

REPORT TO: POLICY & RESOURCES COMMITTEE – 9 DECEMBER 2013

REPORT ON: OPERATING MODEL REDESIGN – DEBT RECOVERY

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 511-2013

1.0 PURPOSE OF REPORT

1.1 This report reviews the progress of the Operating Model Redesign project on debt recovery and recommends a more consolidated customer-based approach.

2.0 RECOMMENDATIONS

It is recommended that:-

2.1 A corporate debt team be established from 1 January, 2014 bringing together staff from Revenues, Sales Ledger and Housing (per para 7.7). Appendix 2 is a high level outline of how the new team will initially be organised.

2.2 The new team be led by a Senior Officer whose current post of Finance and Corporate Services Manager in the Housing Department is re-designated Head of Corporate Debt and Welfare Reform and transferred to Corporate Services, reporting to the Director of Corporate Services . The Head of Human Resources and Chief Executive will grade the post and take forward the necessary establishment change.

2.3 A project team is established (seconded from staff included in 2.1 above) to implement the consolidation of all debts as well as undertaking an option appraisal of systems, with the ultimate aim of establishing a single system with single point of contact for all debtors.

2.4 Centralisation of Sales Ledger invoice input will be explored to reduce the lead time between services being delivered and invoices raised. This may require a transfer of resources from departments to the Corporate Debt Team.

2.5 Debt prioritisation policy shown at Appendix 1 is agreed.

2.6 Phase 2 of this project should be commenced by November 2014 to consider whether further centralisation of other associated services would provide a joined up and holistic approach to debt management for the Council.

3.0 FINANCIAL IMPLICATIONS

3.1 It is estimated that the implementation of a corporate debt team will deliver net savings of between £200,000 and £400,000 over the next 2 years through the achievement of more efficient debt management arrangements.

4.0 BACKGROUND

4.1 The Director of Corporate Services was remitted to review the Council's operating model and pursue early opportunities to redesign the delivery of support functions, with an overriding remit to explore providing corporate services more centrally than is currently the case.

4.2 Due to the complex nature of debt recovery, a Corporate Debt Management Forum was set up in 2010 with representatives from the major recovery areas and welfare rights. This group has met regularly and has agreed a Corporate Debt Recovery Policy and the

creation of a debt portal which provides a basic overview of a debtor's debt position across the Council.

- 4.3 Whilst the Corporate Debt Forum has improved communication and sharing of information, the Council's Debt Collection functions are still very much silo-based and ring-fenced resulting in high levels of duplication. This group has not managed to reach consensus on how a more centralised debt function could be delivered.
- 4.4 Effective debt management is crucial, so the Council needs an effective policy and robust processes to support the maximisation of debt collection in an efficient manner, whilst engaging early to support debtors who are struggling financially and preventing homelessness whenever possible.. Debt is a topical and high profile area in the current economic climate of high personal borrowing. Previous internal audit reports have noted the absence of a corporate approach to collecting debt, i.e. we have no authority-wide procedures in place over the corporate debt recovery of income due to the Council.
- 4.5 The Dundee Partnership Single Outcome Agreement 2012-17 also recognises the need to move towards early intervention & prevention, employ greater collaboration and increased access to money and debt advice. The Council Plan 2012-17 incorporates a corporate outcome to have one contact for customers where possible. In respect of debt recovery, the council does not have a corporate or co-ordinated customer centred approach, therefore needs to consider how the debt recovery function across the Council can be reshaped to reflect this.

5.0 CURRENT OPERATING MODEL

- 5.1 The main debt recovery sections operate four separate IT systems and are based in three separate divisions as detailed below -

Dept /Division	Debt Type	System
Housing	Rent Arrears Former Tenant Arrears Others	In house Rent recovery system Authority Financials
Corp Servs / Corporate Finance	Sales Ledger	Authority Financials
Corp Servs / Revenues	Community Charge Council Tax Housing Benefit O/Ps Non Domestic Rates	In House Debt Recovery Northgate / In-house Debt Recovery system

- 5.2 Process mapping of each debt type was undertaken, which showed that the bulk of the process was basically the same, especially when the emphasis is to set up and maintain repayment plans. When debts progress to the final legal and/or diligence stages these steps in the process are very different.
- 5.3 The mapping also showed that for similar processes, the Council is creating and maintaining multiple records, having multiple contacts with customers as well as competing against itself in the recovery of monies. The debtor is left to negotiate separate payments if they have multiple debts and no priority is set as to which should be paid first.

