



*more for York*



## **Blueprint for Income Collection**

**City of York Council**

**September 2009**

# **Blueprint Plan for Income Services**

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## Introduction

City of York Council is committed to improving the way it works. The corporate strategy includes the key theme of Effective Organisation – being a modern council, professional in all it does, living up to its values and being a great place to work.

*More for York* is the corporate-wide change programme to implement that strategy, designed to modernise City of York Council, transforming it to become a more effective organisation over the next three years (2009-2012).

Its mission is to transform the organisation to deliver the best quality services, save the council at least £15m by 2012 and meet three core objectives:

more for our customers  
more for our employees  
more for our money.

MoreforYork is based on a corporate efficiency review which has taken a comprehensive look at all aspects of the council's work. The programme will now build upon and co-ordinate all of the work being done to improve services and to make them more accessible to customers.

## Purpose

This document describes the work that will be undertaken to create a new Income Collection function with CYC. This work will build upon the Income Collection Strategy (2008) and draft Debt Strategy (2009) that shape the way in which CYC intends to deliver this agenda. It will set out how all income collection/debt management teams will be consolidated in advance of the move to a new Council HQ.

It is key that the new unit is able to offer efficient services. This document will describe how total savings in excess of £2.2m will be achieved through a consolidation of income collection and recovery work.

In order to fully understand the service delivery function, there will be a description of the new organisation including its operational costs, its job roles, its performance targets and the outcomes it will deliver for CYC.

## CYC Strategic Context

This blueprint contributes to the Council's business strategy in the following ways:

- It is targeted to deliver efficiency gains in excess of £2.2m by 2013.
- It is targeted to deliver collection and debt performance improvements.

It presents the opportunity to adopt a "joined up" corporate approach to maximising income built around central ownership and control.

## **The Income Service**

The new service will directly support the collection of in excess of £100m of the council's income on an annual basis accounting for 36% of total income including NNDR (Pool Distribution). There are three key component parts envisaged in providing this service centrally:

### **Setting**

The council needs to ensure a centrally controlled, transparent, challenging and systematic approach to reviewing its fees and charges and maximising its income generation supported through clear, consistent and robust cross cutting governance arrangements.

### **Collection**

The purpose of the centralised collection function is to deliver the most up to date and efficient collection channels for both customers and the council while ensuring support and advice to minimise all debts. This will include the regular reviewing of our corporate contracts supplying payment channels including our banking contract to ensure they are fit for purpose and support the council's priorities. It will also underpin the council's aim to reduce the number of invoices raised and maximise the use of electronic payment methods.

### **Debt Management**

The management of debt centrally will help deliver the aspirations of the corporate debt policy delivering a service able to provide customers with advice across all their debts (single point of contact) ensuring priority debts are met first supporting the council's corporate strategy. The central service will allow more flexibility to deal with peaks and troughs, maximise the efficiencies available through third party recovery agencies and deliver a more strategic approach to reducing debt and maximising income.

## **Income Service Vision**

To maximise corporate income collection through the efficient and coordinated use of resources, delivered using a consistent and controlled methodology. Early and simple payment methods available through a range of channels will be a core priority to minimise debt management activity.

There are five key elements of change required to realise the vision of the Income Collection workstream.

### **Maximise income**

We need a single view of income and debt which can only be delivered through a centralised, corporate approach. The main objective is to maximise income to the council whether this be through a review of appropriate fees and charges, the application of prepay services or the efficient recovery of debt.

### **Efficient**

There is duplication of effort and activity relating to income and debt across the council. By aggregating financial procedures and by reducing resource duplication the service can be more efficient.

### **Control**

Due to the diverse range of services provided by the council, there is a range of fees and charges in place with no clear understanding of how they are calculated and controlled. There is little rigour in the frequency or extent to which they are reviewed. There is a need for greater coordinated control of income to ensure that they comply with the income policy and are collected in the most efficient and effective way.

