



## Report to Finance Committee

**Author/Lead Officer of Report:** *Tim Hardie, Head of Revenues & Benefits*

**Tel:** 0114 2053609

**Report of:** *Director of Finance & Commercial Services*

**Report to:** *Finance Committee*

**Date of Decision:** *16<sup>th</sup> October 2023*

**Subject:** *Corporate Debt Policy*

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? 2344				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

### **Purpose of Report:**

To present for consideration and approval, the Council's Corporate Debt Policy.

**Recommendations:**

The Finance Committee is recommended to:

- i) Approve the Council's Corporate Debt Policy.
- ii) Note that relevant Council services will conduct a review of their operational policies and practice, to ensure they are in line with the Corporate Debt Policy following adoption.

**Background Papers:**

None

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Matthew Ardern
		Legal: Louise Bate
		Equalities & Consultation: Ed Sexton
		Climate: NA
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	<b>SLB member who approved submission:</b>	Philip Gregory, Director of Finance & Commercial Services
3	<b>Committee Chair consulted:</b>	Cllr Zahira Naz, 29 <sup>th</sup> August 2023
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	<b>Lead Officer Name:</b> Tim Hardie	<b>Job Title:</b> Head of Revenues & Benefits
	<b>Date: 2<sup>nd</sup> October 2023</b>	

## 1. PROPOSAL

- 1.1 A longstanding organisational objective has been the creation of a Corporate Debt Policy, applying to all the income we collect across the Council. Putting in place an underpinning Corporate Debt Policy will help us operate in a more coordinated way, building on existing good practice. This will help ensure our customers are treated in a fair and consistent manner, irrespective of the service they are dealing with.
- 1.2 A number of matters were also raised by a motion at Full Council in December 2022. These broadly related to the ethical collection of debt, and ensuring that our vulnerable customers were protected. It was agreed by the Strategy and Resources Policy Committee that these matters would be included as part of the Finance Committee workplan.
- 1.3 The adoption of the Corporate Debt Policy by the Council would provide a helpful framework to address these concerns. The absence of an overarching corporate policy on debt makes it difficult for the Council to articulate its position when it comes to the most vulnerable. In reality, good operational practice is normally followed but it is accepted we can and should do more in this area. Much of the challenge relates to lack of resource, a need to modernise our systems, review our operational processes and share information more effectively across services. Bearing in mind the size and complexity of the Council, the scale and challenge of these tasks should not be under-estimated. Having a Corporate Debt Policy, which sets out the overall principles and objectives of the Council in this key policy area, would be a useful first step in delivering these wider organisational and strategic goals.
- 1.4 The purpose of the policy, found at Appendix 1 of this report, is to establish:
- The best practice principles for charging our customers and the methods of payment we will use.
  - How the Council will deal with debt, should problems arise in collection.
- 1.5 The proposed policy sets out some basic principles:
- The policy strikes a balance between the Council's role as a Local Authority interested in the wider economic and social needs of the City, especially vulnerable citizens, and the need to provide an efficient organisation looking to reduce overall costs in an increasingly challenging financial environment.
  - The policy also highlights best practice principles for charging and payment methods, including:

- Payments for services will be 'up front' or at the point of service delivery, where possible.
- Invoices should only be raised where up front payment options cannot be used.
- A range of cost-effective 24/7 payment options will be provided for customers to use, with a choice of frequencies.
- Online and automated payment methods, including mobile payment applications and touchtone technology will be promoted.
- We aim to ensure accurate and prompt billing, using electronic communication methods, wherever possible.
- Customers having difficulty paying what they owe should always contact the Council. We will not always know an individual's circumstances and what they may be entitled to in terms of additional support unless we are in contact with them. Wherever possible, the Council will consider putting in place arrangements to help customers make their payments in an affordable and manageable way.
- Where customers fall into debt and have been unable/unwilling to manage their finances effectively we will take appropriate targeted and proportionate recovery action, in particular having regard to the needs of vulnerable customers, identifying a person's ability to pay and separating the 'can't pays' from the 'won't pays'.
- Establishing the order of priority for repayment if a customer has multiple debts.
- Making clear that customer's individual circumstances will be taken into account when debt recovery action is considered, in particular having regard to any vulnerability issues they may have.