6.0 OTHER LOCAL AUTHORITIES

- 6.1 A survey of other Scottish local authorities was undertaken and this showed that there was no consistent position to debt recovery. There was substantial interest in moving to a corporate debt recovery model, however a full model as recommended is yet to be implemented.

7.0 PROPOSED OPERATING MODEL

- 7.1 The proposed future operating model is about taking a more debtor focussed approach i.e. serving our customers better by earlier identification of genuine hardship, providing advice on benefits to prevent the situation worsening and enabling a single sustainable repayment arrangement to be made with our debtors. This approach can only be fully realised by the centralisation of the debt recovery functions i.e. reviewing all the debt that an individual owes the Council and collecting it corporately e.g. in one payment. This would shift the emphasis to type of debtor from type of debt. It would also highlight a customer's overall indebtedness to the Council and allow more proactive intervention.
- 7.2 Single contacts with customers would produce a better service to them whilst at the same time being more efficient for the Council eliminating high levels of duplication detailed in paras 7.4 - 7.7. There would be more and better opportunities to make a single sustainable repayment arrangement with our debtors.
- 7.3 Below is a summary of the main advantages and disadvantages of setting up a centralised corporate debt recovery team -

ADVANTAGES	DISADVANTAGES
1 point of contact if a customer has debt(s)	Can create lack of responsibility in source debt
1 payment for debtor	Different terms and conditions – grades, shifts ,etc
1 point of contact for elected members/ext agencies	Pressure from source depts if corporate priority affects PIs on individual debt types
Reduces duplication – records, documentation, phone work, payments, etc	Additional training & knowledge needed
Data shared and up to date	
Move towards 1 computer system	
1 set of policies & procedures	
Reduction in diligence / legal action if sustainable arrgts	
Reduction in staff nos	
Reduction in office space required	

- 7.4 Council Tax and Housing Rents deal only or predominantly with personal customers. A sample check of debtors visited by Housing and Revenues staff showed a substantial level of mutual debtors who could have benefitted from a more co-ordinated approach.

Visit Type	No. of Visits	% Duplication
Rent Recovery	186	100
Council Tax Debt	163	88

- 7.5 Sales Ledger and Non Domestic Rates (NDR) deal with all the Council's business customers. Again it seems there would be benefits from consolidating the approach to

these. A sample check showed overlap to be less than 40%.

- 7.6 Subsequently a more in depth analysis of all debtors in July 2013 showed that the greatest overlap of debtors remains between rent and council tax (54%), nearly half of all debtors have more than 1 debt type outstanding (48%) and that our total number of individual debtors will reduce by at least 26% when debts are consolidated.
- 7.7 There are nearly 62 staff with an associated cost of circa £1.6M deployed within each of the areas to deal with debt recovery and related functions. The two tables below show details by debt area and the split of managers to staff –

	FTE	Cost
Revenues	34.97	£715,867
Housing	20	£427,732
Sales Ledger	6.6	£140,574
Total	61.57	£1,284,173
On costs - est 25%		£321,043
Gross Costs		£1,605,216

	FTE	Cost
Managers/Supervisors	13.95	£406,692
Recovery Officers	47.62	£877,481
Total	61.57	£1,284,173
On costs - est 25%		£321,043
Gross Costs		£1,605,216

