

Effective Commissioning of Debt – Options

Option 1 – Do nothing. Continue with the use of external enforcement agents

1.1 The Council can carry on with its existing arrangements using external firms and the following table outlines the pros and cons of this option.

Pros	Cons
As EAs charge and retain fees from citizens and businesses – no additional investment from BCC is required.	New tender exercises/contracts will be required for all services within the next 18 months.
EAs have vehicles fitted with ANPR to clamp and potentially remove vehicles associated with outstanding warrants, including facilities for storage of vehicles.	Due to the contentious nature of the EA industry it is commonplace for tenders to be subject to legal challenges. This can make retendering of contracts time consuming and litigious.
The Revenues service has been able to extract approximately £250k in added value as a result of its external contract – this consists of the funding of apprentices, staff training, software/RPA developer funding and data/debt cleansing products.	The council would be unable to extract any fee income for its own benefit.
There is national coverage for 'out of area' debtors; at least 20% of cases are out of area which also means that there is more flexibility for resources to handle increases in workloads.	There are limits in relation to the recovery of debt and the manner in which the recovery service is conducted.
They deal with many councils and as such are 'subject matter experts' and can share good practice from the various operating models.	Loss of opportunity to gather meaningful data around citizens vulnerability at an early stage.
Devolved risk – BCC staff are not doing the collection work – less chance of financial negligence risk.	

Option 2 – Setting up a full in-house enforcement agent service

2.1 The collection of debts can legally be carried out by licensed individuals under the Taking Control of Goods Regulations 2013 which in turn means the service can be conducted in house. A number of councils already have established in house enforcement agent teams:

Pros	Cons
Access to significant potential fee income – depending on the amount of services bought ‘in-house’ it could be upwards of £360k per annum (based on compliance stage work – see table in option 3) for Birmingham’s caseload.	The setting up of an in-house enforcement agent service would be a significant project. It would require substantial investment prior to the generation of reasonable levels of income.
There would be a further opportunity to outsource to other LAs to generate further income.	The council does not have the capacity or expertise to carry out a full cost analysis for the business case for a full in-house service.
Flexible operation under BCC total control.	Set-up costs could be at least £2m+ with a return on investment not expected until years three to four.
The arrangement could be flexible, and the council could ‘partner’ with other EAs to deal with more complex debt (e.g. enforcement stage and out of area cases).	With around 20% of our caseload being located outside of Birmingham an external provider with national coverage would still be needed reducing the size of the caseload for any in-house local service.
It would improve the view of financially vulnerable customers – and would support the approach to use data in the move from crisis to prevention.	The amount of added and social value currently received from existing contracts would be drastically reduced.
The in-house enforcement agents will be able to signpost customers to other support including Council Tax Support, discretionary funding / Council Tax Discretionary reductions and debt advice sectors where appropriate (this is already undertaken by external EAs, but the added value is limited with these elements handled outside the council).	There is no dedicated trained resource for the work at BCC – recruitment and training would be needed.
There will be more flexibility regarding the application of statutory fee charges levied, which in appropriate situations could be more easily withdrawn, minimising the accrual of additional charges for customers and businesses.	The operation may not be as technically advanced as established firms in the industry. This could lead to an initial delay in cashflow where by collection on some cases is not realised until they are sent to external agencies as recycled work or until the internal service is fully developed.

Option 3 – A hybrid phased in-house approach

- 3.1 The split of the charging process for enforcement agent collection (with the different fees applied at different stages), make a hybrid option possible. The very first stage is the compliance stage. The initial fee of £75 is charged at the point an enforcement agent is instructed to collect the debt. The fee covers:
- the first stage of the recovery process including tracing
 - establishing contact via digital or written correspondence with the debtor
 - negotiating a repayment of the debt; and
 - administering the repayment arrangement
- 3.2 The £75 compliance fee is paid ahead of any debt repayments. This stage can be carried out remotely and without the need to visit households.
- 3.3 The final two stages of the process are resource heavy with significant set up costs (for visits and removal of goods etc). The first stage of recovery (the compliance stage) can be carried out with relatively little set up costs and can be set-up in a short space of time.
- 3.4 A licensed enforcement agent would still be required in order to carry out the initial compliance stage, which can be fulfilled via the qualification and certification of existing staff. It is proposed that additionally two experienced, licensed enforcement agents would be recruited so that there is contingency to conduct visits on an ad hoc basis. This will also act as a stepping stone into later phases, where full enforcement is in scope.

Pros	Cons
Access to significant potential fee income – depending on the amount of services bought in-house it could be upwards of £360k per annum for the council (based on Revenues debts only – see table below).	A significant amount of caseload would require enforcement stage collection or would be located outside of Birmingham so external providers with national coverage and the ability to clamp/remove vehicles would still be needed.
There will be more flexibility regarding the application of statutory fee charges levied, which in appropriate situations could be more easily withdrawn, minimising the accrual of additional charges for customers and businesses.	The amount of added and social value the authority currently receives from existing contracts would be reduced.
A recycled contract and out of area contract would still be needed which would allow the council to extract some 'added value' and social value.	There is currently no dedicated trained resource for the work at BCC – recruitment and training would be needed.

Pros	Cons
<p>The council will need to employ a licensed enforcement agent. This can be partly approved through our existing staff meeting certain criteria which is then approved by the regulator. A phased approach to project implementation would ensure the continuity of existing collection activities at the council along with contracting arrangements already in place.</p>	<p>The operation may not be as technically advanced as established firms in the industry. This could lead to an initial delay in cashflow where by collection on some cases is not realised until they are sent to external agencies as recycled work or until the internal service is fully developed.</p>
<p>There would be a further potential opportunity to generate additional income by working with other councils and taking on some of their casework.</p>	

- 3.4 A review period would be needed to ensure the new arrangements added value for the Council and its citizens. Data gathered during phase 1 can then be utilised to inform a business case for phase 2 (to extend the arrangement to include both compliance and enforcement stages for revenues debts) and phase 3 (to undertake this work for other debts such as Parking and Commercial rent arrears). Consideration can then also be made to the associated need for investment to deliver the additional income for the Council.

Yearly operating costs for hybrid 'in-house' option

**Revenues only
Compliance Fee
income**

Income

CTAX	£ 972,627.79	
BIDS	£ 22,784.36	
NNDR	£ 101,960.00	
Total		£ 1,097,372.15

Costs (Revenue)

Software	£ 61,170.00	
Telephone/IVR	£ 6,120.00	
SMS	£ 2,240.84	
Printing and postage	£ 29,691.13	
ECB levy	£ 4,389.49	
Staff	£ 593,307.00	
CEAA Membership	£ 125.00	
Vehicle / petrol	£ 16,000.00	
Debt segmentation	£ 25,209.45	
Total		£ 738,252.91
Net Profit		£ 359,119.24