



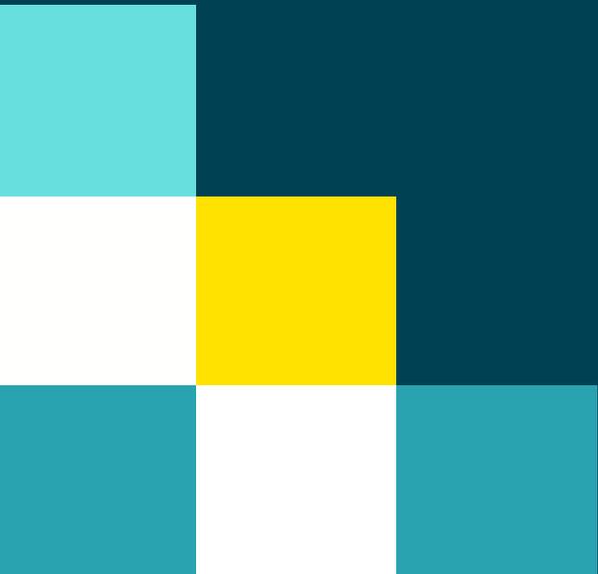
Wales Centre for Public Policy
Canolfan Polisi Cyhoeddus Cymru

Responding to citizens in debt to public services

A rapid evidence review

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Summary

- The First Minister asked the WCPP to explore the evidence around the question *'How might public services and their contracted partners in Wales better respond to vulnerable debtors, especially those subject to prosecution and prison?'*
- The report focuses on council tax debt and rent arrears to local authorities and social landlords as key forms of citizen debt to Welsh public services and their contracted partners.
- The ideal is prevention; ensuring citizens do not get into arrears. However, providing support early to people already in arrears may help resolution and avoid court action and eviction.

The experience and extent of debt

- Council tax debt in Wales has risen, in terms of in-year arrears and bad debt written off. In 2016-17 Welsh magistrates' courts granted 92,547 liability orders on council tax debt. 326 council applications were made to commit the debtor to prison, with 159 sentences suspended and a sentence imposed in only 20 cases. However, the significant numbers affected by the debt mean there is a case for earlier action e.g. at the pre-liability stage.
- At 31 March 2017, 31% (70,452) of social housing tenancies in Wales were in arrears. 2016-17 saw 3,800 claims for possession by social landlords, leading to 820 repossessions.
- Debt and financial pressures can be a significant source of anxiety and uncertainty; for many these pressures are exacerbated by income uncertainty, unemployment or other vulnerabilities such as mental health problems.
- People try hard to avoid debt, but an apparently stable financial position can be precarious; changing events or circumstances can trigger arrears and lead to greater vulnerability.

Responding to citizens in debt to public services

- The evidence shows that personalised and proactive support, delivered through multi-agency partnerships, works better than a generic, 'one-size-fits-all' approach.
- Our Round Table event in November 2018 highlighted good practice among housing associations and local authorities in Wales but attendees also saw opportunities for further training and greater collaboration to ensure that citizens in debt across Wales receive the support they need.
- Other key approaches that work include building trust, early identification of problems, early intervention, smooth referral pathways and access to independent debt advice.
- There is a reasonable amount of evidence across the debt lifecycle, with the exception of post-enforcement. More evidence is also needed on debtors in vulnerable situations and citizens experience of interventions.
- There is no lack of guidance, protocols, tools, and good practice case studies for local authorities and housing providers in Wales. However, it is unclear how widely or well these are used. This risks policy-practice gaps and a postcode lottery for people in debt.
- There is evidence that people may only seek help when their debt reaches a crisis point. At the same time, the shift to enforcement action can be swift and often exacerbated by poor communications from and within councils and housing associations.

Introduction

The First Minister is committed to ensuring that citizens who become indebted to Welsh public services are treated justly and proportionately. He is examining how to ensure that no part of devolved Welsh public service is responsible for the imprisonment of individuals for debts owed to them. In June 2018 he launched a 3-month consultation seeking views on proposals to remove imprisonment as a sanction for non-payment of council tax (Welsh Government, 2018f).¹

Alongside this, he has asked the Wales Centre for Public Policy (the Centre) to explore the published evidence around the question: *How might public services and their contracted partners in Wales better respond to vulnerable debtors, especially those subject to prosecution and prison?*

The evidence review has been delivered via a partnership between the Centre and Professor Sharon Collard, Research Director at the Personal Finance Research Centre, University of Bristol. The focus is on council tax and rent arrears to local authorities and registered social landlords. This focus reflects the inter-relationship between these two forms of debt and their serious nature, with the potential for imprisonment – in the case of council tax arrears - or repossession of the property with regard to social housing tenancy arrears.

However, the evidence shows that these debts occur in a more complex context; when people fall into debt, it is typically on many fronts, so individuals may well be in debt to other agencies, financially insecure or be vulnerable in other ways. This study does not deal with other debts which are defined as priority debts such as mortgages, gas and electricity arrears, parking penalty charges, TV licensing, magistrates court fines or benefit overpayments, or non-priority debts e.g. credit card or loans with personal finance companies, payday loans, water rates or business debts.

Broadly speaking, individuals in vulnerable situations can be particularly susceptible to detriment if an organisation (such as a local authority or landlord) fails to take their situation into account. Defining vulnerability is difficult because:

- It can apply to many different situations or circumstances, including (but not limited to) physical health, mental health, bereavement, substance addiction, age, physical

¹ On 1 November 2018, the Cabinet Secretary announced his intention to bring forward the legislation to ensure that, from 1 April 2019, it will no longer be possible to start proceedings to commit an individual to prison for council tax debt. A substantial majority of the 188 responses to the consultation were in favour of the proposals. Source: <https://gov.wales/about/cabinet/cabinetstatements/2018/removalimprisonnonpayctax/?lang=en>

or psychological abuse;

- It can be complex and multi-faceted;
- It may be an episodic or transitory state;
- It generally involves some degree of subjective judgement;
- What may make one person vulnerable to detriment may not affect another person in a similar situation in the same way (Collard et al, 2018).

For this evidence review, we have therefore included any information concerning support for people who are unable to pay what they owe because of their personal circumstances. If we had focused only on support for people in particular vulnerable situations (e.g. with mental health problems), we risked excluding useful evidence.

Our review focused on publications about policy and practice, rather than academic theory. We reviewed over 60 pieces of evidence produced by government, regulators, think-tanks, academics, and non-profit and for-profit organisations. Our thanks to stakeholders in Wales who shared evidence with us to include in the review.

Where possible, we have included case studies from published research of innovative approaches to debt collection used by local authorities and housing providers that could potentially be relevant in Wales. There will of course be other (unpublished) examples of good practice and innovation used by public services in Wales and elsewhere in the UK. At a Round Table event on 1 November 2018, the general view of representatives from Welsh local authorities and housing providers was that good practice and innovation are widespread across Wales; and that forums and networks such as the Housing Quality Network ² exist for the sharing of good practice.

The Welsh Government was also interested in gendered effects of non-progressive debt collection. There seems to be scant published information about this topic. We identified only one study, which focused on the impact of short custodial sentences on mothers and their children (Baldwin and Epstein, 2017). There is also limited published information about the costs and benefits of different types of support.

The report involves the following elements:

- Understanding the debtor experience in Wales - a focus on the citizens' experience of debt, to bring real experiences and context to the issue;

² <https://hqnetwork.co.uk/about-housing-quality-network>

- A quantitative analysis of the population affected;
- A review of published UK and international evidence on effective support/interventions for vulnerable people in debt, across different sectors, with a particular focus on interventions that could potentially be adapted for the Welsh context;
- Conclusions and proposed actions that the Welsh Government and its partners can consider to inform a collective way forward.

The evidence review in particular takes a 'lifecycle approach', considering ways in which local authorities and housing providers might identify and work with citizens who are in arrears or at risk of arrears, with the aim of supporting them – at as early a stage as possible - to achieve a more stable financial position.

Part 1: Who are the people in debt to public services in Wales?

In Part 1, we set the scene for the evidence review presented in Part 2 on approaches that seem to be effective when responding to debtors to public services. We begin with a general picture about the extent and causes of debt, before offering a statistical profile of people in debt to local authorities and to social landlords across the country. We then consider the evidence about citizen's experience of debt – the characteristics of those in debt to local authorities and social landlords, how it feels to be in debt to these public services and debtors' experiences of their relationship with public services once money is owed to them.

The extent and causes of debt

The Wealth and Assets Survey estimates that 5.2% of households in Wales (which equates to 67,600 households) have problem debt, defined as:

- The household is falling behind with bills or credit commitments and either, making excessive debt repayments or is in arrears on monthly commitments (liquidity problems); or
- The household is burdened by high debt levels relative to annual income (solvency problems) (Office for National Statistics, 2018b).³

The debt profile of households has changed distinctly over time, so that now the number of citizens experiencing problems with household bills and government debts is far greater than the number that have problems with consumer credit debts (Citizens Advice, 2018).

A debt rarely exists in isolation (Finney and Davies 2011; Shelter Cymru 2016; The Children's Society 2014; Hood et al 2018). An apparently stable financial position can be precarious. Arrears can be triggered by unexpected events or a change in circumstances that lead to greater vulnerability– for example, job loss, drops in hours, illness, relationship breakdown, bereavement or a simple one-off event such as the need to replace or repair an essential but costly household item:

³ The equivalent figure for Britain is 5.5% of households in problem debt.

“You’re trying to pull yourself out but you can’t because things still need paying and if there’s something else you need like...when the washing machine went I had to pay, it needed £60 on it...and I thought ‘well, that’s my rent’” (Ipsos Mori, 2014)

Key causes highlighted by recent research include job loss or a change in income (Beatty et al, 2012; Hickman et al, 2017), benefit cuts and falling real wages (LSE 2014), increases in the general cost of living, as well as specific increases such as higher rents or council tax (Hood et al, 2018). Indeed, Shelter Cymru argues that the fundamental and underlying cause of rent arrears is poverty, with most households that experience arrears being either unemployed or in low paid work. Recent research by the Institute for Fiscal Studies (Hood et al, 2018) also indicates that net debt is more likely to persist for low-income households.

The evidence linking problem debt and risk of financial difficulties to household income is clear and consistent. Problem debt can adversely affect standards of living and well-being, as servicing debts reduces disposable income – which can in turn increase the risk of remaining in poverty as people either feel too overwhelmed to address their financial difficulties, or it undermines their ability to improve their financial situation (Hartfree and Collard, 2014, 2015). Importantly, while clearly related to low income, problem debt is not confined to the unemployed but extends to those in employment (Orton, 2006, 2009).

A profile of council tax debts and rent arrears in Wales

Council Tax debts in Wales

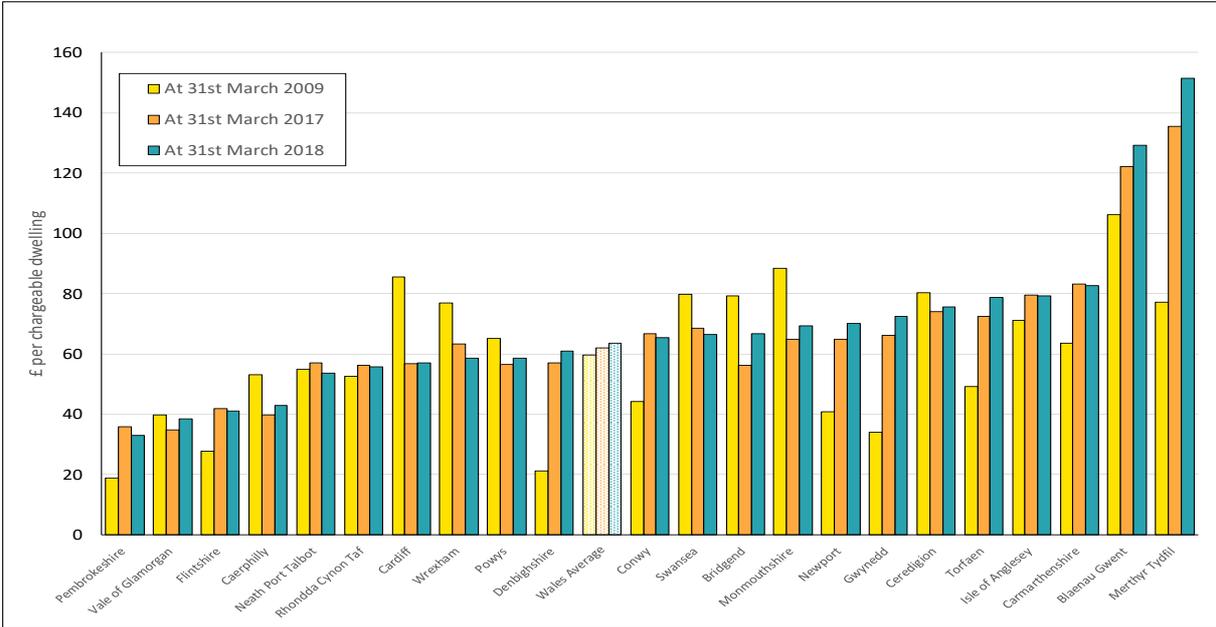
Council taxes have risen steeply in recent years. The average Band D bill has risen by £406 (37%) since 2009-10 when it was £1,086. However, the net increase over the last 10 years has varied across Wales, from 23.9% in Caerphilly to 45.9% in Conwy. Annual increases have been between 2 and 5%, but 2018-19 saw a 5.1% increase - around £72 more per household; the largest rise was £125 (11%) in Pembrokeshire (Welsh Government, 2018a).

Despite this, 2017-18 saw the highest rate of collection since the introduction of council tax (Welsh Government, 2018a) with local authorities collecting 97.4% of council tax billed – higher than England (97.1%) (Office for National Statistics, 2018a) or Scotland (96.0%) (Office for National Statistics and the Scottish Government, 2018). The amount collected for 2017-18 bills, excluding council tax reduction schemes, was £1,454 million out of £1,492 million collectable; £27 million was collected in arrears, with £6.6 million written off as bad debts.

At 31 March 2018 there was £87 million outstanding, of which £37.8 million was in-year arrears. In 2016-17 £1,384 million was collected out of £1,422 million collectable, with £84.1

million outstanding on 31 March 2017. Of this, £37 million was in-year arrears with a further £0.6 million arrears from previous years. The total amount written off annually as bad debt in Wales has increased, from £6.0 million in 2008-09 to £6.9 million in 2017-18. The amounts outstanding provides a sense of both the scale of the debts and local variation (Figure 1).

