

Manchester City Council Report for Resolution

Report to: Resources and Governance Scrutiny Committee – 11 January 2024

Subject: Feasibility study into ending the use of Enforcement Agents

Report of: Head of Corporate Revenues

Summary

This report represents a feasibility study into whether the use of Enforcement Agents (EAs), also known as Bailiffs, is an effective or proportionate method of collecting debt. The work follows the submission from ACORN and Debt Justice on 7th September which encouraged members to support the following:

- This committee acknowledges the difficulties faced by people with lived experience of debt across Manchester.
- This committee acknowledges the work of Debt Justice and ACORN in supporting people from across Greater Manchester with lived experience of debt.
- This committee recommends that the Council's Executive initiates a review into the best way to ethically support people experiencing Council Tax debt with methods that are financially inclusive and no longer include bailiffs as a way to recover debt to be presented within 6 months.

The use of EAs remains widespread across the UK. Manchester is one of the five most deprived Council areas in England (English Indices of Deprivation 2019), the other four are Liverpool, Hull, Middlesbrough and Knowsley. All of these Councils refer cases to EAs where residents do not engage. All of the Greater Manchester Councils use EAs to recover Council Tax debt, although Oldham and Wigan Councils have in-house teams to carry out this work. All of the major cities in the UK (Manchester, Birmingham, Leeds, Liverpool, Sheffield, Bradford, Newcastle, Nottingham and Bristol) use EAs to recover Council Tax from residents who don't engage.

Citizens Advice Manchester have also made recommendations, but these relate more to reducing the numbers passed to EAs than ending the use of EAs altogether.

Improved Regulation

There has been significant progress on how the industry has been regulated since 2014. There have been two major reports reviewing the effectiveness of the 2014 changes on the use of EAs in the last 4 years. These have led to further steps to regulate the enforcement of debt and to make improvements to practice. In 2019 the Justice Committee recommended:

- The overhaul and clarification of the complaints process.

- The establishment of a regulator to stop unfit EAs and companies practicing and encourage good practice.
- That the regulator makes recommendations to the Government on the level of fees setting them as low as possible while maintaining the viability of the enforcement industry.
- Body worn cameras are mandatory when visiting homes or businesses.

These built on the Government's response to the Committee's Seventh Report of Session 2017-19 which recognised the need for the proper treatment of residents by EAs and that the role they played was necessary and difficult. The work has seen the establishment of the Enforcement Conduct Board (ECB) as an independent oversight body for the industry. The Government supported the idea of an independent complaints function and greater regulation and is looking to the ECB to provide this. The ECB will be funded by firms on a pro rata basis and the key objectives will be to:

- Establish clear standards of behaviour for the enforcement industry;
- Improve accountability, including introducing effective sanctions for non-compliance;
- Ensure public confidence in an accessible and independent complaint-handling system; and
- To protect vulnerable people.

It noted that body worn cameras had been made mandatory in 2019 (it was compulsory for EAs working in Manchester from 2016).

More support for residents

The Council follows the government guidance on supportive debt recovery in the different stages of the Council Tax enforcement and recovery process including scheme design, working with the debt advice sector, effective use of data and enforcement action. Considerable investment has also gone into, and continues to go into, improving debt collection practice and working more closely with residents. Examples include:

- Measures recommended by the Truth Commission were introduced in June 2023 for an initial 12-month period:
 - ✓ Increased support through the Discretionary Council Tax Payment scheme of £133k so far this year.
 - ✓ Writing off costs for those in receipt of maximum CTS and those who engage and make a sustainable repayment agreement.
 - ✓ Giving residents in Council Tax arrears the ability to spread repayments over longer periods.
 - ✓ Implementing a less formal local 'breathing space' scheme to give residents in arrears the ability to pause collection activity whilst they seek debt advice and local authority support to stabilise their finances.
- Improvements to letters in conjunction with ACORN and the CABx (examples at appendix 6).
- The maximum level of Council Tax Support payable is being increased from 82.5% to 85% subject to the outcomes of the consultation.

- A web page that brings all of the different kinds of help and support offered by the Council under the 'Helping Hands' banner

Steps have been taken to reduce additional costs to residents. The full costs of fees of £644.50 are only added if a resident goes through all the recovery stages and has goods removed, which is very rare. Residents who are struggling to pay their Council Tax and contact the Council are offered a range of solutions that can prevent cases escalating to EAs, including writing off the most recent set of summons costs. As part of the budget process the Council will be funding up to £600k to offset the amounts that used to be collected through court and summons processes.

Recovery processes prior to an EA visit

It is recognised that Enforcement Agents should only ever be used as a last resort and before it gets to that stage, residents will have been encouraged to apply for financial support and to engage and make a repayment plan. Most Manchester residents pay their Council Tax without question and never have to think about what happens when they do not pay. By the time a resident has their account passed to EAs they will have ignored a reminder, two text messages (where the Council holds a mobile phone number), a summons and two letters warning of a visit by an EA. Once the case is with an EA company and they start to make contact with multiple letters and phone calls warning of the real possibility of an EA visit, they collect between 41% and 47% of the total that they recover with zero or £75 fees added, removing the need for an actual visit by an EA and additional costs.

Importance of Council Tax to the Council

However, the use of Enforcement Agents remains an important part of the measures. Council Tax represents 30% of the Council's funding, supporting vital front-line services. Over 50% of the budget is on adult and children's social care and it is worth noting that the Council has invested significantly using £6m of its own resources in 2021/22 to provide additional support to residents.

