



Report to Finance Committee

Author/Lead Officer of Report: *Jon West, Senior Revenues & Benefits Manager*

Tel: 0114 2037762

Report of: *Director of Finance & Commercial Services*

Report to: *Finance Committee*

Date of Decision: *16th October 2023*

Subject: *Commission of debt recovery services*

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? 2370				
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 inform the committee of the need for the Council to operate debt recovery activity, to set out the proposal to commission those services, and to seek the approval of the committee to do so. This provision will be for a period of 4 years commencing on 16th March 2024, with an estimated cost to the Council of £300k.

Recommendations:

The Finance Committee is recommended to:

Approve the commissioning of debt recovery services as described in this in this report for the four-year period from 16th March 2024 to 15th March 2028, with an estimated cost to the Council of £300k.

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: Tim Hardie
		Legal: Kieran McGaughey
		Equalities & Consultation: Ed Sexton
		Climate: n/a
<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	SLB member who approved submission:	Philip Gregory, Director of Finance & Commercial Services
3	Committee Chair consulted:	Zahira Naz
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.	
	Lead Officer Name: Jon West	Job Title: Senior Revenues & Benefits Manager
	Date: 05 th October 2023	

1. PROPOSAL

- 1.1 To approve the commissioning of debt recovery services on behalf of the Council. Such provision will be for a period of 4 years, commencing on 16th March 2024 when the current arrangement will have come to an end. The estimated cost to the Council over this period will be £300k.
- 1.2 Finance Committee will make a separate decision in respect of the Council's new Corporate Debt Policy (which will be considered by Committee on 16th October 2023). The Council will adhere to that decision (and the policy where approved) when commissioning the provision set out in this report.
- 1.3 That policy states that timely and consistent collection of debt owed to the Council is imperative to ensure the Council can support residents of the city by providing essential services.
- 1.4 To this end, the policy points out that whilst the majority of recovery is carried out in-house, the Council also uses external partners to ensure a robust process of collection is in place. These will generally be employed where the Council's own recovery processes have been exhausted, where resilience is required at times of peak demand or where recovery activity is outside the city. Those external partners include the services of debt collection agencies, high court enforcement officers, enforcement agents and tracing agents.
- 1.5 These services are currently delivered under a framework agreement with 10 providers who carry out the following recovery activity:
- Enforcement agents - recovery of penalty charge notices (parking fines) and Council tax and Business rates arrears by issuing reminder letters, making phone calls, carrying out home visits and, in some cases, taking control of goods, for example, clamping, removal and sale of cars.
 - Debt collection agencies – recovery of sundry (miscellaneous) debt, Former tenants' arrears and housing benefit overpayments by issuing reminder letters, making phone calls or carrying out home visits.
 - Tracing agents - conducting tracing checks, for example, to provide the location of a person who has changed address.
 - High Court enforcement officers – pursuit of unpaid commercial debt and some sundry debt.
- 1.6 This current framework is due to expire on 15th March 2024. To prepare for the end of this arrangement, the Council requires a commissioning strategy decision around future delivery of these functions.
- 1.7 The commission of services over a 4-year period will offer stability to the Council and providers, present an opportunity to providers to enter into

longer term and less burdensome repayment arrangements with debtors and allow providers to offer more favourable commercial terms to the Council.

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 commissioning of this provision will ensure that the Council has the resources available to do this.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 This decision does not propose any changes to the nature or application of debt recovery activity carried out under the current framework. Any external providers commissioned in future must continue to operate within a legal framework. They will be engaged in accordance with the Council's Corporate Debt Policy (where approved by Committee). Likewise any future contractual arrangements will take account of the relevant elements of that policy where approved.

- 3.2 Consultation on the Corporate Debt Policy has been carried out with the following service areas:

- Council Tax
- Business Rates
- Sundry Debt
- Parking
- Housing Benefit Overpayments
- Housing Services
- Social Care Accounts Service for Older People
- Policy
- Legal Services
- Equalities & Engagement
- The Housing, Health & Care Reference Group

- 3.3 As such, wider consultation for this particular commissioning provision is not considered necessary. The position in relation to consultation in respect of service improvements and/or the customer experience will be considered at the relevant time, including as part of any future procurement process.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality Implications

- 4.1.1 To prepare for the end of the current arrangement, the Council requires a commissioning strategy decision around future delivery of these functions which will include a requirement for services to be delivered in accordance with the Council's Corporate Debt Policy (where approved) as well as a requirement to operate in accordance with all relevant legal, financial and regulatory requirements, including the Public Sector Equality Duty.

- 4.1.2 Crucially, a key focus of the Corporate Debt 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. Additionally, clarity over how to manage customers with multiple Council debts will help minimise the impact of being in debt.
- 4.1.3 An initial Equality Impact Assessment has been carried out and will be reviewed and updated to inform and reflect future monitoring of the arrangements.

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 incumbent on the Council to make the best use of the recovery options at its disposal including those provided by the debt recovery services detailed in this report.
- 4.2.4 The current annual cost to the Council of the current framework is around £70k. It is anticipated the cost in 2024 would be broadly similar and, allowing for inflationary pressures, a commissioning budget of £300k over a 4-year period is a reasonable estimate for the cost of provision over this period.

4.3 Legal Implications

- 4.3.1 Local authorities have various legal powers to pursue debts. These depend on the nature of the debt involved and include the Council Tax (Administration and Enforcement) Regulations 1992, Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989 (as amended), and the 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 As set out above, the Council will also adhere to the new Corporate Debt Policy (where approved) when commissioning the provision set out in this report.

4.4 Climate Implications

- 4.4.1 None.

4.4 Other Implications

- 4.4.1 None.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 Although the Council does undertake debt recovery activity, it does not have the resource to carry out the full scope of activity being commissioned via this report. For example, an external provider can use its national infrastructure to trace and collect debt from debtors who have moved away from Sheffield.

- 5.2 Additionally, external partners provide valuable resilience to the Council’s own in-house enforcement team to deal with peaks in workload and cover for staff absence.

- 5.3 Doing nothing, which would mean having to rely solely on in-house resources to undertake this activity, has therefore been disregarded.

6. REASONS FOR RECOMMENDATIONS

- 6.1 This commissioning decision will enable the Council to continue to have a debt recovery service in place from March 2024 (when the current debt recovery framework expires) for a further four years, to ensure there is no break in debt recovery activity at the point the current framework expires on 15th March 2024.