Figure 1: Council Tax in Wales – Amounts outstanding per chargeable dwelling at 31 March 2009, 2017 and 2018

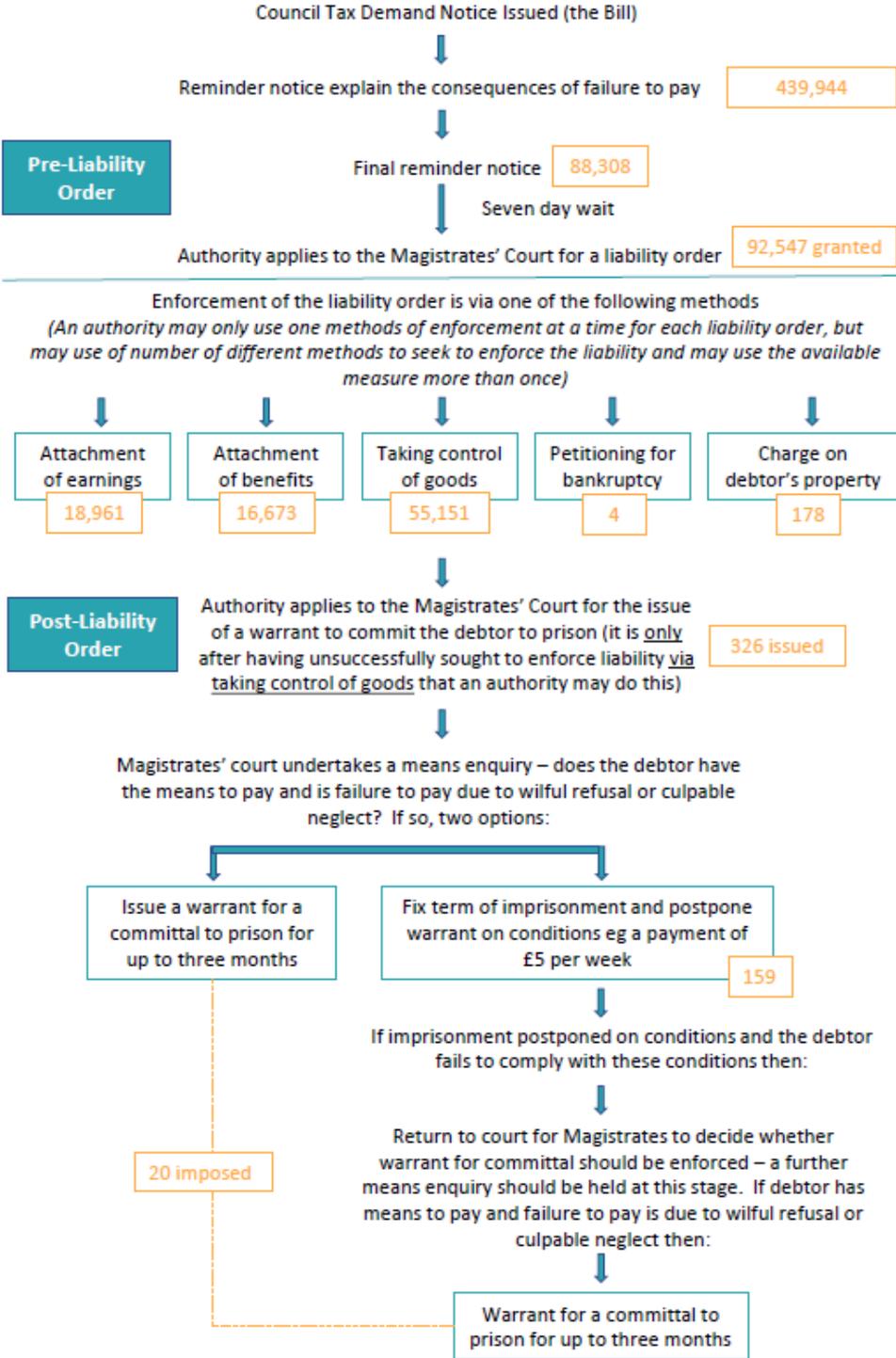


Notes: Figures taken from StatsWales, *Council tax dwellings, by local authority (number of dwellings) - A1 - All chargeable dwellings* and *Council tax collection rates, by billing authority (£ thousand) – Amounts outstanding at 31 March*, for each year. Data extracted 26/06/18.

What happens to those who fall into Council Tax arrears?

Figure 2 summarises the council tax enforcement process, highlighting the volumes involved at both the pre- and post-liability order phases. As can be seen, the majority of those who fall into arrears are dealt with without the need for the local authority to apply for a liability order, because they pay what they owe in full or else come to a repayment arrangement with the local authority. There are a number of options available in terms of enforcing the liability order, with the most common being the use of bailiffs. It is only necessary to instigate committal proceedings in a small number of cases with only 20 debtors in Wales being committed to prison for non-payment of council tax in 2016-17. Additional details and analysis can be found in Appendix 1.

Figure 2: The Council Tax Enforcement Process (2016-17 Wales data)



Adapted from local authorities' approaches to council tax debt recovery in Wales, (Greenall and Prosser, 2017). The numbers reflect the all Wales figures from the 2016-17 benchmarking data at each stage in the process (Greenall and Prosser, 2017, Table 5.3).

Note: There is a variation of just over 1,000 between the total of applications for and subsequent enforcement of the liability order. This may be due to factors such as the agreement of voluntary payment arrangements.

There is no detailed evidence on the characteristics of people subject to committal summons or at any point post-liability order. However, there is concern that a significant proportion of sentences relating to Council Tax debt may be unlawful: triggered by a high profile judicial review, Lord Justice Hickinbottom’s analysis of 95 individuals sent to prison for council tax debts between April 2016 and July 2017 in England and Wales found that between 9 and 17 individuals will have been sent there unlawfully because the court ordered repayment over a long window of time. These periods were considered “excessive and disproportionate and render the orders of 20 October 2015 unlawful” *R (Melanie Woolcock) v Secretary of State for Communities and Local Government & Ors* [2018] EWHC 17 (Admin). In Scotland, the Debtors (Scotland) Act 1987 removed the threat of imprisonment for non-payment of rates or any tax.⁴

A recent study suggests that, of those against whom local authorities brought court action for committal to prison for council tax owed, the average debt was £2,213 – below the level for which bankruptcy can be considered (Institute of Money Advisors and PayPlan, 2017).⁵ However, it is worth noting that these debts can relate to a number of years’ worth of arrears and it is likely that individuals will also have a number of other priority and non-priority debts.

Rent arrears

At 31 March 2017, there were 70,452 tenancies in arrears across Wales, accounting for just under a third (31.4%) of all social housing tenancies. This was a decrease of 1.4% on the 71,433 tenancies in arrears at the end of March 2016 (Table 1).⁶

Table 1: Social housing tenancies in rent arrears in Wales at 31st March

	Local Authority			RSLs			All Social Housing		
	Tenancies	Tenancies in Arrears	%	Tenancies	Tenancies in Arrears	%	Tenancies	Tenancies in Arrears	%
2012-13	86,747	26,800	30.9	134,699	43,050 (r)	32.0 (r)	221,446	69,850 (r)	31.5 (r)
2013-14	86,567	29,308	33.9	135,390	43,751 (r)	32.3 (r)	221,957	73,059 (r)	32.9 (r)
2014-15	86,280	29,584	34.3	136,194	43,517 (r)	32.0 (r)	222,474	73,101 (r)	32.9 (r)
2015-16 (r)	85,715	29,071	33.9	137,386	42,362 (r)	30.8 (r)	223,101	71,433 (r)	32.0 (r)
2016-17	85,875	28,099	32.7	138,752	42,353 (r)	30.5 (r)	224,627	70,452 (r)	31.4 (r)

Source: Welsh Government (2018e) Social Housing Vacancies, Lettings and Rent Arrears, 2016-17 – Revised. SFR18/2018(R). Notes: The total number of tenancies is calculated as total stock minus vacant dwellings at 31 March. Total stock includes all self-contained and non self-contained units but excludes intermediate tenures and tenures not at social rents. (r) Data has been revised since previously published as a result of a detailed validation exercise.

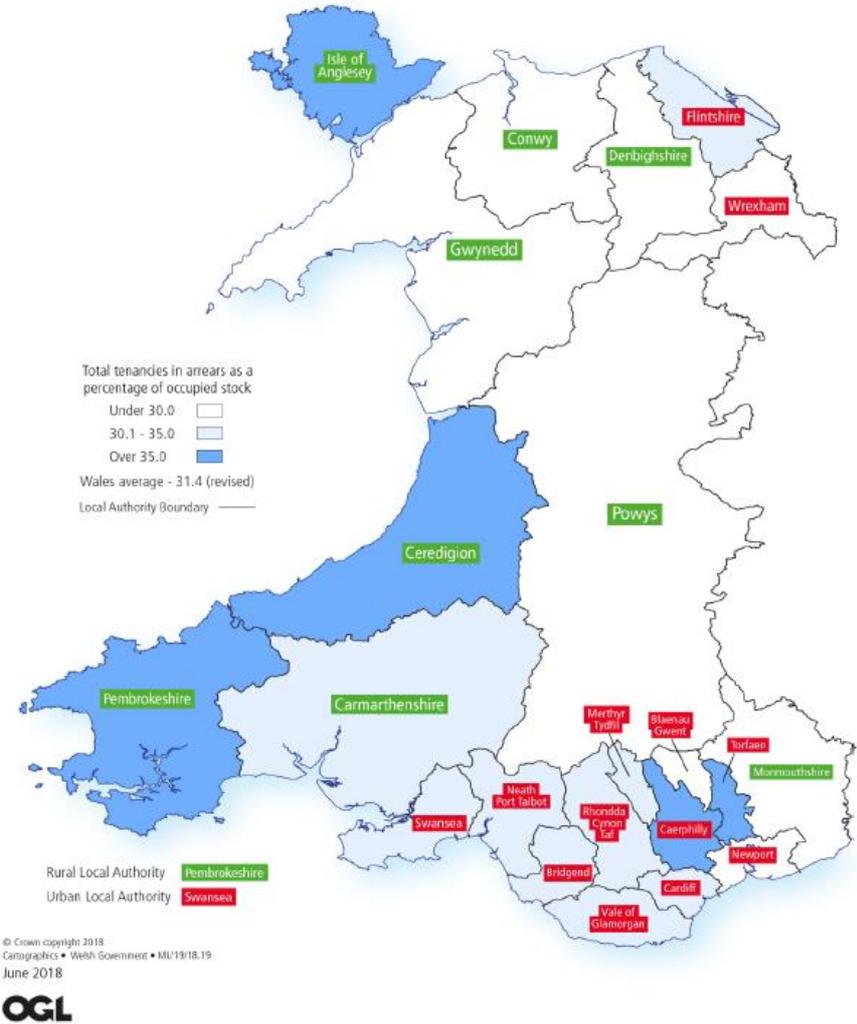
⁴ <http://www.legislation.gov.uk/ukpga/1987/18/section/74>

⁵ In 2015, the minimum threshold for bankruptcy was changed to £5,000.

⁶ Data on social housing rent arrears has recently been subject to a data validation exercise due to errors identified in the data originally supplied by some providers. As a result, it has been necessary to revise previously published figures on StatsWales.

As at 31 March 2017, 29.5% (66,242 of 224,627) of all social housing tenancies had been in arrears for less than 13 weeks and 1.9% (4,210) for 13 weeks or more – equivalent to 6.0% of those in arrears. Torfaen had the highest proportion of social housing tenants in rent arrears (42.7%), compared to 19.0% in Blaenau Gwent. Cardiff recorded the highest percentage of all social housing tenancies with rent arrears of 13 weeks or more, (5.2%) whilst the lowest was Neath Port Talbot at just 0.7%.

Figure 3: Percentage of social housing tenancies in Wales in arrears at 31 March 2017 – revised.

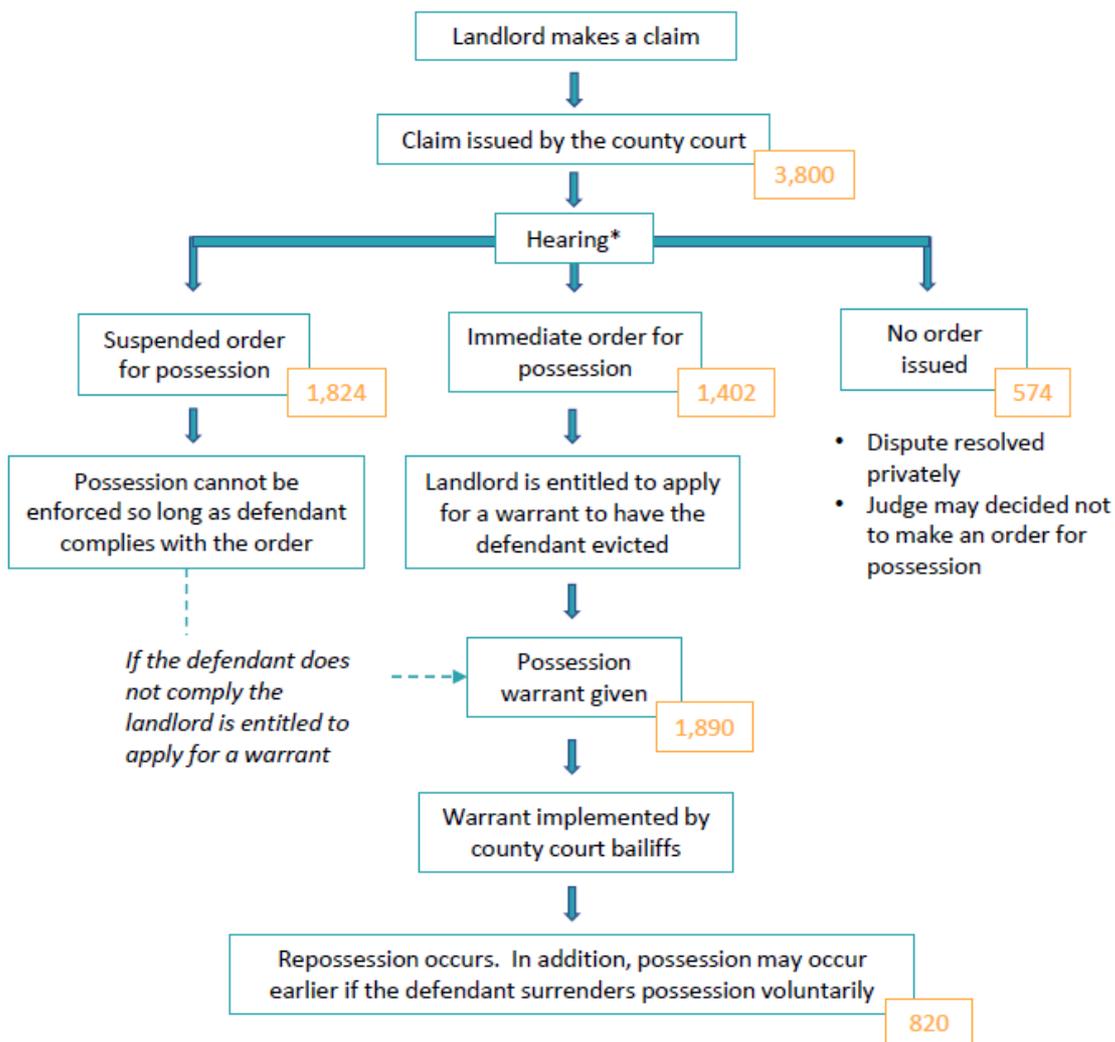


Source: Welsh Government (2018e) SFR18/2018(R)

What happens to those who fall into social housing tenancy arrears?