Recommendations

The Committee is recommended to:-

- Note the contents of the report and thanks ACORN, Debt Justice and Citizens Advice Manchester (CAM) for their challenge and contributions.
- Note 1% drop in the in-year collection rate of Council Tax represents a reduction of £2.73 million in the Council's revenue. The Council has had cumulative budget cuts of £443m from 2011/12 to 2023/24 and are looking at a gap of £5m for 2024/25 which will need to be resolved before the budget is set, rising to over £36.2m in 2025/26 and £55.4m in 2026/27.
- Noting all the information provided, recommend that the City Council continues to use EAs in the collection of Council Tax against individual residents.

- Recommend that it is not appropriate for any case in receipt of any level CTS to be referred to EAs and agrees that recovery via an attachment of benefits is more appropriate, including for those currently in receipt of maximum CTS.
- Recommend that further consideration is given to implementing the recommendations made by CAM.

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	The principal recommendation is for the continuation of an existing policy. The use of Enforcement Agents against residents is determined by their non payment of Council Tax rather than by membership of any protected or disadvantaged groups.

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	Writing of historic summons costs for residents on maximum CTS reduces any debt burden they have, easing the passage back in to work.
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

Adopting the recommendations of the report will:

- Maintain revenue collection by EAs for the Council and increase recovery from those on maximum CTS by re-introducing attachments to benefits for those on maximum CTS.
- 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.

Financial Consequences – Capital

None

Contact Officers:

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

Name: Lee Owen
Position: Head of Revenues, Benefits & 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):

Council Tax Recovery during the Cost-of-Living Crisis Policy

1.0 Introduction

- 1.1 At the Resources and Governance Scrutiny Committee meeting on 7 September 2023 the committee requested that officers, in consultation with the Executive Member for Finance and Resources, undertake a feasibility study into ending the use of Enforcement Agents (EAs) in the collection of Council Tax.

The paper includes:

- Background and history of the use of EAs by Manchester City Council including extracts from the Council's Debt Recovery Policy and EA Code of Practice, collection levels, adding and recovering fees and steps the Council has taken to reduce the use of EAs.
 - Detail of how important Council Tax collection and recovery are to the Council's finances.
 - A summary of ACORN and Debt Justice's arguments for ending the use of EAs to collect Council Tax and input from Citizens Advice Manchester including recommendations to support more vulnerable residents.
 - Details of how effective EAs are at recovering Council Tax in Manchester and the rest of the country.
 - An examination of the levels of complaints made against EAs
 - A review of the recent report by the Justice Committee and the Government response.
 - A look at the experience of Bristol City Council and Hammersmith and Fulham Council who initiated an 'ethical collection' approach in 2018 and undertook not to use EAs for the recovery of Council Tax.
 - Details of planned initiatives to further reduce the use of EAs in Manchester .
 - A section on recovery of Council Tax from residents in receipt of Council Tax Support .
- 1.2 The study draws on information from ACORN, Debt Justice, The Citizens Advice Bureau, CIVEA, individual EAs, Bristol City and Hammersmith and Fulham Council's. Papers submitted by ACORN, Debt Justice, CAM and CIVEA are included as appendices.
- 1.3 The summary will review the main points identified in the paper and draw conclusions on the impact of ending the use of EAs in Council Tax collection.

2.0 Background and history

- 2.1 Referring an outstanding Council Tax debt to EAs is one of a number of recovery options available to Councils following the granting of a Liability Order by a Magistrate. Other options include an attachment of earnings (where employer details are known), attachment of benefits (when the resident is in receipt of appropriate benefits), insolvency and committal to prison.

2.2 The Council currently works with three EA companies following a competitive tendering exercise. There were originally four, but one no longer receives work as they were the worst performer of the group.

2.3 Government guidance states:

“Effective use of Enforcement Agents can also be an important way of recovering Council Tax debt where the authority is satisfied that there are no other appropriate mechanisms for recovering that debt. When collecting unpaid Council Tax, Enforcement Agents are working on behalf of the local authority. It is the authority’s responsibility to ensure that agents work within the guidelines set by the authority and that they comply with the regulatory framework and the national standards.

It is crucial that, where authorities use Enforcement Agents, they do so effectively and considerately, recognising that the use of Enforcement Agents will add further cost to the resident’s bill. This includes taking prior steps before referring a case to agents.”

(Council Tax collection: best practice guidance for local authorities published 16 August 2021).

2.4 **The Debt Recovery Policy**

2.4.1 The Council has a comprehensive Debt Recovery Policy that is regularly refreshed. It sets out the steps that the Council will take to recover unpaid Council Tax. It was amended to reflect the challenges posed by the Covid 19 pandemic and is currently under review to incorporate changes required to recognise the challenges residents face due to the current cost of living crisis.

2.4.2 It details the minimum of four letters that a resident will receive following nonpayment of the instalment plan set out in the annual bill issued in March each year. It recognises the hardship residents may be experiencing and offers additional support to Care Leavers and former members of the armed forces in recognition of the additional challenges they may face.

2.4.3 Additional support for those worst affected by the cost-of-living crisis has been put in place during 2023:

- Writing off multiple summons costs (currently £79.50 for each summons issued) for those residents in receipt of maximum Council Tax Support (CTS)).
- Writing off the most recent summons costs where residents engage with the Council to make an arrangement.
- Making arrangements over a longer period to reduce the monthly burden and, where appropriate, offering payment holidays.
- Introducing an informal breathing space for residents referred by Advice Agencies or Councilors
- Making more generous use of the Discretionary Council Tax Payment scheme with £133k being paid up to the end of September 2023 compared with £40k for the whole of last year

2.5 EA code of conduct

2.5.1 As part of the EA contract, EA companies must comply with the EA code of practice as amended to ensure Government guidance is followed. This sets out the following key requirements (this list is not exhaustive):

- Only properly trained, certificated EAs can be used.
- A pre compliance letter must be issued that incurs no fees.
- Multiple letters must be sent, and multiple phone calls must be made prior to an EA visit.
- Body worn video cameras must be carried and turned on to record the entire visit unless the debtor asks for it to be switched off or the enforcement agent decides it is inappropriate to film (ie because of the debtor's attire).