## **2. HOW DOES THIS DECISION CONTRIBUTE?**

- 2.1 The *Our Sheffield Delivery Plan* states that there needs to be a focus on *ensuring SCC's financial stability and sustainability*. The recovery of debt owed to the Council contributes to this. The policy also enables the Council to deliver its strategic goals of *a good Council*, with high quality services for all and *tackling inequalities* by supporting people through the cost-of-living crisis.

## **3. HAS THERE BEEN ANY CONSULTATION?**

- 3.1 Consultation on the draft policy was carried out with the following service areas:

- Council Tax

- Business Rates
- Sundry Debt (e.g. recovery of Parking Fines)
- Housing Benefit Overpayments
- Housing Services
- Social Care Accounts Service for Older People
- Policy
- Legal Services
- Equalities & Engagement
- The Housing, Health & Care Reference Group

Whilst supportive of the objectives of the proposed policy, if it was approved it was acknowledged this will require further work across the Council.

- 3.2 One of the recommendations of this report is that relevant Council services conduct a review of their operational policies and practice, to ensure they are in line with the Corporate Debt Policy. Wider consultation on any resulting changes to operational practice at a service level may be necessary, depending on what is being proposed.
- 3.3 The Council facilitates wider networks and conversations which bring together the public, voluntary, community, faith and business sectors on financial wellbeing, poverty, welfare and related issues. This includes both strategic and tactical partnership groups addressing the current Cost of Living crisis, along with other regular meetings, for example, the Welfare, Poverty and Housing Network (co-chaired with Citizens Advice Sheffield), and the Supporting Vulnerable People group. Issues such as debt to the Council and how citizens interact with our services (including the barriers they face) are regularly addressed at these meetings. The recommendations set out in this paper, along with future work on operational practices, are therefore part of these wider conversations and work. They also provide a forum for further feedback and development of potential changes to operational practice and procedure.

#### **4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

##### **4.1 Equality Implications**

- 4.1.1 The Corporate Debt Policy captures best practice already carried out at a service level. As such, subsequent changes are anticipated to be incremental over time, rather than immediate, as service practice is reviewed on a continuing basis in accordance with the principles in the Corporate Debt Policy. The policy clearly states that the Council will operate in accordance with all relevant legal, financial and regulatory requirements, including the Public Sector Equality Duty.
- 4.1.2 A key focus of the policy is making clear we must appropriately treat potentially vulnerable groups, where vulnerability may arise due to age, disability, health issues or those experiencing poverty or financial hardship. It also identifies best practice principles for charging our

customers and the methods of payment we will use. Such approaches help avoid customers falling into debt in the first place, and fits in with the Council's ongoing wider agenda to provide good quality, modern public services. Clarity over how to manage customers with multiple Council debts will help minimise the impact of being in debt. Overall, approval of the Corporate Debt Policy should therefore have a positive impact, both generally as well as for those specific groups identified under the accompanying EIA found at Appendix 2.

- 4.1.3 It is proposed that the Corporate Debt Policy is reviewed again in 2025, once further feedback is available following the completion of the various operational service reviews.

#### 4.2 Financial and Commercial Implications

- 4.2.1 Effective billing, payment methods, income management and debt collection are essential for carrying out the business of the Council. In 2023/24 we anticipate billing for/collecting the following amounts:

Council Tax	£327m
Business Rates	£197m
Council House Rents	£183m
Fees & Charges (e.g. care contributions, charges for various services, parking fines etc.)	£250m

- 4.2.2 It follows that even a small reduction in our collection rates of, say, 1% would have a significant impact on the Council's overall financial position. This could have cashflow implications for the organisation, even if the money is ultimately collected, as well as increasing the risk of bad debt.

- 4.2.3 It is therefore crucial the Corporate Debt Policy helps to strike the right balance between the Council's role as a Local Authority interested in the wider economic and social needs of the City, especially vulnerable citizens, and the need to provide an efficient organisation looking to reduce overall costs in an increasingly challenging financial environment.

#### 4.3 Legal Implications

- 4.3.1 Local authorities are required to collect monies from both residents and business for a variety of reasons such as Council Tax (Local Government Finance Act 1992) and Business Rates (Local Government Finance Act 1988). Local authorities also have various legal powers to pursue other types of debts. These depend on the nature of the debt involved and are specific to certain services such as off-street parking charges (Road Traffic Regulation Act 1984) and care and support needs (Care Act 2014). Where no specific power exists, the Council could rely on Section 1 of the Localism Act 2011. This provides local authorities

with a “general power of competence” and allows them to “do anything that individuals generally may do”.