Figure 4 summarises the court processes for possession cases. As with the process for council tax, whilst 3,800 claims for possession were made to the courts by social landlords, just over a third resulted in an immediate order for possession with the remainder either being suspended or resolved, in some instances with the decision being made not to make the order. Just one in five claims with respect to social housing resulted in repossession in 2016-17. Additional details and analysis can be found in Appendix 1.

Figure 4: The main court processes for possession cases (2016-17 Wales data)



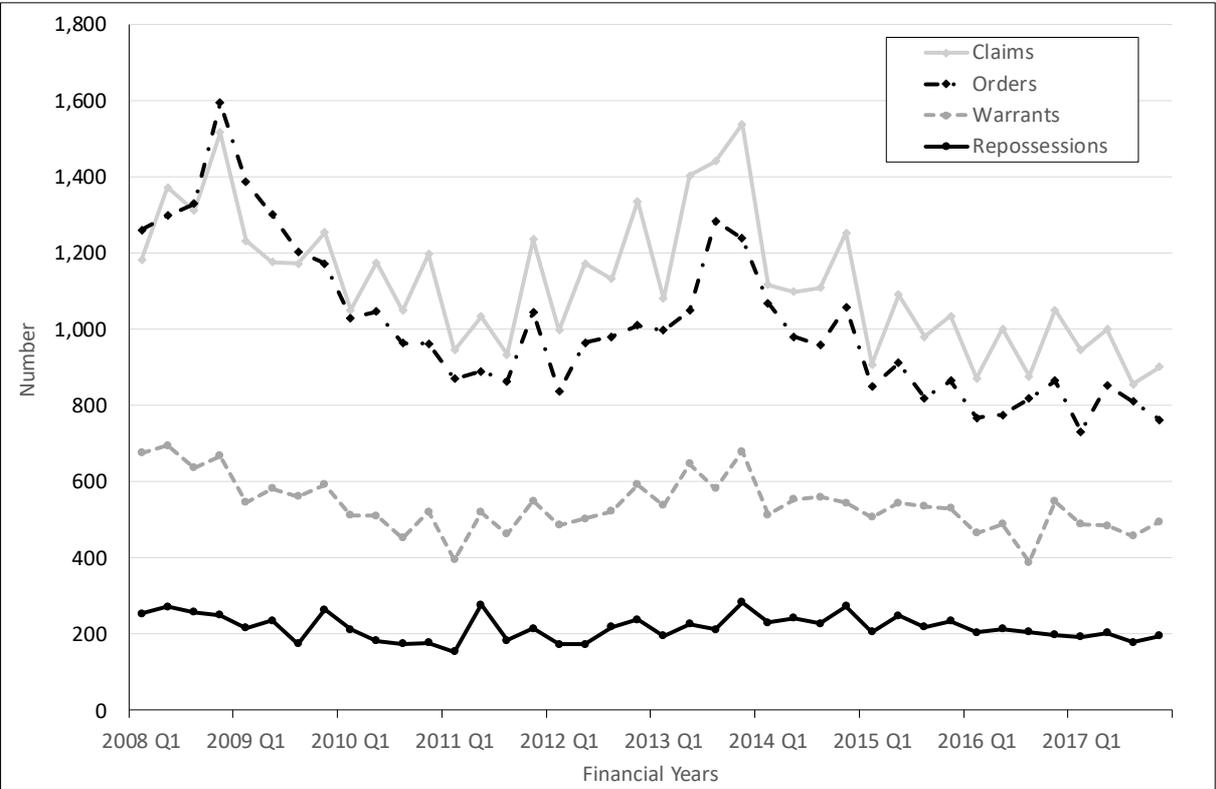
* In cases involving a fixed-term tenancy, a landlord possession may not require a hearing under the accelerated procedure

Adapted from *Mortgage and Landlord Possession Statistics, in England and Wales – Supporting Document*, (Ministry of Justice, 2018b). The numbers reflect the total for the Welsh local authorities from across the four quarters of 2016-17 (Ministry of Justice, 2018a).

Registered social landlords and local authorities have differing policies around when to trigger the process of eviction for rent arrears. They typically consider the ultimate sanction of eviction as a last resort which is only executed when all other avenues have been exhausted. A recent survey of Community Housing Cymru members (HQN Ltd., 2018) suggests that 61% had executed evictions for rent arrears in the past 12 months involving 492 evictions. These tenants had average arrears of £2,275, ranging from £1,034 to £5,106. This amounted to total estimated arrears of around £1.2 million.

Figure 5 shows the longer-term trends; there has been a general downward trend in the number of claims and orders for possession, but the number of warrants and repossessions has remained fairly stable.

Figure 5: Social Landlord Possession Actions in the Welsh County Courts, April 2013 to March 2018



Source: Mortgage and Landlord Possession Statistics in England and Wales, January to March 2018 (Provisional), (Ministry of Justice, 2018a: LA.cvs). Note: Wales figures based on the sum of local authorities.

Social landlord cases tend to take longer at each stage than those for Accelerated and Private cases. Wales specific figures are not available, but on average across England and Wales, social landlord cases typically take 7.3 weeks to reach the order stage. From claim to possession warrant, the average is 26.7 weeks whilst it typically takes 27.9 weeks to get from claim to repossession.

There is considerable local variation in terms of the numbers of claims, orders, warrants and repossessions by county court bailiffs on behalf of social landlords which in part reflects the size of the social housing stock in each local authority. To enable comparison, a rate per 100,000 units has been calculated for 2016-17 and 2017-18 figures.⁷ Across Wales, the average claim rate in 2016-17 was 1,662, decreasing slightly to 1,609 per 100,000 units the following year. However, the 2016-17 rate ranged from 359 per 100,000 units in Merthyr Tydfil to 5,605 in the Vale of Glamorgan whilst in 2017-18 it ranged from 136 in Swansea to 6,236 in Denbighshire. The average repossession rate was 359 in 2016-17, with the lowest rates again being in Merthyr Tydfil (103 per 100,000 units). Newport had the highest repossession rate (954 per 100,000 units). As can be seen from Table 2, the repossession rate in 2017-18 showed a net downward trend. However, half the local authorities saw an increase when compared to the previous year, with both the Vale of Glamorgan and Denbighshire seeing significant increases.

⁷ The figure for the social housing stock has been taken from *Total stock at social rent by local authority area and dwelling type* which forms part of the Social landlord stock and rents data collection (StatsWales). The latest data relates to 2017-18. The number of orders, claims, warrants and repossessions has taken from *Mortgage and landlord possession statistics in England and Wales, January to March 2018* (LA.csv). This provides a breakdown of the type of landlord. Data has been aggregated across the four quarters relating to the 2016-17 and 2017-18 financial years respectively to enable comparisons to be made between the various data sources within this document. The resulting rates are based on annual figures rather than quarterly figures and relate specifically to social landlords. Hence they are not comparable with the published figures.

Table 2: Social Landlord (a) Possession Claims and (b) Repossession Claims per 100,000 social housing units in Wales

Area	2016-17			2017-18		
	Stock at Social Rent	Rate per 100,000 units		Stock at Social Rent	Rate per 100,000 units	
		Claims	Repossessions		Claims	Repossessions
The Vale of Glamorgan	7,906	2,049	430	7,881	5,913	1,472
Denbighshire	5,774	866	208	5,821	6,236	1,237
Newport	5,449	3,487	954	5,480	2,755	639
Cardiff	13,128	2,917	708	13,256	1,403	521
Conwy	6,340	1,388	394	6,356	5,868	519
Flintshire	9,916	1,099	343	10,035	2,641	518
Blaenau Gwent	14,833	681	115	14,861	3,264	511
Gwynedd	8,738	1,225	217	8,745	1,475	400
Isle of Anglesey	4,779	837	126	4,806	1,644	395
Torfaen	6,881	3,866	857	7,052	1,531	383
Ceredigion	3,389	1,092	118	3,386	1,447	354
Pembrokeshire	8,183	2,701	415	8,214	1,278	304
Carmarthenshire	12,278	2,044	342	12,368	873	283
Merthyr Tydfil	15,607	359	103	15,747	953	235
Powys	8,371	860	203	8,528	1,055	235
Rhondda Cynon Taf	25,457	1,799	267	25,633	671	203
Monmouthshire	9,968	512	110	10,065	1,153	179
Caerphilly	5,870	5,605	784	5,843	1,557	154
Bridgend	8,779	1,219	308	8,867	744	90
Neath Port Talbot	12,477	681	264	12,483	665	64
Swansea	21,198	2,043	439	21,311	136	33
Wrexham	13,363	1,527	584	13,306	286	23
Wales	228,684	1,662	359	230,044	1,609	334

Source: see footnote 5 on p.15.

Characteristics of citizens with public service debt

Citizens Advice (2016) report that council tax debt is the largest single debt-related problem seen by their network in Wales, with over 16,000 problems reported during 2015-16. During 2015 to 2016 council tax arrears was the top debt-related problem in 10 local authority areas and the second biggest debt issue in 6 areas. In all but one of the remaining areas council tax debt ranked as the 3rd biggest debt issue.

In terms of the profile of Welsh clients with council tax arrears between April 2014 and March 2016:

- Almost 90% were of working age with 1 in 5 employed (either part-time, full-time or self-employed);⁸
- 2 in 5 have dependent children in the household;
- 1 in 4 live alone;
- 3 in 10 were living with a disability and/or long-term health condition;
- 6 in 10 rent their homes (slightly more rent from social landlords).

Citizens Advice (2018) have also reported a marked shift in the nature of the debt problems their clients are coming to them with, away from consumer credit problems with products like credit and store cards (38% in 2011/12 to 24% in 2016/17), towards problems with arrears on essentials such as council tax, rent and energy bills (30% in 2011/12 to 46% on 2016/17). This trend is noted also by National Debtline figures; essentials comprised 26% of calls during the first 9 months of 2017, compared with 14% in 2007 (Money Advice Trust, 2017).

Citizens Advice (2016) also reported that 34% of clients with council tax arrears reported an issue with bailiff enforcement – a process that sees further monies added to the debt owed. These concerns were reiterated in later research from Citizens Advice (2018). Evidence from elsewhere supports the experience of Citizens Advice regarding the extent of council tax debt dealt with by debt agencies. In evidence given to the UK Parliament Treasury Committee enquiry on Household Finances, the Chief Executive of StepChange Debt Charity told the Committee that the charity was now seeing “*council tax debts, over £1,000 on average... in around 31 per cent of our clients*”. (House of Commons, 2018, para.44).

Tenancies relate to the tenancy agreement between an individual (or individuals, in the case of joint tenancies) and the social landlord, and not the number of social housing tenants living in a property. As a result, we cannot identify the characteristics of those in rent arrears from the published returns. Similarly, StatsWales do not publish the typical amount owing.

Research undertaken by Cardiff Metropolitan University (Protheroe et al, 2017) considered the potential impact of Universal Credit, under which rent payments for working age tenants will no longer be made directly to the landlord as they had been under the housing benefit system. Instead, the money will go to tenants who will need to pay their rent themselves. In August 2018, Community Housing Cymru reported the results of a survey of 23 housing associations. Of 6,892 tenants receiving Universal Credit, DWP switched 1,029 (14%) to a Managed Payment because of a vulnerability. In addition, 280 of the 6,892 tenants (4%) were having third-party deductions for rent arrears. The use of managed payments of rent

⁸ Figures from Citizens Advice are as published and are based on available client profile data. Only age, gender, disability and ethnicity profiling questions are mandatory. It is highlighted that they only have employment status data for 48% of clients.

and third-party reductions to recover rent arrears varies between landlords, dependant on their income recovery strategies. The total rent arrears for these 6,892 tenants was £2.82 million – an average of £409 per tenant (Community Housing Cymru, 2018).

There were 40,842 households in receipt of Universal Credit in Wales as of June 2018 (DWP Stat-Xplore). It is projected that this number will increase to 400,000 households by the end of managed migration (the transfer of legacy benefit claimants on to Universal Credit), currently due to complete in 2023. Therefore, the number of claimants will potentially increase exponentially once managed migration begins, with knock-on effects in terms of Managed Payments and third-party deductions. At our Round Table event on 1 November 2018, representatives of local authorities and housing providers in Wales expressed strong concern about the potential detrimental impact of Universal Credit on the household finances of claimants in Wales and the knock-on effects for council tax and rent collection.

There is also a strong acknowledgment and recognition in the published evidence of the increasing financial pressures faced by councils and housing associations in the current economic climate and the need for them to adopt a more 'hard-headed approach' to ensure the collection of council tax and rents, whilst at the same time continuing to support tax payers and tenants:

Government action is driving a hard bargain – associations are expected to play a far bigger role in communities as viable landlord businesses, builders of low cost homes, and vital community support. (Power, et al, 2014, p.28)

Based on its analysis of debt charity data, the National Audit Office (NAO) found that citizens reported more problems with debts owed to government as the fiscal year progressed, a pattern it did not observe with private sector debts (NAO, 2018a).

