



Supporting local authorities to achieve best practice in the collection of council tax arrears

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 @TDCDebtCharity  the-debt-counsellors

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Introduction

The Debt Counsellors Charitable Trust has commissioned research exploring local authorities' council tax collections practices to inform and promote best practice in this area.

The research comprised a review of existing evidence on council tax collection practices and a small number of interviews with local authorities and stakeholders in England and Wales.

The first section of this report presents the findings of the evidence review. The findings from the interviews with local authorities are presented in the second section of the report.

The research was conducted in March-July 2017 and has been updated to include evidence relating to the **'Taking Control'** campaign for bailiff reform, launched by MALG in 2017.¹

¹<http://malg.org.uk/malg-members-launch-joint-taking-control-campaign-for-bailiff-reform/>

Part 1

Review of existing evidence



Why is collection of council tax arrears important?

The collection of council tax arrears – and the experience of people who are in debt to their local council – is of particular importance for a number of reasons.

Levels of council tax arrears have grown rapidly

While levels of problem debt relating to consumer credit commitments peaked in 2009/10² and have subsequently been on the decline, the demand for debt advice relating to council tax arrears has rocketed, making this one of the fastest growing issue for debt advice agencies. Citizen's Advice reports 'unprecedented' levels of demand for advice on council tax arrears in 2014/15 with a 16% increase in enquiries on this issue compared with the previous year.³ Stepchange has seen an increase in clients with council tax arrears from 10% in 2010 to 28% in 2014, growing faster as a problem compared to payday loans, which have received considerable political and media attention.⁴ Likewise, 24% of callers to National Debtline in 2014 had council tax arrears compared with 14% in 2007.

2014/2015 SAW A 16% INCREASE IN ENQUIRIES ON COUNCIL TAX ARREARS COMPARED TO 2013

STEPCHANGE CLIENTS WITH COUNCIL TAX ARREARS ROSE FROM 10% IN 2010 TO 28% IN 2014

IN 2014, 24% OF CALLERS TO NATIONAL DEBTLINE HAD COUNCIL TAX ARREARS COMPARED WITH 14% IN 2007

Capron and Ayre (2015) found that more than one in 10 families have faced council tax debt reporting that, over the previous 3 years, the number of households falling behind with council tax had increased by 25%. More than half of the families they surveyed had received a demand notice for late payment of council tax in the previous two years. Among those currently in council tax debt, the average debt was £420.

Why these increases?

In part, the increase in council tax arrears is in line with a wider increase in debts relating to essential bills and money owed to government, generally, due to pressures on household income following the recession.⁵ ***In 2015/16 Citizen's Advice helped twice as many people with debts to Government than they did in 2005/6.***⁶ Indeed, £1 in every £5 owed by Citizen's Advice's complex debt clients was to Government, amounting to £121m out of £575m owed.

² Citizen's Advice (2016)

³ Citizen's Advice (2016)

⁴ Stepchange (2015)

⁵ Money Advice Trust (2015); Stepchange (2015) Citizen's Advice (2016)

⁶ Citizen's Advice (2016)

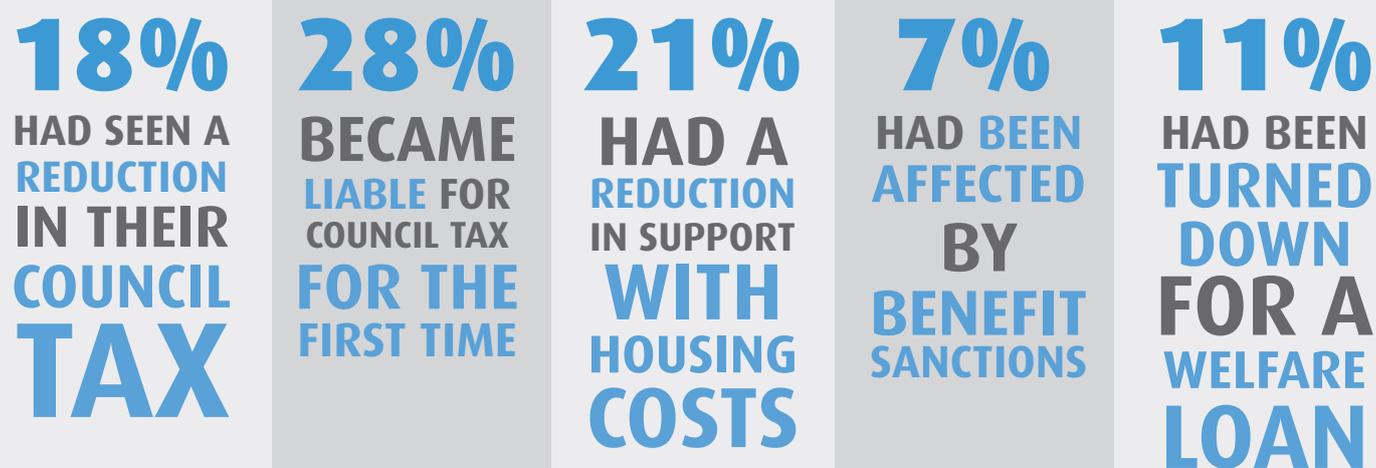
Against the broader economic context, however, the growth in council tax arrears has been directly attributed to the abolition of Council Tax Benefit and its replacement with a localised system of Council Tax Support.⁷ These changes saw a 10% reduction in the funding that had previously been provided by Central Government to local authorities to cover the costs of Council Tax Benefit. As a result, many low-income families – previously deemed ‘too poor’ to pay anything towards council tax – became liable to pay at least something towards it.⁸

Changes to welfare benefits

Other changes to welfare benefits, including cuts to Housing Benefit, the introduction of the benefits cap and changes to tax credit rules and rates – have further exacerbated affordability problems for low-income families across England and Wales.⁹

*More than three in ten families with council tax arrears surveyed by the Children’s Society had received some form of council tax support in the previous two years and almost two thirds (63%) had seen a reduction in the amount of support they received.*¹⁰

A third of these families said that changes to council tax support or other benefits was a key contributory factor to their council tax arrears. Similarly, Stepchange’s survey of clients affected by council tax arrears found that in the 12 months prior to falling behind with council tax:



Pressure on low-income families and local authorities is intensifying

The 2016 Independent Review of the Local Council Tax Support Scheme (LCTS)¹¹ notes that, overall, the impact of LCTS on collections rates have been lower than predicted by some stakeholders. It emphasises, however, that any decrease in rates are significant given that in *the years prior to changes to council tax support collections rates were increasing year on year*. The fall in collections rates in 2013/14 is, in fact, only the second time the rate has ever fallen. In addition, amounts of *council tax arrears, council tax debt write-offs and court costs all increased by more than 10% in 2014-15*, a change which the review notes is notably higher than changes in previous years.

⁷ Ollernshaw, OBE (2016)

⁸ Bushe, Kenway and Aldridge (2014); LGA (2014); Capron and Ayre (2015); MAT (2015); Stepchange (2015); Citizen’s Advice (2016)

⁹ LGA (2015)

¹⁰ Capron and Ayre (2015)

¹¹ Ollernshaw, OBE (2016)

Regional differences?

Overall collections rates disguise significant differences between authorities, with some seeing much larger decreases.

Other commentators have noted that lowest rates tend to be in Metropolitan areas,¹² with collection rates in London ranging from 98% in Sutton, to 70.8% in Bromley.¹³

Further, the review found that collection rates among LCTS claimants were significantly lower than overall collection rates. Z2L and CPAG found that in London, alone, the level of arrears among claimants of Council Tax Support increased from 60,000 in 2013/14 to almost 123,000 in 2014/15, amounting to £29.3m in outstanding council tax – around 10% of council tax support claimants total liability for that year.¹⁴ Peters (2015) believes that this indicates that *even a minimum payment is beyond the means of many low-income households*.

COUNCIL TAX ARREARS
ROSE FROM 60,000 IN 2013/14 TO ALMOST 123,000 IN 2014/15,
EQUATING TO **£29.3M** IN OUTSTANDING COUNCIL TAX 

Local authorities also reported to the Review that collecting arrears from LCTS claimants is more difficult, costly and time-consuming. Southampton City Council, for example, is cited in the report as sending 3,800 more letters per month since April 2013. This is a particular issue for District Councils, which are responsible for collecting council tax but retain a relatively small percentage of it.

While collections rates in 2014/15 were higher than in 2013/14, the review highlights that in three quarters of local authorities collection rates remain below pre-LCTS levels. This compares with the situation in Wales – which did not introduce minimum payments for council tax – where the 2013/14 collections rate rose to its highest level since the introduction of council tax. The Independent Review confirms other research¹⁵ that indicates a correlation between collection rates and the level of minimum payments. A comparison DCLG collection rates with NPI data on minimum payments in 2013/14 conducted for the review found that:

- every one of the 41 authorities that set their minimum payment above 20% saw their collection rate drop; while
- 52 of the 59 councils where collections rates were unaffected had set minimum payments between 0% and 8.5%.

The New Policy Institute notes that 94% of councils that replicated the old CTB system post-2013 saw no change in council tax collection rates compared with 69% of those that introduced a minimum payment.¹⁶ The review, along with other commentators,¹⁷ also notes a steady and continuing trend of local authorities introducing and increasing minimum payments. The LGA has highlighted that, by 2014/15, only 45 of 326 councils in England continued to provide the same level of discount that was available under Council Tax Benefit, representing 13 fewer councils than in 2013/14.¹⁸

¹² Bushe (2014b)

¹³ Ashton et al (2015)

¹⁴ Ashton et al (2015)

¹⁵ LGA (2014); Bushe, Kenway and Aldridge (2014); Bushe (2014a); Bushe (2014b); Ashton et al (2015)

¹⁶ NPI (2014)

¹⁷ Bushe, Kenway and Aldridge (2014); Ashton et al (2015)

¹⁸ LGA (2014)

Why is collection of council tax arrears important?

