, some until receipt of a liability order. Authorities made a distinction between the approach they would take:

“We tend to have a hardcore of debtors who tend not to pay until they’ve actually received a summons or it’s moved on. So, the intention is to actually get those to court as soon as possible, notwithstanding those then that do come to us and say that they’re in genuine difficulty or they need to come to an arrangement, we obviously listen to those and do possibility a little bit to easily enter into an arrangement prior to getting a liability order. We’re currently looking at what’s the best way of dealing with the non-payers, whether or not we should be saying we’ll be getting a liability order first before looking at bringing about an arrangement outside of the statutory scheme but then that causes difficulties as the customer’s not always happy about having a liability order granted when they’re actually trying to make an offer to enter into an arrangement... The opportunity is getting the non-payers into court as soon as possible so that we can determine what the way forward is.”

- 4.30 Some authorities mentioned the costs of liability orders. The law limits the charges for a summons and a liability order to "an amount equal to the costs reasonably incurred" by the council (The Council Tax (Administration and Enforcement) Regulations 1992 SI 613¹⁰). This fee is capped at £70 in Wales and the majority of authorities charge individuals the £70 fee. A small number of authorities reported their costs were higher and mentioned that the £70 cap had not risen since it's

⁹ In this case, the interviews did not highlight differing approaches in obtaining liability orders – this is not to say differences do not exist, but we do not have the data to explore them.

¹⁰ <http://www.legislation.gov.uk/ukSI/1992/613/regulation/34/made>

introduction. At the other end of the scale a small number authorities suggested that their costs were lower, with at least two authorities charging less than the £70 fee. It seems that there is no standard methodology for working out the cost of issuing the summons and the liability order so it is difficult to compare costs. Further research will be required to understand the provision authorities make for these costs, their methodology for calculating and reviewing these costs and whether a standard approach may be applied in future.

- 4.31 The large majority of authorities offered flexible payment arrangements if an individual got in touch with them to say they were struggling. However, authorities had their own measures of what would be acceptable. One authority reported that, if contacted, they would encourage individuals to set up a direct debit rather than make a flexible arrangement and would not arrange payment by instalments if payments had previously been missed. They reported that experience showed these people repeatedly miss payments which delays the whole recovery process.

“We strictly follow what the law says. During that process, when people get these reminders, we reinstate their instalments if they agree to pay by direct debit. We do not, if they don’t go for that option, we will not reinstate instalments and then it proceeds onto ... the liability costs ...and if they ring up at that point and agree to pay by direct debit, we will then reinstate instalments.”

- 4.32 Other authorities expressed similar concerns over deferred payment arrangements and their affordability, with only one expressly offering deferred payment arrangements. However, almost all encouraged flexible arrangements, feeling that they helped individuals to pay and were a good solution to the lump sums that were often the alternative. Authorities that favoured flexible payment plans for those individuals who may need more time to pay were quick to emphasise that individuals with limited ability to pay were not exempt from paying but required a more tailored approach to enable them to pay. In most cases authorities were more inclined to negotiate flexible payment plans with individuals where they had records of previous engagement, where arrangements had been sustained and the balance paid over time or where the individual had shown themselves to be proactive in contacting the authority to advise of their circumstances.
- 4.33 Often authorities emphasised their desire to make payments as easy as possible for individuals. Authorities were unanimous in their recognition that direct debits were

the most efficient method of payment. In recognition of different working patterns, all offered more than one payment date in the month. In addition, some were starting to offer weekly direct debits to better fit with individuals' salary payments. Authorities also offered cash and cheque payments, credit and debit cards, payment cards (e.g. Allpay, Paypoint, Payzone), online payments and almost all offered 24 hour automated payment lines.

Post-liability order

Use of historical records to inform decisions on the enforcement route

- 4.34 Authorities often lacked customer account information but where they did hold it, commonly used the payment history of individuals to help them decide which course of action to take. Often this was the only source of information authorities had available to them. Authorities would determine whether the individual had a history of arrears and would take account of this when making decisions. Authorities noted that they would take different actions to manage accounts; one authority explained that advisors might take more control when the individual had historic debts and another authority explained that they might afford more coaching and support on money management to some individuals. Authorities would also use past discussions and past arrangements to inform future payment arrangements, for instance, one authority said that if an individual called and said they would pay the whole sum in a few months when they received their annual bonus, and they had evidence they had done this in previous years, the authority would allow this arrangement to stand.
- 4.35 The majority of authorities used additional notes on accounts to record history in 'account diaries', although some authorities reported issues over what they were able to record due to data protection (this is explored within the challenges section later in this chapter). One of the smaller authorities felt that their size was to their advantage as they were able to check a larger proportion of their cases manually, looking into their history and notes to determine whether they could use any of the information to determine next steps. This authority put some individuals on a 'sensitive profile' meaning that these accounts would be checked manually by staff rather than automatically by the computer system.

4.36 Authorities used historical Attachment of Earnings and Attachment of Benefits arrangements as valuable information on accounts. This was seen as evidence as to what had worked previously and what may work to clear subsequent arrears. Some authorities reported using the information proactively on accounts if an individual fell into arrears again.

“when we’re engaging with that customer making sure we find out their employment details and that’s useful for a future debt negotiation, especially if that customer falls off our radar, doesn’t engage with us again, tries to avoid any discussions, if we’ve got the employment details that we can ensure payment through attachment of earnings.”

Authorities reported that this was preferential to the enforcement alternative for those cases where debtors did not communicate with the authority.

Attachment of Earnings and Benefits

4.37 Attachment of earnings and benefits were regarded as the most efficient post liability order methods of repayment. However, there were issues raised with how much authorities are able to collect from earnings and the fact that the regulations have not been amended to reflect the changing nature of work (such as people having more than one job, zero hours contracts etc.).

4.38 One authority mentioned the need to be flexible with attachments as they were based on income rather than outgoings:

“if we have an attachment of earnings in and someone’s earning a lot of money, well it’s not based on a person’s outgoings you know, it’s purely their income. The fact that someone’s got a good salary doesn’t mean they’ve got money to spare. So, we are flexible in that respect.”

4.39 Two authorities reported that they would look to do two attachments of earnings if they could see that the first attachment was low. This was to enable debt to be paid off more quickly and to avoid the costs of enforcement agents. However, one authority caveated this, saying that they would not run two attachments if there were circumstances to suggest it would be inappropriate or if the individual had contacted them in financial difficulties:

“well, as a rule we’ll do two attachments of earnings. If we can see that the level of the first attachment is low then we hold evidence then that a second attachment wouldn’t be appropriate because it would be below the threshold [of earnings] for a second attachment. But also if the customer has contacted us and you know expressed concerns, showing financial hardship then we would continue with just the one attachment or perhaps only for a certain period of time to adapt to what’s going to happen.”

- 4.40 The majority of authorities expressed frustration about the process of applying an attachment of earnings or benefits to individual accounts post-liability order stage. A number of authorities felt it a punitive and unnecessary measure to charge individuals the cost of a liability order where they had proactively shared information and voluntarily requested an attachment of earnings or benefits. It was felt that this potentially prevented the authority from building on a positive relationship with individuals who were engaged and committed to meeting their obligations.

“I do think it would be easier if we could for example do an attachment of benefits without incurring a summons, you know because that incurs a cost but obviously they’d have to agree to it. If they don’t agree to it, you wouldn’t be able to do but at least then you could say, listen if you have a summons and a liability that incurs a cost.”

- 4.41 Attachment of benefits was felt to be efficient and offer some long-term certainty for authorities. It was also felt to be helpful to individuals as it allowed them the peace of mind of knowing that they were repaying their debt at a level that was affordable for them. Authorities also noted that repayments were set at a lower level than the amount and the additional fees individuals would be paying to enforcement agents. There were some frustrations about the limited range of benefits that could be attached to, and the levels of deduction possible.

Enforcement Agents / Taking Control of Goods

- 4.42 Enforcement agents were used by authorities where other methods were not viable or had failed.

“We’re not trying to secure payment by taking goods away; nobody wants to remove goods from a property, but it’s trying to get that customer to face up to their responsibilities to pay”.

- 4.43 One of the reasons cited for failure of other methods was the lack of response to the information request issued following a liability order. This information would enable authorities to make a properly informed judgement on the most appropriate enforcement action to take. Authorities reported that many individuals failed to provide the required information despite the threat of a fine (which some authorities did not impose) for failing to do so. One authority revealed that they receive approximately 30-40 per cent of the forms back which represented an improvement on the 10 per cent received before regulations were changed and the forms simplified, another authority believed their return was around 5 per cent. This low return rate leaves authorities with limited courses of action to recover the money, i.e. if the authority holds no historical data on the individual's financial circumstances then using an Attachment Order is not viable.
- 4.44 Most authorities reported that they try to limit the cases they send to enforcement agents by taking extra steps to try to contact individuals before sending the case. Authorities gave examples of calling, emailing, or sending additional letters warning of impending enforcement action. For instance, one authority's system automatically sends a letter warning that the case will go to an enforcement agent in 14 days unless the individual contacts them. Where these actions were taken, authorities described positive results as it was felt people were less able to hide their head in the sand when speaking to someone. However authorities made clear that these actions were constrained on a number of levels. Firstly, they often did not have phone numbers or email addresses and secondly, the resources required to undertake this proactive action were often limited.
- 4.45 Most authorities also review the history of the case to see whether they can use any information to link to earnings or benefits. The history of the case can also be used to see what action has been taken in the past, as well as looking for any recent contact and at the profiles of individuals, (such as age, indicators of mental health issues) which can inform the best route for the future. Some authorities have purchased specialist software which checks the history of cases automatically before accounts are sent to enforcement agents, whilst others undertake checks manually.
- 4.46 All authorities cited that they have positive relationships with enforcement agencies. Authorities appreciated the level of information they were able to gain on individuals' circumstances as a by-product of using enforcement agents. All described the processes they have established to monitor the performance and conduct of

enforcement agents which typically included regular meetings to review performance figures, upheld complaints and matters arising.

“We have service level agreements, but no formal contract (as do a lot of authorities) so if there was any suggestion that either company was acting in any way that was likely to damage the local authorities’ reputation and/or problems with the Ministry of Justice, then that would simply be the end of the relationship, so having a more fluid relationship works well. And then obviously we review their performance on a weekly basis and then meet with them, well contact them on a daily basis, but we would then formally meet with them every quarter and review performance etc. and that’s basically the way that it’s managed.”

- 4.47 Authorities’ experiences of the relationships they have with enforcement agencies are discussed in more depth later in this chapter.
- 4.48 Two authorities had, in the past, sent their own recovery officers to visit debtors for whom they had received no correspondence prior to enforcement action. However, both authorities had very limited success with this method finding that few people answered the door and few responded to the correspondence that was left. As such, neither authority now actively visits individuals prior to enforcement action, unless (for one of the authorities) there is an identification of vulnerability. However, two other authorities reported occasional visits. These were described as occurring where they had little information on an individual but believed they were vulnerable. For one authority, the staff had the flexibility to use their own discretion and personally visit an individual where they believed it would be beneficial. Other authorities reported working closely with Housing Support teams, whose Housing Officers were better placed to carry out home visits and gather information of benefit to the collections and recovery team.
- 4.49 One authority had found it effective to send enforcement correspondence under alternative branding. It was felt that individuals were more likely to respond if they felt their account had been referred to private sector enforcement agents.
- 4.50 All have a minimum threshold under which they would not send an account to an enforcement agent. Authorities were largely consistent in the minimum debt value they adopted as this referral threshold. One authority sends cases to enforcement agents if they are above a minimum threshold but would not allow the enforcement

agents to visit them unless the debt is above a specified upper threshold. Below this threshold agents are only permitted to ring or write to individuals

- 4.51 A number of authorities spoke of issuing multiple debts from previous years for an individual to enforcement agents at one time meaning that although there is a £75 compliance fee added on each case, there would only be one enforcement fee of £235 if the case proceeded and a visit was necessary. This minimises the cost for the debtor.
- 4.52 Collection rates for enforcement agents seemed to vary, with some authorities quoting 30 per cent whilst some reporting that around 50 per cent of cases that went to enforcement agents were collected¹¹. Further research will be required to understand the reasons for the variation in collection rates for cases sent to enforcement agents and the factors influencing its effectiveness as a recovery method.
- 4.53 One authority commented on the value for money aspect of enforcement agents and observed that the return was not very good. This authority suggested that they may start moving away from enforcement agents and start chasing more of the debt themselves, however, it should be noted that this was one of the smaller authorities which already undertook a lot of manual checking.

¹¹ These figures were reported in the interviews and have not been verified and were not provided by all authorities. It was unclear whether authorities were referring to the proportion of debt that was collected, or the proportion of cases.

Last resort enforcement actions

- 4.54 Prior to employing last resort enforcement actions, authorities employed a variety of investigative methods to varying degrees. Authorities seemed unclear on what methods were acceptable and to what intent. The use of social media was most frequently mentioned in order to obtain additional information about individuals which may help to establish whether they had the means to pay, or whether they were in employment. One authority also mentioned the use of a private investigator. These investigative methods could be used to determine how best to progress the case; in some cases the information could help prevent the more severe enforcement actions (such as supplying information on employment), whilst in others, they could provide evidence of wilful refusal or culpable neglect.
- 4.55 Some authorities described an approval process they have in place to sign off on the more severe enforcement actions that follow the use of enforcement agents, as well as write-off decisions. Some described internal approval panels comprising senior staff who were afforded the authority to approve increasing thresholds of debt for committal proceedings and write-off. These panels were also enlisted to agree the best course of action for particular cases where a course of action could potentially incur a heavy financial cost for the council and a risk of poor return. One authority referred to this process being underpinned by a write-off framework agreement comprising debt thresholds that each officer has the designated authority to write-off and a requirement to consider the implications of vulnerability in decision-making.
- 4.56 Another authority includes a detailed pro forma that outlines the checks and balances that need to be evidenced before a case can be listed for a last resort enforcement action.

Committals

- 4.57 Authorities may apply for committal to prison for up to three months as a last resort once the debt has been returned uncollected from an enforcement agent. Case law has established that committals actions should be used as a coercive rather than a punitive measure and this was reported to be the case for all authorities who pursued them.

- 4.58 Not all local authorities currently carry out committal proceedings, but were able to discuss committals in some capacity, be that through past experience or the approaches they employ in their place. All authorities felt that committal proceedings are an undesirable course of action to take against an individual. They stressed that committal proceedings are a last-resort, arrived at after considerable time and effort has been invested in trying to establish contact with individuals or to explore other recovery methods.
- 4.59 Authorities that do issue court summons do so with varying degrees of frequency. Benchmarking data shows the total number of committal summonses, an instruction from the court to attend a hearing, has fallen from 480 in 2013-14 to 326 in 2016-17¹².
- 4.60 All authorities reported that there is a need for committal action as a deterrent for the minority of customers who won't pay, as opposed to those who can't pay. In these latter stages of recovery, authorities described people who had become familiar with the recovery process and consequently, avoided engaging with the council. Many expressed a frustration that it is only on the threat of committal that they finally achieve engagement with some individuals. As a result, some authorities that currently avoid taking committal action or bankruptcy expressed that they are reconsidering their approach in order to tackle a small number of high-value accounts.
- 4.61 All authorities, irrespective of whether they use committal action, value their ability to threaten committal action in order to prompt individuals to take action to pay or engage with the authority and recover vital public funds. All participants shared the view that it was important to afford authorities the power to use the threat of committal action when it was necessary and proportionate to do so to recover the debt. Some expressed concern that if the power to apply and pursue committal proceedings were to be removed, it would need to be replaced with a course of that action that held similar weight, such as consequences for an individual's credit rating.

“we really need to make sure that this power [committal action] carries, you know, that it is not taken away because we only use it in extremely selective cases and it's absolutely essential to have a full range of powers to collect the tax because if we don't have a full range of powers and we can't collect the

¹² These figures are further explored in the Chapter 5 – Benchmarking.

tax, our collection rates start to drop and then that's more pressure on services."