Citizen's experience of public service debt

There is clear evidence of the extent and impact of debt in Wales and across the UK (StepChange 2015, 2018b; Money Advice Service 2017b). For many individuals and households, debt and financial pressures are a real, continuing, day on day source of stress, anxiety and uncertainty. In many cases these pressures are exacerbated by difficulties such as income uncertainty, unemployment or other vulnerabilities such as mental health problems. A number of studies set out the financial challenges facing households and individuals who have arrears including rent and Council Tax (Greenall and Prosser 2017; Shelter Cymru 2016; StepChange 2015; The Children's Society 2014 and 2015; Hartfree and Collard 2014). They report the personal experiences of some of those individuals and

households in trying to manage those challenges and their relationship with councils and housing associations – both positive and negative. The accounts are personal and powerful.

Research on Direct Payments demonstration projects (an aspect of UK welfare reform) found the subsequent higher level of arrears brought a number of negative consequences (Hickman et al, 2017). These included the ‘shame’ and ‘embarrassment’ of being in arrears as well as the difficulty of repaying arrears – the research indicates that many tenants reported that they had to ‘go without’ to do so. These experiences are reflected in comparative data in the private rented sector, with a Department of Work and Pensions report (DWP, 2014a) noting that interviewees prioritised rent and council tax and expressed feelings of embarrassment and guilt about having spent their Housing Benefit on something other than rent. One interviewee described how she found it difficult to manage financially:

‘Yes, I prioritise rent. The rent and council tax. And then I just manage on what I’ve got left to pay for anything else.’ (DWP, 2014a, p.42)

and her feelings at not using her Housing Benefit to pay her rent:

‘I felt ashamed. I felt like I was robbing somebody, but I spent it and I shouldn’t have At the time I thought I’d be in trouble, really big trouble. I thought I’d end up losing my house. I was embarrassed, I was ashamed, you know? But at the time it was in my bank and it was ... I needed it.’ (DWP, 2014a, p.42)

The Ipsos Mori survey for Citizens Advice Scotland (Citizens Advice Scotland, 2017) found likewise that Scottish consumers gave the highest priority to rent and mortgage payments, followed by utility bills, food costs and council tax. Credit repayments were given middling importance.

Evidence from research in Newham reported also that people prioritise payments of rent, with council tax and utility payments the next priority. Rent and council tax cause great anxiety and difficulty because both these bills pose a threat to people’s security in the home. However, for some people *‘what comes in first gets paid first’* (LSE, 2014, p.34).

‘Waiting for the red letter and second reminders has become a strategy to deal with expenses. “We got a reminder letter for gas and electricity and we waited for the next one... We haven’t paid the council tax yet. I’m waiting for them to ring me, and pretend that I forgot or something”.’ (LSE, 2014, p.16)

A Welsh Government report on local authorities’ approaches to council tax debt recovery (Greenall and Prosser, 2017, pp.34, 40) highlighted research by Citizens Advice noting the growing complexity of cases being encountered by their debt advisors in Wales. This included an increasing number of clients seeking advice on historic council tax debt, as well as on current arrears. They noted also a number of factors that contributed to the rise in council tax debt, including an inability to prioritise debt repayments, confusion around the process of paying council tax and a poor understanding of the implications of not paying.

Research elsewhere highlights the impact on children as a result of problem debt, with parents in debt reporting that council tax arrears and insufficient access to debt advice were key problems for them (The Children's Society, 2015). Over two thirds of families surveyed said they suffered with anxiety, stress or depression associated with their council tax bill. Families felt that it was difficult to hide the stress of debt from their children, with more than half borrowing money to pay their bill including from payday lenders and credit cards, pushing them further into a debt trap. Parents were forced to make stark choices and a third had cut spending on other priority bills such as food.

Recent studies on the emerging impacts of welfare reform across the UK also suggests increased anxieties related to the fear of, and experience of, debt (Herden, 2015; Hickman et al., 2017). Research amongst social housing tenants paints a stark picture: landlords report a widespread increase in poverty, anxiety, insecurity and fear of more evictions amongst tenants; people mostly relied on family and friends for help, but they resorted frequently to cutting back on food, utilities and other household goods, as well as increases in borrowing, debt and selling their belongings (Power, 2014; Britain Thinks, 2018).

The Resolution Foundation's Living Standards Audit for 2018 (Resolution Foundation, 2018) estimates that real household incomes have fallen by between 0.5% to 1.5% among households in the bottom third of the income distribution and that a greater share of income for working families in the bottom half of the income distribution comes from benefits, which may lead to an increase in debt and arrears.

Finally, it is important to note that the available evidence suggests people try hard to avoid debt. People typically place great importance on being in control of their finances and make paying the rent or mortgage a high priority, cutting back instead on energy and food (Hartfree and Collard, 2014; National Housing Federation, 2015). Paying the rent "*is generally prioritised above all else*" although this can create a tension with meeting other pressing day to day needs (Whitfield, 2013, p.4). Food, energy and rents are the biggest pressure points in financial survival (LSE, 2014).

Evidence gaps and weaknesses

We know very little about the characteristics of the households who find themselves unable to pay their council tax or their rent - some information is available about those who have sought advice through Citizens Advice but this does not provide a complete picture. Aggregate data is available about the volumes involved at different stages of the council tax enforcement process, but without knowledge of the individual cases, it is difficult to ascertain how many are unwilling rather than unable to pay. This can make it difficult to strike a balance between adopting a more personalised approach and supporting those with vulnerabilities and the threat of court action or imprisonment, especially during the pre-

liability order phase where much of the process is automated in batches, due to sheer volume.

It is difficult to ascertain if there is a gendered dimension to these forms of debt; council tax bills will cover all adults in the household whereas tenancy agreements may be in single or multiple names depending on the characteristics of the household. More is known for example about imprisonment for non-payment of the fine linked to not having a TV licence; this is easier to determine because of the volumes involved and the way in which data is held about the prison population. However, figures specific to Wales about many facets of the justice system are not readily available. This also limits the potential to determine the profile of those against whom legal processes have commenced with respect to the types of debt discussed in this report.

Part 2: Evidence review

A lifecycle approach

It is widely accepted that prevention is better than cure. This means ideally preventing citizens getting into arrears with their household bills and commitments. If this is not possible, it means engaging and supporting citizens in the early stages of their arrears when the chances of resolution may be better, and the costs of court action and eviction can be avoided (DCLG, 2006). The estimated cost to the Welsh economy of a registered social landlord eviction, for example, is £26,600 per eviction; and £8,200 per eviction for a social landlord (Shelter Cymru, 2016).

With this in mind, we have adopted a 'lifecycle' approach to consider the ways in which local authorities and housing providers can identify, engage and support citizens (and vulnerable citizens in particular) who are in arrears or at risk of arrears - from the time they become responsible for paying rent or council tax, through to the point where they are hopefully up-to-date with what they owe or at least in a more stable financial position. Our aim is to indicate the different points in time and different ways in which organisations might act – even when the intervention might be the same, such as welfare benefits or debt advice.

We believe the evidence provides a solid foundation for further action and innovation in Wales, building on the good practice and innovation that already exists among local authorities and housing providers. A consistent message from a wide range of sources is that personalised and proactive support, delivered through effective multi-agency partnerships, works better than a generic, 'one-size-fits-all' approach. While likely to be costly, the former may deliver better value-for-money than cheaper services that do not work. There is very little published information on costs and benefits to be able to assess value-for-money, however. The National Audit Office estimates that intimidating actions and additional charges are 15%-29% more likely to make debts harder to manage and increase debtors' levels of anxiety or depression (NAO, 2018a).

At the Round Table we held in November with local authorities, housing associations and other organisations there was clear concern about capacity – including the provision of debt advice - to manage future pressures, including the roll-out of Universal Credit. Against this background, there was acknowledgment of the necessity and potential value of more widespread partnership and collaborative working across organisations and sectors in areas such as training for front-line staff, data-sharing, and dissemination of good practice. The

National Advice Network ⁹ was recognised as offering the opportunity to support the development of accessible advice services across Wales, including for welfare, debt and housing.

Identifying vulnerability

Research produced by debt advice services about their clients shows a strong overlap between debts owed to government, vulnerability and hardship – a combination that has implications for local authorities' debt collection activities. In 2017, one in five StepChange clients had an additional vulnerability on top of their financial difficulties (most commonly a mental health problem). These clients were more likely to be behind on their household bills (such as rent and council tax) and to have a negative budget i.e. they had less money coming in than they were spending on essentials (StepChange, 2018a).

Among clients of the charity CAP Debt Help, half (49%) had owed money to the DWP, HMRC or their local authority; the most common debt was council tax arrears. Clients who owed money to these organisations were significantly more likely to be on a low income; nearly two thirds (64%) lived below the poverty line, and nearly four in ten (37%) were lone parents. Like StepChange clients, these clients were also more likely to be in a vulnerable situation - typically living with a learning difficulty or mental health problem (CAP, 2018).

Research with local authorities in Wales on council tax debt recovery found that all of them took account of vulnerability and made some attempt to identify individuals in vulnerable situations. However, the evidence showed that this tended to happen late in the day, at the liability order stage, due to the high volume of accounts they dealt with prior to this stage and the automated processes used to manage these volumes (Greenall and Prosser, 2017). If local authorities were able to identify vulnerability earlier in the process, it may result in a different approach and possibly avoid enforcement action. At present, local authorities in Wales may rely on engagement by tax payers in order to identify vulnerability. There are significant difficulties in assessing vulnerability when the tax payer does not contact the council or other support provider.

For registered social landlords, there are more opportunities to get to know tenants and identify potential vulnerability. Several registered social landlords in Wales use vulnerability checklists and assessments pre-tenancy and throughout the tenancy to collect further information about potential vulnerability. Housing providers use this data to prioritise the tenants most in need (HQN Ltd., 2018).

⁹ <https://gov.wales/topics/people-and-communities/communities/advice-services/national-advice-network/?lang=en>

Evidence-based guidance for the commercial debt collection sector published in 2017 looks in detail at how firms can identify and support people in vulnerable situations, including protocols and tools for handling disclosures, ways to sensitively gather further information, and working with partner organisations (Fitch et al., 2017) – much of which could be adapted for local authorities and registered social landlords.

Smarter use of data

There is also potential for organisations to make better use of data to identify and support people in debt, particularly vulnerable citizens who may have little or no contact with public services (Finn and Goodship, 2014). More effective use of data by organisations shifts the onus from individual action on the part of citizens (which may be difficult for people in vulnerable situations) to organisations making smarter use of information they already hold (within the parameters of data protection legislation).

The Digital Economy Act 2017 makes it possible for public bodies to share data with each other under specified powers. In Wales, this could facilitate data-sharing between local government organisations in cases where debt is owed to the public sector (such as council tax debt) or under the ‘multiple disadvantage objective’ to ensure that citizens receive the support they need, such as the council tax reduction scheme. Local government organisations and registered social landlords could also share data with each other using the ‘multiple disadvantage objective’ (Welsh Government, 2017a), to deliver support more effectively to vulnerable citizens (whether or not they are in debt).¹⁰

Case study

Using data to target services

To give an example of how data-sharing might work in practice, the Warm Home Discount Scheme has used DWP administrative data to identify older people with low incomes who could benefit from the scheme. Based on figures published in 2016, more than one million low income pensioners receive an automatic energy bill discount each winter, without the need to fill out an application and with very low operational overheads for suppliers. (Department of Energy and Climate Change, 2016)

¹⁰ There are also fuel poverty, water poverty and television retuning objectives. Welsh Government consulted on a proposed list of data-sharing public bodies in Wales between December 2017 and February 2018 <https://beta.gov.wales/digital-economy-act-proposed-list-data-sharing-public-bodies-wales>

Previous research in Wales recommended better data sharing and data holding by local authorities in relation to council tax debt recovery, both between departments in the same local authority and between local authorities and external agencies such as debt advice services (Greenall and Prosser, 2017). In addition, the report recommended that the Welsh Government explore the feasibility of facilitating local authorities' access to HMRC employment data to enable prompt implementation of attachments to earnings where appropriate – something that local authorities consistently called for in the research (Greenall and Prosser, 2017). Local authority representatives repeated this call at our Round Table event on 1 November 2018.

Other ideas for better data-sharing include the adoption by local and central government agencies of a 'tell us once' system to share data about people who owe money to more than one of them, like the government's bereavement notification scheme (CAP, 2018). The Cabinet Office is leading a pilot to identify debtors who owe money to more than one government organisation to support the case for more data-sharing to prevent personal debt (NAO, 2018a).

To work effectively, data-sharing requires good quality data and competent data management. For any organisation, there may be organisational challenges around inconsistent, incomplete or incorrect data, duplicate records and data held on different systems (McGinn et al., 2016) as well as internal systems issues that constrain data-sharing (Collard et al., 2018). Organisations must also ensure that they follow data protection law when they collect, record and use personal data (Fitch et al., 2017).

Evidence gaps and weaknesses

There seem to be two main gaps in the evidence base as it currently stands. Firstly, we found no published information about the effectiveness of different approaches to identify citizens who are vulnerable, and whether these citizens experience better outcomes as a result. Second, the potential for data-sharing to improve targeted service delivery has been flagged by various studies. While there may be (unpublished) examples of innovative data sharing to address debt by local authorities and housing providers in Wales, we did not find any published examples in our rapid evidence review, in Wales or the rest of the UK.

Helping vulnerable debtors understand and manage bills

To pay what they owe, it is important that citizens understand their liability; and access any financial support that they are entitled to. At the same time, the level of benefits and tax credits and how they are administered by the state can impact significantly on citizens' financial situations and their ability to pay rent, council tax and other priority bills.

Understanding liability

More than 10 years ago, the UK Department for Communities and Local Government (DCLG) published guidance on effective rent arrears management that strongly emphasised instilling a payments culture to prevent arrears, with a focus on providing information as part of routine tenancy sign-up procedures for new tenants (DCLG, 2006).

There does not appear to be any specific Welsh version of this guidance, nor do we know if the DCLG guidance was widely adopted in Wales. Recent stakeholder research for Community Housing Cymru similarly recommended that landlords raise the importance of paying rent at first point of application for housing and routinely re-emphasise this throughout the allocation and letting process – a crucial culture change for many in the advent of Universal Credit (HQN Ltd., 2018).