In London, 24 out of 33 boroughs had introduced minimum payments for council tax by 2014/15 and four boroughs increased the level of minimum payment.¹⁹

Bushe (2014a) has illustrated the regressive impact of ongoing changes to Council Tax Support schemes, estimating that around **650,000 families would effectively pay, on average, £60 more in council tax in 2014/15**. By contrast, the average council tax payer will see an increase of just £12 in that year. Bushe, Kenway and Aldridge (2014) note that, while council tax payers, in general, are protected by a requirement for councils to hold a referendum if they wish to increase council tax rates by more than 2%, no such protection exists for low-income families facing increases in their council tax payments due to reductions in CTS.

Data collected for the Independent Review indicates that councils that increased their minimum payment in the second year of the LCTS tended to see collection rates fall. This is also confirmed by other research. In the four London Boroughs that increased their minimum payment in 2014/15, the number of households issued with a court summons has more than doubled and referrals to bailiffs have increased by around 50%.²⁰ In Bromley, which increased its minimum payment from 10% to 20% in 2014/15 the collection rate dropped 16.2 percentage points, from 87% in 2013/14 to 70.8% in 2014/15.²¹



Finally, the review highlighted a worrying trend of arrears building up from previous years for a 'significant proportion' of LCTS recipients.

In (2015), the Local Government Association (LGA), which represents councils in England, noted a £1bn shortfall between the cost of maintaining the pre-2013 system of Council Tax Benefit and the funding that is available to local authorities in England, for council tax support in 2015/16.²² As a result, 2.3m low-income households in England will pay more council tax than they did under Council Tax Benefit. Of these, 1.3m will pay at least £150 more per year, ranging from £140 in the **North East** and £142 in **Inner London**, to £191 in the **South West** and £181 in **Yorkshire and Humber**.²³

A number of commentators note that a combination of ongoing financial pressure, limited scope for further efficiency savings and being unable to raise council tax rates beyond 2% without a referendum, it is likely that councils will have little option but to keep reducing levels of CTS.²⁴ The LGA has also concluded that most councils had limited scope for further improving collection rates, having implemented a range of measures prior to the introduction of Council Tax Support.



¹⁹ Ashton et al (2015)

²⁰ Ashton et al (2015)

²¹ ibid

²² LGA (2015)

²³ JRF (2015)

²⁴ Bushe (2014a); Bushe, Kenway and Aldridge (2014)

“*...councils have for some time worked hard on improving their collection rate and perhaps did not have much scope to improve them further after the localisation of council tax support.*” (LGA; 2015; P10) ”

This raises questions, therefore, about the sustainability of the current system.

A policy premised on an ever-expanding mountain of arrears is not sustainable, so central government must now set a clearer direction to stabilize the system. (Peters; 2015)

People with council tax arrears are often very vulnerable

Research highlights the vulnerability of people who have fallen behind with council tax.

Stepchange’s survey of clients affected by council tax arrears noted²⁴ that those affected were more likely to be families with children; women; single parent families; and more likely to rent privately; and to work part-time. They refer to this group as ‘the new insecure’. Capron and Ayre note that 1.6m children were living in households affected by council tax debt in 2015.²⁶



The new insecure

Half of families with council tax debt attribute this to a change in their employment situation or earnings.²⁷ Many Stepchange clients with council tax arrears had also been facing adverse circumstances at the time they fell behind – including experiencing stress or mental ill-health; physical illness or disability; recent bereavement; or caring for an adult friend or relative.²⁸

In addition to the personal characteristics and circumstances of people affected by council tax debt, debt advice charities recognise that arrears with priority debts and essential household bills are usually indicative of serious financial difficulties.

“*If people are behind on their essential bills, it is a sign that – without help – they simply cannot afford to meet their most basic costs*” (SC; 2015; p2) ”



Among a sample of complex debt cases presented to Citizen’s Advice Bureau, **those with council tax arrears had monthly household incomes less than half the UK average, just £960 on average.**²⁹ Stepchange also found that clients with council tax debt faced significantly higher outgoings than other clients - £1,328 pcm compared with £1,144pcm among clients who were not in arrears with council tax. Clients with council tax arrears were, on average, £74 pcm short of being able to meet the full cost of their essential bills while other clients had an average of £102 pcm left after they had paid all their essential bills.

²⁵ Stepchange (2015)

²⁶ Capron and Ayre (2015)

²⁷ Capron and Ayre (2015)

²⁸ Stepchange (2015)

²⁹ Citizen’s Advice (2016)

Bushe, Kenway and Aldridge (2014) estimated that, of the 2.34m households affected by the changes to council tax support in 2013/14

- 1.5m were in poverty (measured after housing costs); and
- 1.8m were living in workless households, relying entirely on income from means-tested benefits (the value of which fell in real terms in 2013/14).

Not surprisingly, then, Stepchange also found that people in arrears with council tax were significantly more likely to be behind with other bills. In fact, they were three times as likely as other clients to be behind with gas and electricity bills and four times as likely to be behind with rent and water bills.³⁰ People with council tax arrears also report struggling to keep up with credit commitments:

What is best practice in the collection of council tax arrears?

A number of documents outline what is considered to be best practice in the collection of council tax arrears.

Although these documents take the form of guidance, rather than binding rules, stakeholders believe that they set a clear direction for local authorities to follow.³¹ It is evident, though, from the recommendations made following key recent pieces of research on this topic, that many stakeholders view existing best practice principles very much as minimum standards, and would like to see local authorities doing much more to support people in financial difficulty to repay, and recover from, council tax debt.

Existing guidance on best practice

The most comprehensive assessment and comparison of existing best practice documents is provided by Stepchange (2015) – see Figure 1.

Figure 1 – Existing best practice protocols for the collection of council tax arrears

Source	Guidance
DCLG guidance for local councils (2013)	<ul style="list-style-type: none"> ■ discourages overuse of bailiffs ■ encourages taking personal circumstances into account ■ requires local authorities to exhaust other options before taking legal action ■ requires local authorities to take ultimate responsibility for actions of bailiffs
MoJ National Standards for Taking Control of Goods (April 2014)	<p>Sets out considerations for councils as creditors to ensure:</p> <ul style="list-style-type: none"> ■ use of bailiffs proportionate and measured ■ detailed guidance for responsible conduct for enforcement agents visiting debtors at home
Local Government Association/ Citizen's Advice - Council Tax Arrears - good practice protocol (2013)	<p>Sets out good practice in:</p> <ul style="list-style-type: none"> ■ ensuring partnership activities between local authorities and advice agencies ■ giving information to debtors about advice services ■ taking steps to prevent cases going for bailiff enforcement
LG Ombudsman – recommendations to councils using bailiffs to collect c/tax debts	<ul style="list-style-type: none"> ■ encourages caution when dealing with potentially vulnerable debtors

³⁰ Stepchange (2015)

³¹ MAT (2015); Stepchange (2015); Citizens Advice (2016)

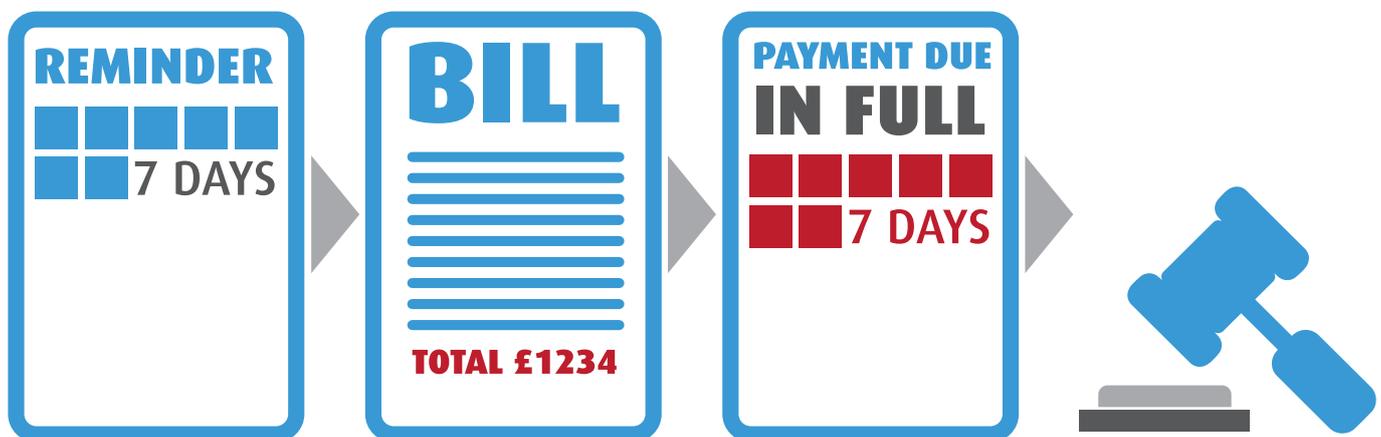
(Source: Stepchange 2015)

Commentators note in particular, the requirement in DCLG guidance for local authorities to be proportionate, take all possible steps to resolve arrears cases before they start enforcement action and consider carefully the potential impact of enforcement on vulnerable debtors.³²

What do we know about local authorities' council tax collections practices?

Unlike commercial creditors, local authorities cannot add interest or penalty charges to council arrears. They do, however, have at their disposal a range of formal enforcement actions which commentators note can have a significant impact on whether or not a debtor's circumstances stabilise or deteriorate.³³

If a resident fails to pay an installment of council tax, the local authority issues a reminder asking for the payment to be made within seven days. If payment is not made within this timescale, the resident then loses the right to pay by installment, and may be required pay the full annual amount. If this amount is not paid within seven days, the local authority can then apply to the Magistrates Court for a liability order – a court order stating that an amount is owed but remains unpaid.



