



Council Tax Debt and Data Sharing

Introduction

The Improvement service (IS)¹, Step Change Debt Charity Scotland² and Citizens Advice Scotland³ individually collect data and report on aspects of council tax debt. Each organisation uses the information that they collect to improve awareness and understanding and to drive changes in policy and practice. The three organisations agreed to share their detailed data and unpublished research findings to see if, by working collectively, they could enhance the existing evidence base. This approach would allow areas of mutual interest to be explored in greater depth through accessing multiple data sets.

By working collaboratively, it was hoped to consider the following questions:

- In areas where there is less availability of face to face money advice services are individuals more likely to use telephone or on-line services?
- Is there a link between investment by local authorities in money advice services and levels of council tax debt?
- Does the existence of a corporate debt policy result in lower levels of arrears of council tax? *(In this case a corporate debt policy is defined broadly as a document that sets out how a council will recover monies that are owed to it.)*

From the outset, it is recognised that councils must strike a balance between fulfilling their statutory obligations to collect and maximise revenue and at the same time alleviate poverty by maximising incomes and supporting vulnerable individuals.

It should be noted that 2016-17 councils gained c14%⁴ of their overall income from council tax, however with the end of the council tax freeze in 2017-18 this figure may increase as twenty-one councils chose to increase council tax by the permitted maximum of three per cent.⁵

1 www.improvementservice.org.uk/index.html

2 www.stepchange.org

3 www.cas.org.uk

4 www.audit-scotland.gov.uk/uploads/docs/report/2017/nr_171128_local_government_finance.pdf

5 In the comparisons that were made the impact of the replacement of Council Tax Benefit with the introduction of the Council Tax Reduction scheme was not considered.

Organisational Reporting

1. Improvement Service

The IS produces two separate annual overview reports of data that is collected by councils for (1) the Money Advice Performance Management Framework, (MAPMF, or as it will be called the Common Advice Performance Management Framework)⁶ and (2) the Local Government Benchmarking Framework (LGBF). Covering different areas, each report identifies trends and analyses the findings from the data that is provided by councils, and in some cases partner organisations.

The MAPMF contains a set of key performance indicators for which councils provide information for the services which they fund. Advice services can be delivered on an in-house basis or by external agencies, or indeed by a combination of both. By having a nationally agreed set of measures local authorities are able to understand, influence and shape local service delivery and, at the same time, provide evidence at a national level of the scale and impact of money advice services. As well as the national overview report, individual commentaries are provided for each local authority area.

The LGBF is a high-level benchmarking tool which helps councils compare their performance by using efficiency, output and outcome indicators that cover the main areas of local government activity. The LGBF contributes to meeting each council's statutory obligations in relation to public performance reporting

The overall rate of in-year collection for council tax has remained high and has shown a slight improvement from 94.7% in 2010/11 to 95.8% in 2016/17.⁷ This has been achieved despite reduced levels of public spending and increased economic fragility and uncertainty.⁸ Early indications are that the roll out of universal will increase the levels of arrears of council tax and rent⁹ and will make maintaining the existing high collection rates increasingly challenging.

Despite high levels of council tax collection, arrears of council tax remains the most common reason reported by individuals in seeking advice from local authority funded services. Almost one fifth of those contacting local authority funded money advice