2.5.2 When an EA visits and before an enforcement fee is added, they must, using their professional judgement, explicitly consider whether the debtor falls into the following vulnerability categories. Where the debtor:

1. Appears to have been severely impacted by Covid 19. This could include ongoing significant health conditions (long covid) or a significant drop in income that can be evidenced.
2. Appears to be severely mentally impaired or suffering severe mental confusion.
3. Has young children and severe social deprivation is evident.
4. Is disputing liability or claims to have paid, applied for a rebate, Council Tax Support (CTS), discount or any other relief not yet granted. Under these circumstances the enforcement agent should report this back to the Council.
5. Is heavily pregnant and there are no other adults available in the household.
6. Is in mourning due to recent bereavement (within one month).
7. Is having difficulty communicating due to profound deafness, blindness or language difficulties. In these cases, the Council would make arrangements for the appropriate support in terms of a signer or translation services etc.
8. Has severe long-term sickness or illness including being terminally ill.

2.5.3 This judgement must be based on telephone conversations, written responses, visits by company employees not acting as Enforcement Agents and visits by Enforcement Agents. A clear statement that the debtor's vulnerability has been considered must be recorded on the debtor's record before the enforcement fee is added. When an enforcement agent makes the first visit to the property and decides that the debtor is vulnerable, no enforcement fee should be added, and the account should be returned to the Council.

2.5.4 Since mid-October, the Council has been monitoring compliance with the above requirements by initially sample checking 20 cases from each of the three EA companies currently collecting debt.

2.5.5 This scheme is in its early stages, but after 25% of the cases have been checked, no breaches of the code of practice have been identified. The one case of note that has been identified is where an EA visited a resident, decided they were vulnerable, referred them to the company's in-house vulnerability team who subsequently returned the case to the Council without adding charges.

2.6 Reducing the use of EAs

2.6.1 The use of EAs is widespread amongst Councils and has been an integral part of Manchester City Council's approach to the recovery of outstanding Council Tax for many years. There has always been a clear understanding of the impact of the use of EAs on residents, both financial and emotional, and much work has been done to reduce the number of accounts passed to EAs for recovery. This has contributed to a reduction in the number of cases from a starting point of 56,000 in 2005/6 when the Council had 187,000 chargeable dwellings to 18,521 in the year before the pandemic (currently there are 247,000 chargeable dwellings):

- Rewarding EA companies who were more effective at making arrangements with residents before EAs actually visit.
- Improving the sift of cases where a Liability Order has been granted to identify vulnerability and chose a better recovery option.
- Trialing an innovative data the exchange with HMRC to receive employer and earnings details.
- Introducing an additional EA visit warning letter.
- Including additional information about the impact of ignoring reminder letters incorporating wording suggested by the Money Advice Trust.
- Residents in receipt of maximum Council Tax Support who get into arrears do not have their account passed to EAs.
- Residents in receipt of partial CTS owing less than £150 are never visited by EAs.

2.6.2 Table 1 below details the number of debts passed to EAs since 2018 (one resident may have multiple annual debts passed to EAs in any given year. It also gives the number of residents who were referred to EAs for recovery

Table 1 - Cases passed to EAs

	2018	2019	2020	2021	2022
Debts passed to EAs	19,263	18,521	0	22,933	11,890
Residents passed to EAs	8,558	8,485	0	8,459	6,526

2.7 Recovery of Council Tax by EAs

2.7.1 EAs recover a significant amount of Council Tax for the Council as shown in Table 2. The recovery of arrears (defined as Council Tax outstanding from previous years) plays a vital role in the Council's finances and the amount collected by EAs has remained fairly constant as referrals have reduced.

Table 2 – Arrears recovery and recovery by EAs (millions).

	2013	2014	2015	2016	2017	2018	2019	2020*	2021	2022
Total arrears collection	£4.2	£5.9	£6.7	£6.2	£6.8	£6.2	£7.2	£6.4	£9.1	£9.6
Collection by EAs	£2.4	£2.1	£2.3	£2.2	£2.6	£2.2	£3.0	£0.8	£1.5	£2.6

* 2020 was the first year of Covid and all new referrals for action by EAs were suspended as were EA visits to existing cases.

2.8 Addition of costs by EAs

2.8.1 In the vast majority of cases, EAs add two sets of costs to fund their efforts to recover Council Tax:

- The Compliance Fee of £75 is added when a case is passed to them
- The Enforcement Fee of £235 is added when an actual visit is made by an EA.

2.8.2 A further fee of £110 can be added if an EA attends to remove goods, but this is very rare in Manchester. Since April 2022 over 12,000 cases have been passed to EAs and further fees have only been added on 39 occasions and paid on 23 occasions by two of the EA companies working for Manchester, the third never added the £110 removal fee. No goods have been removed. Table 3 details the number of fees added to residents' accounts since 2021.

Table 3 – Numbers of fees added to residents' accounts

	Cases passed to EAs	Compliance fee added	Enforcement fee added
2021/22	22,933	15,804	5,846
2022/23	11,890	7,112	4,376
2023/24*	2,941	3,582	724

*Denotes part of a year

2.8.3 Between 15% and 25% of cases passed to EAs never have fees added. This is because EAs send out a pre compliance letter for the Council and make no charge if the resident responds to that with payment.

2.8.4 Collection of fees owed to EAs is done alongside the recovery of Council Tax owed to the Council. Table 4 shows the value of fees added and collected from Manchester Residents since 2021.