- 4.62 Some authorities advised that they are proactive in educating people about their ability to use to committal action, if necessary, at an early stage in their communications with some individuals. This was felt to have a positive effect on councils' ability to negotiate and maintain suitable arrangements with some individuals.
- 4.63 Committal summons letters were felt to have high value, and recognising the value in reaching individuals just before committal stage, some authorities are considering focusing their efforts at this point; one is deciding whether to implement a workshop where individuals could engage with the authority prior to a court hearing, and at least two encourage Citizens Advice to attend the court hearing in order to offer individuals the opportunity to agree an arrangement without the need for a hearing.
- 4.64 One authority that maintained such an agreement with Citizens Advice stated that the majority of cases now end up seeking debt relief orders or significant financial plans. This authority has not had anyone committed since this process has been in place and feels that this process offers a final opportunity to distinguish between those who can't pay and those who won't pay.
- 4.65 Authorities stressed the importance of identifying appropriate cases, quality assuring the history of accounts and gathering robust evidence to demonstrate grounds for wilful refusal or culpable neglect. Practically this meant validating existing evidence and gathering new evidence on individuals' circumstances, where necessary, reviewing case histories for any new profile information or drawing on local knowledge which may shed light on individuals' ability to pay and reissuing requests for individuals to provide information on their income and expenditure.

"taking a case to a committal hearing, we have to be 100 per cent happy. You know, I'm the person standing in court giving the evidence against the customer so I have to be 100 per cent happy that we've done everything right, right from demand onwards."

The court process also brings out issues which authorities often have not been privy to:

“it’s only when customers do attend court sometimes that we realise they have other matters, numerous other debts and council tax may just be one element of that huge problem they’re facing.”

- 4.66 Some authorities explained that they would not pursue committal proceedings if the customer failed to present themselves at court because this prevents the court from carrying out a full and proper means enquiry and the alternative necessitates applying for an arrest warrant which is a distressing course of action for the customer to experience.
- 4.67 Some participants felt that there are few courses of action available to recover high value debt from self-employed customers. Where self-employed customers present no recourse to the authority to recover debt from an employer, own few assets and have a poor credit history, committal proceedings may be the only available course of action.
- 4.68 There appear to be differences in the way in which committals were viewed across local authorities. All authorities reported that they were a last resort and were considered when other efforts for engagement had failed. However, there were three distinct approaches to committals.
- 4.69 Just under half of authorities had a systematic way of processing committals and submitted them to the courts in batches. These authorities tended to be the larger, more urban authorities. Several of these authorities highlighted the need for a good working relationship with the Magistrates court to ensure that they carry out a full and proper means enquiry prior to making any decision. They also emphasised that the authority’s court officer should guide the magistrates with what they should and should not do.
- 4.70 Several authorities pursued committals on a smaller scale, making clear that they were very selective in choosing cases for committals. As one authority put it:
- “...it’s pointless doing any of these actions if you’re not going to get any money”.*
- 4.71 Irrespective of the frequency with which authorities pursued committal action, all emphasised the importance of selectivity and gathering evidence on the customer’s ability to pay prior to pursuing court proceedings.

“Those people that adopt the stance to say they simply refuse to pay, we will always pursue those people then for committal. It’s expensive committal these days, and that’s no bad thing because I think from a local authority point of view that focuses the mind to say committals are not a sausage machine, it’s not a one size fits all approach to say somebody hasn’t paid...it’s about knowing your customer.”

4.72 The remaining authorities did not actively pursue committals.

Table 4.1: The number of Summonses for Committal issued in 2016-17

	0 Committal Summonses	Fewer than 10 Committal Summonses	10 or more Committal Summonses
Number of Authorities	6	6	9

Data taken from Local Authority Benchmarking Data 2016-17
Data from one authority is not available, therefore data sum to 21.

4.73 One authority, currently not pursuing committals, noted that it faced difficulties identifying appropriate cases for committal action because of the quality of information they held on customer accounts. A small number of other authorities also described the difficulties that they faced gathering sufficient evidence to pursue committal action.

“sometimes they come back from the enforcement agents, no good, poor personal circumstances and invariably that does then get written off. But sometimes, some come back and say – the challenge is identifying those that are refusing to pay and those that can’t pay... Trying to identify this is genuinely a person who is refusing to pay here and the challenge is getting the evidence to prove, because our internal records... Bankruptcy is fine, we can look at Land Registry records, we know they’ve got homes. But you’re looking at is that person on a high income. They may be renting and still on a high income. And so, it’s identifying them and asking right, why is that person refusing to pay?”

- 4.74 As a final check and balance, one authority used a pro-forma for committals which explores what previous action has been taken, any vulnerability issues, and makes clear the rationale for pursuing the case to committal. One authority that did not pursue many committals sent out a more strongly worded letter than previous recovery correspondence which states that if you don't make efforts to pay, you could face committal proceedings.
- 4.75 Some authorities were able to give examples of successful committal proceedings resulting in customers, whom had previously failed to engage with the council, paying in full or setting up a suitable arrangement during or immediately following court proceedings. Authorities were able to give examples of where customers have effectively discharged the debt following committal proceedings. Some participants also noted that the resulting publicity, though disproportionate to the number of committal proceedings that are actually brought to fruition, can be a positive by-product that can encourage customers to consider Council Tax as a priority debt and to engage with the authority.
- 4.76 The majority of authorities also identified the changing attitudes of Magistrates' courts as an important factor. In particular, authorities spoke of Magistrates' reluctance to commit individuals as a key factor in governing the number of cases that progress to committal stage.
- 4.77 Authorities described multiple court hearings being required in the course of establishing evidential grounds for wilful refusal or culpable neglect and, as such, numerous opportunities during which customers may enter into a subsequent arrangement. Authorities explained that committing individuals does not help them to recover the debt either because if the individual serves a sentence the authority may feel that it is left with no alternative to writing off the debt:

"Magistrates don't want to send them to prison anyway. Quite often there will be multiple court hearings... We don't want people going to prison really because we haven't collected the tax and if the some did serve the whole of that sentence, we've got no other remedy against that person. Technically you don't have to write the debt off but we've got no other remedy if the person serves the whole of that sentence. It's been years since someone was in prison in [name of authority]. We use it very sparingly. But it's the threat. In discussions with customers if you need to make reference to the fact that these powers exist then can make reference to it but you do it in a way that

hopefully people maybe start to think well, actually we need to treat this as a , you know Council tax is a priority debt;

4.78 Equally, some authorities described circumstance in which the court had imposed a repayment arrangement that was insufficient to discharge the debt, resulting in the individuals' situation worsening in the long-term.

“judges are very loathe to commit anyone to prison if there’s anyway of avoiding that they tend to do it. So I think that at the end of the day I don’t want to see anyone in prison. We want to see them agree to pay their council tax. So, the latest we’ve had [x] has actually entered into an arrangement – or he was directed to pay a set amount, x amount per month but that is only less than half the required amount to keep up to date with the current year so even with that payment the debtor’s going further into debt and it’s not having the desired effect.”

4.79 In general authorities who did not pursue committals took one of three views:

- none of their current cases would be suitable for committal due to people not having the resources to pay
- the resources in terms of staff costs, court costs and costs to the customers are not matched by the return from the process
- they did not feel comfortable going through with committal but valued their use as a threat.

4.80 One authority highlighted that they had changed their stance on committals in recent years. Previously they used committals where everything else had failed and felt that discharging their duty to ensure that those tax-payers who do pay on time are not penalised by those who do not justified their use of committal action, when necessary and appropriate. However, recognising that committals are time consuming, lengthy and expensive and given the current financial constraints, their use has been scaled back. For this authority, they are now examined on more of a commercial basis, looking at the cost of committals versus the return. They try to piece together more information such as the profile of the area, credit searches and any background information on people to see whether there is any indication of whether they can pay or not.

4.81 Another authority told of a less intentional shift but with similar results. They used to actively pursue committals, but the dedicated officer moved on so the authority

adopted a different approach, instead investing their resources in attempting to engage with people earlier in the process, and found that their collection rates improved.

“we’re collecting more council tax in year now than we were when we were placing quite high number of cases through the committal process. And I’m not sure that I can explain it any better than concentrating and trying to engage more proactively with people and signposting people better in the earlier stages”

- 4.82 They reported that committals were expensive and time consuming, and people frequently defaulted so were brought back into court which then required more resources. However they do add the caveat:

“That’s not to say we wouldn’t have a small number of cases that potentially would be suited to that [committal] action in terms of we’re finding it difficult to get the money out of any other method,

This was a point echoed by many of the authorities who were not currently pursuing committals.

- 4.83 Some authorities described having limited options available to them in those cases where debt is returned from an enforcement agent and they wish to avoid issuing a committal summons. For those that discussed this in interview, some talked about repeating a records check to identify whether they held any additional information or updates to accounts that would render another recovery method feasible. Following these administrative checks, authorities took various steps to avoid writing off the debt. Some spoke about reissuing the debt to an enforcement agent to try contacting the individual again:

“if a case should come back to us which would be generally if they haven't been able to get any contact from the customer at all, we would then initially write to the customer again and say look this debt is still outstanding. We'd review our records again and see whether circumstances have changed, whether we hold any new information to do an attachment or, if they've moved on, we've found an alternative forwarding address then we'd write to them at that address then umm explaining what the position was and go through the processes again. If it's the case that there is no alternative recovery but we have found an alternative forwarding address then it might be that the case goes back to enforcement agent... If it's the case that we can't find a

forwarding address and there's no way of finding where these people are then it may be a case that we have to submit for write-off. However, if at a later date, we did find them then we could pursue the debt."

- 4.84 One authority which had not actively pursued committals for a number of years due to their view that they were not cost effective also described a need for an alternative recovery method at this stage:

"because we don't proactively do committals if we have got a customer or customers who consistently fail to pay, they're making no contact with us, we've got no evidence of vulnerability, nothing like that – once the enforcement agent's been there or once we've issued the notice of committal or we've received the case back and issued the committal letter it's very difficult then to know what to do with that particular person. So what we do is every month we run it through our recovery system to see if we can pick up earnings details, benefit details in the hope that they've had a change in their circumstances but very often it ends up being a very long, drawn out affair. We end up trying to chase the person – I mean, I can't say we've got a great amount of them – I can think of about five people off the top of head where they're not paying now and they haven't been paying for the last four or five years, but we've exhausted what we can do so far... The next thing is to think of what we can do, apart from doing a committal and I think that's where it would be nice to have another form of recovery."

- 4.85 Others talked about a need to revisit their current standpoint on committal action given that they felt their decision not to use it had meant few consequences for individuals that continued to not to pay. Conversely, one authority reported that whilst they had not pursued committals for a number of years and had tended to use bankruptcy instead, they were now considering actively pursuing committals as they feel it would improve their collection rates, and there are increasing numbers of cases which are now unsuitable for bankruptcy with the increased threshold of £5,000¹³.

"We are revisiting [the use of committals] because certain members are enquiring as to why we're not doing committals... because there are certain individuals, they know the game now. They know if they deny access to the

¹³ Introduced on 1st October 2015

enforcement agent, they know it comes back to us and nothing gets done. We are looking at cases now, where they're not suitable for bankruptcy because they haven't got any assets and things but they are work... They have got an income coming in. But we will only be targeting a few people because of the labour-intensiveness of it."

- 4.86 There does not appear to be any association between the number of committal summonses and the overall council tax collection rate achieved. This is to be expected because the collection rate is dependent on a number of factors including deprivation of the area, council tax levels, as well as the other ways in which authorities can tailor their systems and approaches.

Charging Orders

- 4.87 In the few interviews where authorities referred to use of Charging Orders, participants talked about the importance of assessing those cases that would be suitable. Authorities identified that charging orders might be a suitable course of action in those cases where individuals had limited income, no other assets, had maximised their benefit entitlement and still lacked the ability to pay within a realistic timeframe. Finding sufficient evidence of ownership of the property has sometimes proved difficult and the type of property individuals own may also present barriers to this recovery mechanism if, for example, the property in question is a farm and not registered with the Land Registry. As with bankruptcy and committal action, authorities reported that the threat of issuing a charging order often achieved engagement from individuals, even where there had been no previous engagement.
- 4.88 Authorities perceive that there may be an increase in the use of charging orders going forward with the introduction of discretionary powers for local authorities to charge a council tax premium on long-term empty and second homes¹⁴. However, a number of authorities mentioned that they experienced issues with charging orders. Due to the way in which charging orders work, there is inevitably a period of time between a charging order being made and the sale of a property. Authorities reported that during this time, individuals often cease making further council tax payments as their debt is already secured against the value of the property.

¹⁴ From 1st April 2017, authorities are able to charge up to 100% of the standard rate of council tax on long-term empty and second homes – exemptions apply (for more information see: <http://gov.wales/topics/localgovernment/finandfunding/council-tax-wales/long-term-empty-homes-second-homes/?lang=en>)

However, the secured debt does not include additional debt accumulated after a charging order is made.

Bankruptcy

- 4.89 Similar to committal proceedings, not all authorities choose to take bankruptcy action against individuals. Those that opted to use bankruptcy action stressed that issuing a statutory demand to threaten bankruptcy is intended as a prompt to establish contact and to come to a suitable arrangement. Authorities applied the threat of bankruptcy, when necessary and in compliance with enforcement regulations, in order to spur individuals into action. Where it was used, authorities advised that it was in cases with debt exceeding £5,000 and when all attempts to engage with the individual had failed. Authorities explained that the nature of the evidence required to pursue bankruptcy action means it is a costly and time-consuming recovery method. However, it meant that bankruptcy cases were kept to a minimum and only pursued if authorities were confident individuals had the equity but lacked the commitment to pay. Some authorities noted that the costs to the council involved in pursuing bankruptcy action far exceed the cost of pursuing charging orders or committals and so authorities need to be assured that sufficient equity or assets would be available to recover the debt and associated costs.
- 4.90 Some authorities were loath to use bankruptcy action for a number of reasons which included authorities' lack of flexibility to carry out the action themselves, concerns that the action had not been tested politically and that bankruptcy can have unintended and long-term consequences for individuals (such as difficulty in accessing loans or opening current accounts). Others however, opted to use bankruptcy action as an alternative to committal proceedings. Where this was the case, authorities emphasised the importance of exploring and gathering evidence of individuals' assets, personal circumstances and potential vulnerabilities.

Write off

- 4.91 Authorities stressed that writing off council tax debt was considered in only a minority of cases. Some authorities referred to Magistrates' Courts reluctance to recommend repayment arrangements that extend into the long-term, leaving authorities with little option, where individuals are suffering from hardship, despite

being in receipt of full benefit entitlement, have limited or no assets and limited income, but to write-off the debt.

- 4.92 It is difficult to get a feel for the amount written off; cases with historical debt can have a large impact on the figures. One authority reported that in their best year, their maximum write off was 0.5 per cent, another authority reported that they generally wrote off approximately 1per cent. In 2016-17, 0.5per cent of debt was written off in Wales (Statswales).

Common issues

Vulnerability

- 4.93 All councils were very familiar with the concept of vulnerability and made efforts to identify those who were vulnerable. The majority did not have a policy on vulnerability as such, but described a range of indicators or characteristics which officers would look for. The lack of a set definition of vulnerability was generally a deliberate stance as authorities reported that a prescriptive approach to vulnerability would fail to account for every set of circumstances or combination of factors which might constitute vulnerability and serve to be counterintuitive; one person with certain characteristics may be considered vulnerable, but another may not. A large proportion of authorities also expressed that vulnerability was often not a permanent state and gave examples where vulnerability could be considered a temporary state, such as with a recent bereavement.
- 4.94 Advisers had gained their knowledge and understanding of vulnerability from experience in the role and training from different sources. Authorities described having received training from various Third Sector organisations, including debt advice agencies and professional bodies, and interestingly, specific training from enforcement agencies on how to identify vulnerability. Authorities had received training from Citizens Advice, Social Services Departments, mental health charities, and other charities as well as from the Royal College of Psychiatrists and the Money Advice Service. One authority mentioned that they had also had training on how to take account of the challenges people with dementia face when managing their financial commitments.
- 4.95 All authorities were alert to the need to be aware of vulnerable individuals and described ways in which they were taking account of vulnerability in their processes

or interactions with individuals, advice agencies and enforcement agents. Some authorities referenced the *Taking Control of (Fees) Goods Regulations* (MoJ, 2014)¹⁵ which include a section on vulnerability. Few authorities were able to proactively identify individuals who may be considered vulnerable pre-liability order. Authorities most commonly noted that a lack of individual profile information necessitated the use of enforcement agents who had the advantage of being able to knock on individuals' doors, gather information about the individual which may be absent from council records and share newly acquired information with the authority. Authorities often described that they identified vulnerable individuals through this method and in these cases, were able to agree either the repatriation of accounts or the removal of enforcement fees.