### **Coordinated**

There is a need to present to the customer a “joined up” corporate approach to reviewing fees and charges and setting payment methods, that will require central coordination. There should be one view of a customer’s debt whether they are personal or business.

### **Consistency**

A customer’s experience of the service provided by the council should be consistent, and is dependant upon the following key areas:

- Consideration of the customer’s needs.
- IT capability and development.
- Resource utilisation.
- Staff performance management.
- Training and development, including recruitment of the right people with the correct skills.
- Better use of existing, and implementation of more modern, collection methods.

All the above require consistency and clear leadership at the most senior levels.

These five fundamental elements clearly define our vision for Income Services and form the core of the vision statement.

## **Blueprint Objectives**

To deliver the Vision Statement, the Income Collection/Debt Management team will address the following objectives:

- Stronger income and debt strategies, for example exploring the wider and earlier use of payments methods i.e. direct debits, e-commerce etc, as well as the robust use of traditional techniques such as charging interest on outstanding business debt, ceasing provision of services until debt is repaid and so on.
- Implementation of a performance management culture.
- Provide a category approach to aged debt, allocating and focussing resources where they will reduce debt in a way appropriate to the type of customer. For example, business customers can be distinguished from private individuals, with the potential for each to be communicated and managed in ways which are appropriate to their needs and capability to pay.
- Customer Services providing tailored contact and reminder support during day and evening hours.
- A structured, focussed and more controlled use of bailiffs in the debt collection process.

## Context to the Business Case – “As Is”

The Income Collection and Recovery function within Resources has been restructured during the past year, with improvements made to management and control. However, as there are similar functions within other directorates, further improvements are needed for the council as a whole to deliver a truly first class service. These improvements can only be made if the inconsistencies which exist today are addressed.

The invoicing and collection of income is diversified across the council, each directorate with its own processes, rules, and approach in how that debt is managed. This type of organisational structure has led to a duplication of roles and resources as each directorate finds its own solutions to income collection and debt management. As at Sept 2009, there were more than 43 members of staff (28 FTE) who had a job description with some responsibility for handling an aspect of debt management or income collection, ranging from accountants to general administrators.

The result is:

- Significant levels of uncollected debt at a value of £22m, with conflict or misunderstandings about how that debt should be recovered.
- Inertia, as the current Recovery function has to consider the conflicting objectives of other directorates.
- Higher costs due to duplication of roles, activities, and tasks.
- Conflicting objectives leading to mistrust and micro management.
- A disproportionate level of focus being placed upon the council as a service provider, but a lack of rigour in ensuring that the service provided is efficient and maximises potential income.

In conclusion, the current structure prolongs the creation of more debt, with no clear coordinated vision about how it will be recovered within sensible timescales.

This blueprint seeks to bring together certain similar but separate functions under a single control within the framework of established income and debt policies to deliver a first class service. This view of a first class service includes:

- Fees & charges set at appropriate level and reviewed annually. In particular, when compared to similar authorities there is scope to explore selective and appropriate increases. The table below indicates that CYC is some way off the levels which are being achieved by the authorities, providing a framework to explore further income opportunities.

Analysis of Fees & Charges			
<u>Council</u>	<u>Year</u>	<u>Income (£m)</u>	<u>% of gross Expenditure</u>
CYC	08/09	22.1	5%
Darlington	08/09	30.6	10.86%
Redcar& Cleveland	08/09	57	14%

- Emphasis in collecting income at the point the service is provided.
- Reduce administration.

- Reduce need for debt management.
- Introduction of an Account Management function to provide more effective process of dealing with major debtors.
- A single view of customer debt.
- A proactive and dynamic approach to income collection, maximising council tax collection, reducing levels of expenditure on debt write offs, and using debt collection and court services in a proportionate and cost effective way.