Table 4 – Collection of fees

	Compliance fee		Enforcement fee		Total of fees	
	Added	Collected	Added	Collected	Added	Collected
2021/22	£1,115,172	£183,264	£1,828,133	£328,796	£2,944,107	£512,407
2022/23	£536,097	£117,676	£1,343,217	£281,171	£1,882,301	£402,607
2023/24*	£269,324	£29,678	£191,013	£26,234	£460,668	£57,180

*Part year

2.8.5 The table shows that between 16% and 21% of fees added are actually recovered by the EA companies.

2.9 The effectiveness of EAs in the collection of Council Tax

2.9.1 Due to high levels of deprivation and transience, EAs have always struggled in Manchester to match collection levels achieved in wealthier parts of the country. Between May 2021 and August 2022, £19.7m (gross) was issued to four enforcement agent companies, overall performance is documented below in table 5.

Table 5 – Collection by EAs

	Gross issue	Remittance	% collection
Company A	£4,821,369	£351,317	7.3%
Company B	£5,469,585	£595,433	10.9%
Company C	£4,805,884	£445,714	9.3%
Company D	£4,587,465	£569,038	12.4%
	£19,684,302	£1,961,501	10.0%

2.9.2 Table 2 above sets out how much has been collected in cash terms each year since 2013 - £2.6 million in 2022/23.

2.9.3 Referrals to EAs are significantly down this year compared to last year and there is a resulting dip in arrears collection from £7.66 million on 1 December 2022 to £6.55 million on 1 December 2023.

2.10 Collection without EAs visiting

2.10.1 According to figures provided by the EA companies, between 41% and 47% of the debt they recover is collected at the compliance stage without the need for EAs to visit and addition the enforcement fee. EA companies have adopted sophisticated recovery techniques to maximise collection at the compliance stage, similar to those adopted by private sector debt collection companies. However, they do have the added threat of visits by EAs and the additional costs that are added when trying to reach and negotiate an arrangement with residents referred by Council's. Without this it is arguable that collection rates would not be as high.

2.10.2 There is no easily available information on how effective recovery of Council Tax by other private sector companies as it is not an approach that is being taken by Councils.

3.0 The importance of Council Tax collection to the Council's finances

3.1 Council Tax is crucial to local councils as it serves as a primary source of revenue, facilitates local decision-making, supports the provision of essential services, and supports financial independence and responsibility. For Manchester the 2023/24 revenue budget assumes that almost 30% of net revenue income (£213m) will be achieved from Council Tax income.

3.2 Dependence on Council Tax revenue necessitates careful budgeting and financial planning by local councils. We must allocate resources efficiently, balancing the demands of providing essential services with the need to keep Council Tax rates reasonable to avoid putting excessive financial burdens on residents. Government funding settlements assume the Council will apply the maximum increase allowed without holding a referendum. In 2023/24 this reflects an increase of 2% specifically to support Adult Social Care and 2.99% to support general costs. This helps fund essential local services such as rubbish collection, street cleaning, local schools, social care, and other community services. The revenue generated from Council Tax is crucial for

maintaining and improving the quality of life for residents within a local authority.

- 3.3 The Council also collects Council Tax on behalf of the Greater Manchester Combined Authority (GMCA), the Mayoral General Precept, including the Fire and Rescue authority, and the Police and Crime Commissioner Precept. So it also plays a vital role in funding the services provided by these bodies
- 3.4 The budget recognises that 100% collection is unlikely to be achieved, and an ultimate collection rate of 96.5% is assumed. Collection relating to a specific year may continue for many years. A bad debt provision is provided for the element of debt which is not collected and will ultimately be written off. On average c£9m of arrears collection is achieved each year through a variety of recovery processes once a liability order has been secured. Of the £9.6m arrears collected in 2022/23, 27% is recovered by EAs each year.
- 3.5 Crucially, a 1% drop in the in-year collection rate of Council Tax represents a reduction of £2.73 million in the Council's revenue. The Council has had cumulative budget cuts of £443m from 2011/12 to 2023/24 and are looking at a gap of £30m in 2025/26 and £49m in 2026/27 so any reduction in CT collection will have a significant impact on the services we can provide.

4.0 Arguments for ending the use of EAs in the collection of Council Tax

- 4.1 ACORN and Debt Justice provided a detailed submission, arguing for the end of the use of EAs in the collection of Council Tax. The full submission is at appendix 2, with some responses, but the principal arguments are detailed below.
- Bailiff action is a distressing experience that exacerbates the debt and poverty affecting people struggling to keep up with Council Tax payments. Pushing residents into debt and poverty is also a false economy for local authorities. As a result of bailiff enforcement, residents can become unable to make Council Tax contributions as well as seeking discretionary and housing support for years into the future.
 - Bailiffs make Manchester poorer. The fees incurred by a Manchester resident that has gone through the whole of the enforcement process could be more than £644.50. Half of Citizens Advice clients currently seeking debt advice have a negative budget, meaning their necessary expenditure on essentials outweighs their income. The average person they help with debt advice used to have £19 left over each month after paying for their essentials. Now, they have an average shortfall of £28 per month.
 - In Manchester, people of working age with no 'excess income' are still required to pay 17.5% towards their Council Tax bill. This is simply impossible and creates a conveyor belt of people being pushed into arrears. Whilst residents in receipt of maximum Council Tax Support are exempt from bailiff action in Manchester, those on less than the maximum are not. Residents may also not be receiving the maximum support they are entitled to.