- 4.96 A small number of authorities described encountering difficulties negotiating the repatriation of accounts from enforcement agents. In some cases this was due to enforcement agencies challenging their decisions, whilst in others it was due to the fees involved. One authority faced incurring fines from the enforcement agency each time they wanted to repatriate an account. Practice varied here and even within authorities repatriation was decided on a case by case basis. Part of the variation was due to the different relationships between authorities and enforcement agencies. Some authorities had an agreement that enforcement agencies wouldn't charge the fee if the debt was repatriated with the authority due to vulnerability whilst others reported that the fee may be paid by the authority or the individual. At least one authority commented that where they still had to pay the fee, this inevitably formed part of their decision making:

“There are costs to us at times, if we wish to have a case brought back for whatever reason, for instance, there is nothing wrong with it per se, but taking the debtor's circumstances into account, particular instances or whatever their circumstances are, and we think well actually it's reasonable to bring that back. They might have particular issues or circumstances that mean we should bring it back and let them pay us instead. We then have to pay our enforcement agents to allow us to do that”.

- 4.97 Some authorities reported that they had seen an increase in the number of people claiming that they are vulnerable, hoping to be considered exempt from paying

¹⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/353396/taking-control-of-goods-national-standards.pdf

council tax or subsequent enforcement fees. This was often felt to be where individuals proactively contacted the council to disclose that they were 'vulnerable' rather than showing signs and characteristics. Often this contact would be accompanied by a standard template letter which individuals had printed from the internet. Authorities felt that sometimes the self-reporting of vulnerability was a sign that individuals had been misinformed that a disclosure of this nature would help their case. Authorities explained that in all cases where such a claim is made, any recovery action is temporarily put on hold, account information investigated and individuals asked to provide appropriate evidence of vulnerability.

- 4.98 A common difficulty cited was that often those who are vulnerable, particularly when it comes to mental health issues, are least likely to contact the local authority. They may lack the knowledge, confidence or capacity to access services or ask for help:

“the problem with genuinely vulnerable people is that they won't make any contact literally until the bailiff is there standing on the door and it's only then that we know there's a problem...that does seem extremely unfair but if we don't know anything about this customer then what else can we possibly do?”

- 4.99 In terms of dealing with vulnerability, authorities took various steps depending on individuals' personal circumstances. Authorities stressed that vulnerable individuals are not exempt from paying but may need more support, guidance and flexibility to pay. As one authority said:

“Does that vulnerability mean that they can't pay, or does it mean that they need a bit of leeway and guidance to get them there?”

- 4.100 As a first port of call, authorities seek information from individuals on their personal circumstances, their income and expenditure and would try to maximise their income by identifying other benefits for which they may be eligible. Authorities would also propose arrangements to make the payments easier for the individual. Often they would signpost to advice services, especially debt advice services and put the account on hold (generally for 28 days initially) until advice had been sought and an arrangement proposed.
- 4.101 Two authorities reported that if they did not have a telephone number of an individual identified as vulnerable they would attempt to make one or two ad hoc visits to make contact with them. However, this was an exception to standard practice and was not reported by any other authorities.

- 4.102 Another authority had initiated a traffic light system with their enforcement agents whereby cases that need additional support are identified and the authority would mentor those who are really struggling with debt until the end of the arrangement.
- 4.103 One authority which had an internal enforcement team reported that if they had an indication of vulnerability, they would ensure that their enforcement agents adopted a corporate debt approach, using this information on the individual to inform their recovery approach for any other outstanding debts (such as sundry debts, fixed penalty notices in relation to parking etc.).
- 4.104 Although not explicitly covered during the interviews, a small number of authorities referred to processing applications under section 13a of the Local Government Finance Act 1992 for individuals in severe financial hardship, resulting in the amount being remitted. When mentioned, it appeared to be the case that applications were recommended at the discretion of the local authority.

Communications

- 4.105 Authorities provided individuals with basic educational information on the purpose and importance of council tax and its contribution to the local authority budget. Authorities typically cited the basic information provided on statutory correspondence and some issued an additional explanatory leaflet or referred to information on the authority website. The majority of authorities stated that they would like to do more to educate individuals on the purpose and importance of council tax if current resources allowed.
- 4.106 Authorities offered many channels for individuals to communicate with them. All offered postal addresses, email addresses and phone numbers. Some authorities provided contact details for a customer call centre where staff were trained in processing basic requests, such as accepting payments or setting up a direct debt. Others provided individuals with direct contact details for the collections and recovery team. Authorities made use of written correspondence and council websites to provide information on the collections and recovery team's contact details.
- 4.107 Some authorities had found ways of engaging with individuals who it was felt would be less likely to have the means or capacity to correspond with the local authority by letter, phone, or e-mail. A number of authorities described the importance of being

able to provide some form of drop in service or face-to-face engagement with individuals. For some, this had involved the maintenance of pre-existing drop-in provision across the local authority where individuals were able to access advice and support, negotiate payment plans and update advisers on their personal circumstances. For others, it involved working closely with other council departments, such as council benefits advisers or housing support officers to engage with individuals on the doorstep. These face-to-face approaches were felt to be a particularly important means of building relationships with individuals who may be considered vulnerable and less likely to initiate contact with the local authority.

- 4.108 Some authorities made use of text messages to send reminders to individuals and some were just starting to explore this as a method. There was a hope that this would lead to reduced postal costs eventually, but there was no evidence of this even where text messages had been used for some time. Evidence from trials testing the impact of texts to issue reminders and increase sign up to direct debit arrangements was mixed (Behavioural Insights, 2017). One authority felt the benefits to text messaging were limited due to the need for them to be generic rather than tailored. Also, this method is clearly limited to those individuals who have provided mobile phone numbers, due to limitations imposed by the Data Protection Act (1998).
- 4.109 A number of authorities offered the option for individuals to set up and manage their own online accounts so that they could pay online, set up direct debits online and inform authorities of changes in circumstances.

Training and guidance

- 4.110 The majority of authorities mentioned reduced resources for training and as such a lot utilised on the job training. Some authorities reported routinely using recordings of phone calls with individuals to train staff, enabling them to reflect on how they could have handled the call better. Others paired up new members of staff with more experienced colleagues to facilitate knowledge sharing. Despite reductions in training budgets, authorities had been resourceful in undertaking joint training with other authorities to share the costs, receiving free training from enforcement agents or advice agencies. Much of the training mentioned by authorities was on vulnerability, but also financial inclusion and dementia.

- 4.111 The Common Financial Statement (CFS)¹⁶ was not widely used, but most authorities had designed their own version of it which they felt suited their needs better. One authority reported that it did not represent local costs so would not be relevant in their area. The CFS has now been replaced by the updated Standard Financial Statement (SFS)¹⁷, however this was not mentioned by any of the authorities.
- 4.112 A number of authorities reported that they have championed a Fair Debt Policy or Debt Recovery Policy. The majority of those that had a policy of this nature retained it as an internal document where it functioned like an operating manual and often supplemented or translated statutory guidance into practical advice and guidance using example case histories. For some, it also comprised a Code of Conduct which set out standards staff should adhere acting on behalf of the authority and interacting with the public. Two authorities had chosen to publish their Recovery Policy and Code of Conduct and Fair Debt policy respectively on the council website.
- 4.113 A small number of authorities had a corporate debt policy and some authorities described having the beginnings of a corporate debt approach that sought to rationalise the authority's approach to recovering rent arrears, council tax, business rates and sundry debts. One authority noted that it had an agreement in place which ranked each debt by level of priority to aid council tax and housing teams in collecting corporate debt. A small number of authorities also noted that they had plans in place to explore the development of a corporate debt approach to recovery which they felt would enable a more holistic approach to collecting and supporting individuals to manage their debt.
- 4.114 Two authorities had also initiated the development of a customer service charter which it had made available to the public on the council website. The charter was either incorporated into the council Fair Debt policy or published as a stand-alone online document. It was felt to be an important step in clarifying the authority's commitment to individuals.

¹⁶ The Common Financial Statement is a uniform approach to setting out financial statements
<http://www.cfs.moneyadvicetrust.org/>

¹⁷ Details of the Standard Financial Statement can be found here: <https://sfs.moneyadviceservice.org.uk/en/>

“We have a corporate debt policy, you might say in some ways the corporate debt policy and the fair debt policy is one and the same thing. The reason we separated them is our Corporate Debt Policy in essence is our handbook of how we will recover debt. Essentially its our operating procedures of what we will do as a council to maximise and protect income on behalf of taxpayers, whereas our Fair Debt Policy is almost our Charter for customers, that are in need of help or are vulnerable and how the council will treat those circumstances and the type of circumstances where the council will act and be sympathetic. That’s available online.”

- 4.115 In preparation for welfare reform changes and the implementation of Universal Credit, one authority had also established an operational and strategic Tackling Poverty group which includes Citizens Advice and the local housing association and is proactive in identifying areas for multi-agency collaboration.
- 4.116 Several authorities mentioned that they drew on lessons from recent case law which were a helpful guide with regard to what is permissible within the regulatory framework and what would be considered good practice. Authorities also made references to cases which had been upheld by the Ombudsman and detailed how they ensured their practices fell in line with these decisions.
- 4.117 Authorities mentioned membership of specific bodies, such as the Institute of Revenues, Rating and Valuation, and being alerted to changes in procedures, guidance and good practice through these forums.
- 4.118 One authority noted that they found it beneficial to have access to learning from local authorities in England where they could draw on other’s experiences of implementing local Council Tax Support schemes and be aware of current challenges and good practice.

Joining up

- 4.119 There were a number of different ways in which authorities were joining up internally. Two made links with their Social Services departments. One of these used the links to provide checks as to whether individuals could be deemed vulnerable if an individual had failed to contact them. In the other authority, Social Services billing was undertaken in the same department as council tax so in addition to looking at Social Services data where necessary, Visiting Officers would advise people if they believed they may be entitled to a reduction and proactively send the individual to council tax staff.
- 4.120 A number of authorities had a specific team/department focusing on debt recovery. This was felt to reduce the competition for debts between departments and allow a realistic payment solution. The intelligence gathered by one area is often relevant to the other area too; often authorities reported linking with housing departments and sharing information (for instance, information on rent payments and council tax payments). This has the additional benefit of facilitating personal visits as housing officers will go out and call on individuals. It should be noted however that not all authorities maintain their own housing stock; 50 per cent of authorities have transferred the function.
- 4.121 As one of the key areas of help required is with benefits, many authorities reported linking with benefits departments. A number were co-located with their benefits colleagues and the majority share the same IT system. It was felt the co-location and other working models that facilitated the sharing of intelligence resulted in improvements to the collection process. A number of authorities felt that, as a result they were better able to identify individuals who were in receipt of benefits and may be vulnerable and to refer individuals who may be entitled to a discount or benefit for immediate help. This helped to maximise incomes for individuals and therefore had a knock on effect of either reducing their council tax liability, or providing them with a greater ability to pay. One authority also reported that this arrangement allowed them more flexibility with staff resources whereby if there was a backlog in benefits or council tax some staff could shift their focus until the backlog was cleared.
- 4.122 One authority also spoke about the value of having established and trusted relationships with other bodies such as the local Electoral Registration Office, Trading Standards Wales and Rent Smart Wales (landlord registrations and

licenses). These relationships enabled authorities to seek and validate personal, credit and business information about the individuals, households and business premises which could help to inform its decision-making across all areas of debt management.

Relationships with Third Parties

Relationships with advice agencies

- 4.123 In terms of advice, authorities took different approaches. The majority of councils sign-posted individuals to free debt advice and money management services, particularly where individuals were forthcoming in disclosing that they were having difficulty paying their council tax. Some councils appeared to have more established referral processes between themselves and debt advice agencies such as Citizens Advice. Where this was the case, councils felt that they had positive relationships with staff at Citizens Advice which was facilitated by a shared understanding of each other's objectives and ways of working. One authority had established a number of information and advice hubs at which individuals could receive debt and money management advice from a number of third sector and voluntary providers. Engaging with advisers at these hubs was a condition of negotiating a flexible arrangement with the council and in the majority of cases, the evidence provided by advisers at these hubs was considered appropriate to warrant an arrangement. Smaller versions of this information and advice model were also operational in other local authority areas. Where services or multiple providers were co-located, whether internally within the council or externally in a drop-in service, authorities invariably described better information sharing and use of resources.
- 4.124 A smaller number of councils opted not to signpost to free debt advice or money management services. One authority felt that to do so would cross a professional boundary and would risk confusing the debt collection role of the authority with the role of the money advice sector. However, they pointed out that they would give advice in terms of benefits because they are the most qualified people to do so. Another authority chose not to signpost to their local Citizens Advice because they had entered into an arrangement to fund an alternative free debt advice provision. This had the effect of clearly delineating the role of the council from the role of advice sector and had subsequently allowed them to streamline their processes. A

small number of authorities opted to provide in-house advice and support with regard to debt advice and money management. This was often provided alongside advice and support with regard to individuals' benefits or discounts entitlement as part of a move to gain a holistic overview of individuals' financial commitments and capabilities.

- 4.125 Authorities took different approaches to providing signposting information. Some listed advice agencies on all their correspondence, others just at Liability Order stage and beyond. Provision of signposting information was also variable on authority websites. Some authorities recognised that many people faced multiple debt issues, rather than just debts for council tax, therefore advice agencies and other charitable organisations are often best placed to deal with them. As one authority described:

“Normally it’s because they’ve got other debt as well, and they’re just digging a hole deeper and deeper and sometimes somebody else looking at it and helping them to sort themselves out, helps them.”

- 4.126 Those that chose not to list signposting information on written correspondence did so to economise on space or to keep the messages and content simple.

- 4.127 One authority that did not signpost to advice agencies had recognised that it would be useful and were planning on looking at how they could do so in the next year, however they did not feel it was appropriate to refer individuals to advice agencies unless the individual expressed a wish for help. This authority felt that signposting to a debt advice agencies might constitute a conflict of interest for the authority whose principal role is to collect the debt, rather than to provide debt management advice.

“We wouldn’t engage with an external advice agency, like the CAB. We wouldn’t normally approach them, unless the customer has gone to them initially and then we would deal with them then. We wouldn’t speak to the CAB before that due to data protection, but once, if the customer talks to the CAB and says look I need some help. Then we will liaise with them in whatever way we can. One of the things we’re looking to do at the minute is strengthen our links with our local CAB.”

- 4.128 Citizens Advice was frequently cited, as was StepChange, and Credit Unions but a number of authorities also signposted to local charities and advice agencies. A number of respondents mentioned the importance of signposting to free advice agencies rather than the debt amalgamation companies which charge a fee or the

payday loan companies. One authority said that as well as signposting to free advice, if they received correspondence on behalf of a debt management company on behalf of an individual, they would try to contact the individual to point out that there are organisations which offer debt advice for free. Another authority also commented that they take steps to educate individuals with whom they are already in contact on the risks of utilising pay-day lenders.

- 4.129 Reported relationships with advice agencies varied. Some authorities acknowledged that the mission and ethos of Citizens Advice was not the same as their own and that these different positions would inevitably mean they approached issues with different priorities. Authorities stressed the importance of reaching a shared understanding founded in an appreciation of each other's role, responsibilities and the limitations on where discretion and flexibility can and cannot be applied. Individual history was raised as an issue; authorities sometimes felt that advice agencies were not privy to the whole history of a case and may, therefore, not appreciate why the authority is calling for a particular course of action. A couple of authorities said turnover of staff and volunteers was likely to be high in the Third Sector and that it was sometimes challenging working with new advisers who were more likely to want to protect the client. Developing a common understanding was therefore felt to be important in the meeting and educating of new staff and volunteers.

