

## Manchester City Council Report for Information

**Report to:** Resources and Governance Scrutiny Committee – 6 December 2022

**Subject:** Council Tax Debt Recovery

**Report of:** Deputy Chief Executive and City Treasurer

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### Summary

This report sets out how the Council approaches Council Tax Debt recovery.

### Recommendations

The Committee is recommended to consider and comment on the information contained within the report.

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**Wards Affected:** All

**Environmental Impact Assessment** - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

Enforcement Agent companies are more and more moving to collection via telephone contact, reducing the number of actual visits carried out and the fees charged. Where a visit is necessary, they are increasingly done with electric vehicles.

**Equality, Diversity and Inclusion** - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

The report provides information about the use of Enforcement Agents in the collection of Council Tax and the approach in the face of the current cost of living crisis. Consideration of equality, diversity and inclusion issues for Manchester residents have been considered in the development and delivery of the policies and procedures covering Council Tax collection and Enforcement Agent activity.

<b>Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the OMS/Contribution to the Strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Maximising Council Tax collection is key to funding the Council's efforts to support the economy of the City as well as providing essential services.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Support given to residents with Council Tax arrears allows them to concentrate on maximising their potential.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Both the Council's Debt Recovery Policy and the Enforcement Agent Code of Practice emphasise the importance of establishing sustainable arrangements where possible. Residents who engage are supported to maintain these arrangements. Support for, and treatment of, vulnerable residents is specifically covered by the Enforcement Agent Code of Practice.
A liveable and low carbon city: a destination of choice to live, visit, work	Support given to residents with Council Tax arrears helps them to maintain their households during the cost of living crisis.
A connected city: world class infrastructure and connectivity to drive growth	Maximising Council Tax collection is key to funding the Council's efforts to improve the City's infrastructure as well as providing essential services.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

### **Financial Consequences – Revenue**

Enforcement agents collect significant amounts of Council Tax arrears every year. Reducing the use of Enforcement Agents without replacing them with an effective alternative would significantly impact the Council's revenue income and delivery of essential services.

### **Financial Consequences – Capital**

None

**Contact Officers:**

Name: Carol Culley  
Position: Deputy Chief Executive and City Treasurer  
Telephone: 01612343952  
E-mail: carol.culley@manchester.gov.uk

Name: Lee Owen  
Position: Head of Revenues, Benefits and Customer Services  
Telephone: 0161 245 7525  
E-mail: lee.owen@manchester.gov.uk

Name: Charles Metcalfe  
Position: Head of Corporate Revenues  
Telephone: 0161 219 6382  
E-mail: charles.metcalfe@manchester.gov.uk

**Background documents (available for public inspection):** None

## 1.0 Main issues

- 1.1 When considering Council Tax debt our approach in recent years has been to take a holistic approach to recovery, where possible collecting the current year plus an amount towards the arrears.
- 1.2 Emphasis is placed on finding a sustainable payment arrangement based on wider household responsibilities (especially property costs and priority debt) with residents who engage with us. Whilst taking this approach recovery levels have improved. Where the Council does not hold any intelligence on a household's financial status and they fail to engage, there is very little that a council is able to do to recover council tax that is owed other than go through an agreed legal process.

The next step if a resident will not engage with us and has not responded to the multiple letters, the summons and the liability order and we do not hold employer or benefit details, is to send the account to the enforcement agents for them to collect. I can confirm that we are currently sending far fewer cases to Enforcement Agents (EAs) than we were ten years ago. In 2009/10 we issued 54,000 cases to Bailiffs for Council Tax arrears and in 2021/22 this figure reduced to 23,000.

