

**Manchester City Council
Report for Resolution**

Report to: The Executive – 28 June 2023

Subject: Implementation of new guidelines for council tax recovery as part of the Council's Anti-Poverty work.

Report of: Head of Corporate Revenues

Summary

This report outlines policy suggestions to mitigate the impact of the cost-of-living crisis by making changes to the way we recover Council Tax and related summons costs from residents who do not pay and supports the Council's wider anti-poverty work.

These will include the ability to write off some costs, longer payment arrangements, pausing the recovery of previous years' arrears and the use of discretionary payments to provide support. This will impact on the level of income that can be collected.

Recommendations

The Executive is recommended to adopt the policy as set out at appendix 1.

Wards Affected: All

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

None

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

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	By mitigating the impact of Council Tax recovery on residents and removing the burden of historical costs, it makes them more able to play an active role in the city's economy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	n/a
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	n/a
A liveable and low carbon city: a destination of choice to live, visit, work	n/a
A connected city: world class infrastructure and connectivity to drive growth	n/a

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

As part of the 2023/24 budget process, it was proposed that additional resources were made available to provide support to the most vulnerable residents suffering direct hardship, this was in addition to existing welfare provision schemes and recognised the severity of the current economic climate on our residents. This report sets out the recommended approach. Whilst it is difficult to quantify the exact financial impact of the measures outlined, they will:

- Have a negative impact on the Council's cash/flow as recovery is delayed in affected cases
- Reduce the value of historic summons costs available for recovery, although much of this will have been covered by the Council's bad debt provision.
- Increase the amount paid out under the Discretionary Council Tax Payment Scheme

It is expected that this will be deliverable from within the funding available. The changes will be reviewed within 6 Months to evaluate the financial implications and the impact on residents.

Financial Consequences – Capital

None

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Background documents (available for public inspection):

- Council Tax Recovery during the Cost-of-Living Crisis Policy (attached as appendix 1).
- Corporate Core Budget Report to the Executive Committee on 15 February 2023
- Update from the Revenues and Benefits Unit to the Resources and Governance Scrutiny Committee on 7 March 2023

1.0 Introduction

- 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. The aim as always been that we engage with residents in the most effective way and build a relationship that avoids costs and escalation wherever possible.
- 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 improved up to the start of the pandemic in March 2020.
- 1.3 Historically we have made plans that extend longer than the financial year and we stack debt into long term affordable arrangements so that council tax is not paid at the expense of other household bills.
- 1.4 Where possible, and based on intelligence about the city over many years, we take a fair and proportionate approach to recovery of the council tax that is due, seeking to engage with residents and agree affordable payment plans. Although the number of properties has been rising year on year and, until last year, the number of Council Tax Support (CTS) claimants reducing, the number of accounts receiving reminders, summons has been incrementally reducing.
- 1.5 The Council has a discretionary scheme to provide financial help on top of CTS to residents who face pressures additional to those on Universal Credit.
- 1.6 The cost-of-living pressures being faced by all of the City's residents require a more flexible approach, while still emphasising the importance of early engagement if residents are struggling and establishing the habit of making their regular monthly instalment.
- 1.7 The Deputy Chief Executive and City Treasurer presented a report to the Resources and Governance Scrutiny Committee on 7 March 2023 which outlined plans to write off summons costs in some circumstances, the suspension of arrears recovery for a period and write off some Council Tax debt where appropriate.
- 1.8 This report outlines proposals to allow staff a wider range of options to mitigate the impact of the cost-of-living crisis on residents while recognising the importance of Council Tax as a revenue stream to the Council.

2.0 Background

2.1 Council Tax

2.1.1 Council Tax Revenue

Council Tax collection totalled £243.6 million in 2022/23, including £9.6 million collected from previous years. This represents around 30% of the Council's total annual income. The Council has historically taken a robust approach to recovery, while at the same time offering constructive support and advice to residents who engage with us.

2.1.2 Burden on residents

After housing and utility costs, Council Tax is often the next biggest financial burden faced by residents. The Council does not refer residents on maximum CTS to Enforcement Agents (EAs), and since April 2020 we have not issued summons to this group. In response to the cost-of-living crisis, colleagues who deal with residents have been instructed to take a more pragmatic position when negotiating sustainable arrangements with residents in recognition of the pressures they face.

2.1.3 Use of Enforcement Agents

Over many years we have steadily reduced the number of cases being passed to EAs from 54,000 accounts per year in 2009/10 to 18,000 in 2019/20. This 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 maximum 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.

2.1.4 Enforcement Agent Code of Practice

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.

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.

Additional requirements were placed on the enforcement agents to minimise costs charged to residents and to monitor behaviour:

- EAs must write and phone at least seven times before an in-person visit is attempted, with costs restricted to £75.
- Where the debt is less than £150, cases are returned without an in-person visit (which would add £235 in costs to the resident's debt).
- There are 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.

2.1.5 Manchester Poverty Truth Commission

Officers and members from the Council were involved in the recent Manchester Poverty Truth Commission that was published earlier last year. This included the commissioner role and to take part in a specific session on how the collection of council tax could be improved.