If the arrears remain unpaid, the local authority can initiate a range of enforcement actions including:

- passing the debt to bailiffs
- making deductions from earnings or state benefits
- taking out a charging order to secure the debt against a property owned by the debtor;
- starting bankruptcy proceedings;
- imprisonment of the debtor.

Any costs or charges that local authorities incur in pursuing these formal options are passed on to debtors, increasing their liability.

³² Money Advice Trust (2015) Stepchange (2015); Citizen's Advice (2016)

³³ Capron and Ayre (2015); MAT (2015); Stepchange (2015);

Within this formal process, however, there can be wide variation in local authorities' practice when it comes to recovering council tax arrears, with some noted to be more aggressive and punitive than others.³⁴ Some local authorities may work with debtors, or refer them for debt advice, before they initiate formal proceedings. The length of time a local authority waits before initiating formal proceedings, and the length of elapsed time in between the various stages, can also vary. Some local authorities use more than one type of enforcement action concurrently, and most rely more heavily on one or two of the formal options available.³⁵

So what do we know about how local authorities approach the collection of council tax arrears?

Local authorities are out of step with creditors from regulated industries

Several commentators note that, along with other government creditors, local authorities' debt recovery practices are far less closely prescribed and monitored than is the case with creditors from regulated industries such as financial services and the utilities.

It is clear that the regulated industries lead the way in terms of rules and guidance governing their debt collection. (Citizen's Advice, 2016; p12)

While the Department for Communities and Local Government has issued fairly comprehensive guidance on how local authorities should collect council tax this guidance does not have the status as the rules issued by regulators and there is evidence that this guidance is being contravened. A key difference remarked on by commentators between local authorities' debt collection practices and those of regulated industries is **that local authorities frequently lack a consistent and informed approach to assessing affordability in setting repayment levels.**³⁶

While Citizen's Advice survey of its debt advisors' experience of dealing with different creditors found that local authorities' council tax departments were better than many other creditors they, nevertheless, acknowledge that there remains 'some way to go' to get council tax collections practices in line with best practice across the country.³⁷

Some local authorities are not adhering to existing best practice guidelines

A number of commentators note evidence that local authorities are not adhering to existing guidance on best practice for the collection of council tax arrears.³⁸ Citizen's Advice asked its advisors how frequently they encountered local authorities that were following the key elements of the DCLG guidance. They found that:

- just half (**51%**) said that their local authority council tax collections department referred clients to the debt agency for help;
- fewer than half (**46%**) said their local authority council tax collections department engages with the advice agency to improve debt collection processes;
- just over a third (**36%**) said their local authority council tax collection department worked with local free debt advice providers locally to develop protocols to help the council understand and support vulnerable people with council tax debts;

³⁴ Capron and Ayre (2015); MAT (2015); Stepchange (2015); Citizens Advice (2016);

³⁵ Money Advice Trust (2015)

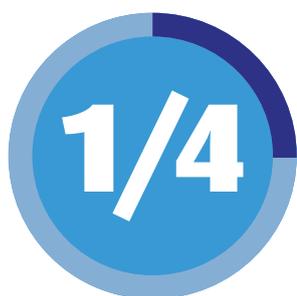
³⁶ Money Advice Trust (2015); Stepchange (2015); Citizen's Advice (2016)

³⁷ Stepchange (2015)

³⁸ MAT (2015); Stepchange (2015); Citizen's Advice (2016)

- a similar proportion (**35%**) said their local authority council tax collections department actively promoted debt advice to residents;
- only one in five (**19%**) said that their local authority had a single debt collection policy where council tax and other council debts are collected using a joined-up approach.

MAT and the Children's Society³⁹ questioned whether local authorities were complying with the DCLG guidance that they should exhaust all other options before resorting to enforcement action. Similarly, they had encountered cases where local authorities were refusing to negotiate with debtors once the case had been passed to an enforcement agency, even though the DCLG guidance indicates that local authorities should remain ultimately responsible for debts, being prepared to negotiate with debtors at any point and willing to halt bailiff action after it has been initiated. In fact, a quarter of parents who took part in The Children's Society research said that their council refused to negotiate with them after the debt had been referred.



...A QUARTER OF PARENTS

WHO TOOK PART IN THE CHILDREN'S SOCIETY RESEARCH SAID THAT THEIR COUNCIL **REFUSED TO NEGOTIATE** WITH THEM AFTER THE DEBT HAD BEEN REFERRED.

Local authorities can be 'unhelpful' to both debtors and debt advisors

A number of organisations who are involved in supporting people with council tax arrears note that local authorities can be 'unhelpful' and 'unsupportive' in their dealings with people in arrears and with debt advisors who are helping them.⁴⁰

Research undertaken by Stepchange and the Children's Society⁴¹ found that **32% of parents struggling with finances said their council was 'not helpful at all'** compared with an average for consumer creditors of 28% and 20% for mortgage lenders. Subsequent research by The Children's Society found that local authorities ranked lower than all other creditors, including payday lenders, in terms of their helpfulness when discussing debts.

IN THIS RESEARCH...

85% OF PARENTS WHO HAD BEEN IN **COUNCIL TAX ARREARS** HAD RECEIVED A LETTER DEMANDING PAYMENT, WITH **ONE IN FIVE** DESCRIBING THE TONE OF THE LETTER AS **'AGGRESSIVE' AND NEARLY HALF AS 'INTIMIDATING'**



³⁹ Capron and Ayre (2015); MAT (2015)

⁴⁰ Stepchange and the Children's Society (2014); Stepchange (2015); The Children's Society (2015) Citizen's Advice (2016)

⁴¹ Stepchange and the Children's Society (2014)

Despite coming 2nd in a league table of best practice, rated by Citizen's Advice advisors,⁴² the same research found that:

- where council tax debts are disputed or challenged, advisors can only rely on council tax collections departments to be co-operative about half the time - 50% of advisors said they could rely on co-operation in these circumstances only sometimes, rarely or never;
- council tax collections staff can be relied on to set repayments at levels that clients can afford to pay less than 40% of the time, placing them 5th in a league table behind water companies, social landlords, private debt collectors and high street banks;
- council tax collections departments were rated by advisors as 'almost always' allowing debtors 'breathing space' less than 50% of the time;
- fewer than half of advisors reported that their council was willing to work with local advice agencies;
- only just over a third of advisors said that their local authority had followed the DCLG recommendation to work with advice agencies to draw up protocols for working with vulnerable people with council tax arrears;
- only a third of advisors reported that their local authority actively promoted debt advice to people with council tax arrears.

Similarly, the Children's Society found that just ***one in ten parents with council tax debt said they had been signposted to independent debt advice*** by their local council and three quarters said they did not receive any advice at all.

Research also indicates that local authorities are poor at engaging with people with council tax arrears. Four in ten families with council tax debt who took part in The Children's Society research said that they found communication from their local authority about the debt 'confusing' and 'unclear'. While Stepchange⁴³ found that although 86% of their clients with council tax arrears got in touch with their local authority about the debt (26% contacted the local authority proactively before they had even received a letter about their arrears) they found that the local authority took a 'threatening approach', with ***65% of those who made contact with their local authority still receiving a tough demand or threat of enforcement action.***

Citizen's Advice research also highlights a lack of communication and consistency within local authorities that contributes to the problems faced by people struggling to pay their council tax.⁴¹

In the 12 months prior to the research:

- **89%** of advisors reported experience of dealing with council tax debts that were caused or made worse by delays in processing a claim for Council Tax Support or benefit;
- **75%** of advisors reported debts being passed to bailiffs, and incurring costs, which could have been cleared by an outstanding claim for benefits, Council Tax Support or a reduction of Council Tax;

⁴² Citizen's Advice (2016)

⁴³ Stepchange (2015)

⁴⁴ Citizen's Advice (2016)

- **63%** of advisors reported that local authorities were slow to respond to advisors or clients when they tried to make contact;
- **87%** of advisors had seen council tax debts passed to bailiffs that could have been dealt with by attachment of an existing benefit claim that the council should have been aware of;
- **74%** of advisors reported that an important issue relating to the debt or debtor, which another department of the council was aware of, had not been taken into account in the council tax collections process.

Citizen's Advice advisors also reported that they often struggled to set affordable payments with enforcement agents who were poorly instructed and under-supervised, and that they frequently encountered aggressive and unfair behaviour by private enforcement agents working for local authorities.

These unhelpful practices are exacerbating the nature and scale of council tax debt

A number of specific practices are identified as directly contributing to the difficulties faced by debtors and reducing their likelihood of regaining control over their finances.⁴⁵ These include:

- **Requiring full repayment of arrears within the financial year/ billing period.**
- Issuing demands for the **full annual payment** (removing the debtor's right to make monthly payments) just 7 days after the first reminder has been sent, following a missed payment.
- Adding court costs and bailiffs fees to the debt. Stepchange notes that enforcement fees are high, amounting to **£75 for a letter about bailiff action; £235 for a bailiff visit; £110 for goods to be sold.**⁴⁶ In 2014/15, court costs added £8.5m to the amounts owed by Council Tax Support claimants in London.⁴⁷ In Wales, by contrast, court costs are capped at £70.
- Not giving debtors the opportunity to negotiate an affordable repayment plan. Families find negotiating affordable repayment plan with council extremely difficult with nearly half of families saying they found it challenging to negotiate or were unable to negotiate at all.