6 This is supported through funding from the Money Advice Service

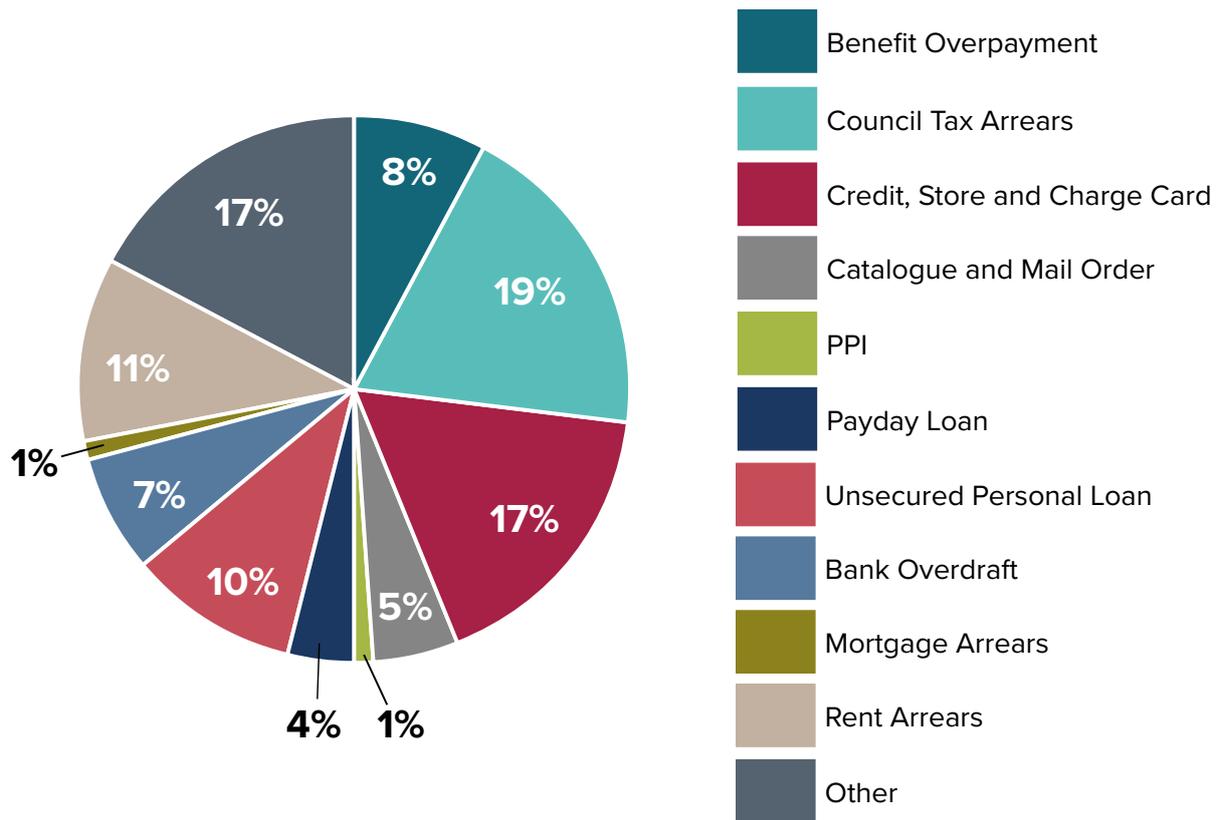
7 www.improvementservice.org.uk/documents/benchmarking/corporate.pdf

8 www.sbs.strath.ac.uk/economics/fraser/20170926/Scotlands-Budget-2017.pdf

9 www.cosla.gov.uk/sites/default/files/private/cw170317item5-5.pdf

services cited this as their first reason for contacting the service (Fig 1).¹⁰

Fig 1: First reason for contacting advice services (data from MAPMF returns)



Whilst the financial value of debts owed as a result of council tax arrears is 50% less than that owed through credit store and charge cards (Fig 3), the number of clients seeking advice for both types of debt is fairly similar (Fig 2). This suggests that the amount of debt related to arrears of council tax has a lower financial value but is experienced by a higher volume of clients.

Fig 2: Type of debt and client numbers as reported in MAPMF data returns 2016/17

Rank	Type of Debt	No. of Clients
1	Credit, Store and Charge Cards	7,096
2	Council Tax Arrears	6,840

¹⁰ www.improvementservice.org.uk/2016-17-report.html

In the data returned by councils for the MAPMF, local authorities provide the total amount of debt, associated with each category listed Fig 3. The figures provided for this measure relate to all clients when they make initial contact with the service and reflect all the types of debt recorded. Accordingly, one individual may have multiple types of debt.

Fig 3: Type of debt and total amount owed as reported in MAPMF data returns 2016/17

Rank	Amount of Debt Owed (£m)	Type of Debt
1	£40.7	Credit, Store and Charge Cards
2	£29.8	Mortgage Arrears
3	£27.5	Unsecured Personal Loan
4	£20.8	Council Tax Arrears

Data returns for the MAPMF from Scottish local authorities over the past two years indicate that number of individuals seeking advice for council tax arrears and the value of associated debt are rising. In the returns for 2015/16, on a Scotland-wide basis, there were c5300 service users with council tax debts totalling c£18 million, whilst the returns for 2016/17 identified c6800 service users with debts totalling c£21 million.

2. Stepchange Debt Charity Scotland

Stepchange Debt Charity Scotland produce an annual report of data relating to telephone enquiries.¹¹

In its most recent report Stepchange Scotland found:

“Of all the key household arrears, the greatest problem among council tax paying clients is council tax arrears. In 2012 27% of these clients were in arrears; by 2016 this figure had increased to 40%.