- Over-indebtedness incurs considerable social and economic costs, many of which fall on local authorities. These severe financial pressures contribute to relationship breakdown, poor health including mental health and loss of housing. They can also harm debtors' employability, reduce their productivity at work, and affect the welfare of their children. At its most severe, over-indebtedness can also be a contributory factor in suicide.
- Using National Audit figures, and applying them to the 22,933 cases that were sent to enforcement agencies in 2021/2022 in Manchester, we calculate the impact of Council Tax debt could have been £6.9 million in additional public service costs, this far outweighs the £3.7 million collected from residents who had not engaged with the Council between September 2018 and September 2019.
- From the council's own data however, we have seen that Enforcement Agents are only able to recoup 14% of debts passed on in 2021/22 and 16% 2022/23, showing that they are not an effective method of collecting debt in the first place.
- Bailiffs are financially incentivised to recover debts and are therefore badly placed to assess the vulnerability of residents. The code of practice does not give sufficient protection to residents because poor enforcement practice is widespread. An estimated one in three Bailiffs break the rules - Bailiffs enter people's homes (sometimes with children inside) before six am or after nine pm, seize possessions from the wrong people, use force to enter and intimidate, often causing trauma in the process.

4.2 An additional submission from Debt Justice (Appendix 4) includes:

4.3 The Bailiff Industry itself, represented principally by the trade association CIVEA, has been unable to regulate itself and raise standards sufficiently, which has prompted the creation of the Enforcement Conduct Board.

4.4 We are hopeful that the Enforcement Conduct Board, which has been set up to provide more independent oversight of the industry, can raise standards. At present though, the board lacks the statutory powers needed to compel all Enforcement Agents to adhere to high standards. As a result, we cannot predict if, or when, bad practice in the industry will be eliminated.

4.5 The submissions from ACORN and Debt Justice end with this challenge:

“Manchester has always been seen as a socially progressive city - one that has dared to be different, especially when its population has faced difficulties. The cost-of-living crisis is one of these moments and it is heavily impacting on the lives of communities across Manchester. We call on this committee to be on the right side of history and ban the Bailiffs in favour of more inclusive and fairer methods of collection.”

4.6 Citizens Advice Manchester (CAM) also provided a submission (appendix 5). In it they note the recommendations they have made to central government:

- 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 household. They state that many of their clients who come to them with Council Tax arrears also have other issues that compound the problem and identify the fact that the Council only accepts online claims for CTS which may be a barrier to claiming for those that are digitally excluded.

4.7 CAM make similar arguments to ACORN and Debt Justice as to the effects of EA fees when added to the original debt and how this increases the financial burden on those already struggling to pay.

4.8 CAM makes the following recommendations to the Council:

- Ensure summons costs are reasonable and reflect the actual costs incurred by the Council
- Publicise the vulnerability criteria more widely so that residents are more likely to self-identify as vulnerable and receive the additional support they need
- Where a debt is escalated to EAs, residents need to be informed that they can still seek independent advice
- The development of a network of organisations, supported by MCC, who can support people to make their online application.

5.0 Complaints

5.1 Body Worn Cameras

5.1.1 The introduction of compulsory body worn cameras makes investigating the vast majority of complaints about EA behaviour on visits straightforward. When a complaint is made, footage is requested from the EA company and reviewed by a manager, and it is clear whether the complaint is founded or not. However, the numbers of complaints remain extremely low.

5.2 Complaint numbers

5.2.1 The level of complaints can be an indicator of whether something is working correctly or not. Prior to 2014, the Council received significant numbers of complaints against EAs. Almost exclusively the complaints were against the

charges added to the outstanding debts. The previous charging regime was complex and open to abuse.

- 5.2.2 The introduction of the new three-tier approach to adding charges (Compliance/Enforcement/Removal) simplified the adding of charges and the number of complaints received by the Council dropped to almost nothing.
- 5.2.3 Since April 2022, five complaints have been made directly to EA companies and just one directly to the Council. Of these six complaints, only one was upheld. During 2021/2 and 2022/3, 15,000 residents were referred to EAs due to Council Tax arrears, meaning around 0.03% of residents complained about EA behaviour.
- 5.2.4 In contrast, ACORN argue that more than one in three (39%) Bailiffs break the rules based on an independent survey carried out by YouGov for the CAB over a two-year period.
- 5.2.5 Debt Justice explain the low level of complaints as follows:

“The Centre for Social Justice notes that low levels of complaints are not necessarily an accurate way of understanding how widespread incidents of rule breaking are. This is because people in problem debt are often experiencing additional vulnerabilities.

For reasons set out above, there is a high chance that incidents of rule breaking may never be reported to a creditor. That is why we say that whilst we do not doubt Manchester City Council’s ambition to follow up reports of rule breaking, we have no faith in the system of complaints as it is currently configured.”

- 5.2.6 This is supported by the Government response to a 2019 Justice Committee report:

“The Government’s view is that formal complaints are not a reliable indicator of the prevalence of problems in the industry due to the evidence of barriers in the complaints system, including the fact that it is fragmented and complex to navigate. We agree with the Committee’s conclusion that a more clearly defined and independent complaints process is important both in ensuring complaints are handled fairly and in improving transparency around problems in the sector.”

- 5.2.7 It is clear that some incidents of law breaking go unreported, but the discrepancy between 39% of EA visits involving rule breaking and the low level of formal complaints made is huge.

5.3 **Case studies**

- 5.3.1 As part of their submission ACORN provided five case studies of Manchester residents who have been ill-treated at the hands of EAs (details in appendix 2). Of these five cases:

- One took place twenty years ago.
- One said that they were visited by an EA because they were two days late making a Council Tax payment which simply would not happen.
- One said they were taken to court without being informed and only found out when they received the annual bill the following year. Again, this would not have happened.
- One was correctly treated as liable for the full Council Tax for a house share as the other residents could not be traced.
- One made no payments for five years and refused multiple offers to discuss her situation over the phone with a Council Tax Team Manager

5.3.2 All five made allegations of inappropriate behaviour by EAs involved in recovery, but the Council has not been provided with any details that would allow us properly to investigate the claims nor were formal complaints made, so we have not been able to hold the EA companies to account. ACORN have told us that it is not their role to support residents in making complaints.