Some local authorities' practice is particularly aggressive and punitive

There is evidence of wide variation in practice between local authorities, with some noted to be especially aggressive and punitive in their recovery of council tax arrears.⁴⁸

“*“It concerns us that for many people their local council is the organisation that will be the most aggressive in chasing them if they fall into financial difficulty”.* (Money Advice Trust: 2015: p3) ”

⁴⁵ MAT (2015); Capron and Ayre (2015)

⁴⁶ Stepchange (2015)

⁴⁷ Ashton et al (2015)

⁴⁸ MAT (2015); Stepchange (2015)

There is also worrying evidence that more aggressive approaches to council tax collection are on the increase. The Money Advice Trust notes that, despite its calls in 2013 for councils to reduce their use of bailiffs, referrals to bailiffs for non-payment of council tax arrears have actually increased.⁴⁹ The Children's Society and Stepchange also flag concern about high and/or increasing use of bailiffs to collect council tax arrears.⁵⁰

The figures disguise quite significant variation in the extent to which local authorities use bailiffs to collect council tax debts, and in changes to this over time. The Money Advice Trust collected data from 292 lower tier authorities, responsible for collecting council tax,⁵¹ and found that in the two financial years prior to their research **more than half (54%), had increased their use of bailiffs**, while 45% had reduced bailiff-use. Moreover, the number of bailiff referrals among councils who had increased their use of them rose by 52%, compared with a drop of just 29% in referrals by councils who had reduced their use of bailiffs. The extent of bailiff use to collect council tax arrears was found to vary from fewer than 10 cases in Pembrokeshire and Gosport to **as many as 47,346 at Birmingham City Council**.

In addition, The Children's Society⁵² found that court summons for unpaid council tax increased by a third between 2012/13 and 2013/14, while the number of deductions from benefit orders increased by more than 50% between 2011/12 and 2013/14.

IN 2013/14 MORE THAN

**3,500 COMMITTALS
TO PRISON**

PROCEEDINGS WERE INITIATED IN RELATION
TO UNPAID COUNCIL TAX BILLS



The Money Advice Trust notes the potentially worrying trend of some local authorities taking some or all enforcement services in-house.⁵³ They note that while this offers opportunities for authorities to take a more holistic approach to debt recovery and ensure that enforcement action complies with best practice, there is also a risk that the opportunity for income generation that this presents will create disincentives for local authorities to work constructively with people in debt.

Local authorities frequently do not recognise and respond to vulnerable consumers

Several commentators raised concerns about the absence of strategies within local authorities to support vulnerable residents who are in arrears with council tax. Existing research raises questions about the extent to which council tax collections departments take account of debtors' wider situations and circumstances as part of their process.⁵⁴ Stepchange, in particular, notes that in addition to worsening the circumstances of vulnerable consumers by failing to recognise their needs, these consumers are likely to be disproportionately impacted by enforcement action and less likely to challenge poor practice in this area.⁵⁵

⁴⁹ MAT (2015)

⁵⁰ Capron and Ayre (2015); Stepchange (2015)

⁵¹ Money Advice Trust (2015)

⁵² Capron and Ayre (2015)

⁵³ Money Advice Trust (2015)

⁵⁴ Capron and Ayre (2015) Money Advice Trust (2015); Stepchange (2015)

⁵⁵ Stepchange (2015)

Bailiffs are still not complying to regulations designed to protect vulnerable consumers

The readiness of local authorities to escalate to bailiff action has been the subject of concern by debt advisors for several years.⁵⁶ This concern is compounded by debt advice charities' concerns that, despite the Ministry of Justice's recent revision to bailiff law to introduce a clearer and more closely prescribed process for taking control of goods, and guidance issued to councils and enforcement agents, people with council tax arrears are still subjected to aggressive bailiff action.⁵⁷

THE READINESS OF LOCAL AUTHORITIES TO

ESCALATE TO BAILIFF ACTION

HAS BEEN THE **SUBJECT OF CONCERN** BY DEBT ADVISORS FOR SEVERAL YEARS.

The Money Advice Trust⁵⁸ noted frequent complaints about bailiff action to the Local Government Ombudsman in 2013 and highlighted in their own research continuing evidence of bailiffs:

- refusing to accept offers of payment;
- using threatening behaviour;
- not applying fees appropriately or proportionately;
- seizing goods inappropriately;
- not adhering to correct rights of entry;
- failing to treat vulnerable clients appropriately.



Stepchange⁵⁹ also documented a number of specific contraventions of the MOJ guidance among their sample of clients with council tax arrears, including:

- 12% of cases where bailiffs visited the home outside the 'reasonable hours' of 6am to 9pm;
- 17% of cases where bailiffs continued action despite clients agreeing a repayment plan;
- 3% of cases where bailiffs entered the home when only children were at home;
- 5% of cases where people said that enforcement agents contacted their friends and family about their debts

As a result, in March 2017, the Money Advice Liaison Group launched the Taking Control Campaign, including a report detailing evidence that the 2014 Taking Control of Goods reforms to bailiff law in England and Wales – designed to protect people from unfair practices – have had only limited success.⁶⁰ Clients to debt advice agencies continue to report bailiffs – now known as enforcement agents – failing to comply with the regulations. MALG also highlights evidence that the new fee structure introduced in the reforms have created additional problems by incentivising bailiffs to escalate to enforcement action.

⁵⁶ Money Advice Trust (2015); Capron and Ayre (2015); Stepchange (2015)

⁵⁷ Capron and Ayre (2015); MAT (2015); Stepchange (2015);

⁵⁸ Money Advice Trust (2015)

⁵⁹ Stepchange (2015)

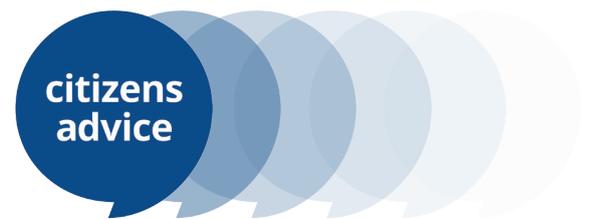
⁶⁰ Money Advice Liaison Group (MALG) 2014

Continuing problems identified by MALG include:

- not accepting offers of payment;
- using threatening behaviour;
- not applying fees appropriately or proportionately;
- seizing goods inappropriately;
- failing to adhere to the correct rights of entry;
- failure to treat vulnerable clients appropriately.

These findings have particular significance for people in arrears with council tax. Of 82,000 people helped by Citizen's Advice Bureau who received help in relation to bailiff action, 57,000 of these related to council tax arrears. A key issue is the difficulty that people and debt advisors experience in trying to suspend enforcement action once it has been initiated, even when mistakes have been made in calculating the amounts owed or the person responsible for the debt. Again, this is identified as a particular problem in relation to council tax arrears, even when an affordable repayment plan has been agreed. *Where enforcement action cannot be halted, resulting in additional bailiffs fees being added to the outstanding debt, financial problems can be made considerably worse.*

**CITIZEN'S ADVICE DEALT WITH
57,000 CASES OF
COUNCIL TAX ARREARS**



MALG argues that the impact of bailiffs fees on people in financial difficulties has actually increased since the 2014 regulations were introduced, because of a new fee structure that incentivises bailiffs to escalate to enforcement action. They report that a small council tax debt can now have up to £420 or more in bailiffs fees added within just a few months.

In addition, the Taking Control campaign highlights the lack of an effective complaints system in relation to bailiffs. There is currently no single complaints process nor an independent complaints body. As a result, people must negotiate a plethora of different complaints mechanisms, depending on their situation and the type of bailiff they are complaining about. Debt advice agencies report widespread client experience of bailiff complaints processes that are inaccessible, complex and sometimes costly, with no guarantee of an objective hearing or appropriate redress.

What is the impact of poor practice in the collection of council tax arrears?

A growing body of evidence indicates that aggressive and inflexible collections practices by local authorities impact on people in debt not just financially but in other ways too.

Stepchange notes serious longterm negative consequences on families' finances and wider well-being, as well as an increase in reliance on other support services.⁶¹ Several commentators report people falling more deeply into debt, as a direct result of local authorities collection practices, as they seek to borrow funds to clear their arrears (and any charges applied by enforcement agents) and/or falling behind on other essential bills.⁶² ***Almost one in ten Citizen's Advice debt clients had taken out a payday loan to try and clear their council tax arrears.***⁶³

“ ***.. the enforcement action may result in the council collecting their arrears sooner rather than later, but worsens their residents' financial problems, pushing people into a 'debt trap' that is harder for them to bounce back from***”
(Stepchange; 2015; p11) ”

Agreeing an affordable repayment plan, predictably, has a huge impact on client outcomes, protecting people from further, damaging enforcement action. People who face a tough demand or threat of legal action were more likely to agree to a repayment plan they could not afford, while ***those had experienced a more supportive approach were three times as likely to agree an affordable repayment plan.***⁶⁴

Advice agencies recognise that while tough approaches to enforcement can often prompt people to seek debt advice, there is often less that advisors can do to alleviate the situation once the debt has been passed to enforcement agents.⁶⁵ As well as its financial impact, problem debt results in ***relationship problems, physical health problems, stress, depression and anxiety.***⁶⁶ Ongoing, unresolved debt problems also make it harder to work, apply for new jobs and get finances back on a sustainable footing.⁶⁷ The emotional impact of tough enforcement action to collect council tax arrears affects not just the debtors but their whole family – including children. Capron and Ayre found that when bailiffs visited the homes of people with council tax arrears, children were often present.⁶⁸ A third of parents interviewed by Capron and Ayre said that the enforcement agency was inconsiderate to the fact that children were in the house. The same research found that children who have been visited by a bailiff are over three times as likely to hold back from asking their family for things because they worry they would struggle to afford them.

Critically, Stepchange also notes that problem debt has a significant adverse impact on the wider economy. In a 2014 report, Stepchange estimated ***the cost to the wider economy, through knock-on effects on individuals and families and additional demand for services from local and national government, at £8.3bn.***⁶⁹

⁶¹ Stepchange (2015)

⁶² Stepchange (2015); Capron and Ayre (2015); Citizen's Advice (2016)

⁶³ Citizen's Advice (2016)

⁶⁴ Stepchange (2015)

⁶⁵ Stepchange (2015)

⁶⁶ Citizen's Advice (2014); Stepchange (2015); Capron and Ayre (2015)

⁶⁷ Stepchange (2015)

⁶⁸ Capron and Ayre (2015)

⁶⁹ Stepchange (2014)

What are the known barriers to use of best practice in collection of council tax arrears?