## Business Case 1 – Implement the Income Policy

The key points that relate to the collection of income within the City of York Council's Income Policy are:

### Timing:

- For discretionary services, income should be collected in advance or at the time of service delivery.
- For services to commercial organisations, income should be collected in advance.
- For statutory or similar services, income should be collected in advance where practicable.
- Bills issued in advance should allow time to pay.
- Payment not received by a due date is a Late Payment. This is an outstanding debt and should be monitored and recorded.

### Choice of method:

- How much choice of method customers are given should be determined by the objectives and priorities of the service.
- Choices of method should enable all customers to access the service.
- Choice should not allow delay or non-payment.

### Debt:

- A lower limit should be placed on the value of bills raised.
- No charges should be waived or cancelled without attempt to collect.
- No debt should be written off without recorded good reason and authorisation.
- Sanctions may be taken where possible and reasonable. This is the expected course of action for discretionary and commercial services.

### Cancellations:

- A minimum notice period for cancelling pre-paid service to be eligible for a refund.

### Recovery:

- First recovery action normally a reminder.
- Recovery should be coordinated for a customer's full debts to CYC.
- Debt information on different systems should be consolidated / available to support coordinated recovery.
- Priority debts should be targeted first – rent arrears and council tax/NNDR.
- Small debts may be deemed uneconomic to recover.

As part of this business case, all Directorates will be asked to produce a plan as to how they will comply with the key recommendations in the Income Policy. The benefits from this will be

- Reduction in invoices – see table below – further savings achievable in subsequent years.
- Improved cash flow.
- Reduction in cases requiring reminders or chase activities.
- Reduction in bad debts.

Invoices	Current	Cost
66,000	£25	1,650,000
64,680	£25	1,617,000
	<b>Saving</b>	<b>£33,000 in Year 1</b>

## Business Case 2 – Centralise Recovery

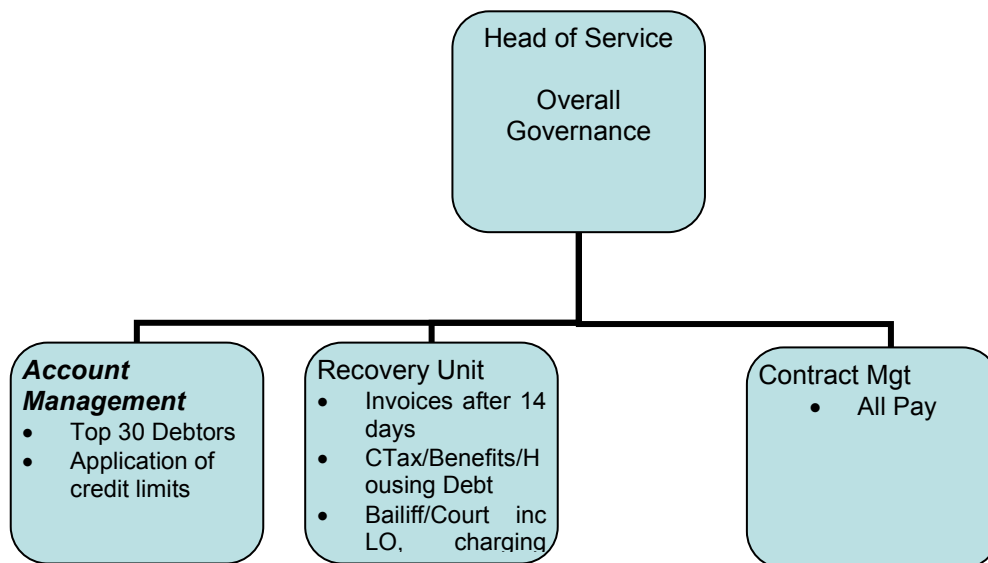
### Strategic Fit and Structure

The current debt management/recovery structure is fragmented across the directorates. There is good practice within teams, but processes are not consistent between areas. Good working relationships have been built and maintained between Resources Debtors team and each directorate, but there are no consistent, agreed outputs, quality assurance mechanisms or measures in place to ensure the consistent performance of the service.