5.3.3 In a recent meeting, ACORN raised two further incidents of unacceptable EA behaviour:

- One where an EA sent a resident a picture of his penis. ACORN were urged in the strongest possible terms to encourage the resident to report this to the Council and/or the Police, but it is unclear whether this has been done.
- The other detailed an aggressive approach by the EA who was not prepared to accept an arrangement. Again, ACORN have been urged to encourage the resident to report this to the Council as body worn camera footage would clearly identify any inappropriate behaviour.

5.3.4 A list of 21 incidences of inappropriate behaviour by EAs was provided by Christians Against Poverty (CAP). However, on checking with CAP, it was confirmed that none of them were in the Manchester area. CAP were asked how many of the residents involved made a complaint, but as yet there has been no response.

6.0 Use of EAs across England

6.1 Manchester is one of the five most deprived Council areas in England and not alone in using EAs in deprived areas (English Indices of Deprivation 2019). The other five are Liverpool, Hull, Middlesbrough and Knowsley. All of these Council's refer cases to EAs where residents do not engage.

6.2 All of the Greater Manchester Councils use EAs to recover Council Tax debt, although Oldham and Wigan Councils have in-house teams which gives them greater control over behaviour.

6.3 There have been two major reports on the use of EAs in the last 4 years

6.3.1 **Justice Committee – Bailiffs – Enforcement of debt (11 April 2019)**

[Bailiffs: Enforcement of debt - Report Summary - Justice Committee \(parliament.uk\)](#)

They recommended:

- Overhaul and clarification of the complaints process.
- The establishment of a regulator to stop unfit EAs and companies practicing and encourage good practice.
- That the regulator makes recommendations to the Government on the level of fees setting them as low as possible while maintaining the viability of the enforcement industry.
- Body worn cameras are mandatory when visiting homes or businesses.

6.3.2 **Bailiffs: Enforcement of debt: Government Response to the Committee's Seventeenth Report of Session 2017–2019**

[Bailiffs: Enforcement of debt: Government Response to the Committee's Seventeenth Report of Session 2017–2019 - Justice Committee \(parliament.uk\)](#)

It recognised the need for the proper treatment of residents by EAs and that the role they played was necessary and difficult:

“The Government remains committed to ensuring that all Enforcement Agents treat people in debt fairly and operate in a responsible and proportionate way. We also recognise that the enforcement of debt is necessary for both the economy and the justice system and that Enforcement Agents carry out a difficult role in often challenging circumstances”

It noted that body worn cameras had been made mandatory in 2019 (it was compulsory for EAs working in Manchester from 2016) and the establishment of the Enforcement Conduct Board (ECB) as an independent oversight body for the industry.

In relation to complaints, it noted:

“However, from the available evidence it is very difficult to assess whether the low number of formal complaints is due to a lack of widespread problems with enforcement agent behaviour, or because people are reluctant to make a formal complaint”

6.4 The Government supported the idea of an independent complaints function and greater regulation and is looking to the ECB to provide this. The key objectives of the ECB will be to:

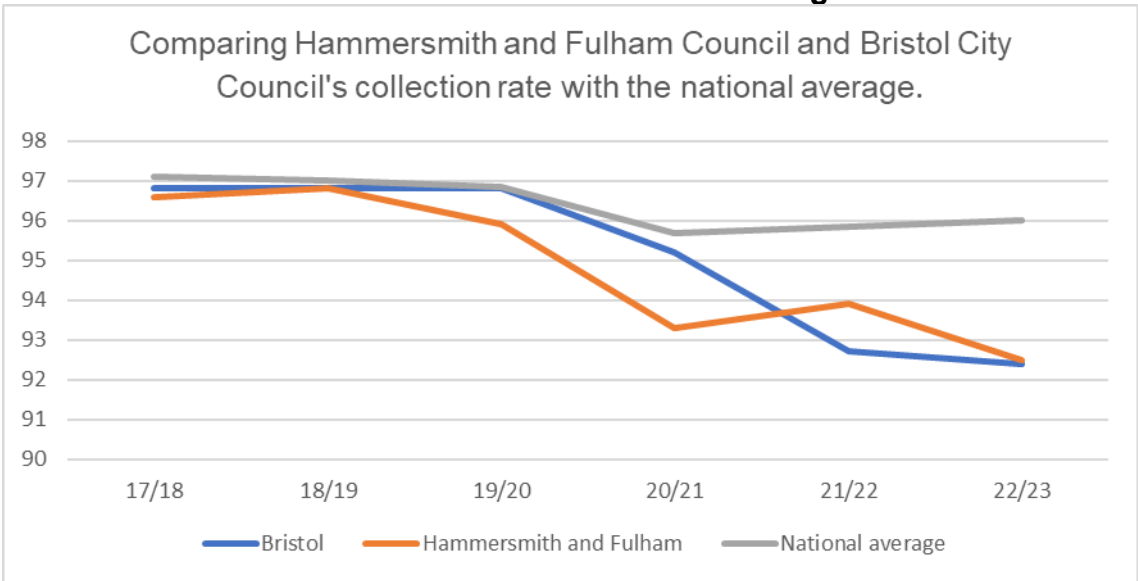
- Establish clear standards of behaviour for the enforcement industry;
- Improve accountability, including introducing effective sanctions for non-compliance;
- Ensure public confidence in an accessible and independent complaint-handling system; and
- To protect vulnerable people.

6.5 These were agreed by representatives of the Enforcement and Debt Advice sectors. The Centre for Social Justice’s report also set out that the ECB will be funded by firms on a pro rata basis.

6.6 **The experience of Bristol City Council and Hammersmith and Fulham Council**

6.6.1 Bristol City Council and Hammersmith and Fulham Council are two large, municipal authorities that said they had ended the use of EAs in Council Tax collection from 2018. The graph below shows how their in-year collection rate (the amount of Council Tax raised in a year that is collected in that year) has changed since 2018 and compares them to the national average.

