

Appendix 5 - Council Tax and Enforcement Agents – Citizens Advice Manchester

Introduction:

At Citizens Advice Manchester (CAM) we deliver free, independent, and confidential advice and information to anyone who needs it. We are the commissioned advice provider for the city and deliver advice to over 50,000 Manchester residents each year.

Between 2013 and 2020 Council Tax debt was the most common debt we helped people with. In 2022/23 we provided specialist debt advice to almost 3,000 Manchester residents with Council Tax arrears, second only to fuel debt and considerably ahead of unsecured borrowing such as credit cards and overdrafts.

We welcome the opportunity to contribute to Manchester City Council's feasibility report into ending the use of Enforcement Agents in the collection of Council Tax debt in Manchester.

CAM understands that a number of factors push local authorities towards more aggressive collection policies. The outdated regulations governing Council Tax mean that arrears escalate quickly once a single payment is missed, and local authorities have limited flexibility to respond to households in difficulty. In-year collection targets encourage councils to focus on short-term recovery methods rather than sustainable long-term debt repayment. There are no binding standards or clear safeguards in place to ensure that local authorities treat customers fairly and follow good debt collection practices – in contrast to regulated sectors such as financial services, energy and water.

CAM works closely with colleagues from across the Citizens Advice network to urge Government to make the following changes:

- Amend the regulations to stop people being asked to pay their entire annual bill if they miss 1 monthly payment.
- Create a statutory code of practice governing Council Tax debt collection. This would set out the steps that should be taken by local authorities before a liability order can be made - such as attempting to establish an affordable repayment plan.
- Give councils the power to initiate deductions from benefits without getting a liability order – subject to affordability assessment and appropriate safeguards.
- Remove the threat of imprisonment for Council Tax arrears in England.
- Provide additional funding for Council Tax Support, so that local authorities can reintroduce 100% reductions for low-income residents of working age.
- Take steps to improve awareness of Council Tax Support and increase take-up by eligible households

Council Tax debt, affordability and vulnerability

As already noted Council Tax debt is consistently one of the most common debts reported by Manchester residents to CAM. In 2022/23, 30% of clients with Council

Tax arrears also had fuel debts and 30% had water arrears. Almost half had a long term health condition. Illustrating the degree of hardship, 15% were advised about food banks and 13% were advised about charitable support.

In 2022/23, 28% of Citizens Advice Manchester clients with Council Tax debt needed advice about court action, debt collection practices or enforcement, compared to just 14% of clients with credit card debt. This difference is likely to be underpinned by the fact that Manchester City Council, due to reasons outlined previously, act much more quickly than private sector creditors.

In 2022/23 CAM supported 628 people who were paying full Council Tax despite being eligible for support and at risk of falling into Council Tax arrears. Manchester City Council now only accepts applications online; this can be a barrier for applying for Council Tax Support for people without internet access or digital capability.

The use of Enforcement Agents

National research conducted by Citizens Advice provided little evidence that bailiffs are effective or efficient as a recovery method. Over the five year period covered by the national FOI request noted above, bailiffs collected on average just 30% of the debt sent to them. In total, bailiffs failed to collect over £790 million in debt, an average of £2.5m per council. For every £1 referred to bailiffs for collection, councils received back just 27p in return.

Enforcement Agents derive their income from fees added to the debts they recover. However these fees, along with court costs added earlier in the process, significantly increase the financial burden on people who are already struggling and swallow up money that could otherwise be used to repay council arrears. Bailiff fees of £75 for compliance and £235 for enforcement, on top of average court costs of £84, increase an average annual bill of £1,898 by just over 20%.¹ Since the bailiff fees quoted are fixed, not proportional, the same costs can be added to much smaller debts, and in some cases may be greater than the actual debt owed.

Recommendations:

CAM has a long record of working closely with Manchester City Council officers to support residents who are experiencing Council Tax arrears. We are committed to maintaining and developing that relationship as Manchester residents receive a better level of service when the Local Authority and advice agencies work closely together. Citizens Advice Manchester (CAM) advocates Manchester City Council adopt the Citizens Advice Council Tax Protocol as a public commitment to the principles of fairness, partnership working and transparency in local authority debt collection in Manchester.

Reminder letters & Final Notice letters inform residents that they may incur fines and additional costs associated with summons being issued. CAM would recommend Manchester City Council ensure that these charges are reasonable and reflect the actual costs incurred by the Local Authority.

CAM understands that Manchester City Council has an agreed definition of vulnerability and has processes in place for dealing with vulnerable residents. CAM

would recommend providing residents with guidance on this vulnerability statement to increase the likelihood that residents self-identify as vulnerable and receive the appropriate support at the earliest opportunity.

Where a debt is escalated to an enforcement agency CAM would recommend residents are provided with clear information that they can still seek independent advice. Council Tax Support offered by the Local Authority can prevent residents from falling into debt, however residents who lack digital skills / confidence can struggle to access the support. CAM recommends the development of a network of organisations, supported by MCC, who can support people to make their online application.