4.3.2 Where legal proceedings are used to recover a debt the Council must have regard to the requirements of the Pre-Action Protocol for Possession Claims by Social Landlords, the Pre-Action Protocol for Debt Claims, or the Practice Direction – Pre-Action Conduct and Protocols – Civil Procedure Rules as appropriate.

4.3.3 On priority of debt, this area of the policy was approached by looking at how the courts would consider this issue. The priority of debt is therefore based on welfare and protecting human rights. Broadly, paying off debts in the suggested order to minimise the impact on the individual.

#### 4.4 Climate Implications

4.4.1 Not applicable.

#### 4.5 Other Implications

4.5.1 None.

### **5. ALTERNATIVE OPTIONS CONSIDERED**

5.1 The Council could continue as it does currently, dealing with the issues covered in the proposed policy at an individual service level. Every service is different and complete consistency of operational practice will not always be necessary or possible, reflecting those different requirements. However, a corporate policy provides a clearer benchmark for overall strategic objectives and emerging good practice. As explained in this report, the main downside of a service level approach is it makes it more difficult for the Council to state its overall position on such issues as an organisation.

### **6. REASONS FOR RECOMMENDATIONS**

6.1 The adoption of the Corporate Debt Policy clarifies the Council’s position on its approach to debt management, protecting the most vulnerable and modernising its systems and processes accordingly, in line with good practice. Putting in place an underpinning Corporate Debt Policy will help us operate in a more coordinated way, building on existing good practice. This will help ensure our customers are treated in a fair and consistent manner, irrespective of the service they are dealing with.

## Appendix 1

### Sheffield City Council: Corporate Debt Policy, 16<sup>th</sup> October 2023

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<b>Strategic Objective</b>	To maximise income collection and minimise levels of debt in the most fair, efficient and cost-effective way, whilst providing support for our most vulnerable customers.
<b>Purpose of the Policy</b>	To outline: <ul style="list-style-type: none"><li>• The best practice principles for charging our customers and the methods of payment we will use.</li><li>• How the Council will deal with debt, should problems arise in collection.</li></ul>
<b>General Approach to Debt Management</b>	<p>The Policy strikes a balance between the Council's role as a Local Authority interested in the wider economic and social needs of the City, especially vulnerable citizens, and the need to provide an efficient organisation looking to reduce overall costs in an increasingly challenging financial environment.</p> <p>The overall approach is to minimise the number of debts raised, in favour of prepayment for services. This approach will minimise citizens' overall indebtedness, whilst reducing costs associated with the collection of debt and the risk of non-recovery of outstanding debt.</p> <p>The Policy outlines ways of ensuring payments can be made across multiple channels and moving customers towards the most cost-effective means of recovery.</p>
<b>Best Practice Principles</b>	<p>The Council will have regard to the following best practice principles:</p> <ul style="list-style-type: none"><li>• Our charging policies will be reviewed regularly.</li><li>• Payments for services will be 'up front' or at the point of service delivery, where possible.</li><li>• Invoices should only be raised where up front payment options cannot be used.</li><li>• A range of cost-effective 24/7 payment options will be provided for customers to use, with a choice of frequencies.</li><li>• Online and automated payment methods, including mobile payment applications and touchtone technology will be promoted.</li><li>• For routine recurring billing, payment by direct debit is the Council's preferred/default payment option where invoices or bills have to be issued to customers. Direct debits will not generally be used for ad hoc invoices or bills.</li><li>• We will operate in compliance with Payment Card Industry Data Security Standard (PCI DSS) requirements.</li><li>• We will at all times handle and process customers' data in accordance with the General Data Protection Regulation (GDPR).</li><li>• We will at all times operate this Policy in accordance with all relevant legal, financial and regulatory requirements, including the Public Sector Equality Duty.</li></ul>

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- We will operate in accordance with all applicable legal requirements to reduce the risk of money laundering.
  - We aim to ensure accurate and prompt billing, using electronic communication methods, wherever possible.
  - Customers should be kept regularly informed of the amount of debt owed and encouraged to manage their account online, where possible.
  - Appropriate and proportionate recovery action (in particular, having regard to the needs of vulnerable customers) will be taken to ensure debts are paid in full whenever possible, including where necessary using formal legal proceedings.
  - The Council will remain proactive in tracing customers who leave the area with an outstanding debt.
  - Debts are only written off in exceptional circumstances or where all options of economic recovery have been exhausted.
  - The Council should act proactively and work in a coordinated way across its relevant services to appropriately support those who cannot pay their debts.
  - Letters and bills should include appropriate signposting to information and/or advisors who can provide financial advice and support.