This has happened despite a 10-year freeze on council tax bills in Scotland. The average council tax arrears owed by clients has also increased from £1,338 in 2012 to £1,731 in 2016, an increase of 29%”¹²

11 www.stepchange.org/Mediacentre/Researchandreports/Scotlandinthered2016.aspx

12 www.stepchange.org/Portals/0/documents/Reports/scotland_in_the_red_2016.pdf

Stepchange record details of all their clients by both local authority area and parliamentary constituency.

3. Citizens Advice Scotland

As part of their ongoing social policy work, Citizens Advice Scotland produce a range of research and briefing papers which are based on areas highlighted by their members.

Discrete research on various aspects of council tax, has also been conducted.¹³

Individual bureaux report that council tax enquiries have risen consistently. For example, in their 2015-16 Annual Report, Argyll and Bute Citizen's Advice Bureau stated that enquiries related to council tax arrears had quadrupled in the past four years, although it should be pointed out that this does not relate to an equivalent increase in levels of council tax arrears.

Citizen's Advice Scotland conducted a client profile of service users in 2017, and found that of the 21,873 individuals profiled, c13% approached a citizens' advice bureau for advice on council tax debt. In terms of the demographic breakdown of clients seeking advice in relation to council tax: almost a third were aged 45-59; almost two thirds were female, c40% lived in council owned properties and c40% stated that they lived alone.

Shared Data and Research - The Findings

1. Channel Choice

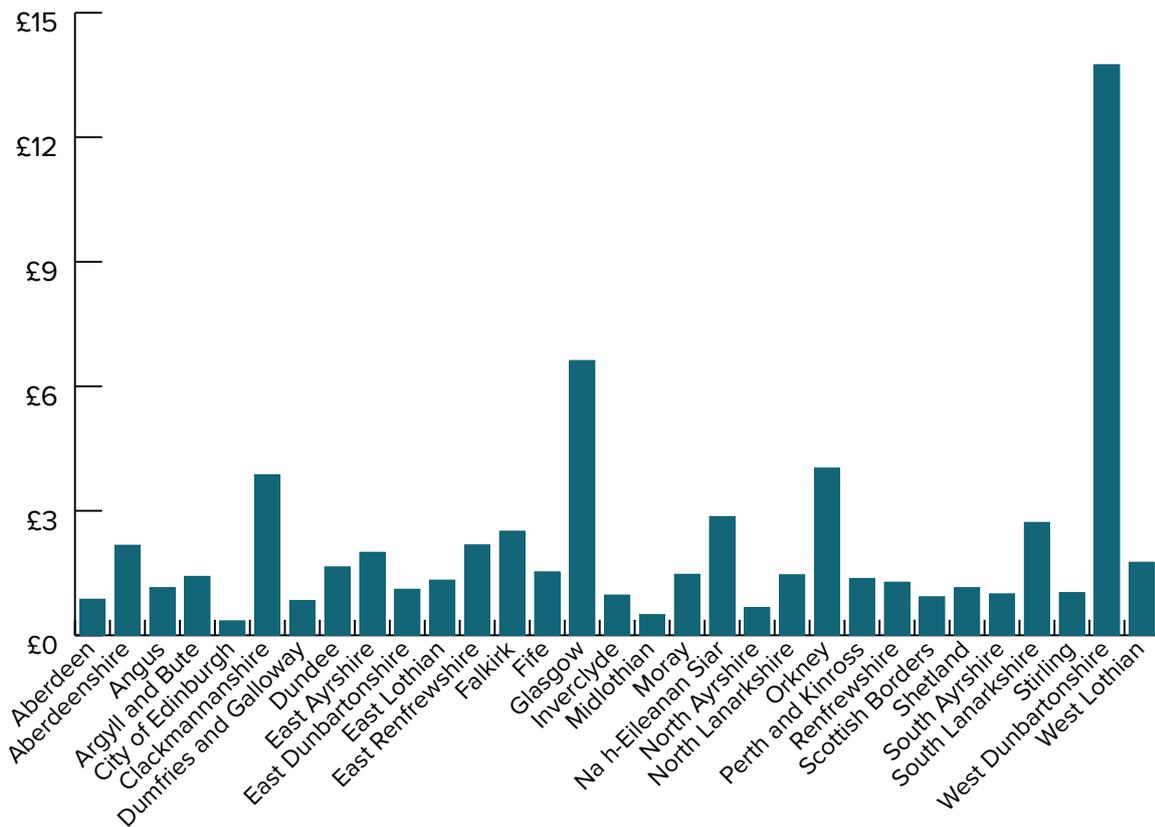
By analysing the data in relation to council tax arrears for each local authority that is collected by Stepchange Scotland or provided to the IS, it was possible to consider if individuals with council tax arrears were more likely to use a particular channel. As has already been indicated the data shared by Stepchange Scotland relates to individuals making contact by phone, whilst that provided to the IS by councils relates primarily to those using face to face services. Data provide from the MAPMF indicates that 70% of clients made contact face-to-face, 19% used the telephone, 9% via email, and 2% used the web.¹⁴

In clients seeking advice by phone, as with those using a face to face approach, arrears of council tax are the most common problem and constitute a key driver to access services. Beyond demonstrating that having arrears of council tax doesn't appear to influence channel choice the findings suggest that targeting individuals with council tax arrears could present opportunities to improve engagement with wider money advice services.