The structure of the debt management/recovery function needs to become more cohesive and consistent, allowing the service to flex with the changing requirements of the business. Greater standardisation of processes will provide increased consistency, and the opportunity to accelerate the improvement of procedures in a managed way.

The service needs to provide a combination of transactional and operational roles alongside a governance responsibility.

Changes to the delivery model within recovery will require appropriate technology to support them. Functionality such as self-service payments and the introduction of account management approaches within a single system are necessary to allow the service to operate in a more flexible way. The use of case management to manage debt and record progress will also allow the more efficient use of staff.



The above demonstrates a typical Local Authority model for delivering effective income collection and debt management, organised into distinct functions, a recovery unit providing a wide range of income collection and debt related activity, but also supporting the creation of improved payment methods in support of this will be a specialist bailiff/court unit that will handle all legal work relating to attachment of earnings, Liability Orders, and charging orders. In support to this recovery unit and court functions the YCC would operate an outbound call service to pursue debts.

There will be 2 specialist functions within the new service, the first is an Account Management team handling the authorities top 30 debtors i.e. NHS represent circa

£500Kpa. In addition, a contract management function will be established if a decision is made to replace the cashier's function with payment through neighbourhood based outlets such as Post Offices and small retailers.

### **Objectives**

A new structure is required to support a modern service, reducing risk through greater consistency and control of processes.

- Transactional tasks to be separated and processed more effectively. A flexible structure, underpinned by new systems, will support efficiency savings associated with the collection of debt.
- A consistent structure will provide greater clarity of roles, with clear points of access for staff and managers to the service. Most requests should be resolved directly through a single team, without the need for bureaucratic hand-offs of information between different teams.

The table below show the indicative savings associated with making these organisational changes.

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Staff efficiencies through centralisation and improved processes</b>	£50k	£100k	£50k
<b>Improved Collection</b>	<b>£125k</b>	<b>£250k</b>	<b>£250k</b>

## **Business Case 3 – Benefits, Council Tax Collection and Single Person Discount Review**

Whilst collection of current year Council Tax in York is good, there is scope to further improve collection rates when compared to other authorities. Similarly, collection of arrears in both Council Tax and Business rates could be improved and significant improvements can be made in this area.

There is also scope to further increase Council Tax revenue by carrying out a targeted single person discount review.

- Ensure that there is sufficient capacity and capability within the team to deliver the necessary improvements, including a strong management team to lead and provide direction;
- Develop and communicate an over-arching Service Improvement Plan with appropriate governance.
- Develop a structured approach to performance management with consistent and objective productivity measures, clear targets and accountability, regular two-way communication, visible and designated performance zones within offices and focus on appropriate measures and indicators that affect performance (for example backlogs).
- Review and communicate clearly the recovery timetable and set standards and targets.
- Introduce a consistent and effective approach to managing the performance of bailiffs.
- Review and extend the measures used for recovery of Council Tax and NNDR, with a particular focus on debts returned from bailiffs.
- Ensure a rigorous quality control regime is implemented within benefits processing with the results fed back into training.
- Establish clear accountability and reporting in respect of overpayments and in particular those arising from Local Authority error clarify responsibility for all actions which impact upon overpayment creation and set targets for its reduction.
- Ensure that a sufficient number of YCC staff are trained in revenues and benefits and are empowered to take action within well-defined parameters.
- A single person discount review utilising secure and reliable external data sources to validate the claims, a process already underway and providing good early initial results in line with forecast savings.

	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>
<b>Improved collection and other efficiencies</b>	£310k	£970k	£145k

## Benefits Realisation and Strengths

The delivery of the plan will be led by the Blueprint Implementation Team. This will initially be made up of the current members of the Group, supplemented with appropriate additional members as required. The Blueprint Implementation Team will be lead by the NKA lead.