Table 6 – Collection rates of Council’s not using EAs



6.6.2 Covid 19 had an impact on collection nationally, but Hammersmith and Fulham and Bristol’s collection rate were significantly more affected than the national average. Both authorities ceased any recovery action during the pandemic as did most other Council’s.

6.6.3 **Bristol City Council**

6.6.4 The Council Tax Operations Manager for Bristol attributes the reduction in the collection rate and arrears recovery to the suspension of all recovery activity during the pandemic and the changes required to the IT systems to facilitate the implementation of a new Corporate Debt Policy. He confirmed that cases are still passed to EAs for collection where appropriate. In the absence of any contact from the customer or any other relevant information cases will invariably be passed to EAs for collection.

6.6.5 Bristol City Council has set up an Outreach Team which aims to support those with multiple council debts and / or are financially vulnerable.

6.6.6 Hammersmith and Fulham Council

6.6.7 Hammersmith and Fulham Council set up a joint venture with a private sector partner called Intrum who undertook to pursue residents who did not pay their Council Tax. The Assistant Director for Revenues has confirmed that no cases were passed to EA. Their in-year collection rate increased in the first year after ending EA use but in 2019/20 it fell back by 0.8% and was 0.7% lower than for the last year when EAs were used. In addition, the Assistant Director said:

“Ending the use of EA’s had an instant impact on collection of arrears. As we all know, EAs would continue to collect on arrears cases to reduce arrears.”

6.6.8 The joint venture with Intrum was ended because it did not generate the anticipated success and no data was available to identify whether there were any other tangible benefits to ending the use of EAs.

6.7 Manchester and Intrum

6.7.1 Following the well publicised decision by Hammersmith and Fulham to end the use of EAs, Manchester officers met with Intrum to explore their business model. Briefly, they take all accounts where a second reminder is about to be issued and use a variety of advanced methods to make contact and try to encourage payment. For Manchester, they would make a charge for all the work they carried out (letters, texts, emails, time spent on the phone) and keep 7.5% of anything they collected. They would then return cases to the Council where they failed to collect, or the resident was classed as vulnerable, but still charge for the work carried out on these cases.

6.7.2 As many residents make payments following a reminder, it was felt that this approach just collected the easy money, charged significantly for it and returned all the complex cases to the Council. This approach was not pursued.

7.0 Current initiatives to reduce the use of EAs visiting residents

7.1 Manchester City Council continues to investigate ways to improve engagement with residents struggling to pay their Council Tax and sees this as the best way to reduce the number of cases passed to EAs.

7.2 Review of letters

7.2.1 Engaging with residents at an early stage in the recovery process is widely seen as the best way to tackle problems around payment and avoid more draconian recovery options later in the process. Following a visit to Salford Council to explore how they have responded to the cost-of-living crisis, a fundamental review of the automated Council Tax letters was initiated. ACORN have fed into this review, expressing their view that the letters currently in use are intimidating and may put vulnerable residents off contacting the Council for help.

7.2.2 In the light of this, all the principal letters have been reviewed with this in mind and, at the time of writing, the revised drafts have been circulated to ACORN, the CAB and other colleagues within the Council. The emphasis has changed from the previous, more robust approach, to one where the help available is highlighted.

7.3 **Telsolutions**

7.3.1 The Council has partnered with a company called Telsolutions to improve the number of residents that respond to contact about nonpayment. Residents will receive a combination of automated phone calls, rich SMS messaging and emails giving them immediate access to back-office staff to help explore the options available. This process is active in many other Council's and has resulted in a significant number of residents responding to contact, far more than respond to letters and standard texts.

7.3.2 This system should be operational in January 2024.

7.4 **Govtech**

7.4.1 The Govtech initiative will automate significant numbers of back-office processes, releasing staff for other activities. This project must be self-funding after two years, meaning a reduction in around seven grade 4 posts (through natural wastage). However, there is significant potential for the initiative to release significantly more than seven posts, allowing these staff to be refocused on supporting vulnerable residents.

7.4.2 Govtech will significantly improve customer service as the automated processes will be done within 24 hours and appropriate communications issued. The prompt billing and amending of accounts is another key driver in improving collection as residents are not waiting lengthy periods to know what they have to pay. Other Councils using Govtech have also reported a significant reduction in the number of calls to their contact centres, meaning shorter waiting times and quicker access to support for callers.

7.5 **Propensity to pay**

7.5.1 The Council has recently trialled the use propensity to pay information to streamline consideration of cases that are potentially about to be passed to EAs. Information is available that shows where residents are meeting all their other financial responsibilities except their Council Tax. These cases are passed to EAs without further investigation. It also shows residents who are struggling to meet their responsibilities and further efforts are made to contact these residents.

7.5.2 A tender exercise is currently under way which will, amongst other things, provide this type of information on a regular basis.

7.6 **Information exchange with HMRC**

7.6.1 The Council has been at the forefront of two trials where HMRC provides earnings and employer information relating to residents where the Council has been awarded a Liability Order. Following attempts to contact by phone, email and letter, a significant number of residents got in touch with the Council to make a sustainable arrangement. Similar numbers did not and had their earnings attached. All of these residents' accounts were previously passed to EAs who had failed to collect the outstanding Council Tax.

7.6.2 It is expected that this facility will become business as usual and it is clear that the threat of having attachments of earnings put in place is a significant incentive for residents to make contact. It is worth noting that the information provided by HMRC included 122 residents earning between £30k and £40k and another 90 earning more than £40k with the highest earner earning over £200k.

7.6.3 The Council has been informed by the Cabinet Office that Manchester should be going live in March 2024 as one of two authorities piloting this initiative as business as usual.