2. Investment in services

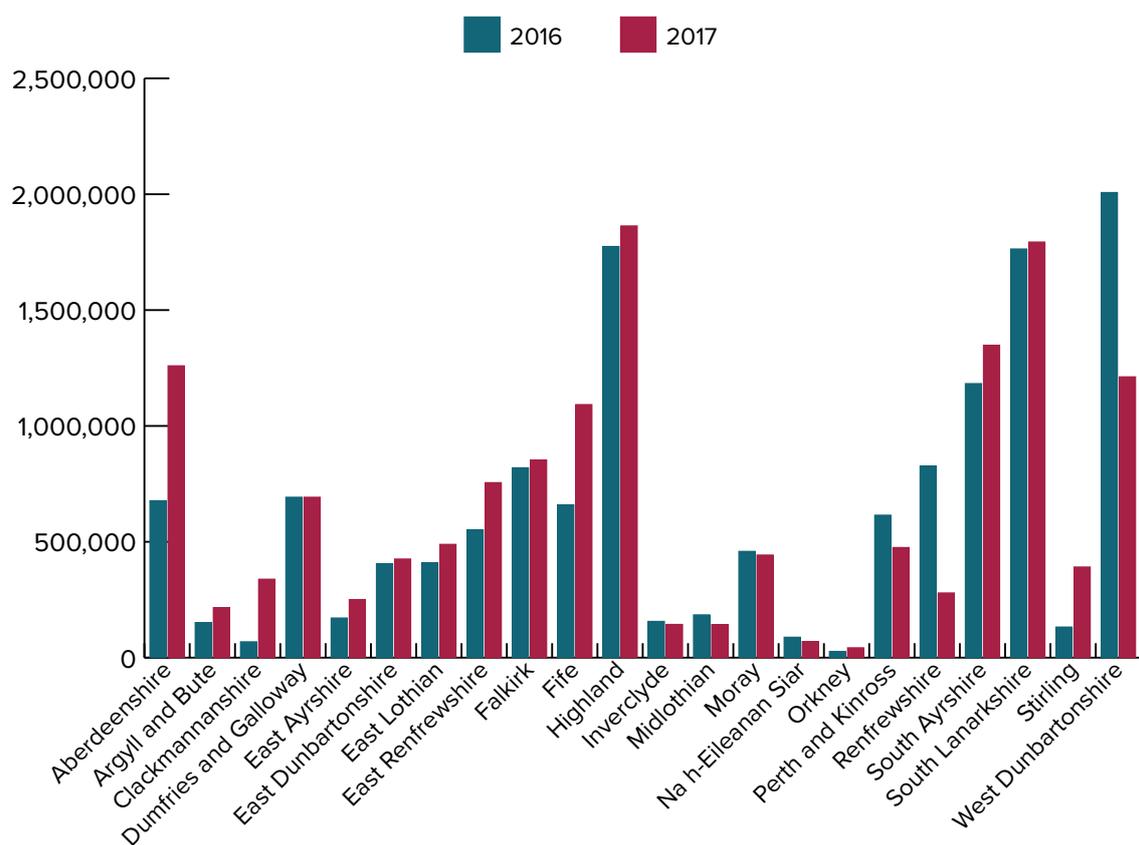
To establish a baseline, the total investment by local authorities in money advice services per head of population was calculated using data provided for the MAPMF. Over 70% of councils invest less than £2 per head of population in money advice services. In relation to Glasgow and West Dunbartonshire Councils, investment levels reported relate to both money and welfare advice services and hence, although featured in Fig 4 are not considered in the analysis.

Fig 4: Funding provision per head of population as reported in MAPMF data returns 2016/17



The chart below describes the level of council tax arrears as reported by local authority funded money advice services from 2015-2017. It should be noted that, in relation to council tax debt, not all councils provide information for the MAPMF and hence could not be included. As can be seen, there are substantial variations in the level of arrears from one year to the next. The reasons for this are not clear, although it is likely that improvements in reporting may have contributed. To mitigate the potential influence of other factors, five council areas were selected in which there was a limited change ($\pm 5\%$) in levels of arrears and the arrears per head were compared with the investment per head. Whilst not conclusive, in all cases the greater the level of investment the lower the level of arrears. This is an area that will be explored further by the IS. In this process additional data from Stepchange Scotland will be considered to see if reduced investment in face to face services results in increased use of telephone services.