Case study

Understanding liability – Linc Cymru case study

“At Linc Cymru rent in advance is encouraged although it is recognised that this is not always possible. The association will have conversations with tenants about why it is asking for this payment and if they are unable to provide this at the tenancy start they are encouraged to pay a little extra each time to clear any arrears.” (HQN Ltd., 2018: 9)

Another way to instil messages about rent payment is **pre-tenancy training or induction** for prospective tenants. Case study examples in Wales include using You Tube videos (Wrexham County Council, Trevallis) and ‘Tenancy Ready’ workshops (Vale of Glamorgan) (HQN Ltd., 2018). Evaluation evidence from a Big Lottery Fund programme in England confirms the value of pre-tenancy training for prospective social housing tenants, based on the experience of several projects (see Minted case study below). But the evidence also warns of the problems engaging new tenants who have already secured housing and may be much less receptive to support that’s designed to help them sustain their tenancy (Williams et al., 2017).

Case study

Pre-tenancy training – Minted, Tameside case study ¹¹

“Robert and Lisa took part in the ‘Ready to Rent’ tenancy preparation course run by Minted in Tameside. They lived in supported accommodation and hoped to be offered a social housing property. They were referred to Minted by their landlord to access the Ready to Rent tenancy preparation course. The course consists of an individual assessment session followed by five two-hour workshops which explore the rights and responsibilities of the tenant, as well as practical skills such as sourcing furniture, managing household bills, and saving money. The Ready to Rent course made Robert feel more confident about taking on a tenancy, dealing with the bills and managing his own money issues without getting stressed.” (Williams et al., 2017: 33)

More generally, the use of text messaging, social media and rent campaigns is advocated to remind tenants how important it is to pay on time – and to contact tenants who are in arrears quickly to offer advice (HQN Ltd., 2018). There does not seem to be any published independent evaluation of these strategies. Feedback from registered social landlords in Wales as part of this evidence review indicated mixed success with text messages to tenants about rent payments; and evidence from the criminal justice system also highlights the issue of wrong mobile phone numbers when sending text reminders (Chivers and Barnes, 2018). As we go on to discuss, Taff Housing Association piloted new approaches to getting in touch with tenants who were in early stage arrears, and found that a revamped letter was more effective than a text message or phone call (but all these methods were more effective than its previous standard letter).

Touching on the same topic, evaluation evidence from an arrears management programme run by a public housing authority in Australia found that tenants often said they were confused about the extent and origin of their arrears debt (Rooftop Social, 2017) – findings echoed by UK debt advice services (CAP, 2018).¹² It recommended earlier and clearer support from housing and specialist workers, especially for vulnerable tenants who were at risk of disengaging from support altogether (Rooftop Social, 2017). In the UK a Council Tax Protocol designed to promote local authority good practice advocates clear and consistent information to explain how bills are calculated, making clear that council tax is a priority debt and the consequences of non-payment. Ideally, where a citizen has council tax arrears, the letter should also explain when and how the debt has accumulated (Citizens Advice and Local Government Association, 2017).

¹¹ Minted was a multi-agency project led by Tameside Citizens Advice with partners including Tameside Council and several housing associations.

¹² Greenall and Prosser (2017) report similar findings in relation to council tax debt, based on Citizens Advice research.

Uptake of financial support

Over £20 billion went unclaimed across the UK in means-tested benefits in 2015/2016 (www.entitledto.co.uk, 2017). If people do not receive the financial help they are entitled to, they may struggle to pay their bills and commitments, including rent and council tax. The Resolution Foundation estimated that 300,000 unemployed or very low earners in Britain miss out on financial support from the state worth at least £73 a week (Resolution Foundation, 2017).¹³ The charity Turn2Us reports several reasons why people do not claim the benefits they are entitled to, which include general low awareness, access to information, difficulties applying and stigma (Turn2Us, 2018).

A recent Welsh Government assessment of its Council Tax Reduction Scheme (CTRS) suggests that uptake of CTRS for low-income households in Wales could be between 55% and 65% (Welsh Government, 2018f). This means that a significant number of low-income households may not receive the financial support to which they are entitled. To address this, the Welsh Government has undertaken to raise awareness of the different support available to households – a campaign that includes posters, content through the Welsh Government’s digital channels and targeted social media. One of the aims of the campaign is to refer enquiries to information on the Welsh Government’s website, including a CTRS eligibility checker (Welsh Government, 2018f).

In a different approach, Benefit Take-Up Officers have been shown to have a positive impact in making sure that citizens in Wales get the council tax support and housing benefit they are entitled to when their circumstances changed (KPMG and Oxford Economics, 2010). The evaluation showed that personal targeted contact worked better than non-targeted advertising (such as leaflets or radio adverts); and emphasised the importance of local partnership working e.g. local authorities working with community groups and GPs – findings echoed by other evidence (Finn and Goodship, 2014). But bringing partners together does not create a partnership – the partners must commit to, and invest in, joint working if it is going to benefit the organisations involved and their target audiences (Williams et al., 2017; DWP, 2014a). Clear and seamless referral pathways between partner organisations are also important, e.g. using warm handovers (DWP, 2014a).¹⁴

Finn and Goodship’s (2014) review of the evidence points to the value of (independent) welfare benefits advice made available through local, trusted and accessible settings as an effective way to increase uptake of financial support, which in turn may help put low-income households onto a more stable financial footing and enable them to meet their bills and commitments. In addition, HQN Ltd (2018) highlights good practice examples of housing

¹³ The report does not provide figures for Wales.

¹⁴ In the case of local authority led Universal Credit pilots, a warm handover meant that when a customer was passed to a partner for them to continue the work with the customer, it was done with the customer and partner being there, rather than a ‘cold handover’ e.g. just passing the papers across.

providers in Wales with in-house welfare benefits teams. For example, Cadwyn Housing Association uses rent officers to help tenants appeal housing benefit decisions and challenge errors or undertake income maximisation work.

To give some idea of the potential economic value of welfare benefits advice, an evaluation of Macmillan Cancer Support's welfare rights service estimated that for every £1 spent on delivering the service there was a £20.80 return in benefit claims, compensation and financial rewards (Office for Public Management, 2010).

Welfare reform and the administration of benefits

In addition to understanding liability and the uptake of financial support, the level of benefits and tax credits and how they are administered can impact significantly on citizens' financial situations and their ability to pay rent, council tax and other priority bills.

Regarding benefit levels, the bedroom tax and the benefit cap have impacted the amount of help that claimants get paying their rent, which may leave them having to make up a shortfall between their housing benefit and their rent (Shelter Cymru, 2018). If they cannot make up the difference, rent arrears may follow. The Discretionary Housing Payment scheme allows local authorities to help eligible people who are struggling to pay their rent. In 2017-18, Wales spent almost £10 million (102% of its allocation) on the scheme (DWP, 2018).

Regarding benefits administration, housing benefit receipt has previously been identified as the largest risk factor in eviction cases, due to processing issues and delays (Pawson et al., 2010). More recently, it is estimated that one in five Universal Credit claimants do not receive their full payment on time (NAO, 2018). This, combined with housing cost shortfalls as described above, may help explain the rise in rent arrears reported by social and private landlords. In qualitative research, social housing tenants in Wales reported four to eight week delays in Universal Credit payments that caused anxiety and resulted in several respondents having to use food banks (Protheroe et al., 2017).

Evidence gaps and weaknesses

There is a reasonable body of evidence about ways to help debtors understand and manage rent and council tax liabilities, although most of it does not specifically relate to debtors who may be especially vulnerable e.g. due to mental health problems. Not all these interventions seem to have been evaluated, however, which means we cannot be sure if they work and therefore merit rolling out. In addition, it is not clear whether evaluation evidence is used to inform the design of new schemes. For example, the evidence suggests that personal, targeted contact works best to encourage take-up of financial support; whereas the Welsh Government elected to use non-targeted advertising in its recent CTRS awareness campaign. Welsh Government has indicated that this initial phase will be evaluated, with potential for further, more targeted phases.

Preventing debts from becoming a crisis

Consumer survey data shows that over 40% of people in debt do not feel able to talk to their creditors about their debt problems. As many as one in five of people struggling with debt do not recognise they are in debt; and one in ten say they are not concerned about it (Money Advice Service, 2013). In addition, only a minority of people in debt get independent advice (Wyman, 2018). While others may be able to work with their creditors to sort out their arrears without help, this carries the risk of agreeing to an unsuitable course of action, such as a payment plan that is not affordable. Those who do eventually get help often delay for months or years (CAP, 2017) and may only look for help when they experience a serious debt crisis, such as receiving a final demand for payment or a visit from bailiffs. There is also a gender dimension to serious debt: it is estimated that women make up roughly two-thirds of people with serious debt problems in the UK (Bennett and Daly, 2014).

In this context, there seems a strong incentive for organisations to proactively identify people who are at risk of arrears or already in debt – because as the evidence above shows, people may otherwise not get help until they are in crisis. If organisations can identify potential problems pre-crisis and engage with people at that point, there may be a better chance of a good outcome for both creditor and debtor, not least by avoiding unnecessary financial and social costs of escalating debt (Greenall and Prosser, 2017; Money Advice Service, 2017a; StepChange, 2014). The 2006 DCLG rent arrears guidance, for example, talks about encouraging tenants to inform landlords of any changes in their personal circumstances and any likelihood of missing a repayment.

Early identification and engagement of citizens in debt is easier said than done, however. In recent research, local authorities in Wales recognised the value of early identification and preventative action for people with council tax arrears; but with stretched resources, they were largely reactive rather than proactive and relied on individuals contacting them (Greenall and Prosser, 2017). Independent debt advice providers also struggle to get people to come for help earlier. Below we review evidence of effective engagement through new approaches to written communications, building trust and proactive contact.

Written communications

Based on a programme of randomised control trials with housing providers, there is some evidence that if housing providers change the way they communicate, tenants with rent arrears are more likely to make contact with them. The focus of the randomised control trials was to reduce rent arrears among tenants generally, rather than engaging and supporting vulnerable tenants, so we do not know how effective these approaches might be for vulnerable tenants.

One randomised control trial showed that 24% more tenants (compared with a control group) contacted their landlord after receiving a redesigned and simplified arrears letter that articulated a clear negative incentive (i.e. the risk of losing their home) (Johnson and O'Halloran, 2017). Taff Housing Association in Wales report a similar experience, where a re-designed Stage 1 arrears letter (see below) was more effective at prompting tenant contact and/or arrears repayment than its standard letter, a text message or a phone call.

Case study

Taff Housing Association re-designed stage 1 arrears letter

The redesigned letter put behavioural economics concepts into practice:

- **Use of colour to catch the eye;**
- **Default – it only gave the tenant two options to deal with arrears and one payment option;**
- **Salience – it used subtler and less informal language;**
- **Incentives – it advised what benefits tenants could lose by being in arrears.;**
- **Commitment – it advised tenants to clear or contact by an exact date.**

(Thomas and Dowdall, no date)

Written communications are not suitable for everyone though. In qualitative research, Universal Credit claimants in Wales reported that rent arrears letters put them off contacting their housing provider, and cited illiteracy as a big barrier to engagement. The authors suggest graphic information as a possible alternative to letters (Protheroe et al., 2017).

Building trust

Other research highlights the importance of building trust when it comes to engaging citizens and identifying potential issues early on. For example, as part of its pre-tenancy work, Family Housing Association introduces housing officers to all new tenants to help build a relationship that may make it more likely for tenants to discuss any rent problems early on, hopefully allowing support to be put in place before the arrears escalate (HQN Ltd., 2018). Research by Shelter Cymru found that vulnerable tenants valued the opportunity for a mental health worker to advocate on their behalf with their landlord, and a sensitive and understanding approach by landlords in their communications (Shelter Cymru, 2016). The same study argues that, for vulnerable tenants, housing providers may have to redefine their ideas of 'engagement', adjust their expectations, and think about testing a suite of responses rather than operating on a 'one-size-fits-all' basis.

Proactive outreach

Evaluation evidence from DWP pilots of Universal Support delivered locally (DWP, 2014b)¹⁵ shows that proactive outreach was effective in targeting people with problem debt (which might include rent arrears or council tax debt) who would benefit from Universal Support— as opposed to waiting for them to make contact. Working with partners was an important part of this outreach approach, as was face-to-face contact with approachable and informative staff to encourage vulnerable claimants to disclose information and build up trust (Bennett et al., 2016). The message for local authorities and registered social landlords is that a more personal, judgement-free approach works best to engage vulnerable tenants (HQN Ltd., 2018; Bennett et al., 2016).

More sophisticated (and costly) approaches to early identification are seen in the financial services sector, where for example some firms use credit reference data (such as defaults and arrears) to understand a customer's wider financial situation; which may also be combined with an internal risk score that considers patterns of account use (Financial Conduct Authority, 2016). Even so, early arrears identification and proactive customer engagement remains challenging for many firms.

A recent Ofgem report (Ofgem, 2017) reported that support for vulnerable consumers remained an area of concern, although energy providers had made some progress in providing better support, such as developing assessment tools for better identification of vulnerability. For example, in 2016, E.ON trained frontline advisors to identify signs of financial difficulty through verbal triggers, proactive questioning and account indicators. The National Debtline has also produced a factsheet on dealing with water rates debt.¹⁶

Joint research by Ofgem and Ofwat sets out that greater sharing of non-financial data between energy and water providers could improve identification of and support to customers in vulnerable situations (UK Regulators Network, 2017).

Evidence gaps and weaknesses

The evidence base on preventing debts from becoming a crisis is reasonably strong, with a fair amount of evaluation evidence that could be used by the Welsh Government, local authorities and registered social landlords to inform service delivery and strategic decisions.

¹⁵ The trials aimed to test new ways of identifying, engaging and supporting claimants who may need help with personal budgeting or digital support, so they can claim Universal Credit. The trials also explored different models of partnership working between Local Authorities, Jobcentre Plus and organisations that could provide transitional support.

¹⁶<https://www.nationaldebtline.org/EW/factsheets/Pages/waterratesandwatertrustfunds/waterarrearsadvice.aspx>

Most of the evidence relates to citizens generally, although there are some studies that focus on those in particularly vulnerable situations.