One of the key areas as part of the commission's work was the approach to the collection of council tax. One of the recommendations which is being taken forward is further work within the community. The Commission suggested piloting a new approach with a different dialogue to find a way that supports early contact and a more supportive and responsive relationship that builds on existing trust, relationships, networks and expertise in our communities. This included the Council working with the resident to:

- Ensure that the amount being paid is correct
- Ensure that there is a health-check on the account, checking that all discounts and exemptions are being claimed and paid
- Provide specific support to people who could be exempt from council tax due to meeting the specific definition of 'severely mentally impaired'
- Examine whether household income is being maximized and if other benefits should be in payment. Based on current income details, discuss the best way to maintain council tax payments and clear any arrears
- Council staff should consider, where appropriate, discretionary support and withdrawal of some costs if this means that repayment plans can be maintained. Agree next steps and build on this with regular contact and links that initially can be set up in the community setting.

These principles have been shared across the service and reinforce the requirements of council staff to support and inform the dialogue that we have with residents. The work at the Oasis Centre in Gorton is a good example of how this work has been taken forward with the Centre having named contacts in the council

tax back office who can directly resolve issues raised by the local community and provided some free training to volunteers at the Oasis Centre to improve their understanding of Council Tax Support and Council Tax exemptions and discounts.

2.2 Additional Support to Residents delivered by the Revenues and Benefits Unit

In response to the cost-of-living crisis and to support the Council's wider anti-poverty strategy, the Revenues and Benefits unit has also delivered a wide range of local and government initiatives and schemes which provide critical financial support to residents, these include: -

2.2.1 Discretionary Housing Payment

The DWP provided £1,396,135 to the Council for Discretionary Housing Payments in 2022/23 with the Council committing a further £1 million. Payments were made to residents with the aim of preventing a further increase in rent arrears to protect tenancies and to maximise the number of households supported and protected. The DWP have provided to the Council a further £1,396,135 for Discretionary Housing Payment in 2023/24 with the Council committing an additional £1.5 million this year. Payments to residents are aimed at providing time-limited support to residents in order to retain suitable accommodation.

2.2.2 Welfare Provision Scheme

The Council paid out £770,073 in 2022/23 to support households moving from temporary homeless accommodation into general needs housing. This was a total of 1741 awards with an average award of £442. A further £301,309 was provided to vulnerable households through the welfare provision scheme.

A budget of £1.9m has been allocated for 2023/24 to help support our most vulnerable residents with cash grants, help with utilities, travel, furniture and white goods. This includes a further £100,000 of support to the Carers Emergency Fund to help support carers this year (2023/24).

2.2.3 Support for carers

The Council paid out £98,621 via the Carers Emergency Fund (CEF) during 2022/23 supporting 873 carers with an average award of £113.

An additional £100,000 has been provided to the CEF from the Welfare Provision Scheme to provide further support to care leavers in 2023/24.

2.2.4 Support for Care Leavers

In 2022/23, 490 Care Leavers benefited from the Council's Care Leavers Council Tax Discount, totaling £347,230.

A total of £98,440 was provided from the Household Support Fund two to support Care leavers with the cost-of-living crisis. This was a payment of £10 per week for a period of 26 weeks for each care leaver.

A total of £169,000 has been allocated to provide support to care leavers in 2023/24 through the delivery of Household Support Fund 4. This is a weekly payment of £8 per week for 52 weeks and it anticipated that 400 care leavers will receive this support.

2.2.5 Household Support Fund Two and Three

Two tranches of £6.453 million were received from the Government for 2022/23 to be allocated to help residents not eligible for other kinds of help or who need additional support. This was initially paid to residents in receipt of CTS, care leavers and those who received the severe mental impairment Council Tax exemption. Following a review in January 2023, payments were made to internal foster parents and those who missed out on Universal cost of living payments. A further £410k was made available to advice agencies to offer direct support to residents.

2.2.6 Household Support Fund Four

A further tranche of funding totaling £12.906 million has been provided by the Government to be paid out during 2023/24. A total of £6.4m is allocated to provide Free School Meals for 40,000 children and an additional £285,000 to provide a Holiday Activity Fund scheme during the Autumn and February half-terms.

Other support provided through this scheme will include: -

- £300 to households receiving Housing Benefit but no other DWP welfare benefit(s) and who did not qualify for a Government Cost of Living payment.
- £250 to households of five or more people, in receipt of Council Tax Support.
- £250 to households where at least one member is in receipt of a disability benefit and where the household size is less than five members, including at least one dependent (a child under 20 where the parent still receives Child Benefit payments for them).
- £150 to households of less than five members where the Council Tax Support claimant, or partner, is above the age to qualify for Pension Credit, but is not eligible due to their income, and where their weekly income is less than £10 above their Applicable Amount (the minimum weekly amount Government says a person needs to cover their living costs).
- £300 to households where the Council Tax Support claimant, or partner, started to receive Pension Credits after the qualifying period for the summer and winter Cost of Living payments during 2023/2024 and therefore were not eligible for those payments.
- £300 to households who received a nil award of Universal Credit (UC) or were not claiming it during the qualifying period for the summer and winter Cost of Living payments during 2023/24 but who received an award of UC shortly after the qualifying period ended and remain on Universal Credit.