It is widely agreed that local authorities lack the incentive to employ best practice in their collection of council tax arrears due to the absence of binding guidance and proactive supervision of local authority practice.⁷⁰

Nevertheless, there is also widespread acknowledgement that local authorities are facing extreme political and financial pressures which push them towards 'short-term, narrow pursuit of revenue regardless of the wider impact on individuals...'⁷¹

THE HIDDEN REDUCTION IN FUNDING TO LOCAL AUTHORITIES IN ENGLAND IS **£1BILLION BY 2015/16**

Local authorities have seen a significant drop in revenues and financial support from Central Government, with a further drop in revenues projected⁷² alongside a projected increase in demand for social care services, in particular. The Local Government Association has *estimated the 'hidden reduction' in funding to local authorities in England at £1bn by 2015/16*,⁷³ with core funding from central government reduced by 40% since 2010.⁷⁴

As a result, council tax revenues are increasingly becoming critical to safeguard local service provision. Citizen's Advice notes that the *Local Government Association expects council tax to make up 55% of local authority funding in England by 2019/20* (excluding public health), and increase from 42% in 2010/11.⁷⁵ It is estimated that more than half of what people pay in council tax will soon be spent on caring or vulnerable children and adults.⁷⁶ Despite this, the LGA has warned that council tax rises to pay for social care in 2016/17 will not bring in sufficient money to alleviate the growing pressure on services for the elderly and disabled, indicating that *pressure on councils to increase both council tax levels and collection rates is likely to intensify*.⁷⁷

At the same time, however, local authorities are under pressure from central government not to increase council tax rates (they are not allowed to increase rates by more than 2% without holding a referendum) and to collect all council tax 'in-year'.⁷⁸ In fact, council tax collection reporting mechanisms incentivise councils to pursue collection of council tax regardless of the impact on debtors, with councils 'named and shamed' by Central Government based on their 'in-year' collection rates.⁷⁹

⁷⁰ Capron and Ayre (2015); Money Advice Trust (2015); Stepchange (2015); Citizen's Advice (2016)

⁷¹ Stepchange (2015) Ashton et al (2015)

⁷² Local Government Association (2014); Stepchange (2015); Citizen's Advice (2016)

⁷³ Local Government Association (2014)

⁷⁴ Local Government Association (2015b)

⁷⁵ Citizen's Advice (2016)

⁷⁶ Local Government Association (2015b)

⁷⁷ Local Government Association media release 23/2/2016

⁷⁸ Audit Commission (2014)

⁷⁹ Stepchange (2015)

As noted earlier in this report, increases in council tax arrears are directly attributed to these funding pressures and, in particular, the replacement of Council Tax Benefit with Council Tax support. The Local Government Association, alongside other commentators, has noted a clear relationship between declining council tax collection rates and the size of the minimum payments that households are asked to pay.⁸⁰ Noting the regressive nature of council tax once the 'safety net' of Council Tax Benefit was removed, the LGA fears an ongoing increase in levels of arrears as low-income families are asked to pay more towards council tax.

...the gulf between the money government gives councils to fund these [Council Tax Support] schemes and the cost of protecting discounts for those who previously qualified for council tax benefit is getting bigger every year. Local Authorities would need to have found an additional £1bn to keep discounts as they were under Council Tax Benefit in the three years since it was scrapped. (Local Government Association media release 6/1/15)

In this context, the pressure on local authorities to use enforcement action to collect council tax in order to protect essential local services is immense.⁸¹

⁸⁰ Bushe (2014a); Local Government Association (2014)

⁸¹ Barry-Born, Bushe and Macinnes (2015)

What would debt advisors like to see?

There is wide consensus among commentators on what local authorities should be doing to better support people in financial difficulty and bring council tax collections activities in line with approaches to debt recovery in other sectors.⁸² The key components of this approach are:

- a business case that underpins the approach to recovery of council tax arrears and use of enforcement action
- a commitment to alternatives to enforcement action
 - strategic and appropriate use of alternatives to enforcement where these increase the debtors likelihood of making sustainable repayments
 - use of enforcement as a last resort.
- clear, constructive and professional communication with debtors
 - straightforward access to someone debtors or their advisor can talk to about their debt
 - prompt response to communication from debtors or their advisor
 - polite and respectful to debtors at all times
- an affordable, flexible and sustainable approach to debt recovery
 - based on an objective calculation of affordability using the CFS
 - taking account of the debtor's wider financial situation and personal circumstances
 - valuing small but steady repayment over a longer time period.
- a proportionate approach to fees and charges
- proactive signposting to debt advice services and constructive working relationships with debt advisors
- breathing space during which charges and enforcement action are put on hold for debtors to allow them to seek and respond to debt advice
- continued responsibility for debts that have been placed with enforcement agents
 - responsive to contact by debtors and advisors
 - willing to engage with debtors advisors during the enforcement process
 - willing to halt enforcement action
 - proactive commissioning and contract management to ensure enforcement agents comply with local authorities' best practice protocols
- co-operative and responsive when debts are challenged
 - charges and enforcement action put on hold while disputes are resolved
- comprehensive corporate debt strategies that link council tax collections activities with other local authority collections and with benefit processing
- effective strategies to identify and support vulnerable debtors
 - including households containing dependent children or vulnerable adults; people in receipt of CTS; and care-leavers
 - application of the Debt and Mental Health Guidelines
 - restriction of enforcement action and, in particular, use of bailiffs
- listening to and learning from
 - residents and debtors
 - stakeholders and debt advisors
 - other sectors.

⁸² Capron and Ayre (2015) Money Advice Trust (2015); Stepchange (2015); Citizen's Advice (2016)

The business case for using best practice in debt collection and recovery

Despite the huge financial and political pressure that local authorities are under to take a rigorous approach to in-year collection of council tax, there is a growing business case that supports a more holistic, debtor-focussed approach to debt recovery aimed at promoting financial rehabilitation.

It is widely evidenced that the actions of creditors have a significant bearing on debtors' likelihood of resolving their financial situation. Stepchange notes from research with its clients that when people get the right help and support, they have a much greater chance of getting back to financial stability while, unsurprisingly, when creditors refuse to halt enforcement action or continue to add charges and interest, debt problems worsen.⁸³ Of their clients, **61% who continued to face enforcement action borrowed money as a result, pushing them deeper into debt.**⁸⁴

Analysis commissioned by Stepchange from Baker Tilly⁸⁵ confirmed that a steady, proportionate and sustainable approach to debt repayment yields a higher recovery rate for creditors. This same analysis calculated that **the Stepchange approach to debt management resulted in £175m of savings for creditors** across 235,790 clients over a 12 month period.

This economic rationale for a more debtor-focussed approach to debt recovery is increasingly being recognised by a range of commercial and non-commercial creditors, who have transformed their approach to debt recovery to focus on realistic assessments of affordability, repayment plans that are sustainable over the longer-term, and a constructive, supportive attitude that aims to support debtors' financial rehabilitation.⁸⁶ Not only have they found this to increase the amount of debt they recover, but to enable them to retain customers in financial difficulty as customers in the longer-term. Water companies, in particular, were incentivised to scrutinise their approach to debt recovery when they lost the ultimate sanction of disconnection of indebted customers. In the context of trying to recover arrears while still maintaining a constructive relationship with customers resulted in significant innovation in this sector. This has been followed, to a greater or lesser extent, by the utilities and the financial services following pressure from the industry regulators.



Evidence indicates that the same principles apply to the recovery of council tax arrears. Overall, Stepchange notes that, despite pressure from central government, **council tax collection rates actually fell 0.4% in 2013/14, only the 2nd fall in 20 years**, suggesting that a tough approach to debt recovery is not effective at increasing overall collection rates.⁸⁷ The Money Advice Trust also notes no correlation between higher bailiff use and collection rates and argues that, in fact, the local authorities making heaviest use of bailiffs were found to be less successful, on average, at collecting arrears.⁸⁸

⁸³ Stepchange (2015)

⁸⁴ Stepchange (2015)

⁸⁵ Stepchange (2014)

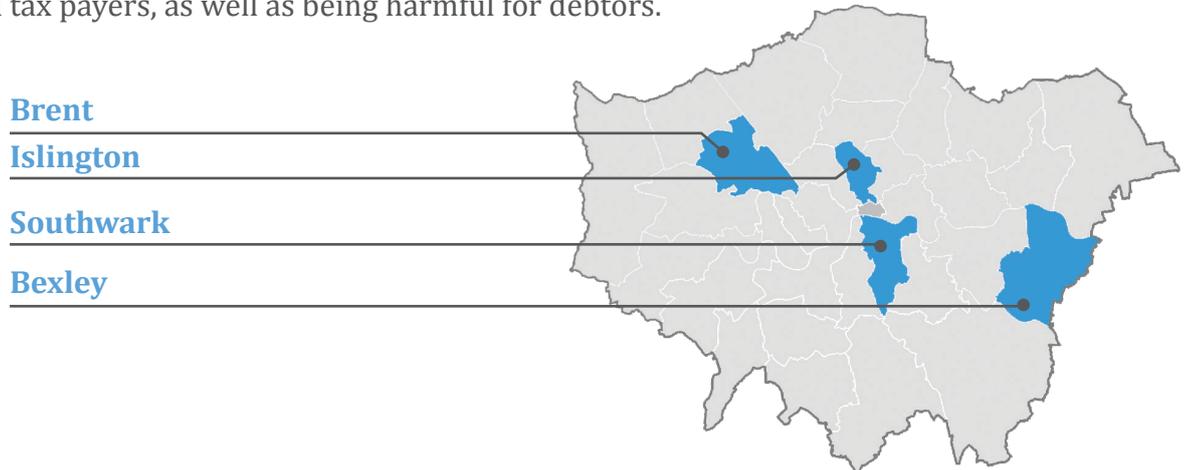
⁸⁶ Whyley, Ussher and Rotik (unpublished consultancy report); Citizen's Advice (2016, forthcoming)

⁸⁷ Stepchange (2015)

⁸⁸ Money Advice Trust (2015)

“ *“Efficient debt collection and sending the bailiffs in are not one and the same”.*
(Money Advice Trust: 2015: p3) ”

Likewise, Z2K and the Child Poverty Action Group highlight that while the four London boroughs that do not use bailiffs to collect arrears from CTS claimants (**Islington, Brent, Bexley and Southwark**) have collection rates close to the London average, the borough with the second highest rate of bailiff referrals against CTS claimants in London (Lambeth) has a markedly lower than average collection rate.⁸⁹ On this basis, the Money Advice Trust argues that bailiff action is a poor deal for council tax payers, as well as being harmful for debtors.