Helping vulnerable debtors to pay (where they can)

The published evidence shows a range of ways in which local authorities and housing providers support people in debt to pay (where they can) or else to get help to access debt relief – by helping them to set up flexible and affordable repayment arrangements, through to access to independent debt advice and recent UK government proposals for ‘breathing space’ to give people time to get that advice. There is also emerging evidence of innovative approaches such as rent flexibility and non-monetary payment pilots, which although small-scale have produced positive results.

Flexible payment arrangements

While behavioural ‘nudges’ (like those described above for written communications) may be effective to engage people who are in early stage arrears, more flexible payment arrangements may help others pay off what they owe. A council tax protocol to promote good practice among local authorities suggests different payment dates within a month; spreading payments over 12 months; and possibly even different payment amounts for people with fluctuating incomes (Citizens Advice and Local Government Association, 2017).

While no local authorities in Wales seem to have adopted this protocol, a version for authorities in Wales has been under development (Money Advice Trust, 2017). We are advised that a number of local authorities have been working with Welsh Government to develop a proposal that better reflects the landscape and good practice that already exists in Wales, and the protocol is awaiting formal publication. In the meantime, most local authorities in Wales are reported to offer flexible payment arrangements for council tax debt if the individual gets in touch with them - although this can depend on whether they have previously engaged with the local authority about the debt. Some local authorities offer weekly direct debits and multiple dates to try and make sure that council tax direct debits fit with people’s different paydays (Greenall and Prosser, 2017).

Similar UK-wide guidance on flexible payment arrangements exists for rent arrears – for instance, landlords should provide a range of options for tenants to make rent payments, that are flexible, accessible and convenient to use (DCLG, 2006). More recently, one large housing association in England trialled a Supported Rent Flexibility scheme that allowed eligible tenants to set up a personalised schedule of rent payments that meant they could underpay and overpay their rent at different points in the year. In the pilot, these tenants also

received one-to-one support and welfare benefits advice. Although small-scale, the pilot showed positive results, including reduced rent arrears (see case study below).

Case study

Supported Rent Flexibility pilot scheme

Tenants were eligible for the pilot if they were not in receipt of full Housing Benefit; they had dependent children; and either had outstanding rent arrears of up to £500 or had been in rent arrears sometime in the previous 12 months. The pilot recruited 59 tenants, most of whom were single parents in work. Based on 11 participating tenants who completed a full 12 months on the scheme, eight reduced their rent arrears (which was more than in a control group of tenants); while the other three had increased their arrears (which was fewer than in a control group of tenants). The participating tenants also reported positive changes in their attitudes to managing money and planning for financial goals. (Gibbons, 2018)

Affordable payment arrangements

If citizens are to stick to repayment arrangements for rent or council tax debt, then the payments must be affordable. One tool to achieve this is the Standard Financial Statement (SFS), which is intended to be a universal financial statement to summarise a person's income and outgoings and any debts they owe. The SFS is mainly used by debt advisers and other organisations that support people who are in arrears (Money Advice Service, no date).

The SFS has seen limited take-up by local authorities in Wales.¹⁷ Most local authorities in Wales report using their own version of the SFS to set council tax debt repayments, e.g. designed around local costs (Greenall and Prosser, 2017). There is no data available to show whether survival rates for repayment arrangements vary depending on the income and expenditure tool that is used.

Roughly 15 of the 35 current registered social landlords in Wales (Welsh Government, 2018e) are members of the SFS, while others may use different ways of calculating repayment affordability based on a tenant's income and outgoings. Qualitative evidence collected from tenants by Shelter Cymru had examples of landlords setting unrealistic rent arrears repayments which did not properly consider the tenant's financial situation. As a result, tenants felt disengaged because they knew they could not comply with the arrangement (Shelter Cymru, 2016).

¹⁷ Of the 22 unitary authorities in Wales, nine seemed to be members of the Standard Financial Statement in July 2018. Members may be using the SFS or moving to using it. Source: <https://sfs.moneyadviceservice.org.uk/en/what-is-the-standard-financial-statement/public-organisations>

Non-monetary payment options

In Australia, Bridge Housing has piloted an innovative approach to rent arrears. The housing provider allowed tenants at high risk of losing their tenancy (because of persistent or very high rent arrears) to take part in activities such as volunteer work, educational courses or health-related treatments to satisfy part of their arrears liability. The link between time spent and arrears was one hour of agreed activity = one day of rent liability. The scheme worked on a personalised approach which, it was felt, allowed tenants to re-engage with their landlord and partner agencies.

Tenant engagement in the pilot was more difficult than expected, which meant that only 13 tenants took part, and only 10 were included in the evaluation. Bearing this in mind, the pilot nonetheless showed some positive financial and non-financial outcomes:

- 29% of arrears were paid by non-monetary activities and tenants paid 22% in money from their arrears during the pilot;
- Tenants who took part in the scheme maintained their tenancy to the end of the pilot;
- The option to repay rent arrears in monetary ways gave tenants hope and had a positive psychological impact (Rooftop Social, 2017).

We did not find any examples of similar non-monetary payment schemes operating in the Wales or the rest of the UK. If such a scheme were to be introduced in the UK, its' interaction with the benefits system would have to be considered. At present, people in receipt of benefits are allowed to volunteer for as many hours as they choose, providing it fits within the government's definition of volunteering, individuals keep to the rules governing the specific benefit/s and the only payment received is reimbursement for expenses.¹⁸

Timebanking provides another model of citizen participation. Citizens who get involved with public and community agencies have their time acknowledged with timebank credits. They can use these credits to access social, cultural and educational activities; they cannot use them to offset arrears liability.¹⁹

Access to independent debt advice

Access to independent debt advice is another option that local authorities and housing providers may consider when working with people in rent or council tax arrears. There are significant economic impacts of debt advice for people in debt, their creditors and public services:

¹⁸ Details can be found at <https://www.ncvo.org.uk/ncvo-volunteering/volunteering-and-benefits>

¹⁹ <https://www.timebankingwales.org.uk/>

- Overall, debt advice is estimated to have a positive economic impact worth £300-570 million per year in the UK;
- Improved creditor recovery and reduced recovery costs is shown to have a net benefit of £135-237 million per year;
- An estimated beneficial impact on health equalling £74-145 million;
- Debt advice could be contributing to between £67-137 million in improved productivity annually (Money Advice Service and Europe Economics, 2018a).

Moreover, highly indebted individuals (with a debt to income ratio above 1) who do not get advice are much more likely to fail to sort out their debt problems than those who do get advice (Money Advice Service and Europe Economics, 2018b).

Access to independent debt advice seems to be a common way in which local authorities try to help vulnerable debtors to pay if they can - or to access debt relief if they cannot afford to pay. It is estimated that 97% of local authorities in England and Wales signpost citizens to debt advice, with most signposting to Citizens Advice (Money Advice Trust, 2017). It may be less easy for citizens to find their own way to debt advice - for example, local authorities could improve their online signposting to debt advice agencies, which in a study of council tax arrears was found to be lacking or unclear (Greenall and Prosser, 2017). In Universal Credit pilots, ways to get people to engage with debt advice included clear and consistent referral processes and confidential spaces in which to get debt advice (DWP, 2014a).

Case studies of local authority good practice include the co-location of local authority council tax officers in Citizens Advice offices which increased engagement with difficult to reach residents by 66%; and saw 20% of those previously disengaged tenants paying their council tax with the other 80% going through the assessment and support service (Money Advice Service, 2017a). During 2018, the Money Advice Service was working with local authorities to produce a sector-specific good practice toolkit on effective working with debt advice services.

In the context of welfare reforms, the Low Commission on the future of social welfare law encouraged further developments by housing associations to make sure their tenants had access to good advice, including debt advice (Low Commission, 2015). A good practice example is Gwalia Housing, where an in-house advice team refers tenants to third party advice partners that are hosted in its offices. It reports that 81% of tenants who were not managing their rent accounts prior to referral to the third party, went on to manage their account successfully (HQN Ltd., 2018). Williams et al., (2017) provide other case studies of housing associations that successfully delivered debt advice in partnership with external organisations and outline some of the key factors in effective partnership working.

Other evidence, from the local authority-led Universal Credit pilots, emphasises the importance of confidential spaces where people can feel comfortable discussing debt issues. The evaluation showed that people were concerned about being seen by friends and neighbours accessing services related to money or debt. For this reason, there was poor attendance at a community centre debt outreach service at a time when there were no other activities happening there, which meant people felt conspicuous entering the building (DWP, 2014a).

‘Breathing space’

For citizens who can afford to make repayments through a repayment arrangement they make with their creditors themselves (including local authorities and registered social landlords), there are no guarantees that the creditor will cease enforcement action or cease to charge fees or interest; or that they would not reinstate action and charges after a period of cessation. To offer people in this situation some certainty and protection, there have been calls for a statutory breathing space, including from The Children’s Society.²⁰

The current UK Government committed in its 2017 election manifesto to introduce a breathing space scheme to give people in serious problem debt the right to legal protections from their creditors for up to six weeks, so they could get debt advice and enter a sustainable debt solution. Following a call for evidence, it published a policy proposal for consultation in autumn 2018. Notably, respondents to the call for evidence broadly agreed that all an individual’s debts (with some exceptions) should be included in a breathing space – which infers the inclusion of rent and council tax arrears that are due to local authorities (HM Treasury, 2018).

In addition, the Money and Mental Health Policy Institute has successfully campaigned for people in serious debt who are in hospital or under the care of a community crisis team to be eligible for ‘breathing space’ without having to get debt advice. (Bond et al., 2018; Money and Mental Health Policy Institute, 2018)

Evidence gaps and weaknesses

There is a good body of evidence about the range of ways in which local authorities and housing providers support people in debt to pay (where they can) or else to get help to access debt relief, which includes good practice examples and evaluations. As noted, there is no data at present to show whether survival rates for repayment arrangements vary by the income and expenditure tool that is used. The citizen perspective is also somewhat lacking –

²⁰ <https://www.childrenssociety.org.uk/what-you-can-do/campaign-for-change/breathing-space>

while some of these interventions deliver positive results in terms of arrears repayment, what is the experience for the council tax payer or tenant?

Supporting vulnerable debtors who face enforcement action

Imprisonment for council tax debt and eviction because of rent arrears should always be last resort actions – not least because of their financial and social costs, which are borne by citizens, their children and families, local authorities, registered social landlords, and potentially other public bodies as well. The DCLG's 2006 guidance for England on rent arrears, for example, mentions that landlords should continue negotiating arrears repayment alongside any legal action to try and prevent eviction (DCLG, 2006).

Previous research on council tax collection arrangements in England, Scotland and Wales indicated mixed views from English and Welsh local authorities about the effectiveness of the threat of committal as a means for securing payment, and there was very limited use of the sanction (Scottish Executive, 1999, pp. 103-7). In Scotland, the Debtors (Scotland) Act 1987 removed the threat of imprisonment for non-payment of rates or any tax (Scotland, 1987). The Welsh Government has also announced its intention to remove imprisonment as a sanction for non-payment of council tax.

Case study

The cost of imprisonment and eviction

The average annual cost of a prison place in England & Wales is £35,182 – or nearly £3,000 per month (Prison Reform Trust, 2017). By comparison, the average council tax debt in committal action is £2,313 (Institute of Money Advisors and PayPlan, 2017). The estimated cost of a registered social landlord eviction to the Welsh economy is £26,600 per eviction; and £8,200 per eviction for a social landlord. (Shelter Cymru, 2016)

Compared to previous stages in the 'lifecycle', our evidence regarding the threat of enforcement action is less positive, with concerns about lack of access to independent help and the poor implementation of good practice protocols designed to support and protect people in debt.

Access to legal advice

Access to early legal advice has been shown to result in quicker, less costly resolution of legal problems (Ipsos MORI, 2017). However, it has become more difficult for citizens to

access to legal advice following changes to legal aid in 2012/13 under the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (LASPO). Since that time, there has been no legal aid funding for welfare benefits advice or for most debt problems (such as council tax debt). For housing, legal aid is available to eligible citizens who face repossession of a rented home, but only when the loss of the home is imminent, and the landlord has sought an order for possession. It is also possible to access help for lawful and unlawful eviction from the home.

The Law Society reports that, in the last quarter of 2015-16, 17 per cent fewer people got legal aid help for a housing matter than in the same period in the previous year (The Law Society, 2018a). There is also evidence that, because of the way the legal aid means test works, people on low-incomes are excluded from legal aid, including for housing matters such as contesting eviction (The Law Society, 2018b). In legal areas that are no longer in scope for legal aid (such as non-housing debt and welfare benefits) people must either pay for their own legal advice, represent themselves or be excluded from the justice system altogether (The Law Society, 2017). Free-to-client advice services such as Citizens Advice can support clients in these situations, and some have advice desks in court, but access to these services varies locally and has been impacted by funding cuts.

The Welsh Government, working with the National Advice Network ²¹ and others, has developed an Information and Advice Action Plan that sets out how it aspires to work together to improve access to quality assured advice and information services across all areas of social welfare law. One of the Plan's priorities for 2018/2019 is to map national, regional and local advice and guidance networks across Wales, ²² the outcome of which may be useful to local authorities and housing providers in supporting citizens in debt.

Access to legal advice is not the only issue faced by citizens in debt, however. Court closures add to these problems, as people may have to travel quite some distance to get to their nearest county court or magistrates court. For those who depend on public transport, it can be impossible to get to court for the required time; and even if they do get there, their case may not be heard (Bowcott, 2018; Maguire, 2018).

The evidence on the citizen experience remains however very limited. Research on housing possession cases indicates that:

- Information about the defendant's circumstances that may impact on the judge's decision may not be known to the judge;

²¹ The Minister for Communities and Tackling Poverty set up the National Advice Network in March 2015.

²² <https://gov.wales/docs/dsjlg/publications/comm/180914-second-annual-review-en.pdf>.

- Defendant participation rates in hearings are low, which can mean judges are less well informed about the detail of the defendants' situation;
- Few defendants receive any legal advice prior to hearings. (Bright and Whitehouse, 2014).

Enforcement action to collect council tax debt

According to debt advice organisations, based on their experience of working with local authorities across the UK, the speed of local authorities' action in response to council tax debt (where one missed payment can sometimes result in a demand for the full amount or further action) means that debt advisers can find it difficult to stop action escalating. This can be exacerbated by problems communicating with council tax departments and variation within and between departments about the action and negotiation that is available (CAP, 2018).