£8 per week for 52 weeks to be given to all Care Leavers living in their own tenancies to top up their incomes.

£0.8m will also be provided to work with advice agencies and the third sector in the city. This will also incorporate funding for Care and Repair for the provision of insulation for hot water tanks and fitting draft excluders.

£200,000 has been allocated to the Council's Welfare Provision Scheme to increase its capacity to meet the growing number of requests for support with energy, food and household costs.

£150,000 to the Covid Health Equity Manchester Group (CHEM) to give targeted help to residents and communities experiencing racial inequalities, disabled people and inclusion health groups.

2.2.7 Council Tax Energy Rebate

All residents in properties in Council Tax bands A to D received a £150 grant, funded by the Government. The Government made a further £1.626 million available to the Council to fund a discretionary scheme for those who did not qualify for the initial £150 or those who needed additional support

3.0 Main issues

All of the proposals below look to mitigate the impact of the cost-of-living crisis while encouraging engagement and payment from residents, in particular by maintaining their normal monthly instalments for the current year.

3.1 Summons costs

Summons costs of £79.50 are added to a resident's Council Tax debt when a summons is issued. When the Council subsequently obtains a Liability Order the summons costs are added to the debt covered by that Order and are collected at the same time. Where a resident struggles to pay their Council Tax over successive years, they may be summonsed on multiple occasions, significantly increasing the overall debt.

If adopted, the policy will empower staff to:

- Remove historic summons costs where a resident is in receipt of maximum CTS, reducing their overall debt burden.
- Remove current summons costs where a resident engages, commits to an arrangement and maintains it for six months.

3.2 Arrangements

Where residents only have issues clearing the current year's Council Tax, normally arrangements are made to try and clear the balance by the end of the financial year, cognisant of the fact that they will have a new bill to pay in April 2024.

This policy will give the staff the option to spread the payments into next year, reducing the level of the payments to what may be a more manageable level. For example, someone who owes £1200 in Council Tax who contacts us in August would

normally be offered an arrangement of eight instalments of £150, then they would pay £100 per calendar month (pcm) from April next year. This proposal would allow an arrangement of eight instalments of £120, followed by 12 monthly instalments of £120 from April 2024. They pay the same amount, but at lower, more affordable instalments.

This approach allows residents to prevent their debt from becoming more unmanageable and gives them time to resolve any other financial issues they may have. At the same time, it establishes regular payments so that paying their Council Tax becomes a habit which helps avoid future issues.

3.3 Informal breathing space

The government has introduced a formal breathing space policy giving debtors two months freedom from collection and recovery activities by creditors while they get their finances in order and make an arrangement with all their creditors.

This proposal is designed to mirror the government scheme but makes it easier to access the breathing space. Where a resident is referred to the Council Tax Service by a recognised advice worker, or their ward Councillor, we will offer a moratorium on payment towards their arrears for an agreed period of initially two months with the ability to extend this to the end of the financial year if it can be demonstrated a workable repayment plan can be put in place.

To take advantage of this, they must complete an income/expenditure form and maintain their normal monthly payments during the period of breathing space. In the example above, this would be £100 pcm. Following the moratorium, we will look to make a sustainable arrangement.

3.4 Discretionary Council Tax Payments (DCTP)

The DCTP scheme was introduced in 2013 following the localisation of CTS and the ending of 100% rebates for working age residents. The original aim of DCTP was to help residents who were suffering severe hardship as a result of the changes to CTS. It was never intended to mitigate the effects of the kind of cost-of-living crisis residents are now facing. Payments have been relatively low (216 awards totalling £48.6k in 2022/23) as every award is a direct cost to the Council.

Under these arrangements officers will be given increased flexibility. They will be asked to specifically consider whether a DCTP towards a resident's arrears will make a material difference in their ability to meet their ongoing Council Tax responsibilities without the resident making an application. This consideration will be made alongside all of the above measures.

Although there is no specific budget for this, expenditure on DCTPs will be monitored and reported to the City Treasurer monthly to ensure overall spend is tightly monitored.

4.0 Funding and evaluation

- 4.1 These proposals only apply to 2023/24 as £1 million funding is only available for this year. From 2024/25 onwards any available funding is likely to be required to meet the costs of the proposal to increase the maximum level of CTS available to working age residents (currently 82.5%).
- 4.2 It is difficult to accurately predict the financial impact of the measures outlined in this report. In some cases the payment plans may actually support a higher ultimate collection rate as well as providing support to residents. It is anticipated that the majority of direct financial impact will be through the increased use of discretionary support and the writing off of costs.
- 4.3 We will monitor the impact of these measures, especially payments of DCTP, and include the findings in the Revenues and Benefits annual update report that is presented to RAGOS in September 2023. It is important to understand if the measures will have a positive impact on supporting residents as well as using the data to more accurately quantify the financial implications and enable corrective action to be taken if required.

5.0 Recommendations

- 5.1 The Executive Committee is requested to agree the policy set out at appendix 1.