"...we do keep each other at arm's length, but it is a working relationship. We, as a local authority, have a function to collect council tax, and they have a function to give advice and represent the actual individual. We do perform different functions, but the objective for both of us is the same, to ensure there is fairness and justice in the system".

- 4.130 A number of authorities noted that they find Citizens Advice increasingly limited with regard to having the necessary resources to follow up on cases within the required timeframe. Limitations on the capacity of the free advice sector sometimes caused delays to the recovery process.

"The more effective the free advice sector is, the better off we all are"

- 4.131 It was felt that limited resources in the free advice sector impacted on the quality of the relationship both parties could maintain and the kind of joined up service individuals could hope to experience:

“We don’t have formal meetings with anybody, years ago we used to have a process in place for referrals to the CAB but they had a shortfall in funding and they couldn’t actually administer the scheme the way we wanted them to do so although we signpost and refer customers on, there’s very little contact that we would make on behalf of the customer to the agencies. We are relying on them to seek advice from the agencies themselves.”

- 4.132 One authority had found that the times and locations of appointments offered to individuals seeking debt advice support were too limited and resulted in low take up. They felt that individuals wanted to deal with issues there and then, rather than make an appointment for some point in the future.
- 4.133 In terms of how relationships could be improved, a number of authorities had regular meetings involving both Citizens Advice and enforcement agents. One authority reported that in their bi-annual meetings the authority and the enforcement agency present on current issues and follow up with a question and answer session. It was felt that this gave an opportunity chance for issues to be aired openly and for staff to share knowledge and develop a common understanding of each other’s work. Another authority also felt that their relationship with Citizens Advice had improved since they actively engaged with them and invited them to join a meeting with their enforcement team. It was felt that this had enabled Citizens Advice to see the different ways in which they work and had led to a loosening of a perceived ‘us and them’ mentality.
- 4.134 One authority described undertaking an ‘open-forum’ process with Citizens Advice where they listened to all their criticisms, took on board the valid ones, and worked to improve the relationship. The authority reports that now they have a very good relationship with Citizens Advice and will speak to them directly if there are any concerns.
- 4.135 The majority of authorities said they would accept evidence from advice agencies if an individual had given them the authority to act on their behalf but that they would ask for additional evidence if they felt it necessary. Additional evidence might be required in order to substantiate vulnerability or to provide more detail on individuals’ income and expenditure in order to come to a repayment arrangement. A number of authorities had a formal arrangement in place with Citizens Advice or a process to refer and receive evidence from individuals through a multi-agency hub. One authority spoke about the importance of monitoring the quality of evidence and

arrangements proposed by advice agencies. It was felt to contribute to the positive and streamlined relationship they had in place with Citizens Advice and other local organisations to provide advice on more complex financial problems.

“So we have regular conversations with those agencies about whether they need training and we monitor all the arrangements that they send across to us and we keep a check on the quality of what’s sent across and if there are any concerns then we flag it up straight away because what we don’t want to see suddenly see is that six months down the line, only 50 per cent of arrangements now are acceptable because I’d be saying well, why have you waited 6 months to tell me that? I get a summary every single month of all the arrangements that come across. It’s about keeping it relevant and up to date and if there’s a problem identifying it quickly and putting it right.”

- 4.136 One authority had a jointly funded post with Macmillan to deliver advice and support services for individuals and families in their area managing a long-term health condition. The opportunity had arisen because it was believed the council had become aware of a gap in provision and had initiated discussions with the charity about joint funding a post in the collections and recovery team to provide specialist support. Another authority said that they signpost to a personal budgeting officer based in their housing benefits section. Whilst they have largely been focusing on housing benefits issues, this person is able to give some budgeting support.

Relationships with enforcement agents

- 4.137 Without exception, authorities felt they had very good relationships with enforcement agents. All apart from one used external agents, and some used ‘in-house’ agents as well. Those using a combination of internal and external enforcement agents used the external agents to recover debt from individuals who had since moved out of the area, and to provide additional support to internal enforcement teams during busy periods.
- 4.138 Those who used internal agents felt that they were able to deal with cases more holistically and in a more joined up manner. One authority said it also enabled them to work more closely with Citizens’ Advice locally to support and encourage individuals to make early contact. Often the enforcement agents also dealt with other debts to the councils therefore limiting the costs to the individual (one visit for

multiple debts). One authority had taken a decision to use in-house agents when a local industry closed. This was their way of assisting individuals, building confidence and public trust, as well as interrupting the snowballing effect of increasing debt.

“Very often what we’d find is that people wanted to pay but had lost their jobs or had seen reductions to their income and so having our own enforcement agents meant we could pick up issues where perhaps citizens were entitled to Council Tax Benefit and enforcement agents could help citizens fill out benefit application forms, apply for discounts.”

- 4.139 One authority using a combination of internal and external enforcement agents highlighted other important opportunities and potential gains from maintaining an in-house enforcement team, noting that they were able to maintain a visible and professional presence in the local community. Enforcement agents were easily identifiable to the general public and clearly accountable to the local authority:

“It’s very important for our in-house team that we’ve got the [local authority] branding in effect, for that team. You know we have vans with the [local authority] logo on them for that team. We put... the enforcement agents have the [local authority] uniforms with the logos. We have the cameras, the security cameras for them, the body-worn cameras. You know it’s a very professional image that we want for [local authority] for the enforcement agents.”

- 4.140 External enforcement agents were said to offer more flexibility in terms of their ability to work at different hours and at weekends. External agents were felt to be professional and fair. One authority mentioned that they did not need to worry about absences (such as through sickness) when dealing with external agents as the service was guaranteed. Several authorities mentioned that enforcement agents prefer to resolve issues without having to visit individuals as it is a costly element of their work, and it was mentioned that it is not in the agents’ best interest to be confrontational as they have to maintain a positive relationship with the community and the council.
- 4.141 Authorities were impressed with the standard of enforcement agents. The introduction of legislation (The Taking Control of Goods Regulations 2013) and the Taking Control of Goods (Fees) Regulations, 2014 was reported to have had positive results with many authorities reporting fewer complaints, simpler processes and clearer costs. This has had the knock on effect of freeing up resources to deal with other issues (rather than complaints).

- 4.142 The majority of authorities mentioned the positive impact body worn cameras were felt to have on enforcement practice, especially in resolving any disputes that arise. Authorities reported few upheld complaints with enforcement agents but where a complaint needed to be substantiated or resolved, body-worn cameras, where available, were felt to be a valuable asset. Authorities also felt body-worn cameras contributed to good conduct among enforcement agents. Authorities said that there were processes in place to investigate fully if a complaint was made against an enforcement agent. Complaints could be made directly to the enforcement agents (who would investigate themselves) or to the authority, but the authority would be made aware of any complaints sent directly to the enforcement agents.
- 4.143 Often, authorities that did not have internal enforcement agents used the services of more than one external agency. This was felt to be a way of ensuring high standards were maintained and good terms negotiated. Authorities often mentioned the knowledge agents have when it comes to vulnerability. An example given of high performance was an enforcement agency that visited individuals at various times of the day and produced detailed reports rather than visiting three times in quick succession and returning the case to the authority. The benefit of using more than one external agency was felt to incentivise good performance and some authorities reported that they compared performance between agents, monitoring collection, complaints, replies to complaints and quality.
- 4.144 Some authorities reported that they have an interactive portal which they share with the enforcement agents which means that they can sign in, update and monitor activity on accounts. This was felt to enable a constant dialogue between enforcement agents and the local authority, allowing quick decisions to be made with regard to agreeing payment arrangements or repatriating debt, as well as access to information about enforcement visits to verify or challenge any complaints.
- 4.145 One authority using external enforcement agents reported that the agency had recently developed a welfare team so that individuals could get help and advice directly from the enforcement company.
- 4.146 In terms of monitoring, those using the larger companies tended to have regular quarterly meetings, whilst the smaller companies seemed to offer more informal regular phone calls. This variation in practice was simply felt to reflect what was considered proportionate and manageable for agencies of different sizes.

- 4.147 There seemed to be some variation in agreements with agents, such as whether fees were charged to the council if a debt was repatriated.

Other relationships

- 4.148 One authority mentioned that they have fairly open lines of communication with local AMs and MPs who might raise issues on behalf of constituents. It was felt that developing a common understanding as to both the viewpoint of authorities and that of their constituents was crucial (similar to the key issues with advice agencies – open lines of communication to develop understanding). This authority said that they worked to build the relationships with councillors to develop trust and credibility. If they were to receive an enquiry from a Councillor, this authority would investigate their actions and provide information on the steps they've taken and the documents that have been sent. This affords the councillor a better understanding of the case.

Future Challenges and Opportunities

Challenges and concerns

- 4.149 The findings presented in this section relate to challenges and concerns raised by authorities relating to issues faced by authorities as well as the collection teams within them. The challenges are presented in order of the most pressing, with those presented first related to challenges recognised by all authorities.
- 4.150 Authorities commonly recognised that low and decreasing incomes were a key challenge. This, coupled with rising council tax bills was the most frequently cited issue. Some authorities also highlighted changing working patterns such as zero hours contracts and the uncertainty and irregularity of pay that these produced.
- 4.151 Changes to the Welfare System were commonly mentioned. When individuals receive Universal Credit they may be eligible for receive a Council Tax Reduction (CTRS) but often are not signposted from local Job Centres to local authorities to make an application. This process differs from the current system where applications processed for housing benefit are automatically for CTRS too. Additionally, reductions in benefits have increased the financial pressure on some groups of people (the reduction in dependants allowances for additional children, loss of family premium for new claims, and the reduced local housing allowance rate) and potentially increasing the vulnerability of particular groups.

- 4.152 Changes to policy were mentioned by a number of authorities. The Council Tax Premium on long-term empty and second homes was felt to be a factor in increased workloads for authorities. Some authorities have also seen an increasing number of second homes being categorised as small businesses in order to qualify for Non-Domestic Rates relief rather than be liable for Council Tax Premium.
- 4.153 Authorities were concerned about the system in England and were fearful of the potential effects of a similar system in Wales. If there was a reduction in the entitlement to CTRS, authorities highlighted the need to educate people, the effect it would have on collection rates, and also whether the methods currently available to authorities would be suitable for recovering smaller debts (given the fees associated with many avenues).
- 4.154 Authorities commonly highlighted a need for better education of individuals in the purpose and importance of council tax and in financial literacy, more generally. This was mentioned in terms of financial advice and budgeting, the recognition of council tax as a priority debt, but also in terms of recognising the varying levels of capability and competencies of individuals.
- 4.155 The majority of authorities expressed a desire to operate in more joined-up ways and some benefited from being co-located with other teams or from sharing cross-departmental resources. Issues of data protection and confidentiality were raised; this was felt to impact on the extent to which information could be stored and shared. However, there seemed to be some inconsistency with regard to whether and how these had been overcome. Authorities expressed a desire for more guidance here, in terms of what data could be shared and between which departments. Social Services were specifically mentioned, with one authority achieving data sharing, whilst others have encountered data protection barriers. There was also an issue raised in terms of the uncertainty of the merging of services within authorities. One authority raised concerns about how this would work in practice in terms of authorities using different computer systems. They felt the different systems would act as an expensive barrier which would be difficult to overcome.
- 4.156 There appeared to be some disparity between what authorities believed they could hold on their system. Some authorities were clear that they added extra notes to help them with cases, detailing what they had found out about the individuals, whilst others suggested that there were strict restrictions on what could and could not be

held, one authority said they had to remove all their age data because they were informed that it was not permitted.

- 4.157 A couple of authorities mentioned the disparity between an increasing tax base and shrinking local authority budgets and consequently, resources to collect council tax from a growing number of properties. One authority mentioned the New Homes Bonus which operates in England. Although designed to encourage the building of new homes for additional revenue, this authority felt that it would help alleviate the pressure of the collecting from new homes by providing the council with the extra income before it starts to filter through the council tax tax-base calculation. They felt that due to how the financial settlement currently works, any increase in the council tax tax-base currently reduces the Revenue Support Grant by the same amount (presuming a 100per cent collection rate). As such they felt penalised for the growth in new homes, at least partly due to the fact that a 100 per cent collection rate was not achievable. However, this reflects a misunderstanding about how the Revenue Support Grant (RSG) operates. The relationship between a local authority's tax base and its RSG allocation is a relative but not direct relationship.

“we have to [sic] a council tax based calculation which calculates how much tax we can raise in the city so if our council tax base increased by £1 million, our Revenue Support Grant would go down by £1million so in other words, we don't get an benefit from any growth.... It's taken off in Revenue Support Grant and in actual fact, you work on the basis that we collect 100 per cent of what we bill so any growth, we're penalised for. We're good but we're not that good, nobody collects 100 per cent.”

- 4.158 Resources in general were frequently mentioned with many authorities describing reductions in staff resources due to council-wide budget pressures. Some felt they were now at a tipping point in terms of performance. Two authorities described the impact increasing pressure has on staff morale and the importance of trying to maintain staff morale when fulfilling a challenging public-facing role:

“I think it's important to take time out of the day to have staff meetings and to have staff briefings and to make staff aware of things that are going on and I think it keeps morale high, because it's a difficult job collecting a debt. There's an increase on the council tax that people don't like paying anyway, it is challenging, they do get abuse and they take it on the chin”.

“They’re predicting [x] new homes in the next 10-15 years and central government are cutting our budgets so what I don’t know is how I’m going to collect the tax from those properties with not enough resources to do it and if I don’t collect then the Council can’t spend it. Local Government is not a very happy place to work at the moment. I feel like I should just switch the lights off and go home some days because the conversation is all about cuts.”

4.159 Some authorities also felt that the Ministry of Justice’s court closures programme had had a negative impact on the system. Closures are impacting on accessibility; courts may now be out of the administrative county area meaning that fewer debtors attend court due to travel costs.

4.160 One authority reported that they experienced long delays in cases that were sent to the Valuation Tribunal for Wales due to a perceived backlog of cases there. There may be a need for further investigation into authorities’ experiences of progressing cases through the Valuation Tribunal for Wales.

4.161 Two authorities raised concerns over the legitimacy of the tax on the basis that there had not been a revaluation for, what was perceived to be, a long period of time:

“my concern is that the tax itself, if we don’t keep it up to date and revalue, the justification for the tax will be undermined”

4.162 Linked to this, some authorities questioned the fairness of the system. There was an awareness that council tax levels for low value properties tend to be higher in more deprived areas, which was seen as being due to a smaller tax-base.

“It’s a tax that has to remain valid, you know it has to remain fair... Also is it a tax that’s progressive enough – in the sense that those at the bottom are paying disproportionately more than those at the top. Generally it is those who are struggling that tend to be in smaller houses don’t they? There’s more of their income going out on council tax than a higher income person because of the way the ratios of the tax and the bandings work.”

4.163 In addition, one authority spoke of the inadvertent penalisation of social housing tenants, pointing out that enforcement agents and committal action may be the only option in cases where there is a lack of information held about the current tenant.

“The other thing we have a problem with is with those people in rented properties. If you’ve got a tenant in a property, whether it’s a social landlord or

private landlord and you don't know where they work. Then you have only got the option of a bailiff to get them to pay.”