The Benefits Realisation Plan will be supported by a detailed Service Improvement Plan (SIP), Organisational Improvement Plan (OIP) and a Financial Improvement Plan (FIP). The individual improvement plans will show all the elements required to successfully complete the various plans with relevant timescales and individuals with designated responsibility for the delivery of each element of the plan.

Key Benefits to be realised by the plan are:

- Performance improvement and efficiency savings in excess of £2.2m over three years.
- Reduced costs of service administration as functions are merged.
- Improvement of Income Collection service delivery across the Council.
- Implementation of preventative measures to avoid worsening debt profile, for example by not automatically offer invoicing as an option and moving to alternative methods such as direct debit.
- Reduce potential level of debt burden to individuals by consolidation of debt from more than one department and therefore avoid multiple penalty charges such as court costs.
- The use of outbound telephony, utilising the Customer Contact Centre resources to manage debt proactively i.e. sending SMS reminder texts to customers.
- Better ownership and accountability of debt.
- Future benefit of the Directorate acting as a third party debt management agency – potential future income stream.
- Better utilisation of training officers across wider staff base.
- Opportunity to reduce the length of time the recovery process takes from point of invoice to issuing to bailiffs.
- Potential to re-invest excess savings made to improve overall service i.e. bespoke IT solutions to support the department.

The strengths within the department to support the achievement of the benefits are

- A positive desire to change and improve at both staff and management levels.
- The current debt situation is under control, therefore working from stability.
- Debt and Income Policy framework and procedures are clearly defined.
- A management structure has been put in place to make positive change.
- There is a wide breadth of skills at staff level.
- Management team is skilled and focussed.
- Good communication exists with team.
- Flexibility to use the YCC to complement existing debt collection and management strategies.

## **Risks/Dependencies**

### **Organisational resistance**

Some aspects of change required could lead to organisation resistance and could inhibit the impact of the plan.

### **External economic impact**

The threat of pressure on public sector spending already being openly discussed in central government, not making change now means the efficiency savings could be achieved but service performance could be diluted or not be sustainable in the medium term future.

### **Capability of IT to deliver management information solutions**

There are concerns regarding the ability to secure sufficient MI from the FMS system to effectively manage the performance of the department.

### **Customer service will need to be tightly managed to avoid any fluctuation in service as change occurs.**

This is mitigated by the advantages in having an existing broad skilled staff led by an experienced and motivated management team.

### **Staff turnover may temporarily increase as a reaction to change**

This will be mitigated by open and transparent communication. Likewise union response and reaction will have to be considered and managed through effective communication.

### **Capacity and capability of existing resources to handle additional short-term workload**

A large amount of activity rests upon a few key people. We intend to mitigate this risk by the more effective use of existing training resources.

### **Complementary workstreams**

Any adverse impact being experienced by other workstreams could have a similar impact upon this workstream, in particular the Customer Contact Centre.

There is a dependency of carrying out a bailiff procurement exercise resulting in the selection of partner(s) which complement and can meet the requirements of the Council within its debt policy framework.

## **Affordability**

All costs incurred in the proposal made are covered by efficiency savings as detailed in the NKA presentation. No additional investment is required or planned.

### **Key decisions required**

The CMT/EXEC is asked to agree to the following:

1. Agree the Income Collection Vision
2. Develop a proposal to procure an alternative external payment service.
3. Centralise all income and recovery in order to maximise income collection (see 6 below)
4. To undertake a full review of fees and charges and to recommend new fees/rates from 2010/11
5. Directorates to review how they will comply with the Income Policy
6. Develop a business case to assess the inclusion of Housing rents in the centralised service.

### **Income Collection Financials**

	Year 0	Year 1	Year 2	Year 3	Total /
Savings	435k	1303k	370k	50k	£2,158k
Investment					

## **Appendix 1 - The Blueprint Implementation Team**

People involved in workshops and preparation for blueprinting

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