Fig 5: Council tax arrears as reported in MAPMF data returns for 2015/16 and 2016/17



3. Council policies and procedures

Citizens Advice Scotland had commissioned research into council tax debt recovery policies and procedures that are adopted by Scottish councils. The research carried out by Cambium in 2017, but not published, suggests that 22 councils have a corporate debt policy or statement,¹⁵ and that of these 14 are available on line. There was no evidence of a link between the existence of a corporate debt policy and either council tax collection rates or levels of council tax arrears. Indeed, those councils with both the best and worst collection rates did not appear to have a corporate debt policy. It may be that the actual pathways used to make early referrals to advice services or the processes and procedures to collect arrears may be more relevant. This level of operational detail does not routinely feature in corporate policies. Accordingly, both these areas will be the subject of a further report by the IS later this year (2018).

¹⁵ In this case a corporate debt policy or statement is defined broadly as a document that sets out how the council will recover monies that are owed to it

Conclusions

Each year councils spend c £23 million¹⁶ collecting council tax, whilst individuals seeking advice owe in excess of £40 million in unpaid council tax.¹⁷ As council tax collection rates are already operating at 95.8%¹⁸ efficiency it is unlikely that increasing the resources available for collection and recovery are likely to significantly reduce the level of arrears at a national level,¹⁹ so it may be worth considering other options.

Council investment in money advice services in 2016-17 was c £11.7 million, which was a decrease of c5% in comparison to the amount invested in 2015-16.²⁰ By increasing investment in advice services, it might be possible to reduce the level of outstanding arrears and, at the same time, improve outcomes for individuals experiencing social and economic exclusion.

The focus of this analysis was on the relationship between accessibility and funding of advice services and levels of council tax debt. Sharing information between the three organisations has resulted in taking the first steps towards establishing a more robust evidence base from which, even at this initial stage, it has been possible to report some indicative findings. It has also highlighted areas that require further investigation.

All three organisations have reported that debt as a result of arrears of council tax is a growing problem, with the introduction of universal credit this position is likely to become further exacerbated.

The application of a targeted approach towards individuals with council tax debt may offer opportunities to support early intervention strategies and increase levels of engagement with indebted individuals.

16 Cost of collection of council tax in Scotland is c£8.98 per home (ibid 5) and the National Records Office estimated that in 2017 there were c2.58 million homes in Scotland.

17 Based on debt reported to Stepchange and council funded organisations. The actual figure will be higher.

18 Ibid 5

19 There are still variations in collection costs between local authorities as a result of geography, digitalisation and local priorities. Consequentially, this might have an impact at a local level.

20 Ibid 7

Future Action

Further research is required in relation to the impact of policies and processes on council tax recovery and the level of arrears. The impact of the Council Tax reduction scheme also merits further exploration.

Whilst a preliminary investigation suggests that there is a link between investment in services and levels of council tax arrears, this will require more detailed investigation. This will take into account the influence of service availability on channel choice.

Councils have a key leadership role to play and there are several examples of councils taking a proactive role and offering support and advice at an earlier stage. A further briefing paper will be produced by the Improvement service later this year (2018) which will provide further information on the areas identified in the preceding sections and will contain examples of effective practice.

As stated, the challenge for councils is finding the appropriate balance between acting against individuals who can pay but won't and supporting individuals who, because of their economic position or vulnerability, are struggling to pay.

One option that may be worth considering is the adoption of a protocol in partnership which seeks to maximise council income and, at the same time, support individuals in need. This approach²¹ was adopted by Citizens Advice and the Local Government Association in England, which developed a protocol intended to implement practical actions designed to prevent individuals getting into arrears and to suggest proportionate and fair debt recovery procedures. In developing this approach further consideration could also be given to the tool kit produced by the Money Advice Service²² which seeks to support creditors to work consistently with debt advice agencies when collecting repayments from people who are in debt. Both these models will be discussed further at a stakeholder event hosted by the IS in June 2018.

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21 www.citizensadvice.org.uk/about-us/campaigns/current_campaigns/council-tax-protocol/

22 www.moneyadviceservice.org.uk/en/corporate/press-release-ground-breaking-toolkit-helps-creditors-to-support-people-who-fall-behind-on-payments



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