A new debt protocol that came into force in October 2017 requires all parties to engage early, exchange information and seek to resolve the matter without resorting to court proceedings (Ministry of Justice, 2017a). This is not the case for council tax debt, however, where it is argued there are fewer checks and protections for people in debt and no clear definition of affordability when prison is being considered (Institute of Money Advisors and PayPlan, 2017). Based on its own data analysis, the same study argues that council tax committal proceedings have become less effective at securing payment when they get to the court order stage.

In addition, debt advice organisations want to see local authorities make a clear public commitment to reduce bailiff use over time, including for council tax debt. Among other things, the use of bailiffs is found to be a cause of stress for citizens and part of a 'causal pathway' from financial difficulties to mental health problems. In 2016-17, local authorities in Wales made 74,658 bailiff referrals (3% of the UK total), and their use of bailiffs seems to be declining. Across all local authorities, bailiff use for council tax increased by 10% between 2015-16 and 2016-17, however. Good practice in England is to avoid the use of bailiffs for people receiving council tax support (Money Advice Trust, 2017).

Information from the Welsh Local Government Association indicates there will be many instances where council tax payers receive support from the Council Tax Reduction Scheme but still have a shortfall. Each local authority can determine its' own approach but if recovery action commences this can include enforcement. How enforcement is pursued will depend on a number of factors such as engagement with the tax payer, additional support available and the likelihood of payment. For example, the authority may try to attach a direct recovery to benefits. However, such an attachment would only be feasible in an earnings case after a liability order has been issued, which would result in additional costs for the authority (Greenall and Prosser, 2017). An effective system of engagement would mean better and

earlier identification of people who are vulnerable, which would have an impact on how an individual case was managed. Unfortunately, such engagement usually happens at the end of the process.

Imprisonment for council tax debt

As already noted, the Welsh Government intends to bring forward the legislation to ensure that, from 1 April 2019, it will no longer be possible to start proceedings to commit an individual to prison for council tax debt. Figures for 2016/17 show that only four councils in Wales (Vale of Glamorgan, Blaenau Gwent, Bridgend, Merthyr Tydfil) successfully sought imprisonment for people for council tax debt (Institute of Money Advisors and PayPlan, 2017). Of the 326 committal summonses issued by Welsh councils in the same year, 95 were sent by one local authority (Greenall and Prosser, 2017). The legality of imprisonment for council tax debt has been called into question (Sakande, 2018) as has its effectiveness. Indeed, according to 2016/17 figures for England and Wales, just 17 of the 99 councils that responded and started committal action secured a prison conviction – and 166 councils did not start the process at all (Institute of Money Advisors and PayPlan, 2017).

There is evidence of the significant negative impact of short custodial sentences (such as for council tax debt) on mothers and their children, and ongoing challenges once they are released from prison, including lack of support and help, relationship difficulties with their children, guilt and distress about their imprisonment (Baldwin and Epstein, 2017). The authors conclude that prison should only be used as a means for coercing someone to pay a council tax debt (who has the money and is wilfully not paying) not as a punishment for not paying (and not having the money to pay).

Evictions for rent arrears

To encourage more pre-action communication and information exchange between landlords and tenants, with a view to avoiding litigation if possible, there exists a specific pre-action protocol for possession claims by social landlords (Ministry of Justice, 2017b). While good practice exists among housing providers in Wales, there is evidence they do not always follow the protocol, leading for calls for a pre-action *requirement* in Wales, as there is in Scotland (Shelter Cymru, 2016).

This also serves to highlight the more general risk of policy-practice gaps, where landlords (and local authorities) have good policies and procedures that may even exceed minimum standards, but these are ignored or not properly followed by frontline staff, perhaps indicating a need for training and ongoing professional development. Other reported problems are poor internal and external communications around eviction prevention and erratic referrals to homelessness services (Shelter Cymru, 2016).

More positively, multi-agency panels to review cases prior to eviction are reportedly becoming more common and there is emerging evidence of their effectiveness. For example, North Wales Housing has introduced pre-eviction multi-agency panels particularly where children are involved, or the tenant is in some way vulnerable. Panel participants might include social services, school liaison officers, housing officers, tenant support workers and rent legal officers. The panels have had some success in avoiding eviction, for example by finding grants to help tenants pay off their rent arrears and providing help to resolve long-standing housing benefit issues (HQN Ltd., 2018).

The same study recommends that housing providers be represented at court user forums, as this offers a good opportunity to maintain and improve relations, understand and influence court procedures and bring to the attention of judges any concerns.

Evidence gaps and weaknesses

There is a reasonable amount of evidence about problems related to enforcement of council tax debt and rent arrears, but the picture in terms of support for people in debt is less positive. The options for citizens to get specialist support have reduced due to legal aid cuts and there seem to be questions about the effectiveness of protocols that are meant to ensure fair treatment of people in debt. On this basis, citizens in Wales may face something of a 'postcode lottery' in terms of available support – but further evidence would help confirm this picture and possibly offer more ideas for ensuring people get access to justice.

Supporting vulnerable debtors to keep on top of their liabilities post-enforcement action

We found no evidence about effective ways to support vulnerable debts after they have experienced debt enforcement action, which at its most serious may have resulted in eviction or threatened or actual imprisonment. In 2015 the National Assembly's Public Accounts Committee expressed concerns about the lack of knowledge of what happens to evicted households after the event (Shelter Cymru, 2016; National Assembly for Wales, 2015), and we see no evidence of that gap being filled. Similarly, while the number of cases is small, there is very little information about what happens to people after short custodial sentences for council tax debt, bearing in mind that imprisonment does not discharge the debt.

We might assume that the evidence about supporting people at earlier stages in the lifecycle is also relevant to those who experience enforcement action – focusing for example on personalised, proactive support that seems more effective than 'one-size-fits-all' approaches. Even so, it would be helpful to understand more, and to know whether the profile of people

who go through enforcement means that different strategies and approaches should be considered. For one thing, they are likely to have little or no trust in public bodies; and their experiences may have exacerbated any vulnerability or given rise to new vulnerability.

Part 3: Conclusions and actions for consideration

We draw together the findings from the evidence review under three headings: the strength of the evidence base; effective approaches; and actions for consideration.

The strength of the evidence base

We reviewed over 60 pieces of evidence that provided relevant data about identifying, engaging and supporting people who are in debt to local authorities or registered social landlords. We found a reasonable amount of evidence across the debt lifecycle. The exception was supporting people to keep on top of their liabilities post-enforcement action, where there was hardly any information about what happens to people or effective ways to help them. Other notable gaps were:

- Evidence focused specifically on people in vulnerable situations;
- Evidence of the citizen experience of interventions or any evidence of their involvement in the design of interventions, and
- Evidence of the possible gendered effects of debt collection.

Our review shows there is no lack of guidance, protocols, tools, and good practice case studies for local authorities and housing providers; including examples where standard tools and guidance have been adapted for local authorities. It is not clear the extent to which these are used in Wales, however, or whether they are properly implemented across organisations. This gives rise to the risk of policy-practice gaps and a postcode lottery in terms of the fair treatment of people in debt in Wales.

Effective approaches

A consistent message from the evidence review is that personalised and proactive support, delivered through effective multi-agency partnerships- enabling better understanding of the needs of individual citizens - works better than a generic, 'one-size-fits-all' approach. Other key features of effective help are:

- **Building trust** with citizens from the time they become responsible for paying rent or council tax; or where this is not possible, working with trusted organisations;
- **Early identification** of potential problems and early intervention;
- Smooth **referral pathways** between partners and ongoing investment in making the partnership work for partners and citizens;
- Access to **independent, specialist help** in a confidential environment;

- **Better sharing of data.** The Digital Economy Act 2017 and the new General Data Protection Regulations provide an opportunity to revisit the data sharing potential for councils and housing associations, both internally and with other appropriate agencies or organisations; this could help in identifying those with vulnerabilities who may be eligible for support. We heard at our Round Table event in November 2018 about **pilot work** in England involving **HMRC/local authority data sharing** – previous research had recommended that Welsh Government explore the feasibility of facilitating local authorities' access to HMRC employment data to enable prompt attachments to earnings where appropriate (Greenall and Prosser, 2017).
- Our Round Table event also highlighted **existing good practice** among housing associations and local authorities in Wales. However, attendees also saw opportunities for **greater collaboration**, including training of front-line staff to ensure that citizens in debt across Wales receive the support they need.

While likely to require some investment, services that are shown to work stand a better chance of delivering value-for-money than less costly services that do not. There is very little published information on costs and benefits to be able to assess value-for-money, however.

Actions for consideration

Based on the evidence reviewed, we suggest some actions for consideration that could support a programme of change, given the appropriate commitment and resource.

- Assess the extent to which any of the recommendations from recent Wales-specific research have been put into practice. There were 15 recommendations in research about local authority council tax debt collection (Greenall and Prosser, 2017), for example, and 39 recommendations related to social housing in Wales (HQN Ltd., 2018). If they have been put into practice (or are in train), is there any useful monitoring or evaluation that can be carried out and shared? If they have not been put into practice, why not and is there any appetite to address barriers to implementation?
- Look for cost-effective ways to build evaluation evidence about interventions that work or do not work, for example bringing together key information from unpublished assessments carried out by local authorities and housing associations;
- Consider the value of filling the gaps in knowledge identified by this review, based on a realistic evaluation of whether new data is likely to be used in service development or strategic planning. There is little point collecting new data without a clear purpose.

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Social Housing Rent Arrears: <https://statswales.gov.wales/Catalogue/Housing/Social-Housing-Rent-Arrears>

Appendix 1: The council tax enforcement and social housing repossession processes

The council tax enforcement process

The process to recover council tax debt begins with a local authority making an application to a Magistrates' Court for a Liability Order. Benchmarking data (Greenall and Prosser, 2017) shows that 92,547 liability orders were granted in 2016-17, equivalent of 7% of chargeable dwellings. Of the options that can then be employed following a liability order:

- 18,961 pursued an attachment of earnings, seen by local authorities as the preferred recovery option. Should the debtor's employment come to an end, it is then possible to send in an enforcement agent;
- 16,673 applications for DWP deductions were made. If the individual then moves into employment, an attachment of earnings can be employed;
- 55,151 referrals were made to enforcement agents/collectors;
- 178 charging orders were made. These are only applicable where more than £1,000 is owed and where the occupant owns the property/land;
- Bankruptcies were used infrequently, with just 4 being obtained. These are only applicable where more than £5,000 is owed.

Where authorities have been unsuccessful in enforcing liability, they are able to apply to the Magistrates Court for a warrant to commit the debtor. At this stage a means enquiry is conducted to determine whether the debtor has the means to pay and the failure to pay "is due to his wilful refusal or culpable neglect" (The Council Tax (Administration and Enforcement) Regulations 1992, Part VI, Regulation 47). If the court finds that this was the case it may issue a Warrant of Commitment, or fix a term for imprisonment and postpone the issue of the warrant. The court also has the power to reduce or completely write off the debt. By this time the debt will have increased to take into account any costs associated with the unsuccessful enforcement action as well as court costs.

In 2016-17, 326 committal summonses were issued across Wales. These led to 159 committal orders where the sentence was suspended and 20 where the sentence was imposed. Under existing regulations, the sentencing period can be for up to three months; does not result in a criminal record; and does not clear the debt. However, once someone has been imprisoned, the billing authority cannot use further enforcement measures. Where

the court decides to suspend the committal to prison, this can be for up to three years on condition that the payment terms are kept to.

The social housing repossession process

Data from the courts for the latest mortgage and landlord possession statistics (Ministry of Justice, 2018a) show that in 2016-17 there were 3,800 claims for possession issued by social landlords in Wales. The figures for the first 3 months of 2018 are provisional, but they suggest that there has been a slight decrease (2.6%) during 2017-18 relative to the previous year.

Having made a claim for possession, a hearing is convened before a judge at the County Court. At such a hearing, a judge may grant:

- An order for outright possession of the property at a date decided by the judge. There were 1,402 orders for outright possession granted in 2016-17, with the 2017-18 figures being broadly the same (1,411);
- A suspended order for possession of the property – these usually require the defendant to pay the latest rent instalment, plus some of the arrears that have built up, within a certain period. As long as the defendant complies with the terms of the suspension, the possession order cannot be enforced. In 2016-17, there were 1,824 suspended orders for possession granted. Provisional figures for 2017-18 suggest a 4.2% decrease in the number granted (1,747); or
- No order for possession (574).

Possession orders state that the defendant should vacate the property and that the claimant has entitlement to take possession of the property (and sometimes that costs must be paid). If the defendant will not permit or allow possession, a warrant can then be sought to have the defendant evicted by bailiffs. Throughout the court process, even where a warrant for possession is issued, the claimant and defendant can still negotiate a compromise arrangement to prevent eviction. More than one order may be granted during the course of an individual case. For example, it is possible that after an initial possession order is granted, a party may make an application to the court for the order to be varied or set aside, which could then result in another order being made.

There were 1,890 warrants issued during 2016-17 and provisional figures suggest that the number issued increased by 1.9% to 1,925 in 2017-18. In contrast, repossessions have decreased from 820 in 2016-17 to 768 in 2017-18 (-6.3%)

Appendix 2: The Council Tax Reduction Scheme

There is particular concern that those who find themselves at risk of falling into arrears are some of the more vulnerable members of society. However, many of these will be eligible for support, discounts or exemptions, notably the almost 300,000 households in Wales who are protected from any increase in their council tax liabilities under the Council Tax Reduction Scheme (CTRS); this is equivalent to 20.7% of liable households.²³ Of these, 220,000 households pay no council tax at all (Welsh Government, 2018c).