“ *“This suggests that it is perfectly possible for authorities to refrain from bailiff use for council tax support claimants without adversely affecting their collection rate.”* (Ashton et al: 2015: p19) ”

This high-level picture is corroborated by specific examples identified in research by The Children’s Society.⁹⁰ They note that the London Borough of Islington, which has introduced a policy of not using bailiffs to recover arrears from recipients of Council Tax Support still has a Council Tax collection rate of (95.8%), which is above average compared with other Inner London boroughs. Likewise, Cornwall County Council introduced in 2009 a policy of allowing people with council tax arrears ‘breathing space’ to seek advice. In 2013, its collection rate of 97.1% was above average for unitary authorities. Stepchange highlights Leeds City Council as having been persuaded by cost-saving arguments to encourage people in council tax arrears to seek debt advice.⁹¹

Most recently, the Independent Review of the Local Council Tax Support Scheme⁹² found that councils who were working to the LGA/Citizen’s Advice Good Practice Protocol reported that, while more resource intensive than automated approaches, these practices were ‘effective’ and a ‘worthwhile investment in helping residents’. Stepchange argues that local authorities should be persuaded by this evidence from individual authorities, and by the fact that they pick up some of the £8.3bn social costs of problem debt, including homelessness, social care and children’s care.

“ *“Councils could improve on their collection rates and reduce demand for wider services by avoiding a heavy-handed approach to debt collection and focusing on sustainable affordable repayment.”* (Stepchange: 2015) ”

⁸⁹ Ashton et al (2015)
⁹⁰ Capron and Ayre (2015)
⁹¹ Stepchange (2015)
⁹² Ollerenshaw, OBE (2016)

Part 2

Research findings

Introduction and methods

Following the evidence review, telephone interviews were conducted with local authorities in England and Wales.

The sample, although not seeking to be representative, was selected to include a mix of different types of council, a range of geographical areas and identified in existing evidence as having different approaches to council tax collections. Sixteen local authorities were contacted, in total, and invited to take part in the research. In addition, an information request was put out by The Debt Counsellors Charitable Trust, inviting debt advisors in England and Wales to suggest local authorities that might be willing to participate in the research.

Seven local authorities agreed to be interviewed for the research, comprising:

- a City Council in the South of England
- a District Council in the South of England
- a District Council in the East of England
- a City Council in the North of England
- a Borough Council in North West England
- an inner London Borough
- a Welsh County Council.

One or more representative from each local authority was interviewed, by telephone, according to a discussion guide. Detailed notes were taken during the interviews. These notes were then analysed using a thematic grid method which is particularly suitable for use with qualitative data.

In addition, four further stakeholder interviews were undertaken at this stage of the research comprising three debt advisors working closely with local authority collections teams, and a representative of a large enforcement agency.

This report does not rate the collections practices of the councils that took part in this research, or compare them with each other. Rather it draws out examples of innovative or successful practice within these councils, from which other councils might be able to learn. At the end of the report, recommendations are made as to the content of the learning resource that The Debt Counsellors Charitable Trust will be developing for use with local authorities.

Key findings: the drivers of good practice in council tax collections

Awareness and experience of existing guidance and protocols

The local authorities interviewed for this research were generally aware of existing best practice guidance and the LGA/Citizens Advice protocol and were supportive of them, at least at a managerial/strategic level.

A few described this as being aware of what they are and are not allowed to do and several said that they periodically checked their practice against the LGA/Citizens Advice protocol to make sure they were doing all that they could. However, the stakeholders emphasised that *existing guidance focussed more on what councils should do rather than how they should do it*. One stakeholder that complying with the spirit of the guidance has as much – if not more – impact on residents' experience of collections practices as complying with the letter of it.

In several of the local authorities interviewed for this research, existing guidance on best practice did not influence activities on a day-to-day basis. It was clear, though, that a few councils had embedded best practice into day-to-day practices, although they mostly described their approach as an organic process that had developed over time rather than specifically triggered by the guidance and protocols that currently exist.

Culture

Interviews with stakeholders illustrated the importance of culture in determining the 'how' as well as the 'what' in terms of local authorities' approach to council tax collections. One stakeholder noted the distinction between following the letter of existing best practice protocols and complying with the spirit behind them.

To some degree, culture is driven by Members. Councils that were underpinned by a political commitment to support and protect vulnerable residents and a willingness to sustain a degree of financial loss in order to fulfill this, generally faced less pressure to collect the maximum possible levels of council tax from residents receiving CTS.

The London borough, for example, had been able to set its level of minimum payment at 8.5% despite the fact that the transition from CTB had resulted in a 16-17% shortfall in funding for council tax support. In the northern Borough Council, however, despite high levels of deprivation, members felt that residents eligible for CTS should pick up the full shortfall in funding from Central Government following the abolition of CTB, resulting in one of the highest levels of minimum payment in the country.

It was also noticeable that good practice in relation to collection of council tax was often underpinned by a concept of 'fairness' and a desire to balance the council's responsibilities to the majority of residents who pay council tax on time as well as to the minority who struggle to do so. While one authority seemed to view this as either/or dichotomy, believing that they could either be fair to the majority or to the minority, others clearly felt that maximising support for people who struggle to pay council tax was a key element of being fair to both groups.

A representative from one of these councils said:

“ ***“If the majority of residents and CTS cases are paying their council tax on time it would actually be unfair not to enter into arrangements with non-payers and encourage them to pay.”*** ”

Another reflected that if processes are aimed at empowering and supporting residents it maximises their credibility because that is, after all, the role of local authorities.

In addition, councils where staff had always been encouraged to view all residents as individuals and to ‘treat them as you would want to be treated’ were also more likely to implement collections practices on a case-by-case basis, taking into account individual needs as far as possible, rather than being process-driven.

A proactive approach to collections

Several local authorities had sought to actively change their organisational culture, at least within their collections teams, having recognised that the council’s approach is key in influencing how residents respond. For some, this process was triggered by the new demands that transition to LCTS would place on collections staff. In others, the change-process pre-dated changes to council tax support.

A key element of this culture change was investing resources at the front end of the collections process - ***issuing bills promptly, issuing reminders promptly***, and moving swiftly to issue a summons if residents do not make contact to discuss repayment. In the City Council in Southern England the elapsed time between a missed payment and the issue of a summons is just four weeks. Others described sending out reminders on a weekly basis and having monthly court dates to ensure that liability orders (LO) can be obtained swiftly, before arrears have built further. In the District Council in the East of England, residents who do not make contact within four weeks of the LO are referred to enforcement, again to minimise the extent of further arrears accruing.

The Head of Revenues and Benefits in one council described how, historically, the approach to collections was largely reactive – they would write to people who had missed payments and wait for them to get in touch. They realised that, especially in the context of LCTS, they needed to take a proactive approach to communication based on a strategy of early intervention and maximizing engagement to get support to as many people as possible before too many payments had been missed – ***‘we needed to do what we say we’ll do, and do it quickly***. Another reflected that, previously, reminders had only been sent out to council tax payers every three months, resulting in the accrual of three months arrears before people who had fallen behind began engaging with the process. While this meant that ‘staff take the burden rather than residents’ he felt it paid dividends because people knew there were real consequences to missed payments.

While the short elapsed time between a missed payment and the issue of a summons can, at first glance, appear draconian and require careful explanation to Members and stakeholders, the councils that had implemented this approach were clear that it was grounded in an understanding of residents needs and behaviour. This approach recognised that ***many people in debt simply do not engage with collections activities until they face the threat of legal action*** by which time arrears had often built to unmanageable levels. One said, ‘Once they’ve missed three months that’s it, we’ve lost them’. The councils who took this approach felt they had a responsibility to ensure that their collections process engaged as swiftly as possible with people who were struggling to pay.

Another critical element of this approach was ensuring that support was available to people in financial difficulty as soon as they did engage with the collections process. In at least one of these councils the short time between missed payments and the LO meant they were able to facilitate people to use attachment to benefits as a payment method of choice. Residents who told the council that they wanted to keep paying by attachment to benefit even once their current arrears had been cleared were fast-tracked to summons, and court costs waived, so that payment arrangements could be put in place as early as possible in the year.

Other important elements of this approach included:

- using proactive methods and a style of communication that maximises engagement, including email, text and phone rather than relying on formally worded letters;
- investing resources to ensure that other council processes that impact on council tax bills – including processing changes of address, benefit claims and applications for council tax reductions – are up-to-date so that the bills people receive are correct or can rapidly be amended;
- requiring residents to maintain payments on their current year's bill in order to receive support to repay arrears;
- aligning the enforcement strategy with housing and welfare strategies, including working with external stakeholders, to ensure the processes work together to maximise support for residents.