- 1.3 Much of the information included in Council Tax reminders and summons is prescribed in legislation. The Revenues Service have worked closely with the Communications Team to improve the layout and the language used within letters sent to residents as far as regulations will allow. There is a significant amount of information and advice included on the reverse of the letters and we are working with the Communications Team to include reference to the new cost of living advice line in these, along with email responses and less standard letters sent out by the service.
- 1.4 As well as this the cost-of-living advice line continues to be actively promoted, using digital screens in Manchester city centre, targeted social media messages, through NHS and neighbourhood teams with printed information for community events promoting the advice line and there are dedicated pages on the Councils website with online forms so that residents can request direct support if they are in hardship.
- 1.5 Posters and flyers have also been shared with community and voluntary organisations and have been produced in 9 alternative languages, BSL and braille and over 100,000 copies of the new cost of living z-card is being distributed to neighbourhood and community organisations across the city including sure start centres, libraries, schools and community hubs.
- 1.6 Improving the way we communicate with residents is also one of the primary aims of the Councils Resident and Business Digital Experience programme and will include a review of all communication sent out to residents to ensure the tone and information provided to residents is both informative and helpful.

- 1.7 Before an Enforcement Agent visits a property, the resident will have had, **as a minimum**, a bill, a reminder, a summons, a notice of liability Order (which includes a warning of a possible EA visit), a final warning before the case is passed to the EA, three letters from the EA and four phone calls (where we know the telephone number). At any of these stages, the resident will be able to discuss a suitable repayment arrangement, seek necessary support and advice and resolve the issue without incurring a visit and additional fees.
- 1.8 Collection by Enforcement Agents helps to fund essential services. Between May 2021 and August 2022, they collected over £1.95 million from residents who had not engaged with the Council to make a sustainable arrangement to meet their responsibilities.
- 1.9 The reduction in use of enforcement agents has been achieved through several measures including:
- Vetting cases where residents have failed to engage to see what intelligence is held on our systems.
  - Not referring those residents in receipt of CTS that have a balance to pay.
  - Improving the checks on those about to be passed to enforcement agents to identify a more effective and less severe recovery method, for example deduction from benefit or from salary.
  - Introducing an additional warning letter before a case is sent to EAs, emphasising the costs that could be incurred and urging the resident to engage.
  - Improving the intelligence that is held, including taking part in a trial with HMRC where we received employer details for nearly 1,600 residents with Council Tax arrears. These were used to contact the resident and encourage engagement or apply for an attachment of earnings. The trial will be repeated on a larger scale later this year.

### **Enforcement Agent code of conduct**

- 1.10 As well as all fees being covered by legislation, all enforcement agents contracted to the Council must adhere to a strict code of practice which covers:
- The professional standards they must adhere to;
  - The procedures they must follow;
  - Guidance on how quickly the money should be repaid; and
  - When it is inappropriate to take action.
- 1.11 The code also always includes the requirement to operate a body worn camera when dealing with a resident and a robust set of vulnerability criteria that they must adhere to.

There is extensive vulnerability criteria and guidance contained in the Enforcement Agent code of conduct which forms part of the contract with the Council. They are instructed to stop action and return cases to the Council where vulnerability is identified.

- 1.12 All recovery action was suspended between March and September 2020. When it resumed, additional steps were built into the recovery process to minimise costs. This included longer payment arrangements being offered by Council staff and enforcement agents.
- 1.13 The Council is currently participating in phase two of a trial with HMRC where they provide us with employment details of residents where we have a Liability Order against them. This is proving very effective in increasing engagement from residents when we contact them, and they realise the benefits of engaging to avoid an attachment of their earnings. Once they make contact, we can negotiate a sustainable arrangement based on their actual income. It is hoped that this could be BAU for those in the current trial sometime next year. This would significantly reduce the number of cases that are passed to EAs.
- 1.14 The Council's Revenues Service continues to work closely with the Oasis Centre in Gorton, providing their advisors with direct access to Revenues staff to support with resolving any Council Tax queries or issues that Centre Users may have. This scheme has proven very popular with both staff and Centre Users.

The Council is looking to engage with a number of companies with proven track records of driving up engagement with residents, which can significantly increase collection whilst identifying potential vulnerability before a case is passed to Enforcement Agents.

- 1.15 Finally, the Government has recently concluded a consultation exercise on Council Tax recovery, and we are awaiting any changes that come out of this.

## **2.0 Recommendations**

The Committee is recommended to consider and comment on the information contained within the report.