Opportunities

- 4.164 Every authority reported that the thing that would help them the most would be access to HMRC employment data. Currently they rely on individuals providing them with employment data once required to after a Liability Order has been obtained. However they emphatically pointed out that they felt this to be inefficient and ineffective. Often individuals fail to provide this information which leads to further costs for the individuals if enforcement agents are resorted to, or further resources used by the authority to try to make contact and arrangements with the individuals. Authorities were consistent in their desire to receive this information from HMRC automatically after a liability order had been processed. Authorities also pointed out that they sometimes received requests from individuals asking for an attachment of earnings prior to a Liability Order, but this is currently not possible. As such, there was a wish for the ability to do this before a liability order, where agreed by an individual.
- 4.165 A similar argument was put across for Attachment of Benefits, with authorities desiring the ability to attach to benefits without getting a liability order with agreement from the individual. This was one of the recommendations for the UK Government in the Independent Review of Local Council Tax Support Schemes (Ollerenshaw 2016) which recognised that the additional cost and time associated with obtaining liability orders exacerbated the problem for individuals and suggested that voluntary attachments to benefits should be possible.
- 4.166 Many authorities also expressed a frustration that the range of welfare benefits to which they could attach were limited.
- 4.167 Linked to this, some felt that the process for obtaining a liability order was time-consuming and outdated. It was suggested that this process could be reviewed to see whether it could be streamlined. However, when this was explored in the workshops, several authorities pointed out that the liability order in itself serves a purpose in uncovering some issues or reasons why individuals had thus far not paid.
- 4.168 Technology was recognised as an opportunity. Increasingly, authorities were buying additional software modules for their computer systems to allow them to hold and

understand more information about their individuals. It was felt that the more information authorities could access, the less need there would be for using enforcement agents. One authority mentioned they were meeting with their software company to check whether there was any capacity for them to work 'smarter'; any way they could improve their systems and get more out of the information they hold. Another authority mentioned their use of character recognition technology and barcodes on forms so that when individuals return a form, all the checking and updating is automated, freeing up resources to chase those who do not return information. One authority had explored the use of Experian data to enable them to distinguish between those who can't pay and won't pay. However, the expense of this was prohibitive as the authority was limited to 'cost neutral' changes.

- 4.169 There was also increasing use of front end technologies such as online accounts to allow individuals to pay online, set up direct debits, and in at least one case, suggest payment arrangements. As mentioned earlier, many authorities were beginning to use text messages and email to contact individuals, although there was a recognition that the database is only as good as the information it receives and if people have not provided phone numbers or email addresses, this option is not feasible. Phone apps were something which were also mentioned as a potential opportunity for the future, focusing on reminding people to pay on time.
- 4.170 Some authorities talked about the need to reach and communicate with individuals in different ways. A small number talked about encountering poor literacy and numeracy skills among the local population and the need to consider using visual communication methods or tailoring communications to engage these individuals. Others talked about the need to utilise online communication channels in order to reach younger, IT literate individuals who may wish to communicate with the council online. The majority of councils noted that their communications were written and typically sent by post. Councils felt the need to accommodate individuals who prefer to correspond by letter or may not have access to nor the skills or confidence to use technology.

4.171 One suggestion of helping with the education issue was to include a storyline in a soap opera to promote positive messages about council tax and the help that's available¹⁸.

“You might laugh at this but years ago we had these 52” public information screens where we could put community information... You know, why don't they use things like soap operas to play out real life situations like... you know making people aware, through a storyline that you might be eligible for Council Tax Benefit... I've been collecting Council Tax for years, and years ago there was a storyline on [a soap opera]...Dot Cotton got sent down for not paying her council tax ... but they could put money into promoting positive messages about council tax, about what's available and what people need to do... like public education. Instead the money is spent on publications.”

4.172 Some authorities felt that the methods available to them were very coercive; they were 'stick' rather than 'carrot' methods. There was a question about whether there was a possibility of using methods to encourage rather than enforce payment, although there were few suggestions about which methods may be useful. One authority mentioned that they had offered leisure centre vouchers as rewards for payment previously, but had not found a benefit to doing this. There was a feeling that such efforts may target the wrong people, those that would pay anyway.

4.173 In terms of approaches that encourage or incentivise individuals to pay, another authority suggested the use of an amnesty on serious cases; if the individual agreed to engage with the authority and set up a payment plan, their old debts would be written off. This may allow authorities to re-engage with individuals with whom they have no existing relationship or hope of establishing a relationship and offer individuals the opportunity to start again with the intention of developing good money management habits. One authority also felt that the Welsh Government could do more to recognise and promote engagement strategies such as publicity campaigns (national and local) and the provision of debt advice and help. Although

¹⁸ An example of this is the creation of a soap opera in Nigeria; 'Binding Duty'. It highlighted the importance of paying taxes in a relaxed non confrontational manner. The 26 episode drama included famous Nigerian stars and reached an audience of 80 million citizens; in fact it was so popular that there are plans for it to continue.

only specifically suggested by one authority, a financial incentive for implementing new technologies in order contact individuals earlier may also help those authorities who mentioned that their scope for improvement was limited to cost neutral investments. This may indicate a lack of awareness about existing funds intended for this purpose, such as Invest to Save.

“but if councils could have more of potentially a financial incentive to implementing new technologies to make use of text messaging or e-mailing etc. to actually get to customers before it gets too late... I think you’ll find most councils these days they won’t take just take a piece of software that does council tax. It actually does about ten other things for different departments of the council as well. So in that case it does mean, it is more expensive but the cost is spread over different departments.”

- 4.174 There was also a call for clarity over the use of discretion, where it is acceptable and where it is not. In the past good practice guides have been useful for guiding and justifying decisions and processes, especially in response to queries raised by AMs for example.
- 4.175 In terms of alternative methods of payment, one authority raised the possibility of looking at voluntary work for the council as a means of payment for those who really could not pay.
- 4.176 One authority called for the ability to have more financial autonomy. They spoke of the benefits of being able to raise more money themselves, but also the ability to keep any additional money raised. This would mean changes to the financial settlement. A small number of authorities felt there was a need to review the current discounts and exemptions available to individuals, such as the single person discount.

“There are financial things that Welsh Government could do to give more flexibility. They could change the financial settlement to ensure that we can keep some of that additional income... This year, the single person discount is costing us [£x amount in the local authority]. So, you know if we reduced it by just 5 per cent that would be [£x amount]. So what we need is the ability to raise more money because if we’re not going to get it from Central Government then we need to be able to raise it, but we need to be able to keep it.”

Novel practices

- 4.177 The examples of novel practices provided in this section are by no means exhaustive; it is likely that there are many other innovative practices which the research did not pick up on due to its limited focus. However, these practices were reported during the interviews and workshops and may offer ideas and directions for authorities to explore. However, it should be recognised that the success of these practices had not been tested or evaluated as yet. Additionally, a number of authorities mentioned practices which other authorities had already tried and had found to be of limited benefit. These lessons would be valuable to share and highlight the benefits of sharing novel practices between authorities. Where appropriate, lessons from other authorities are also included.
- 4.178 These practices cover a variety of aims, some focussing on improving the collection process and others aiming to improve relationships with citizens. Practices are grouped according to their aims.

Sharing good practice

- 4.179 Some authorities spoke about the value of learning from other authorities and sharing best practice across both national and regional forums. Authorities undertake their own benchmarking whereby they provide key statistics, compile reports and comparisons. A number of authorities mentioned using the learning from this in adapting their processes.

Education and community engagement

- 4.180 Denbighshire has piloted some learning in secondary schools about council tax. It is currently targeted at year 9 and year 10 pupils and is focused initially in areas of high deprivation. Another authority also felt that there would be value in engaging with schools in order to begin informing young people about the importance of tax and funding public services.
- 4.181 Neath Port Talbot reported that they streamlined their systems following a LEAN review. They set up a small consultation team who interviewed individuals who came into the office for any council tax related reason (arrears, changing address, applying for discounts). The team would try to establish why those who were in arrears had got into debt and how best to manage the arrears. They also asked the individuals what would make it easier for them to be able to pay and one of the things they implemented as a result was the option of weekly payment plans to

coincide with when they receive their income. This has been implemented by most authorities now, but there may be a case for undertaking similar consultation with the public following the roll-out of Universal Credit to understand whether further changes to processes and systems may be required in future.

“It took quite a bit of resources initially to do it, and not all customers wanted to engage with us because of the amount of time it took to gather the information but it certainly helped us to establish a pattern”.

Communications

- 4.182 Conwy have signed 30 per cent of their individuals up to e-billing so that they can look at their accounts online. They’ve also introduced a new module where individuals can propose their own arrangements and take ownership of their debts. This means that within individuals’ own parameters, Conwy can engage with them and ensure that payments are made each week. Conwy report that this is a way of dealing with individuals in a respectful and non-judgemental way.
- 4.183 Some authorities made specific attempts to ensure their written communications did not get put aside. Two authorities explicitly mentioned steps they had taken to utilise visual imagery in order to encourage individuals to engage with written correspondence: one authority had included an image of money on council envelopes while another used coloured paper for written correspondence. As discussed in the methods section, a number of behavioural insights methods had been trailed in terms of communication but the results from these were mixed.
- 4.184 A large number of authorities reported that they had started or were thinking about making use of text messages. However, those who had already adopted this method had found limited benefits. Authorities reported that, as yet, postal costs had not significantly reduced, and the Behavioural Insights trial of using text messages had produced mixed results. Although there are clearly limitations with text messages, it is likely that the impacts may improve as the technology advances. For instance, authorities mentioned that if they were able to tailor the texts better, they felt that the response would be positive. Also, as society becomes increasingly paperless, and receiving notifications electronically becomes the norm, postal costs may then reduce.

Service redesign

4.185 Powys discussed their current service redesign. This approach will put the individual first and take a holistic look at their financial needs rather than looking at each aspect separately. This would involve, for example, maximising their awards before looking at an income assessment. In this way, there is less toing and froing between departments and therefore less possibility of things being missed.

Summary

4.186 Authorities have achieved consistently high collection rates over a challenging period of financial constraints for both individuals and authorities themselves. There is a recognition by authorities of the struggles that some individuals face and an evident attempt to help where possible. However, there is also a clear frustration of the lack of engagement by some individuals and the 'head in sand' mentality which reduces the help that authorities can provide. This subsequently often leads to increased costs for individuals via enforcement fees which benefit neither the authority nor the individual.

4.187 All recovery action is based on the same legislation and guidance, however there were a variety of methods employed by authorities. As an example, some authorities emphasised the importance of quick, frequent reminders, to prevent debts from escalating, whilst others took the view that flexibility was important and, recognising different working patterns, individuals should be given more time and leeway to pay. However, these approaches of promptness versus flexibility did not have any bearing on the subsequent approach that authorities took with regard to liability orders and the enforcement process. It appears that rather than being based on ideology and theory, methods and approaches seem to have evolved over time and adapted to fit local circumstances. As an example, number of authorities mentioned losing specific staff and adapting their approach to fit the remaining team.

4.188 It was clear from the interviews that authorities also adapted their approach for their local area and the challenges they face. Authorities were mindful of issues such as transient populations, high proportions of older people, areas of deprivation and high reliance on particular local employers. These local issues fed into decisions throughout the collection process.

- 4.189 Authorities were conscious of vulnerability and, recognising its individuality tended to identify characteristics and use judgement rather than having a set policy. If individuals approached them with financial concerns, the majority would signpost to external advice agencies. Some reported occasionally strained relationships with advice agencies, but where relationships worked well this was through the development of a common understanding.
- 4.190 In terms of the efficiency of different collection methods, authorities were clear that direct debit was the gold standard. It enabled certainty in payment for the authority, and required the least effort from individuals. All authorities endeavoured to increase the proportion of accounts on direct debit schemes and many encouraged this by offering different payment dates and frequencies. Authorities offered a variety of other payment methods to make payment as flexible as possible, but none were regarded to be as efficient as direct debit.
- 4.191 Post liability order, attachments of earnings and attachment of benefits were the most efficient and effective methods. These acted in a similar way to a direct debit, with minimal effort from the authority or individual. However, both were reliant on information provision by individuals which was frequently not forthcoming.
- 4.192 With these options exhausted, it was then that authorities turned to enforcement agents which they acknowledged were less effective and desirable for both authorities and individuals. Authorities investigated accounts to differing degrees prior to sending them to enforcement agencies. This depended on their resources relative to the number of accounts, and their data holding and sharing agreements. When authorities felt they had exhausted all the information they held, and further correspondence had been to no avail, enforcement agents were used.
- 4.193 Rather than simply fulfilling the traditional role of collection, enforcement agents were also seen as a way of gathering more information. They were felt to be competent in identifying vulnerability and making recommendations on accounts as a result. There was some discrepancy over fees if accounts were repatriated with local authorities which may lead to a more lenient stance in some authorities than others.
- 4.194 It was after this stage that more evident differences in approach emerged. Where enforcement agents had not had success with accounts, all authorities explored the accounts again. Threat of committal letters were used and were seen as effective on many who had not engaged up to this point. There was some evidence that a

small number of authorities sent accounts back to enforcement agents. Others remained at this investigatory stage, attempting to find out more about individuals. Some summonsed a small number to committal whilst others undertook a more comprehensive approach, using committals as the next stage in their standard process, but again emphasising that it was a last resort.

- 4.195 Charging orders and bankruptcies were used infrequently and were seen as resource intensive, and inappropriate in the majority of cases.
- 4.196 Authorities saw Welfare Reform as a big challenge, and were also conscious of rising tax rates, low incomes and shrinking resources. However, they also saw opportunities in the use of technology and the potential access to employment data.

5. Council Tax performance and benchmarking data

Introduction

- 5.1 This chapter explores the performance of authorities in the collection of council tax and arrears, as well as exploring the use of different methods of collection and enforcement. The chapter begins by presenting some of the performance statistics which are collected from local authorities by the Welsh Government. It then focuses on some of the benchmarking data provided on a voluntary basis by authorities in order for them to compare and improve their performance. These data are presented in the order of the collection and enforcement process; collection, arrears, reminder, liability order, attachments, taking control of goods, committal, charging order, bankruptcy^{19 20}.

Collection rates

- 5.2 Council tax collection rates are high and have shown a general increase over time. Taking in-year collection rates²¹, the 2016-17 collection rate for Wales was 97.4 per cent, the highest collection rate since the introduction of council tax. It represents an increase of 0.1 of a percentage point from 2015-16. In England the in-year collection rate for 2016-17 was 97.1 per cent.
- 5.3 Table 5.1 shows council tax collection rates by local authority for the period 2010-11 to 2016-17. The rate for Wales has increased by 0.8 of a percentage point over this period.

¹⁹ Committals, charging orders and bankruptcy all represent 'last resort' enforcement actions; committals are presented first because they are more frequently used rather than because they are less severe.

²⁰ Data on write offs are not available for 2016-17.

²¹ The in-year collection rate is the amount received by 31 March of the year in question of that financial year's council tax shown as a percentage of the net collectable debit in respect of that year's council tax. It includes prepayments made in previous years in respect of this year but it does not include prepayments made this year in respect of next year nor does it include the payment of any arrears.