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**Charging Principles**

In order to manage collection costs, a minimum charging level of £25 is set, below which an invoice will not be raised and payment in advance will be required (unless agreed otherwise by Finance & Commercial Services).

Invoices will be issued no later than 10 days of the order/goods/service.

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**Refund of Customer Accounts with Credit Balances**

Where a credit balance is identified within any area of the Council, checks should be made to see if the customer has other outstanding debts owed before any refund process is initiated. If other debts are identified, the credit should be transferred to pay those outstanding debts (to the extent allowed by law).

Where a further debt is identified, the credit should be transferred by the service holding the credit. Adequate notes will be placed on the customer's account.

Where no debt remains outstanding a refund should be arranged.

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**Debt Recovery**

Timely and consistent collection of debt owed to the Council is imperative to ensure we can support residents of the city by providing essential services.

Whilst the majority of recovery is carried out by the Council, we also use external partners to ensure a robust process of collection is in place.

We have an Enforcement Framework to provide approved Enforcement Agents and Debt Collectors, depending on the type of debt, who support our in-house Enforcement Agents. This framework also covers Insolvency services. All Enforcement Agents must hold the relevant mandatory qualifications and be authorised and certified by the courts following the relevant checks, including an enhanced DBS check. External providers must comply with applicable national policies and legislation, as well as meeting the Council's requirements to deal appropriately with all customers, including those who are vulnerable. Any queries

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regarding this should be referred to the Payments, Accounts, Collection & Enforcement (PACE) Team Manager.

Where customers fall into debt and have been unable/unwilling to manage their finances effectively we will take appropriate and proportionate recovery action. The Council will aim for targeted recovery action, in particular having regard to the needs of vulnerable customers, identifying a person's ability to pay and separating the 'can't pay' from the 'won't pay'. We will check what other debts a customer owes the Council and to other creditors and take this into account when deciding upon what enforcement action to take.

Customers having difficulty paying what they owe should contact the Council. Wherever possible, the Council will consider putting in place arrangements to help customers make their payments in an affordable and manageable way.

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**Where a customer owes multiple debts to the Council, these will be paid off in the following order of priority**

If a customer contacts the Council with multiple debts, we would make arrangements to repay these in the following order. This ensures debts attracting the most serious sanctions/consequences for the customer are repaid first. Arrangements should be made to pay off multiple debts at the same time if the customer has the financial means to do so.

1. Rent and other housing related costs, such as mortgages
2. Council Tax
3. Charges for water, electricity and gas for the customer's home (where not included in their rent)
4. Citywide Care Alarms
5. Business Rates (sole traders)
6. All other debts

Separate consideration to the order in which debts are paid may be given to customers who owe money for care fees (either residential or home care).

When a payment arrangement has been made the customer will be provided with a clear explanation of how each of the payments will be applied to the various debts owed.

Where the customer owes both Council and non-Council debt the Council will provide the customer with details of local agencies who may be able to provide advice and assistance with managing their finances.

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**Vulnerability**

This section deals with how we will identify and deal with our vulnerable customers.

It is important a customer's individual circumstances are taken into account when debt recovery action is considered, in particular any vulnerability issues they may have. Examples of potentially vulnerable customer groups may include the following (but not restricted to):

- The elderly
  - People with a disability
  - People who are very seriously ill
  - People with learning difficulties, or mental health problems
  - The recently bereaved
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- Customers in receipt of a Community Care related service
  - Financial vulnerability
  - People who have English as their second language
  - People who are digitally excluded

Whilst not all customers in these groups will be vulnerable, their individual circumstances must be considered where a potential vulnerability is identified. For the avoidance of doubt, the full range of debt recovery action may be taken against customers within a vulnerable group.

In dealing with vulnerable customers the Council will have full regard to its legal obligations.

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