7.7 Proposed changes to the Council's Council Tax Support Scheme in 2024/25

7.7.1 The Council has recently consulted on proposals to make the following changes to the Council's Council Tax Support Scheme (CTSS) from April 2024:

- Increase the maximum CTS Award from 82.5% to 85% for working-age households.
- Adjust the UC excess income bands upwards by 2.5% to maintain parity with the 85% maximum award.
- Extend the maximum backdating period from six months to 12 months.

7.7.2 The proposals will be taken to the Resources and Governance Scrutiny Committee and Executive in January 2024.

7.7.3 The main change proposed would make the Council's CTS Scheme more generous for working-age households. The current CTS Scheme pays up to 82.5% of the Council Tax bill, leaving 17.5% to pay. The proposed CTS Scheme would pay up to 85% of the Council Tax bill leaving 15% to pay.

7.7.4 Extending the maximum CTS backdating period up to 12-months allows greater flexibility to support vulnerable residents and reduces avoidable requests for reconsiderations and appeals.

7.7.5 Based on 2023/24 rates, a resident with a partner receiving the maximum amount of CTS living in a Band A Council Tax will currently have to pay £229.78. If the maximum amount was increased to 85% they would pay £196.95.

7.7.6 The estimated cost to the Council of applying the proposed changes in 2024/25 is c£720k - £770k.

7.7.7 It should be noted that while the government requires local authorities to design and administer their own local CTS Scheme for working age people with no maximum support requirements, councils are required by law to pay up to 100% Council Tax Support (CTS) for pension age people.

8.0 Recovery from Residents in receipt of Council Tax Support

8.1 Residents on full/maximum CTS

8.1.1 For many years, residents in receipt of full CTS (for those over working age) or maximum CTS (82.5% for those of working age) have not had their accounts passed to EAs for collection in recognition of the impact that additional fees would have on a relatively small debt. Historically, these debts would have built up due to non-payment when the resident was in work or because of the reduction in the maximum amount of CTS payable and subsequently been recovered by an attachment of benefits.

8.1.2 Since Covid, recovery from residents with arrears in receipt of maximum CTS has not progressed beyond the first reminder stage with no additional attachments being put in place. In 2019/20 9,081 summons were obtained against residents on maximum CTS for non-payment. In 2022/23 the figure was zero.

8.1.3 On 30 March 2020 there were 9,206 attachments in place recovering around £1.38 million a year. On 30 March 2023 there were 6,640 attachments in place recovering around £758k a year, a reduction of income from this recovery method of £622k pa.

8.2 Residents in receipt of partial CTS

8.2.1 Residents in receipt of partial CTS have had any arrears recovered in the same way as residents receiving no CTS. Where the Council Tax debt is less than £150, we have instructed EA companies not to progress recovery beyond the compliance stage, meaning £75 is added to their debt but no EA visits were carried out and no one in this group had the £235 enforcement fee added.

9.0 Summary

- The collection and recovery of Council Tax plays a crucial role in funding vital services for residents and visitors to the city. EAs have played an important role in recovering unpaid Council Tax from those who fail to engage.
- EAs collect significant amounts of Council Tax for the city, nearly half of which is done without visiting meaning lower costs to residents, but overall the collection rate is low, reflecting the high levels of deprivation in the city.

- Vulnerable residents, including those who are financially vulnerable, can suffer significant distress when visited by EAs, This can adversely affect their mental health and lead to significant cost pressures elsewhere in the public sector.
- This has long been recognised by the Council and significant and successful efforts have been made to reduce the number of cases being passed to EAs. Those on the lowest incomes never have their cases passed to EAs for visits.
- Bailiffs are financially incentivised to recover debts and are therefore badly placed to assess the vulnerability of residents. The code of practice does not give sufficient protection to residents because poor enforcement practice is widespread. An estimated one in three Bailiffs break the rules.
- Complaints to the Council about EA behaviour are extremely rare given the number of accounts that are issued to them. However, it is widely recognised that a low level of complaints is not an indicator that all is well. Anecdotes provided by ACORN could not be investigated as the identities of the complainants were never provided
- Two high profile Local Authorities who lead the way in implementing ethical collection processes and ending the use of EAs have seen a significant drop in their in-year collection rate when compared with the national average. One of these still uses EAs despite the headlines
- Additional initiatives are underway to further reduce EA visits in the future by driving better engagement and offering more support to residents who are struggling.
- No formal recovery action is currently taken against residents in receipt of maximum CTS. Residents in receipt of some CTS are referred to EA companies, but if their debt is less than £150, they are never visited.

10.0 Recommendations

10.1 That the Committee

1. Notes the contents of the report and thanks ACORN, Debt Justice and the CABx for their challenge and contributions.
2. Notes that 1% drop in the in-year collection rate of Council Tax represents a reduction of £2.73 million in the Council's revenue. The Council has had cumulative budget cuts of £443m from 2011/12 to 2023/24 and are looking at a gap of £5m for 2024/25 which will need to be resolved before the budget is set, rising to over £36.2m in 2025/26 and £55.4m in 2026/27
3. Noting all the information provided, recommends that the City Council continues to use EAs in the collection of Council Tax against individual residents.
4. Recommends that it is not appropriate for any case in receipt of any level CTS to be referred to EAs and agrees that recovery via an attachment of benefits is more appropriate, including for those in receipt of maximum CTS.
5. Recommends that further consideration is given to implementing the recommendations made by CAM

11.0 Appendices

- Appendix 1 - Stop the Knock Report 2019, Money Advice Trust
- Appendix 2 - Acorn submission with Council comments *in italics*
- Appendix 3 - CIVEA response to ACORN submission
- Appendix 4 - Additional submission from Debt Justice
- Appendix 5 - Council Tax and Enforcement Agents – Citizens Advice Manchester
- Appendix 6 - Examples of revised reminder and recovery letters