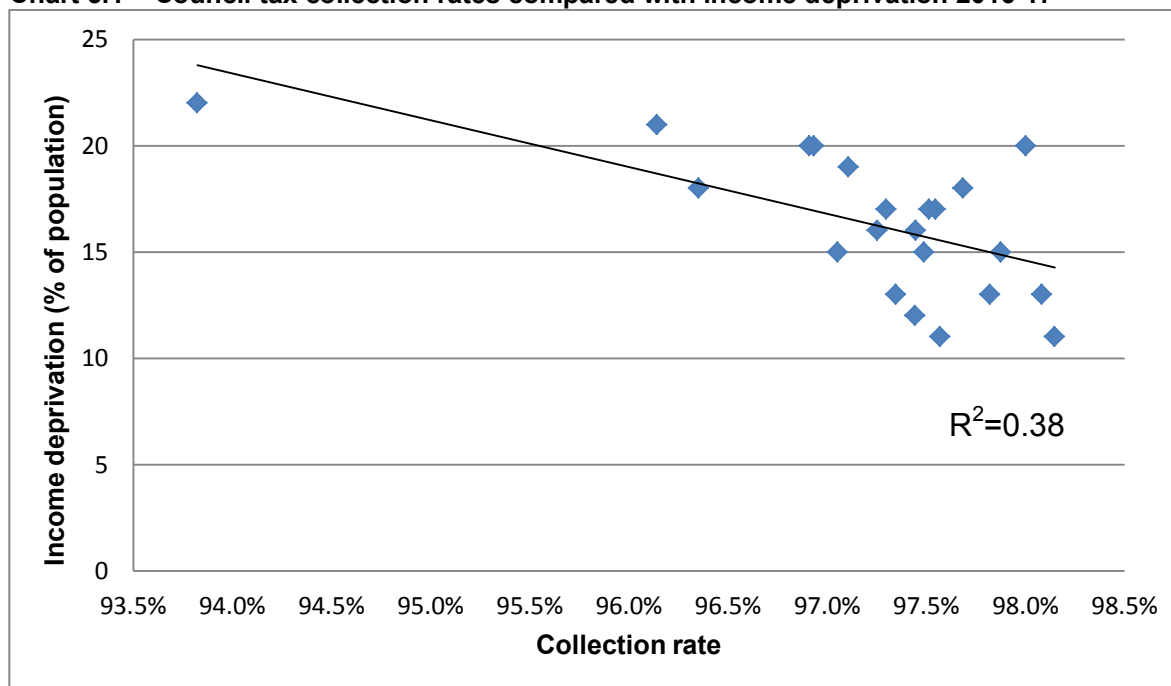
Table 5.1 – Council Tax Collection Rates by local authority (%)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Wales Average	96.6	96.7	96.7	97.0	97.2	97.2	97.4
Isle of Anglesey	96.4	96.4	96.6	97.1	96.8	97.6	97.4
Gwynedd	96.7	96.8	97.1	96.9	97.2	97.2	97.3
Conwy	96.9	96.8	96.7	96.8	97.0	97.2	97.3
Denbighshire	98.2	98.0	98.0	97.7	97.6	97.6	97.7
Flintshire	97.5	97.8	97.8	97.9	97.8	98.0	98.1
Wrexham	96.9	96.5	96.1	96.8	97.2	97.5	97.5
Powys	97.3	97.4	97.4	97.6	97.6	97.7	97.6
Ceredigion	96.8	96.7	96.6	96.7	97.1	97.0	97.4
Pembrokeshire	97.6	97.9	98.1	97.9	98.0	98.0	97.9
Carmarthenshire	97.6	97.1	96.7	97.0	97.1	96.6	97.1
Swansea	96.0	96.2	96.7	96.8	97.2	97.3	97.3
Neath Port Talbot	97.2	97.0	97.1	97.3	97.5	97.9	98.0
Bridgend	96.5	96.8	96.7	97.1	97.3	97.1	97.5
Vale of Glamorgan	97.1	97.3	97.6	97.5	97.9	97.9	97.8
Rhondda Cynon Taf	96.9	97.1	97.0	97.1	97.1	97.1	96.9
Merthyr Tydfil	95.3	95.4	95.8	95.9	95.9	96.1	96.1
Caerphilly	95.8	96.2	96.4	96.4	96.7	97.0	97.1
Blaenau Gwent	95.4	94.9	95.3	95.7	95.0	93.5	93.8
Torfaen	97.1	97.0	96.9	97.4	96.3	96.1	96.4
Monmouthshire	97.0	97.1	97.2	97.9	97.5	97.8	98.1
Newport	95.7	95.6	95.8	95.7	96.4	96.9	96.9
Cardiff	94.5	95.1	95.3	96.3	97.0	97.3	97.5

Source – Statswales, council tax collection returns

5.4 As table 5.1 shows, there is some variation in collection rates between authorities. These differences are not necessarily due to differences in collection methods. There is a link between the level of income deprivation in a local authority and its collection rate. Chart 5.1 shows a scatter plot of income deprivation as a percentage of the population compared with council tax collection rates. There is a weak negative correlation (generally, the higher income deprivation is, the lower council tax collection rates are).

Chart 5.1 – Council tax collection rates compared with income deprivation 2016-17

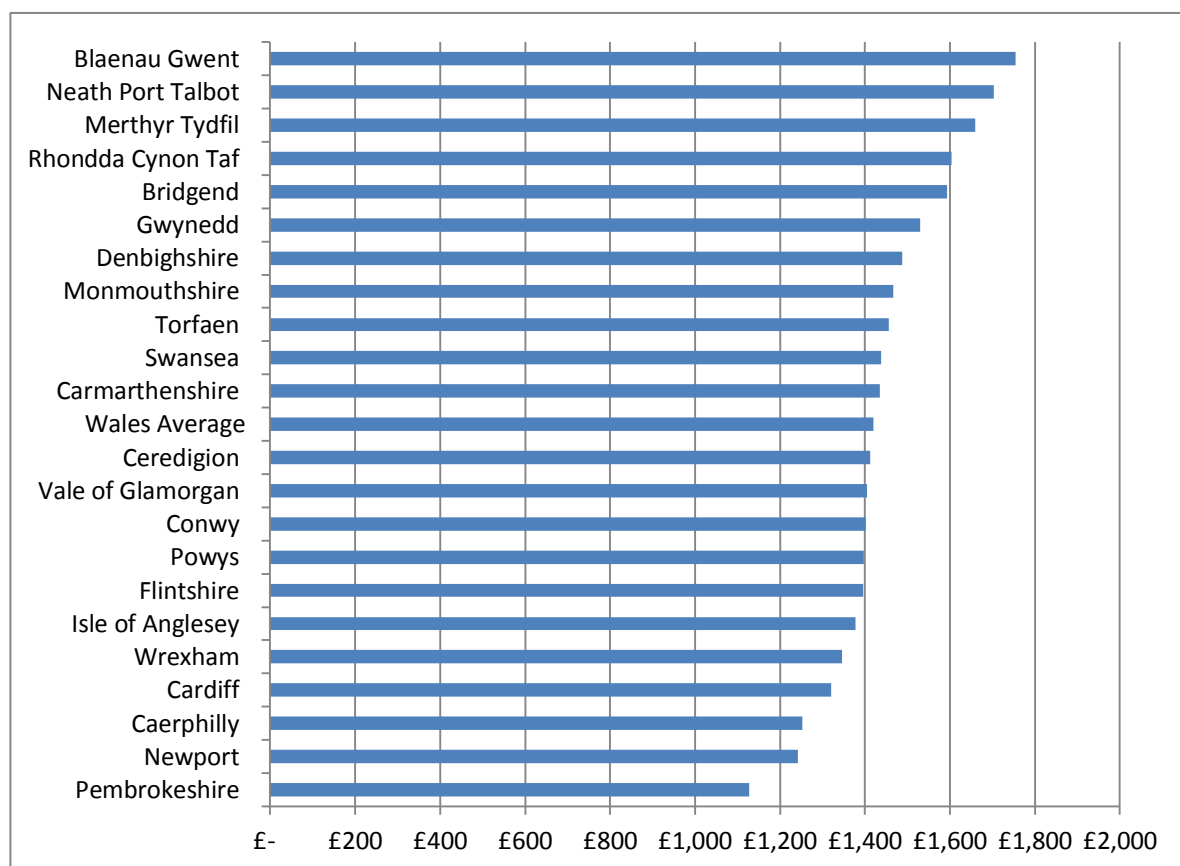


Source – Statswales, Welsh Index of Multiple Deprivation – Income deprivation, and council tax collection returns.

This correlation is not straightforward and there are clearly other factors that influence collection rates. These may be factors intrinsic to the local authority such as the average level of council tax, the average level of council tax compared to average income, as well as collection methods and techniques employed by council tax collection departments. There may also be other factors linked to deprivation which play a part; when taken on a wider definition, deprivation depends not only on income but also on family structure, income sources and housing structure (DWP 2004).

5.5 Chart 5.2 shows the level of council tax for Band D properties across authorities for 2017-18. The average council tax for a Band D property for Wales is £1,420. However there is significant variation across Wales. The highest council tax for a Band D property is in Blaenau Gwent is £1,754, whilst the lowest rate is in Pembrokeshire where a Band D property has a rate of £1,128.

Chart 5.2 – Council tax for a Band D property, 2017-18

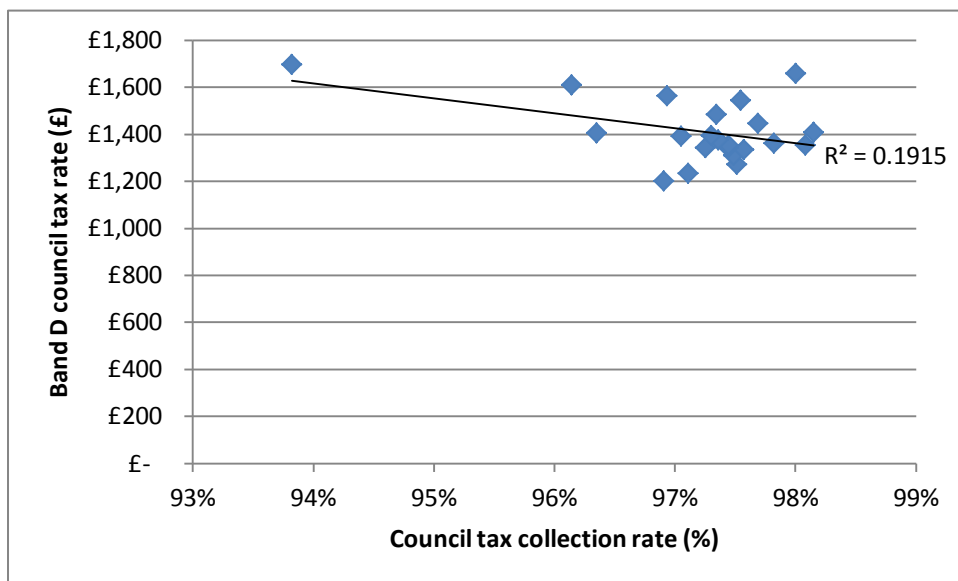


Source – Statswales

- 5.6 The variation in the council tax levels can in part be explained by the tax-base and the level of deprivation. Local authorities that have more homes in the lower tax bands (bands A-C) have a smaller tax-base and therefore need to charge a higher rate of council tax on these properties to raise sufficient funds for public services, compared to authorities with more homes in the higher tax bands.
- 5.7 The relative affordability of council tax will vary from place to place and depends on individual circumstances. For example in Blaenau Gwent, which has a high Band D charge relative to the other authorities (£1,754), 83.3 per cent of properties fall within Band A or B, and would have a charge of £1,169 or £1,364 respectively. In Monmouthshire, the council tax charge for a band D property is around the Wales average (£1,466) but just 9.1 per cent fall within Band A and B. The majority of households in Monmouthshire fall within the middle-high bands (Bands C-G) and would be charged between £1,304 and £2,200.
- 5.8 The overall levels of council tax payable clearly have a bearing on collection rates as higher levels are less affordable for those on a low income. Chart 5.3 shows the relationship between council tax levels and collection rates. There is a weak negative relationship between the council tax collection rate and the Band D charge;

generally, the higher the Band D charge, the lower the collection rate. However, as with the association between the collection rate and deprivation, this relationship is clearly not straightforward and dependent on other factors.

Chart 5.3 – Council tax collection rates compared with the Band D council tax 2016-17



Source – Statswales

5.9 Table 5.2 shows the amount of council tax billed at the beginning of 2016-17 by local authority, arrears brought forward, the debt raised for the year, the amount collected²², the amount written-off and the arrears outstanding. This chart gives an indication of the scale of collection and arrears for each local authority. As expected, the largest authority (by population size), Cardiff, has the highest debits, collections and arrears.

²² Total amount collected/Total amount billed = collection rate

Table 5.2 – Council tax collection and arrears 2016-17

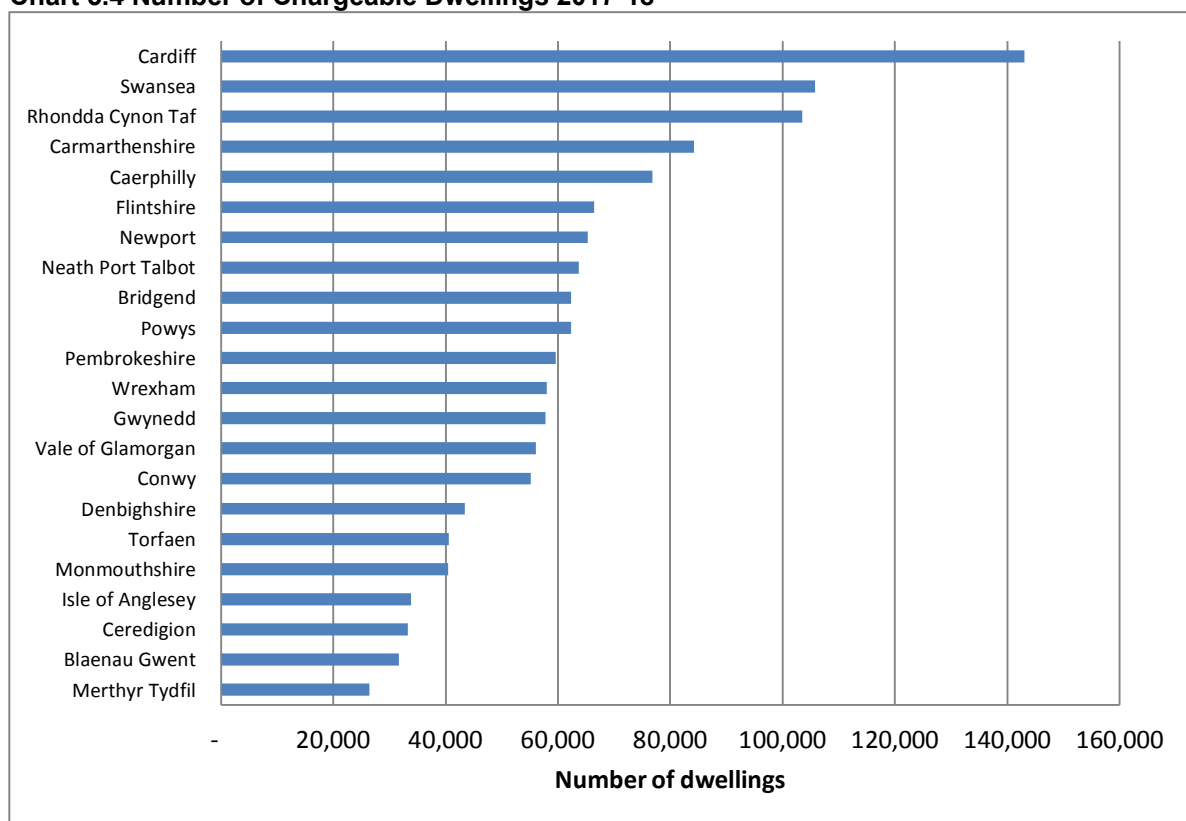
<i>£ thousand</i>						
	Arrears	Total Debits	Amounts collected during year	Collected Arrears	Total Write Off	Total Arrears outstanding at 31/03/17
Total Wales	82,383	1,421,916	1,384,326	29,340	6,492	84,141
Isle of Anglesey	2,354	35,376	34,473	530	42	2,685
Gwynedd	2,772	66,469	64,705	581	161	3,794
Conwy	3,878	58,879	57,262	1,739	113	3,643
Denbighshire	2,294	47,533	46,434	744	191	2,458
Flintshire	2,674	75,688	74,238	1,141	232	2,751
Wrexham	3,730	60,217	58,705	947	637	3,658
Powys	3,393	73,797	72,004	1,513	155	3,518
Ceredigion	2,680	37,928	36,959	1,011	200	2,438
Pembrokeshire	1,448	51,285	50,197	205	218	2,113
Carmarthenshire	5,990	86,513	83,963	1,508	85	6,947
Swansea	7,513	106,190	103,323	2,405	745	7,230
Neath Port Talbot	4,072	63,205	61,943	1,207	505	3,622
Bridgend	4,215	68,335	66,659	1,994	429	3,468
Vale of Glamorgan	1,693	70,248	68,718	1,163	146	1,914
Rhondda Cynon Taf	5,352	98,045	95,039	2,165	427	5,766
Merthyr Tydfil	3,701	24,058	23,130	883	205	3,541
Caerphilly	3,044	61,601	59,820	1,558	210	3,057
Blaenau Gwent	3,497	27,247	25,564	1,211	122	3,847
Torfaen	2,757	38,093	36,703	1,116	113	2,918
Monmouthshire	2,940	58,356	57,276	1,225	183	2,612
Newport	4,065	58,521	56,713	1,464	265	4,144
Cardiff	8,321	154,332	150,498	3,030	1,108	8,017

Source: Statswales

Note: The amounts do not include sums in relation to court cost raised or collected