Skilling up collections staff

All of the councils that took part in this research had recognised that the role of collections staff would change with the introduction of LCTS, requiring them to work with different groups of residents than they were used to. One Head of Revenues and Benefits noted that, previously, collections activities had been concerned with collecting payments from people who, by and large could afford to pay. In the context of LCTS, however, they had to collect from people who had never paid council tax before and who, potentially, were very vulnerable. Generally councils provided training in welfare benefits and discretionary support, often provided in-house by staff working in the benefits team. Others went further and engaged external partners to come in and deliver training to collections staff, including debt advice agencies, charities and specialist consultants with experience of working with people who are vulnerable and/or in financial difficulty.

One borough council also recognised that staff would need training and support to address their concern about operating in a more challenging collections environment and fear of collection rates falling.

In some councils, collections staff had become so skilled and experienced that they were encouraged to work autonomously and trusted to agree repayment terms with individual clients on a case-by-case basis. In one council, this was described as 'mainstreaming the advice perspective'.

Southern City Council

The most radical example of up-skilling collections staff to meet the challenges of LCTS was evident in the Southern City Council that had set up a specialist debt prevention team, with experience of welfare benefits and advice and soft skills, such as active listening and empathy. At the outset, this team provided a dedicated resource to support people who were struggling to pay council tax, offering a separate telephone line and email address. The Head of Revenue and Benefits within this council explained that it soon became clear *that rather than being a specialist resource, the debt prevention team should be 'the team'*. They now deal with all frontline cases so that they are able to pick out the cases that need specific support, referring the rest on to non-specialist staff.

Flexible payment terms and methods

Several councils recognised that they have a key role in facilitating residents' ability to pay council tax on time from the outset.

One remarked:

“ *“if people have got the money they'll pay, but if you leave it, it'll have gone on something else. That's not people being willful it's just how people are.”* ”

As a result, these councils offered a range of payment terms and methods including:

- allowing payment over 12 months instead of the usual 10;
- accepting weekly or fortnightly as well as monthly direct debits;
- offering multiple payment dates through the month;
- offering more frequent payment terms by default to CTS residents;
- accepting payment by cash, standing order or direct debit.

Sustainable repayment arrangements

Where people had fallen behind, all of the councils interviewed for this research recognised the importance of ensuring that repayment terms agreed with residents had to be affordable and sustainable. If repayment terms are unrealistic and cause the resident further financial hardship it is very unlikely they will stick to them, potentially exacerbating rather than resolving financial difficulties. The Head of Revenues and Benefits at the South of England council, having previously worked in a commercial collections, had been shocked to discover that *local authorities' approach to collections was not based on sustainable arrangements* – especially when sustainable arrangements are shown to maximize the amount collected.

Some councils were more proactive in facilitating this than others and approaches ranged, at one end of the spectrum, from the council setting an amount that enabled in-year collection and waiting for residents to let them know if it was unaffordable to, at the other end, a Welsh County Council that worked with individual residents to set repayment arrangements on a case-by-case basis.

Ensuring repayment arrangements are sustainable requires councils to:

- allow people in arrears to continue paying by installment throughout the process;
- train staff in making accurate and informed income and expenditure assessments in collaboration with residents, taking into account other debts and financial commitments;
- train staff to recognise when specialist support is needed to address complex financial difficulties or other factors related to vulnerability;
- extend repayment terms beyond the current year;
- be flexible regarding repayment terms and frequency – for example, accepting weekly and fortnightly payments as well as monthly and offering repayment holidays at key times of the year such as Christmas and during the summer holidays.
- be prepared to re-negotiate repayment terms if they prove unmanageable or the resident's circumstances change, provided the resident makes contact and proves committed to clearing the arrears;

One borough council in North West England was prepared to keep new bills pending until arrears relating to previous arrears had been cleared

if income and expenditure statements indicate that the resident has no further disposable income. While this does take the pressure off residents and enable them to keep up with repayments, levels of financial difficulty within the borough means that some residents now have two to three years of new council tax liabilities pending. The Head of Revenues and Benefits of this council acknowledged that this is an undesirable and, unsustainable situation but also recognised that forcing people into repayment arrangements that they cannot afford is not a viable solution.

The London borough that took part in this research was very clear that taking a sustainable approach to collecting repayments does not necessarily mean accepting every offer that residents made. They were clear that, where they felt the resident was able to pay more than they were offering, they would reject the arrangement.

This approach was part of the careful balance between the council's role in being supportive and in empowering residents to clear their arrears and stay on top of bills. This was echoed by a district council in the East of England that aimed to collect arrears in-year unless there was a clear financial rationale for doing so, otherwise they would simply be keeping people in a constant cycle of arrears that could prove difficult to resolve.



Segmenting residents

Most of the councils that took part in this research applied some segmentation to their council tax payers, resulting in different approaches for CTS and non-CTS cases. The general approach was to automate payments for everyone who can pay council tax without difficulty in order to free up resources to work more intensively with those who encounter difficulties.

CTS cases often received different communications than non-CTS cases. This was especially the case in the first year following the introduction of LTCS, provided an opportunity to explain that they were now liable for council tax and encouraging contact if they were concerned about making payments. One council still sends out a separate communication to CTS cases in the first month of the financial year, but has found it unnecessary to do so throughout the year.

One council had set up a separate team to make proactive contact with CTS cases to offer help prior to issuing a summons in an attempt to avoid court costs being added to the existing debt. While this was successful, it proved resource intensive, meaning that the team could only handle clients at a time.

The City Council in Southern England also segmented by the size of the debt, applying lower collection costs on the basis that smaller debts are less costly for the authority and charges should be cost-reflective rather than punitive.

The same council also operates separate court sessions for CTS and non-CTS, ensuring that welfare advisors are present during court sessions for CTS cases to provide specialist support.

Partnership working

All of the councils that took part in the research utilised some form of partnership working but the extent to which partnerships were embedded into the collections process varied between councils. Referring residents with complex and/or multiple debt problems to debt advice agencies was commonplace, although the erosion of these services due to funding cuts was undermining this approach in some areas. In addition, for councils covering large rural areas, referral to external debt advice agencies can be problematic because many residents do not live within easy reach of advice services.

Not all of the councils that referred residents to external advice agencies also worked closely with those agencies, but where trust and familiarity had been built up over time working relationships could be extremely strong. The Head of Revenues and Benefits in the North West England Borough Council explained that staff and volunteers at their local CABx were perceived as the experts on assessing ability to pay, especially in complex debt cases, and so collections staff were confident that



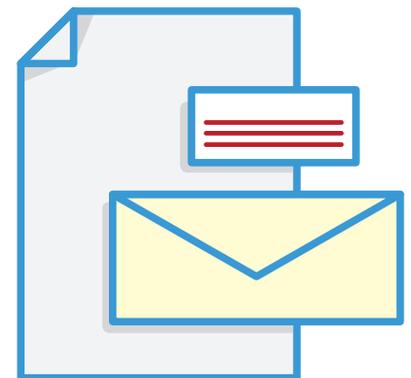
CABx decisions were accurate and reliable. The working relationship between the bureau and the council had become so close over the years that they now speak almost daily and agree to almost all CABx decisions and requests. This council described good working relations with CABx as essential due to the high levels of vulnerability and multiple debt problems in the borough.

Some councils offered in-house debt advice either via staff employed by the council or – in one case - by commissioning an independent advice agency to work within the council. The availability of an in-house debt advice service was described as ‘paying dividends’ by enabling swift referral of residents for holistic support, good working relationships and easy communication between advisors, collections staff and other parts of the council. Two of the stakeholders interviewed for this research worked as part of an advice service commissioned to work within the council and both felt that as well as being an innovative approach, it offered several distinct advantages.

First, working at arms-length from the council meant that residents were often inclined to be more trusting and to engage more confidently. Secondly, advisors were able to access council data relating to clients, enabling them to take a holistic approach. Thirdly, and perhaps most importantly, these stakeholders felt that by ***working within the council they had been able to change attitudes to debt advice among some council staff***, who had historically perceived advisors as trying to help people avoid payment.

Use of enforcement

All of the councils interviewed for this research viewed enforcement as an essential part of the collections process, albeit one that most used selectively. This view was driven by a recognition that some residents do not engage with the collections process until enforcement action had been taken. Most of the councils interviewed did not knowingly refer CTS cases or cases involving vulnerable residents for enforcement, preferring to seek an attachment to benefits or earnings instead, in recognition that the additional costs that this process added to existing arrears would exacerbate financial difficulties. Another tried to avoid enforcement action in relation to small debts, because the resulting charges would be disproportionate. In these councils enforcement action was largely reserved for historical non-payers and people who simply did not engage with the process at an earlier stage.



In addition, several councils noted that writing to residents informing them of imminent enforcement action and highlighting the additional costs that would be added to the debt often provided a good incentive for people to make contact.

Some councils used a single enforcement agency and often had a longstanding relationship with them. One council that had previously used two agencies felt that using more than one agency made it harder to ensure consistency in enforcement practices and to take a holistic approach to multiple debts, resulting in residents accruing fees from two different agencies. Another council, though, that used only one agency felt that use of two or more agencies would allow them to benchmark agencies against each other and exert competitive pressure. One council had its own internal enforcement agents and viewed this as a huge advantage, enabling them to align the enforcement process with the collections process, using external enforcement agents only as a last resort. This council viewed ***enforcement agents as a key source of intelligence and outreach in relation to intractable cases*** and was confident in agents' ability to recognise

and respond to vulnerability that might not otherwise come to the council attention. Two councils used enforcement agencies that had their own welfare teams and were extremely skilled in recognising vulnerability. The councils interviewed for this research recognised the importance of proactive commissioning practices in relation to enforcement and to building up a good working relationship to ensure that agents operate in a way that reflects the council's ethos and culture. Most councils felt that they were able to set clear guidelines for enforcement agents as part of the commissioning process via Service Level Agreements. Agents collecting debts on behalf of the **Welsh County Council** were required to wear video badges, so that their behaviour can be monitored and to provide evidence in the event of complaints. This agency had, on the Council's request, also introduced an additional attempt to make contact with debtors, on top of the statutory notices, which does not incur charges for the resident. Another council had insisted that the enforcement agency used by the council removed some bailiffs from collecting local authority debts following complaints about their conduct.