The total value of the reductions provided through CTRS in Wales for 2017-18 was approximately £254 million – an increase of approximately £0.9 million (0.4%) on the previous financial year. Based on monthly ‘open’ caseload data:

- 116,823 pensioners in Wales received CTRS as at March 2018, compared to 119,930 at March 2017, a fall in pensioner caseload of 3,107 (2.7%). It is suggested that the reduction in the pension age workload may in part be due to changes in the state pension age for women. Additionally, new cohorts of pensioners tend to have higher incomes, are more likely to be owner occupiers and less likely to take up council tax reductions (CTR);
- 168,863 working age people in Wales received CTRS at March 2018, compared to 172,098 at March 2017, a decrease of 3,235 cases (1.9%). The Welsh Government (2018c) suggest that the continued reduction may be due to people exiting the benefits system altogether because of an improvement in the general economic situation and/or the cumulative effects of welfare reforms;
- As at March 2018, 67.4% of households receiving CTRS were passported cases ²⁴ i.e. they are in receipt of Income Support, Income Based Job-Seekers Allowance (JSA), Income Based Employment Support Allowance (ESA) or Pension Credit Guarantee, and 32.6% were non-passported;

²³ When the decision was made in April 2013 by the UK Government to abolish Council Tax Benefit and cut funding for the replacement by 10%, a fixed budget of £222 million was transferred to Wales to support the administration of the replacement scheme. A further £22 million was made available by the Welsh Government to enable local authorities to work to safeguard vulnerable and low-income households and maintain full entitlements to the Council Tax Reduction Scheme. These funding arrangements have been in place since 2013-14. Local authorities were given certain areas of local discretion, allowing each to take the needs and priorities of its local area into account.

²⁴ Passporting Cases are so called because they are automatically assessed for Council Tax Reduction.

- ESA cases were the most common single type of passported CTR case (26.8%). This was followed by Pension Credit (Guaranteed Credit), accounting for around 26.4%;
- CTRS households receiving Universal Credit made up 3.4%. These tended to be non-passported cases;
- The largest family type is single adult households with no dependants (57.0%). 18.9% of cases relate to single parent households, one in six (15.4%) to couples with no dependents whilst one in twelve (8.6%) households were made up of a couple and dependent children;
- 84.3% of households receiving CTRS were living in properties in Bands A to C at March 2018, compared to 84.5% at March 2017.

Appendix 3: Council tax exemptions

In addition to the CRTS, there are a number of discounts and exemptions available depending on the composition of the household and if certain criteria are met – details of which can be found below. The aggregated CT1 council tax returns submitted by the Welsh local authorities (Welsh Government, 2018b) suggest:

- Occupants qualifying for a disability reduction for council tax purposes, see their council tax band reduced by one band. If the dwelling is in Band A, normally the lowest council tax band available, after disabled relief the band is said to be in council Band A-. In 2018-19, there were 11,989 dwellings subject to a disability reduction, representing less than 1% of all chargeable dwellings;
- Of the chargeable dwellings, 494,246 (36%) qualify for a 25% discount, predominately due to single person occupancy. A further 19,797 (1.4%) qualify for a 50% discount mainly due to being long-term empty homes i.e. the property has been empty for more than 6 months;
- Whilst the number of dwellings qualifying for discounts has increased over the last 10 years (from 48,231 in 2009-10 to 56,064, equivalent to an increase of 4.9%), the qualifying proportion of chargeable dwellings that this represents has remained fairly consistent at around 37%.

It should also be noted that since April 2017, it has been permissible under the Housing (Wales) Act 2014 for local authorities to charge a premium of up to 100% of the standard rate of council tax on long-term empty homes and second homes in their areas. In 2018-19, 6 local authorities are charging an empty home premium and 6 are charging a second home premium. In total, across Wales there are 24,830 chargeable empty homes and 23,426 chargeable second homes.

In each instance it is not possible to ascertain from the data what proportion of those who fall into arrears are qualify for the respective discounts or premiums. Similarly, it is not known what the distribution of arrears is relative to the council tax band of the dwelling.

A	A vacant dwelling which requires, or is undergoing, or has undergone, major repair work to render it habitable (major repair work includes structural repair work), or is undergoing, or has undergone structural alteration. The exemption applies for no longer than: a continuous period of 12 months, or a period beginning on the day on which it became vacant, and ending six months after the day on which such work was substantially completed, whichever is the shorter. Authorities will need to serve a 'completion notice' to fix the date of substantial completion;
B	A dwelling which is owned by a charitable organisation, was last occupied for the purposes of the organisation and has been unoccupied for less than 6 months, disregarding anyone period of less than six weeks during which it was occupied.
C	A dwelling which has been vacant for a continuous period of less than 6 months. A new dwelling would fall into this category following the service of a completion notice.
D	A dwelling which is unoccupied because the owner/tenant is detained in prison etc. and the property would have been the person's sole or main residence if they had not been detained. However, provided that the dwelling was the person's previous sole or main residence the exemption would still apply if the person had been a relevant absentee for the whole period.
E	An unoccupied dwelling which was the sole or main residence of the owner or tenant and that person is a patient in a NHS or military hospital or a patient in a hostel, nursing home, mental nursing home or residential care home in England, Wales or Scotland. This category will continue to apply so long as the person remains a relevant absentee.
F	An unoccupied dwelling which has been unoccupied since the date of death where the only the qualifying person in respect of the dwelling is such by virtue of being the executor or administrator and there is no other qualifying person in any other category. This class will apply up to, and for a maximum of 6 months following, the grant of probate or letters of administration with anyone period of less than six weeks during which it was occupied being disregarded.
G	An unoccupied dwelling where occupation is prohibited by law or kept unoccupied by action taken under an Act of Parliament with a view to prohibiting occupation of the dwelling or to acquiring the dwelling.
H	A dwelling which is kept unoccupied for the purpose of being available for a minister of any religious denomination which is to be used as a residence from which to perform his duties.
I	An unoccupied dwelling which was the sole or main residence of the owner or tenant but the person is now resident in a place, which is not a hospital or home, for the purpose of receiving care etc. and the person has been a relevant absentee for the whole period.
J	An unoccupied dwelling which was the sole or main residence of the owner or tenant but that person is now in another place providing personal care to another person and, for the whole of the period, the qualifying person has been a relevant absentee.

K	An unoccupied dwelling which was last occupied only by student(s) as a sole or main residence and every qualifying person is a student and either has been a student for the whole of the period since, or become a student within 6 weeks of, the dwelling being his last sole or main residence.
L	An unoccupied dwelling which has been repossessed by the mortgagee under the terms of the mortgage.
M	A dwelling which is a hall of residence provided predominantly for the accommodation of students and is either owned or managed by a university or similar organisation (see S.I.1992/548) or a charitable body or the dwelling is subject to an agreement whereby the institution can nominate the majority of occupiers of the accommodation.
N	A dwelling which is occupied wholly by: students over 18 years; and/or a student's spouse or dependent who is not a British Citizen and is prohibited from taking employment or claiming benefits; and/or people aged under 20 years who are undertaking a qualifying course of education or a full time course of education, as their sole or main residence or as term time accommodation; during vacation periods provided that a student, or a person on a qualifying or full time course, continues to hold the freehold, leasehold or licence to occupy the dwelling and either previously used, or intends to use, the dwelling as term time accommodation then, the exemption will continue to apply.
O	A dwelling owned by the Secretary of State for Defence which is held for armed forces accommodation, other than visiting forces accommodation.
P	A dwelling where at least one person who would be liable to the council tax in respect of the dwelling is a member, or a dependant of a member, of a visiting force under Part I of the Visiting Forces Act 1952.
Q	A dwelling which is unoccupied where the person who would be liable is a trustee in bankruptcy.
R	A dwelling consisting of a pitch or a mooring which is not occupied by a caravan or boat, respectively.
S	A dwelling occupied only by a person(s) under 18.
T	An unoccupied dwelling which is part of another dwelling, e.g. annexed accommodation, that cannot be let without breaching planning control.
U	A dwelling occupied only by person(s) that are severely mentally impaired, or only occupied by person(s) that are severely mentally impaired together with students.
V	A dwelling where at least one person who would be liable to the council tax in respect of the dwelling is a diplomat, a person who would benefit from diplomatic immunity and certain members of their household. The person must not be: a British Citizen or subject; permanently resident in the United Kingdom; and have no other sole or main residence in the UK.
W	A dwelling, that is part of a single property, comprising two or more dwellings which is occupied by a dependent relative of the resident of the other dwelling.

There were 1,375,172 dwellings liable for council tax in Wales in 2018-19, with a further 57,700 exempt dwellings – equivalent to a total of 1,432,872 dwellings (Welsh Government,

2018b). The most common exemption category is empty and unfurnished at 17,659, followed by student dwellings at 16,555, with 5,839 dwellings being exempt as a result of being vacant on death. In the last 10 years, the number of dwellings which have been exempted from council tax has increased from 48,231 in 2009-10 to 57,700 in 2018-19, an increase of 19.6%. This has largely been due to the increased number of properties occupied exclusively by students.²⁵

²⁵ On 7 November 2018, the Cabinet Secretary launched a consultation on proposals to exempt care leavers from paying Council Tax until their 25th birthday. The consultation closed on 19 December 2018. Source: <https://beta.gov.wales/council-tax-exemptions-care-leavers>

Appendix 4: Contextual data on social housing rental in Wales

Social landlord housing stock are housing units (including bedsits and bed spaces) owned or partly owned by the 11 stock retaining local authorities and by all Welsh Registered Social Landlords (RSLs). As at 31st March 2018, there were 230,044 social housing units, ²⁶ representing a slight increase (0.6%) on the previous year. Of these, RSLs owned 62% (and local authorities owned the remaining 38% (Welsh Government, 2018h).

Across Wales, roughly one in six dwellings is rented from a social landlord (16.0% in 2016-17). However, the respective proportions owned by RSLs and local authorities has altered over time as 11 Welsh authorities voluntarily transferred their stock to RSLs between September 2003 and July 2010. As would be anticipated, the proportion of dwelling stock owned by social landlords varies across Wales with the roughly one in four dwellings being for social rent in Blaenau Gwent (24.2%) and Torfaen (24.1%) compared to roughly one in ten in Conway (10.8%) and Ceredigion (9.5%) (Welsh Government, 2018d).²⁷

The bulk of housing units at social rents is not designated for any specific users, with 89% (194,594 units) being for general needs in 2017-18. The remaining 11% (25,116) were self-contained sheltered housing units (including self-contained bedsits) for those with specific needs due to age, disability or other vulnerability. Local authorities typically have a higher proportion of self-contained sheltered housing within their stock than RSLs – 12.5% compared to 10.7% of all their social rented stock at 31st March 2018.

Additionally, there were 10,334 other social housing units which fell outside the Welsh Government social rents policy framework at 31st March 2018. This included 3,884 ‘other support’ and 2,169 ‘extra care’ housing units which offer a higher level of care than ‘sheltered housing’. The remaining 41% of other social housing across Wales is made up of 310 non self-contained bedsits and 4,281 non self-contained hostel bed spaces. Newport had the highest number of non self-contained bedsits (59 units), whilst Cardiff and Swansea had the

²⁶ A further 15,296 non-social housing units are owned or partly owned by social landlords in Wales, of which 99% were owned by RSLs. Non-social housing units include housing units let at immediate rent levels where the rents are above those of social rented housing but below market housing rents; shared ownership housing; flexible tenure for the elderly schemes; housing units let at market rent levels, ‘Home Buy’ and other investment housing. A small number of properties are owned by RSLs registered in England. They have been excluded from this analysis.

²⁷ These figures are taken from Welsh Government (2018d) which is based on the SFR36/2018, based on the annual Social Housing Stock return. The headline figures differ from those used for council tax and in SFR91/2017. (Welsh Government, 2017b).

highest numbers of non self-contained hostel bed spaces at 762 and 409 units respectively (Welsh Government, 2018f).

At the end of March 2017 it is estimated that 98.2% of all social housing (housing at social rents and other social housing) was occupied, with just 4,057 of the 228,684 units being vacant. However, 1,312 units (0.6% of the social housing stock) had been vacant for more than 6 months (Welsh Government, 2018e). Not all vacant units are available for letting. Reasons why social housing stock may not be available for letting includes the housing unit undergoing or awaiting improvements, or awaiting sale or demolition.

The average weekly rents of Welsh social landlords vary by type of housing, whether it is self-contained or not, by type of landlord and number of bedrooms as well as there being local variation. In 2016-17 (as set at 1 April 2016) the average rent for the self-contained social housing units owned and managed by local authorities was £81.15 per week. This was £2.78 less than the average for RSL units (£83.93 per week). This difference in part is due to RSLs having a higher percentage of 4 and 5 bedroom properties than local authorities and these inevitably attract a higher average week rent. Last year, the difference had narrowed to £2.45. Table 3 provides an indication of how social rents compare for different types of housing, broken down by provider type whilst Table 4 compares the average weekly rents for general need stock by the number of bedrooms.

Table 3: Self-contained social housing by type of housing and provider type, 2016-17 and 2017-18

2016-17	Stock			Average Weekly Rent (£)		
	Local Authority	RSL	Total	Local Authority	RSL	Total
General need stock	74,698	118,572	193,270	82.53	83.90	83.37
Sheltered stock	10,956	14,206	25,162	72.71	77.20	75.23
Other supported stock	1,516	2,310	3,826	75.04	89.07	83.53
Extra care stock	25	2,132	2,157	68.65	127.03	126.32
Total stock at social rent	87,195	137,220	224,415	81.15	83.93	82.85

2017-18	Stock			Average Weekly Rent (£)		
	Local Authority	RSL	Total	Local Authority	RSL	Total
General need stock	74,970	119,624	194,594	86.07	86.96	86.62
Sheltered stock	10,748	14,368	25,116	75.92	79.96	78.21
Other supported stock	1,505	2,379	3,884	78.14	96.87	89.45
Extra care stock	25	2,144	2,169	70.72	131.70	131.00
Total stock at social rent	87,248	138,515	225,763	84.65	87.10	86.15

Source: Average weekly rents in self-contained stock at social rent by accommodation type, number of bedrooms and provider type. StatsWales (2018). Data Extracted 20/8/18. Note: Rents relate to the position on 31 March i.e. at the end of the financial year.

Table 4: Self-contained general needs stock and weekly rents by number of bedrooms, 2016-17 and 2017-18

	2016-17		2017-18	
	General Needs Stock	Average Weekly Rent (£)	General Needs Stock	Average Weekly Rent (£)
1 bedroom inc bedsits	33,968	72.25	34,557	74.80
2 bedrooms	69,021	80.85	69,831	84.00
3 bedrooms	85,408	88.53	85,264	92.19
4 bedrooms	4,461	102.55	4,535	106.54
5 or more bedrooms	421	124.38	407	127.67
Total	193,279	83.37	194,594	86.62

Source: StatsWales (2018) Self-contained general needs and sheltered average weekly rents (used in target rent setting) by dwelling type, bedrooms and accommodation type. Data Extracted 20/8/18. Note: Rents relate to the position on 31 March i.e. at the end of the financial year.

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