5.10 Chart 5.4 shows the number of chargeable dwellings by authority.

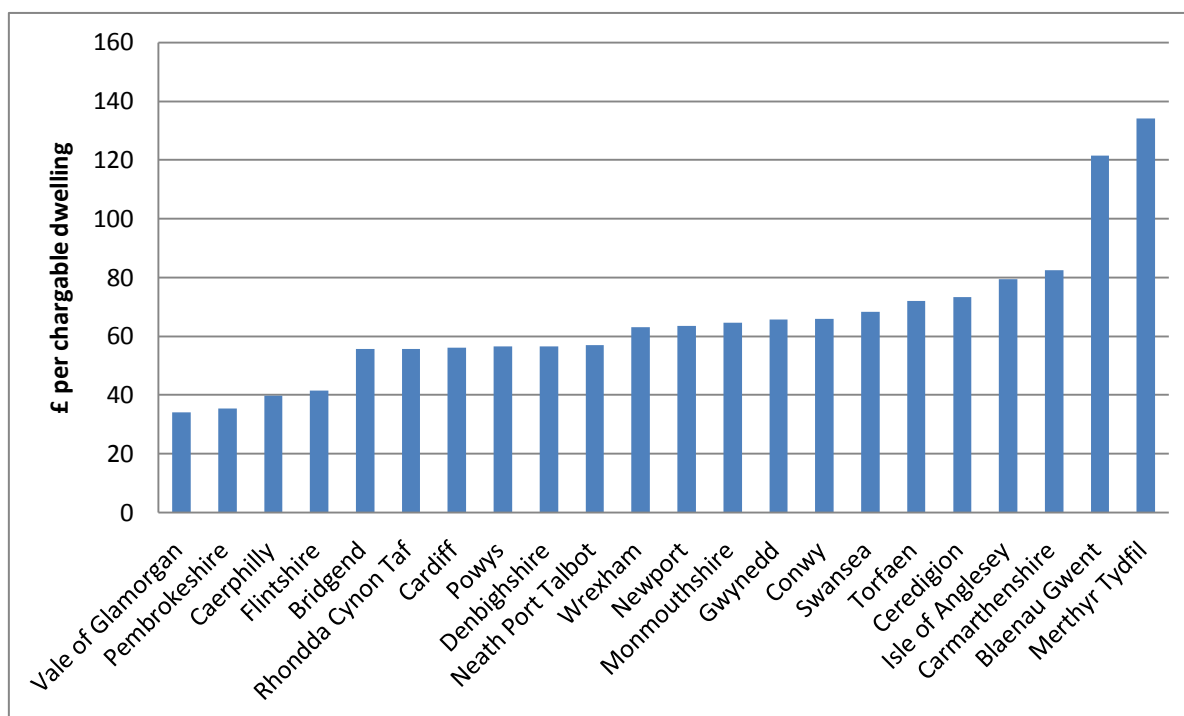
Chart 5.4 Number of Chargeable Dwellings 2017-18



Source - Statswales

5.11 By taking the amount owed (shown in Table 5.2), and dividing it by the number of chargeable dwellings (Chart 5.4), we can take account of the population sizes of the different local authorities. Chart 5.5 shows how this varies. The Wales average council tax debt is £62 per chargeable dwelling. It highlights the relationship between deprivation, council tax levels and debt in more detail.

Chart 5.5 – Amount of council tax outstanding per chargeable dwelling 2016-17



Source – Statswales council tax dwellings and council tax returns

- 5.12 Merthyr Tydfil and Blaenau Gwent have the highest proportion of income deprivation (measured by WIMD Income Deprivation as a percentage of the population) and have the highest amount owed per chargeable dwelling. However, Rhondda Cynon Taff and Caerphilly also have high levels of income deprivation, but have lower amounts owed per chargeable dwelling. At the other end of the scale, the authorities with the lowest levels of income deprivation (Powys, Monmouthshire and Ceredigion) are spread throughout the distribution of amounts owed, indicating that income deprivation is only one of the influencing factors.
- 5.13 Looking at Band D council tax levels, Merthyr Tydfil and Blaenau Gwent also have some of the highest levels of council tax which, coupled with income deprivation, goes some way to explain their position in Chart 5.5. Caerphilly and Pembrokeshire have some of the lowest levels which may explain their lower levels of debt. There are anomalies, for example, the Vale of Glamorgan and Flintshire have Band D charges similar to the Wales average and relatively low income deprivation, but particularly low arrears. Similarly, Rhondda Cynon Taff has high Band D charges and high levels of income deprivation, but low debt.
- 5.14 These anomalies, and indeed the differences between authorities in general are clearly dependent on other factors as previously touched upon. For instance,

particular demographics are likely to play a part (such as mobile populations in urban areas, ageing populations, the proportion of social housing, the current and historic labour market conditions). However, the collection methods employed by authorities are also likely to have some impact.

Collection Methods

- 5.15 Local authorities report being proactive in comparing monitoring data to look for disparities and areas of learning. Using these data, we are able to provide more of an insight into the differences in their approaches to council tax collection. However, it should be borne in mind that these data are provided on a voluntary basis by authorities and are subject to fewer quality checks. As such, benchmarking data should be used to provide an indication of practices, rather than precise numbers. Denbighshire do not submit benchmarking data as their council tax collection team is outsourced. 2016-17 data are available for the arrears collection process post liability order however the most recent data on team structure and reminder notices is from 2013-14.

5.16 Table 5.3 presents the all Wales figures from the 2016-17 benchmarking data.

Table 5.3 - Local authority benchmarking data

	Total Wales
Chargeable Dwellings	1,315,922
Bills issued - March 2016	1,357,168
Adjusted bills issued 2016-17	1,520,112
Total Bills	2,877,280
Reminders Issued	439,944
Final Notices	88,308
Total Notices	528,252
Summonses for non-payment	125,123
Liability orders granted	92,547
Summonses for non-supply of info	-
Attachment of earnings orders	18,961
Applications for DWP deductions	16,673
Referrals to enforcement agents/collectors	55,151
Collection of penalty charges	-
Committal summonses	326
Committal orders - sentence suspended	159
Committal orders - sentence imposed	20
Arrest warrants obtained - with bail	118
Arrest warrants obtained - without bail	116
Charging orders	178
Statutory demands issued	25
Petitions commenced	9
Bankruptcies obtained	4

Source: Local Authority Benchmarking data

5.17 Using the council tax benchmarking data we can see that there are a number of differences in approach to collection. The 2013-14 data (these data are not available for 2016-17) show that nine authorities' collection teams are structured to enable their front and back offices to function separately; a dedicated customer services function handling council tax enquiries, payments and collections administration, and a back office handling the debt recovery process. The remainder did not split their functions in this way. The variety in approaches was also apparent in the interviews where authorities reported differing internal working models; more detail on these relationships is provided in Chapter 4.

5.18 As conveyed in the interviews, the data indicate that authorities place differing emphasis on the front end of the collection process. The ratio of amended bills per chargeable dwelling ranged from 0.8 to 2.4 (the lower ratio indicates fewer amendments).

Reminders

- 5.19 The 2016-17 benchmarking data shows that the number of working days between the instalment date and the first reminder being issued varied between 10 and 28. There is however no apparent relationship between the frequency of issuing of reminders and the volume of liability orders or collection rates.

Liability orders

- 5.20 The total number of liability orders for Wales was 92,547 in 2016-17, a reduction from 116,077 in 2013-14. In 2016-17, this ranged from 1,761 to 11,421 across the authorities. The proportion of liability orders granted relative to chargeable dwellings ranged from 4 per cent to 10 per cent, with the average being 7 per cent.

Attachment of earnings

- 5.21 An attachment of earnings is one of the options that can be employed following a liability order. In their interviews, authorities reported that it was their first choice of recovery as it proved the most efficient and effective method. When reviewing these data it should be noted that one liability order can result in a number of courses of action. As a basic example, following a liability order, an authority could initially set up an attachment of benefits, then an attachment of earnings if the individual moves to employment, and then send an enforcement agent if employment is terminated.
- 5.22 In 2016-17, there were 18,961 attachments of earnings, compared with 15,653 in 2013-14. There were large differences in the number of attachment of earnings orders granted. These ranged from 85 to 2,760. To compare attachment of earnings orders across authorities we can use the number of chargeable dwellings as a base. The average number of attachments of earnings as a proportion of chargeable dwellings was 1.3 per cent and there was little variation across authorities.
- 5.23 As a proportion of liability orders, attachment of earnings ranged from 3 per cent to 39 per cent with an average of 20 per cent. This range is perhaps surprising; we would expect some disparity due to the differing local circumstances, however in general, the differences do not follow patterns of employment across authorities.
- 5.24 Some of the differences are may be due to the proportion of requests for information that were returned to authorities from individuals; the higher the rate of return of information, the more likely it is that an authority would be able to apply for an attachment of earnings. Data on rates of returns of information was not collected

from authorities, but was raised in the interviews. Some of the disparity may also be due to the amount of historical information that authorities have on their records. Authorities that collect and retain information on historical attachments are able to re-attach without additional information from individuals. Likewise, those authorities which have had a higher proportion of their populations fall into arrears previously may have more chance of implementing future attachments as they will hold this information already. However, much of the difference is likely to be due to a mix of complex local factors which can not easily be extracted or explained.

Attachment of benefits

- 5.25 A similar pattern can be seen in authorities' use of attachment of benefits. The total number of applications for attachment of benefits in 2016-17 was 16,673, down from 21,769 in 2013-14. This ranged from 188 to 2,067 between authorities. As a proportion of chargeable dwellings, attachment of benefits averaged 1.3 per cent.
- 5.26 The proportion of liability orders granted which resulted in an application for an attachment of benefits ranged from 5 per cent to 53 per cent, with an average of 18 per cent.
- 5.27 Similar to attachment of earnings, the rates of attachment of benefits do not appear to be correlated with levels of deprivation or council tax charges in local authorities. That said, the data lend support to the theory that rates of attachments of benefits are more likely explained by the recovery methods authorities choose to use and the rates of returns on personal information received by the authority. This is because within local authorities' attachment of benefits and attachments of earnings were implemented in similar volumes. That is to say that those authorities that had a high proportion of attachments of earnings were also more likely to have a high proportion of attachment of benefits and vice versa.

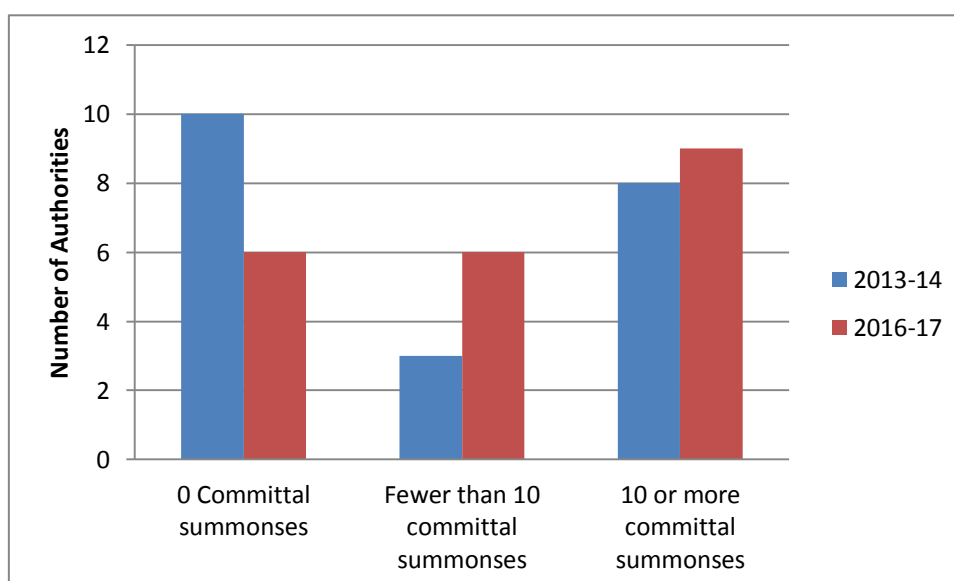
Enforcement Agents

5.28 In total 55,151 cases were passed to enforcement agents in Wales in 2016-17 a reduction from 67,329 in 2013-14. For 2016-17, this represents 4 per cent of chargeable dwellings in Wales, ranging from under 1 per cent to 17 per cent across authorities. This may be owing to differing areas of focus across authorities such as some authorities' implementing systematic processes for filtering caseloads prior to a referral to an enforcement agent, or authorities cutting back on referrals in order to avoid additional costs for the authority and individual concerned. However, it may also be due to some authorities re-referring debts to enforcement agents after unsuccessful initial attempts, or if individual circumstances change. This can be seen when looking at the proportion of liability orders which were subsequently referred on to an enforcement agent. In 2016-17 this figure was 60 per cent for Wales. The data show wide variation across authorities, ranging from 9 per cent to 198 per cent. A figure of over 100 per cent suggests that a case is sent to an enforcement agent more than once; for two authorities this figure was just over 100 per cent and for one it was 198 per cent.

Committal Summonses

5.29 The total number of committal summonses has fallen from 480 in 2013-14 to 326 in 2016-17. Chart 5.6 shows the number of authorities sending committal summonses in 2016-17 compared to 2013-14.

Chart 5.6 – The number of authorities sending committal summonses



Source – unpublished local authority benchmarking data

5.30 The highest number of committal summonses sent by one authority was 95 in 2016-17 compared with 104 in 2013-14; this accounts for almost a third of all committal summonses. Table 5.4 shows the change in actions by authorities over time. Five authorities pursued no committals in 2013-14 or 2016-17, five started pursuing committals, one stopped and the remainder continued to send committal summonses. It indicates there is no fixed trend and whether or not an authority decides to pursue committals varies across Wales and over time.

Table 5.4 – Change in number of authorities pursuing committal summonses over time

Committal summonses	Number of authorities
Started	5
Stopped	1
Increased	2
Reduced	8
No Change (zero summonses)	5
Total	21

Source – unpublished local authority benchmarking data

5.31 Data show that there is no clear relationship between the number of summonses issued and the collection rate, however, as discussed in the findings chapter, the threat of committal is seen as a valuable tool for authorities, whether it is pursued to committal proceedings or not .

5.32 Of the 326 committal summonses sent, almost half (159, 49 per cent) received a suspended sentence and 20 (6 per cent) had a sentence imposed²³. Almost two-thirds of the cases which had a sentence imposed were from one authority. There was an increase on sentencing from 2013-14 where 104 out of 484 (21 per cent) received a suspended sentence and 17 (3.5 per cent) had a sentence imposed. From the data it is not possible to determine whether this is due to better selectivity of committal cases or differences in the approach of Magistrates' courts.

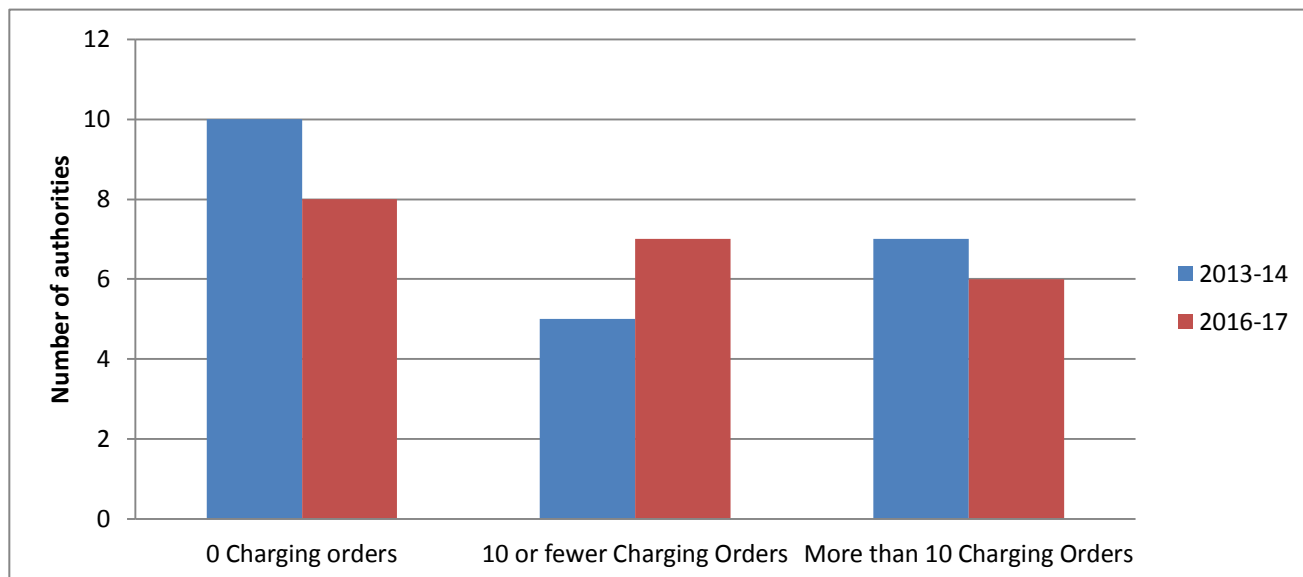
Charging Orders

5.33 As reflected in the interviews with authorities, the use of charging orders was less widespread than the use of committals and had reduced significantly from 431 in 2013-14 to 178 in 2016-17. Much of the reduction is due to one authority which issued 240 charging orders in 2013-14 but only 21 in 2016-17.