Most of the councils that took part in this research said that they were willing to negotiate repayments with residents even after their case had been referred for enforcement and one had direct access to the bailiffs database so that they were able to provide real-time updates on cases. All of the councils said they would take cases back if enforcement agents found evidence of vulnerability and waive the fees in these cases. Some councils had negotiated agreements with enforcement agencies which meant that enforcement fees were waived in relation to cases returned to the council for any reason.

Face-to-face and outreach activity

All of the councils that took part in this research said that they would like to be able to do more face-to-face and outreach work with residents than resources allowed. Outreach was seen as particularly important in cases involving vulnerable residents, who required more holistic support.

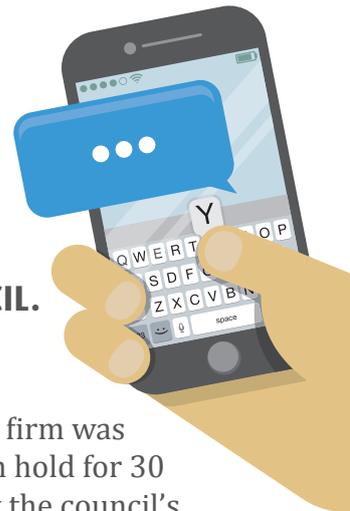


Several councils ran surgeries where people could drop in and talk to someone trained in money advice and welfare benefits to discuss their finances and work out an affordable repayment strategy. One was experimenting with contacting CTS residents with arrears by telephone to explain the implications of continued non-payment and offer help. It was proving very successful but is extremely resource intensive, not least because it can be so difficult to get in touch with people in the first place.

One council had recently begun printing a suggested repayment arrangement on the back of back of the court summons sent to people in arrears and had found that this had improved the quality of calls it received from people in response to the summons. This approach had made it easier for people to engage with the collections process – feedback from residents indicated that the suggested repayment was often lower than they had feared it would be and, where the suggested amount was still unaffordable it gave people a starting point for discussion.

One of the City Councils that took part in this research had recently started working with a private company as part of pilot strategy to proactively engage with residents to resolve financial difficulties before the enforcement process adds additional charges to existing arrears. Once the council has obtained an LO, instead of going straight to enforcement the Council had commissioned a private company to conduct data searches on the resident, including information on credit use, propensity to pay and indicators of vulnerability. This is used to build up a detailed profile of the resident, providing information that is not currently available to the council and enabling them to update their files accordingly. The information collected about residents is then used to develop an individual communication strategy. The company, skilled and experienced in communication and engagement, then uses targeted communication by letters, email or text message to encourage residents to come to an arrangement with the council. If the resident still does not make contact, the firm will try to contact the by telephone to offer support.

THE COMPANY, **SKILLED AND EXPERIENCED IN COMMUNICATION AND ENGAGEMENT**, THEN USES TARGETED COMMUNICATION BY **LETTERS, EMAIL OR TEXT MESSAGE** TO ENCOURAGE RESIDENTS TO COME TO AN **ARRANGEMENT WITH THE COUNCIL**.



The Council reported that the communication style and strategies employed by the firm was extremely impressive. When they get hold of a resident they offer to put the case on hold for 30 days and refer them to advice and other support services, and let them know about the council's discretionary fund. Experience so far has indicated that people who, to date, have not responded to previous stages of the collections process do engage when they are contacted by someone independently of the council who is offering to help them. The Council has introduced the pilot, as a loss leader, to see what it can learn from it.

Measuring success

The councils that took part in this research had varying in-year collection rates. While many had found that taking a more supportive approach to supporting residents in arrears had not impacted adversely on collection rates, one Borough Council had seen their in-year collection rates fall year on year since the introduction of LCTS. There was a strong view, however, ***that in-year collection rates are not the most appropriate success measure for council tax collections***. One council had seen an increase in the total level of arrears collected since the introduction of LCTS due to the introduction of sustainable repayment arrangements and believed this to be a more appropriate measure than in-year collections.

Other important success measure suggested by interviewees for this research included:

- the sustainability of repayment arrangements;
- the number of people who had been shifted from long term arrears into regular payers; and
- the number of complaints about the collections process.

One Head of Revenues and Benefits acknowledged that while it had taken courage to disregard standard success measures, the council had trusted that they had identified the correct measures for their process and had been proved right.

Part 3

This research involved a small number of interviews with a sample of local authorities in *England and Wales*. While the sample was selected to offer a mix of different types of council and geographical areas, it is not directly representative of local authorities in England and Wales. Nevertheless, the interviews do provide the basis for some recommendations on what would prove useful to councils in improving council tax collections. These are set out below.



1. It is clear that council tax collections teams have faced a steep learning curve in understanding and working with people who are vulnerable and/or experiencing financial difficulty. *Standard collections practices are not simply unsuitable for this group but actually risk severely exacerbating financial difficulties* and undermining financial rehabilitation in the future. Evidence among local authorities and in other sectors indicates that sustainable repayment arrangements maximise the amount recovered as well as being more likely to enable people to establish a payment habit that reduces the likelihood of future arrears. This represents a win for the council, regular council tax payers and those who struggle to pay.

- A training resource – perhaps in the form of a *webinar or e-learning* module involving representatives of councils who are already showing innovation in this area – outlining the profile of people who struggle with council tax; the reasons for non-payment; the behavioural dynamics of people in debt which impact on engagement with the collections process; strategies that are more likely to encourage engagement; and the value of a sustainable approach to repayment in this and other sectors, could prove very useful in promoting a consistent, shared understanding of people with council tax arrears and effective strategies to support repayment.



2. The interviews with stakeholders and local authority staff highlighted a range of working relationships with debt advisors and *indicated a degree of suspicion among some collections staff about debt advisors' motivations*. Where debt advisors had been able to gain the trust of collections staff, and reassure them that their role is to facilitate repayment rather than avoidance of arrears, this clearly benefitted both councils and residents. At its most successful, these working relationships resulted in a transfer of skills from debt advisors to collections staff.

- A training resource – again, perhaps in the form of a webinar or e-learning module – explaining the role of debt advice; the advice process; and the outcomes for clients – could help to facilitate more positive working relationships between councils and debt advice agencies. There may also be value in highlighting the different ways that local authorities can partner with debt advice agencies and the benefits of each model.

3. Several of the local authorities that took part in the research noted the limited opportunities for best practice to be shared between local authorities, resulting in duplicated effort.
 - A forum to encourage information exchange and discussion between local authorities could become a highly valued resource but would, of course, require some ongoing effort to encourage engagement and, possibly, monitor activity. A less resource-intensive alternative might be to prepare short factsheets spotlighting a particular innovation or activity providing key information on the benefits and costs of doing it; the process of implementing it; the pitfalls to avoid; and the impact on collections.
4. There is growing evidence of a strong business case for debt recovery to be based on sustainable, affordable repayment plans, both among local authorities and more widely in other sectors, including financial services and the utilities.
 - A resource that draws together examples - among local authorities or drawing on cross-sectoral experience - that illustrate the business case for a supportive, sustainable client-focussed approach to debt recovery and collections. This kind of resource could help reassure local authority staff and officials, as well as provide a basis for a persuasive case to influence Members' attitudes to council tax collections.
5. The importance of culture and aligning other council processes. Even the small number of interviews conducted for this research indicated that, where councils perceived their role as one of supporting people to keep up with council tax, and ensured that other council processes were aligned with that aim, they were better able to target resources at people who struggle with payments and to act quickly to avoid a build-up of arrears. ***Shifting resources to the 'front end' of the collections process, minimises the elapsed time between a missed payment and formal sanctions and maximises opportunities for engagement by residents before their arrears become unmanageable.***
 - An information resource aimed at sharing good practice in collections, including case studies of how this has been achieved in other councils and the outcomes it has delivered might be welcomed by councils who are struggling to manage resources effectively in the new collections environment.
6. This research also suggests that ***there is value in a targeted approach to council tax collections, tailored to the needs of particular groups***, rather than a single 'one size fits all' process. Streamlining communication and payments for the majority of residents who will pay on time without difficulty allows resource to be dedicated to more tailored approaches aimed at maximising engagement amongst those who are struggling to pay without exacerbating their financial difficulty.



- A resource that shares the principles and practice of customer segmentation in a local authority context, outlining benefits and outcomes for staff and residents could help other local authorities develop this practice.
- 7.** Local authorities – like other sectors - are recognising the importance of effective communication in facilitating engagement. *Moving away from formally worded letters and using more immediate forms of communication such as email, text message and telephone calls can not only increase rates of response* but indicate the councils willingness to work constructively and facilitate engagement. These forms of communication also enable councils to use a less formal – and potentially more reassuring - style.
- A resource drawing together learning from other sectors relating to behavioural psychology and communication could fast-track progress among local authorities, enabling them to maximise levels of engagement in a resource efficient way.
- 8.** *As experience among private sector creditors has illustrated, working with external partners could pay dividends for local authorities - adding to their skills base, providing a resource-efficient way of supporting clients with complex problems* and, potentially, providing an outreach function for hard-to-reach groups. Partnership with private sector partners may be less well developed among local authorities but there is huge potential for shared learning from the private sector partnership currently being piloted by the South of England City Council aimed at making contact with people prior to enforcement action.
- The Debt Counsellors Charitable Trust could work with the South of England City Council to develop a learning resource from the pilot currently being undertaken.

...WORKING WITH EXTERNAL PARTNERS

COULD PAY DIVIDENDS FOR LOCAL AUTHORITIES, BY ADDING TO THEIR SKILLS BASE AND PROVIDING A **RESOURCE-EFFICIENT** WAY OF SUPPORTING CLIENTS WITH COMPLEX PROBLEMS...



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Supporting local authorities to achieve best practice
in the collection of council tax arrears

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