²³ The remainder would have received one of the following decisions; Court order without a suspended sentence, Write off all or some of the debt, Take no action, Adjournment. Information is not available on the numbers receiving these decisions.

5.34 In 2016-17, eight authorities did not issue any charging orders, seven issued ten or fewer, and six authorities issued more than ten (see Chart 5.7).

Chart 5.7 – The number of authorities issuing charging orders



Source – unpublished local authority benchmarking data 2013/14

Bankruptcies

5.35 The use of bankruptcies was less widespread again, with only two authorities obtaining any bankruptcies (compared with three authorities in 2013-14); the total issued being 4 (compared with 28 in 2013-14). The infrequency of use of bankruptcies was also reflected in interviews with authorities.

Summary

5.36 The data presented in this chapter show that in-year collection rates across local authorities are high. The Wales average in-year collection rate is 97.4 per cent and all authorities fall within 4 percentage points of this average. There are certain factors which clearly have an impact on collection rates, such as income deprivation and levels of council tax but without more data, it is not possible to determine which variables have the most impact *when taken alongside other variables*, or indeed, what those other variables may be.

5.37 The data highlight some of the different collection approaches adopted by authorities. Some of the rationale for the differences is explained by the interview data, with some authorities placing greater emphasis on front end administrative

and collection processes whilst others emphasise the need to invest their resources in arrears collection.

- 5.38 The data show some variation in arrears recovery practices when taken relative to the number of chargeable dwellings, but clearer differences can be observed when taken as a proportion of liability orders. This suggests a number of things. Firstly, that authorities have varying rates of success in the return of information following a liability order. This goes some way to explaining how certain authorities achieve higher rates of attachments than others. Given that attachments are viewed as effective and efficient recovery methods, and are options that do not incur additional enforcement fees (following the initial liability order fee), it seems that it would be useful to collect additional data on the rates of return of information from individuals in arrears and to explore whether there are reasons why some authorities may be more successful at this.
- 5.39 Secondly, there may be more population churn in some authorities; in a changing job market, people are more likely to move in and out of employment resulting in failed or multiple attachments following one liability order. Volatile or vulnerable local economies, the changing nature of work and low pay coupled with the ability of the collection system and the welfare system to keep pace was one concern raised in the interviews.
- 5.40 There are also clear differences in practices across authorities with regard to the use of enforcement agents. Overall, the use of enforcement agents has fallen, but there are a number of authorities that send some cases to enforcement agents more than once. This may be due to the churn of the labour market (people moving in and out of jobs in one authority), or it may be due to the recycling of debt (where one enforcement agent is unsuccessful and so the case is sent to another company) which would be more of a concern as it would result in multiple charges for one case.
- 5.41 The numbers of committals, bankruptcies and charging orders have all fallen. However more authorities are now using committals. Interpreted alongside interview data, this may be because some authorities have now reached the end of the line with a select few cases which they identify have grounds for wilful refusal or culpable neglect. However, the data do not provide enough information to allow us to investigate the effectiveness of each approach.

6. Website review

6.1 In light of the information provided in the interviews, a review of authorities' websites was undertaken to determine whether information was readily available and accessible. Authorities reported that information on processes was available to the public online and often they reported that their websites signposted to advice agencies.

6.2 We reviewed the web sites on a number of key areas:

- Layout – whether the website was easy to navigate and whether key areas were easy to find.
- Signposting to advice – whether the website signposted to advice and whether it was clearly titled (such as 'if you need help', 'if you're in trouble', 'if you're having difficulty paying')
- Information on reducing your bill – whether information was given on benefits, discounts and exemptions, contact details
- Information on spending – where council tax is spent, on which services
- What happens if you don't pay – whether the information is displayed clearly with implications e.g. additional costs at each stage

Layout

6.3 Of the 22 authorities the layout of 8 websites was deemed to be poor, 7 were average and 7 were good.

6.4 What does good look like? After reviewing all 22, we determined the following key areas which could improve websites:

- The layout should be clear and easy to navigate with distinct sections and up to date web links.
- Attention should be paid to accessible formats – including large print, audio clips, smart technology friendly pages and downloads, and the use of infographics where practical.
- Content should be customer-focused e.g. section headings that make sense from a customer perspective, follow a logical progression, that explain each section. Attention should also be paid to accessible language.
- A 'Top Tasks' section improves website navigation and ease of use.
- A frequently asked questions section may also be beneficial.

Signposting to advice

- 6.5 There was variation in terms of the number of authorities that signposted to advice agencies and in how they chose to signpost. In total, ten authorities did not signpost to external advice services. This is surprising given the clear intention to do so evidenced in the interviews. Two authorities signposted to government departments but not to advice agencies. Two authorities signpost only to Citizens Advice, but one of these provides no information as to what the link is for and who may benefit. Eight authorities signpost to a variety of advice agencies.
- 6.6 What does good look like? Users would benefit from the following changes to websites:
- The help section should be obvious and clearly titled. It should use customer focused language such as 'I'm struggling with my payments', rather than authority focussed language such as 'recovery action'.
 - The section should be accompanied by customer-focused narrative or explanation to ensure users understand what options are available to them.
 - Additional information provided for New Claimants and related to Welfare Reform is helpful.

Information on how to reduce your bill

- 6.7 Findings from the interviews showed that authorities aimed to help individuals to reduce their council tax liability and maximise their benefits wherever possible. They gave examples of linking to their benefits departments and advising individuals on exemptions. However, despite this activity once personal contact is made, the content of the websites do not mirror these levels of advice. The majority of websites provided information about exemptions and discounts but few linked to information on benefits or hardship.
- 6.8 What does good look like?
- Although benefits are often covered by different sections of the authority, from a customer perspective it would make sense to include all information which could possibly reduce their council tax liability or help them to pay.
 - As such, websites should have one section on how to reduce council tax or help with payments covering benefits, discounts and exemptions.

- Contact details for the authority should be clear and prominent so that users understand how they can get more help and information.

Information on where council tax is spent

- 6.9 Education of individuals was frequently mentioned in the interviews both in terms of council tax being a priority debt and in terms of what services the authority provides using council tax. A number of authorities noted that they had reduced the information sent with bills now that there is the opportunity to provide this information on websites. However the provision of information online was very varied.
- 6.10 Five authorities had no information on spending linked from their council tax pages, two provided partial information (for instance not explaining what council tax is, or missing information on budgets) nine included information as a PDF document and six provided information on the web pages themselves.
- 6.11 What does good look like? Given the value attributed to education as a means of increasing payment in the interviews, it would be logical to use authority websites to help with this objective for relatively little cost or effort. As a minimum, websites should:
- Provide basic information on what council tax pays for in an easy-to-read and accessible format. Authorities could explore how customers could relate to this, for instance rather than only providing total budgets and expenditure it may be helpful to have infographics or a calculator showing individual contributions. Recognising this area can be complex, authorities should link to more detail for those who wish to know more. Consideration should be given to the format of this given the widespread use of mobile smart technology.
 - Provide information on the fact that council tax is a priority debt and what this means.
 - Provide information on citizen rights and the levels of customer service that can be expected. Authorities may wish to consider implementing customer charters.²⁴

²⁴ <https://www.gov.uk/government/publications/your-charter/your-charter>

What happens if you don't pay?

- 6.12 This area is vital. Websites may well be the first place that people visit when trying to understand council tax. They provide a perfect opportunity to provide relevant information in a way that encourages individuals to make contact with the authority in person, if necessary. For those who are in difficulty for the first time, the system is likely to be inscrutable; websites have a clear role to play in reducing complexity and prompting individuals to take action.
- 6.13 Nine authorities provided no information on what happens if you don't pay your council tax. Two provided some information but this was found to be partial (missing cost implications or lacking detail). Two provided details but not prominently, and nine provided good information.
- 6.14 What does good look like? To help with clarity and understanding websites should:
- Have a clear title which is easily understood by users, such as 'what happens if I don't pay'.
 - Present the step by step process, providing information about what happens at each stage. This could be presented as a flowchart.
 - Clearly show the potential costs at each stage.
 - Use consistent language for instance, enforcement agents, and not bailiffs.
 - Link to key documents (if available) such as the Council Code of Practice, Recovery Policy, Customer Service Charter and other documents that affect customers. These should be produced in a customer friendly format and style.

Summary

- 6.15 The findings from the interviews show that authorities are working at a personal level to engage with individuals, provide help, and signpost to advice wherever they can. However, it appears that on the whole, their websites are not being used to their full potential or to fully support authorities' activities. The review of websites has shown a large scope for improvement for all authorities; no one authority was found to have succeeded in all five of the areas we focused on.

7. Conclusions

- 7.1 This section offers a summary of the key findings of the telephone interviews conducted with local authorities, synthesised with evidence drawn from the existing literature review that accompanies this report. Although not systematic, the evidence review generally represents the perspective of Third Sector debt and money advice services. The evidence base has been supplemented with local authorities' own benchmarking data and the qualitative perspectives of revenues and benefits staff from within local authorities.
- 7.2 The literature review highlighted a number of areas which were of concern to debt advice agencies. These conclusions attempt to accommodate the perspectives of the advice sector and suggest areas where there may be synergy between the findings or opportunities for further research.
- 7.3 **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.
- 7.4 **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 felt largely dependent on individuals seeking contact with them to discuss their situation.

7.5 Authorities reported that they issued debt cases to enforcement agents only 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 debt 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 filtering procedures 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 also felt to have contributed to reducing the number of upheld complaints.

7.6 Authorities' approach to the repatriation of council tax debt produced a varied picture. 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 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 council, 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.

7.7 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.

7.8 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.

7.9 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 developed a vulnerability policy to improve consistency. The majority 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.

7.10 **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 to individuals. However, on reviewing authorities' online content, signposting information to debt advice agencies was often lacking or unclear.

7.11 **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.

7.12 **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 does not address a concern raised in the existing literature that enforcement agencies do not make sufficient efforts to agree affordable and proportionate repayment arrangements.

7.13 **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.

- 7.14 **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 refusing to pay or engage. 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.
- 7.15 **Authorities described very few committal cases proceeding to court and for those that did, held mixed views with regard to its effectiveness.** This is supported by the benchmarking data. 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.

8. Recommendations

8.1

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.

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.

8.2 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 established 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 or Service Level Agreements 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 and 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 current attachment of earnings procedures 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 free 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

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 on 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.

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Annex A

Fair Debt: Interview Topic Guide

Council tax collection practices

Interviewer to guide the respondent in thinking about the practices they adopt to support citizens to repayment council tax, whilst balancing the importance of maximising collection on LA's resources:

- How would you describe your experience of managing the collection of council tax?
 - What works well?
 - What challenges do you face?

Prompts:

- *Communications with citizens*
- *Partnership working (e.g. internally, externally with Debt Advice Agencies)*
-

Council tax debt collection practices

- How would you describe your experience of managing the effective recovery of council tax debt?

- What are the enablers?
- What are the barriers?

Prompts:

- *Internally (with administration, policy, resources)*
- *Externally (with citizens, advice agencies, legislation, data-sharing, other govt departments)*

Policies and processes

- **Please describe the steps you take when a citizen fails to make council tax payments**
 - **Notice, reminder, final – then what (attachment of earnings, attachment of benefits, proceedings, write off – at what point, how do you decide?)**
 - **Any contact with citizen beyond letters? If so at what point?**

- What attempts does the LA make, if any, to distinguish those citizens who can't meet their obligations from those that won't meet obligations?

Prompts

- *Does LA have a definition of vulnerability? (definition, characteristics)*
- *How does the LA apply its understanding of vulnerability (rationale for using, process)*
- *How does the LA liaise with external advice agencies? (process, communications, do they accept evidence of vulnerability from external advice agencies ?))*
- *Do you try to distinguish between those who are in arrears for the first time, and those that have been in arrears before? If so, what do you do with this information?*

- How would you describe the LA's approach to the use of enforcement action?

- Does the LA have a policy about when to use enforcement action/s?
- Does the LA stipulate what steps to take first and for specific groups?

Prompts

- *How does the LA apply enforcement measures? (rationale, mechanisms, process)*
- *Does the LA use in-house enforcement agents and/or external enforcement agents*
- *Does the LA adopt minimum debt thresholds?*

If external enforcement agents are used:

- How would you describe your relationship with external enforcement agents?
 - What works well?
 - What doesn't work well?
 - How could relationship/s be improved?

Prompts

- *Monitoring performance and conduct*
- *Acting on concerns*

- **(if not previously answered)** How do you decide which collection method to use?

- Affordability and vulnerability
- Proportionality
- Minimum debt-levels
- Cost to council of the enforcement method and about of debt which they are able to recover through the method

- To what extent are you able to assess of the effectiveness and efficiency of the debt collection methods you use?

Prompts

- *Public education / provision of information*
- *Requests for payment*
- *Demands for payment*
- *Enforcement action (bailiff use, enforcement fees, court summons, imprisonment)*

Communications

Interviewer to guide the interviewee in thinking about the methods and processes the LA adopts to initiate, seek, maintain or re-establish communication with citizens about their council tax debt.

- How does the council make citizens aware of the ways in which they can and should make contact to discuss their council tax debt?
- When and how do you communicate with citizens about their council tax obligations?

Prompts

- *Requests for payment* (method/s)
- *Demands for payment* (method/s)
- *Enforcement action/s* (method/s)

- What channels do you offer to citizens to allow them to communicate with you regarding their council tax?

Prompts

- *Direct phone line or indirect*
- *Online, Email, post, other*

Advice

Interviewer to guide the interviewee in thinking about the relationships, resources and processes the council has in place to work with debt advice agencies.

- Do you take any steps to encourage citizens to seek advice about their council tax debt?

Prompts

- *From the local authority (e.g. direct helpline, complaints system)*
 - *From advice services (e.g. Citizen's Advice)*
 - *At what point?*
 - *How do you encourage them (signpost in letter? Phone call?)*
 - *Do you target any specific groups?*
- How would you describe your relationship/s with local money/debt advice services?
 - What works well?
 - What doesn't work so well?
 - How could relationships be improved?

Guidance, training and good practice

Interviewer to guide the interviewee in thinking about the training, resources and good practice the LA draws on to inform their current approach to council tax Debt recovery and what support or steps they may need to take in future to develop their approach.

- What training, guidance and good practice do you routinely draw on to inform/ develop your approach?

Prompts

- *Does the LA use a Code of Practice / Corporate Debt Policy?*
 - *Is LA use the Common Financial Statement (CFS) ?*
 - *Is LA aware of the MoJ guidance on the use of Enforcement Agents?*
- Are there any challenges for local authorities in applying training, guidance and good practice?

- Resources/ capacity
- Skills and training
- Policy and legislation

Prompts

- *Code of Practice / Corporate Debt Policy*
- *Common Financial Statement*

MoJ guidance on the use of Enforcement Agents

- What challenges do you perceive you will face regarding the effective collection of council tax debt in the future?

Prompt

- What support do you perceive you may need to address these challenges?
- What opportunities do you think there are for enhancing the collection of council tax debt in the future?

Prompt

- What support do you perceive you may need to achieve these?