- 7.8 Based on all of the data provided earlier, there are a number of ways you can calculate how many staff should be required for a new centralised debt recovery function, but caution should be taken as we move forward as the impacts of Welfare Reform are seeing increasing numbers of debtors, especially in relation to outstanding rents.
- 7.9 It is, therefore, proposed that staffing can be reduced by between 15% and 25% over a 24 month period, resulting in a saving of between £240,783 and £401,304. This would mean a reduction in staffing numbers of between 9.5 and 15.5.
- 7.10 Within the new structure, the highest level of savings could be met by a reduction in the management/supervisory grades as by consolidating various teams this means less management/supervisory roles are needed. This is a typical outcome under centralisation.
- 7.11 The reduction in staffing is hoped to be met mainly by a targeted VER/VR scheme. There are approximately 22 staff at various grades in the current teams that may be eligible for VER. To ensure there is no reduction in particular skillsets it is possible to phase the reduction over a 12 – 24 month period, which would also allow for turnover if a targeted VER scheme was not taken up at the levels needed.
- 7.12 The overall management of the new centralised debt recovery function would sit within the Corporate Services department as it is clear that the majority of staff and workload is presently in that department. It is essential that a senior officer is appointed to head up this new corporate debt team who has expertise in this area, a clear vision on how it should be delivered and experience of delivering change.
- 7.13 Research has shown that the longer the lead time between a service being provided and the charge being raised the more difficult it is to collect payment. There is variation across departments currently and in some instances billing is delayed because it is only part of a person's job and may not be seen as a main priority. This could be addressed by centralising this function so the timeliness of billing was understood and controlled. It would also provide an opportunity to look at what was being billed on a corporate basis and determine whether there was more scope for prepayment of services to avoid any subsequent collection issues.
- 7.14 Phase 2 of the project should review any other outstanding debts collected by the Council e.g. parking charges and other fines, etc as well as other associated services to

ascertain whether further centralisation would provide a more joined up and holistic approach for debtors and the Council.

8.0 IMPLEMENTATION

- 8.1 The senior officer in charge of the new Corporate Debt Team should be in post by 1 January, 2014.
- 8.2 It is suggested above that all the teams be brought together from 1 January, 2014 or as soon as practically possible, then commence the merging and cross system training as an interim stage. This should release the staff to become the Implementation Team.
- 8.3 The Implementation team should be established by 1 February, 2014 and start working on the following high level action plan, although the new senior officer is likely to have completed / considered items a) to d) before the team is in place-
- a) Project/action plan draft
 - b) Categorisation of debt / prioritisation agreed
 - c) Agree a process to deal with cross system arrangements
 - d) Interim use of systems in Debt Management (i.e. how best to manage all debt related information)
 - e) All recovery processes reviewed and mapped across the council
 - f) A generic process map for debt recovery developed
 - g) Exceptions to the generic process map have been documented
 - h) Corporate Debt Recovery procedures documented
 - i) Appraise IT systems currently used and recommend best or new option for corporate debt
 - j) Legal recovery procedures documented
 - k) Review of external debt management i.e. Sheriff Officers, Credit checking, Tracing Agents, etc
 - l) Debt write off procedures reviewed and amended
 - m) Analysis of existing debt (required to inform performance monitoring and target setting)
 - n) Communication – internally & externally

9.0 POLICY IMPLICATIONS

- 9.1 This report has been screened for any policy implications in respect of sustainability, strategic environmental assessment, anti-poverty, equality impact assessment and risk management. There are no issues in this regard to report on.

10.0 CONSULTATIONS

- 10.1 The Chief Executive, Director of Housing, Head of Human Resources and Head of Democratic & Legal Services have been consulted on this report

11.0 BACKGROUND PAPERS

None

Marjory Stewart

Director of Corporate Services

11/11/2013

DEBT PRIORITISATION

What is a priority debt?

- In general terms it is not the value of the debt that makes it priority, but what a creditor can do to recover the money.
- Debt can be classed as a priority where non payment can result in the customer:
 - being disconnected
 - losing their home
 - losing essential goods or services
 - being imprisoned

Examples of main priority debts are:

- Rent or mortgage arrears
 - Council tax arrears
 - Gas and electricity arrears
 - Maintenance arrears including Child Support
 - Income tax or VAT arrears
- Customers are not always aware of the consequences of failure to pay, and tend to pay whichever creditors are the most forceful.
 - Dundee City Council recovery staff will work with Welfare Rights and external agencies to increase customer awareness of priority debts, and how to obtain appropriate help and advice to assist wherever possible.

What service will customers with multiple debts receive?

- When arranging payment plans or considering recovery action, it is essential that our staff have details of all relevant debts.
- The Debt Portal assists greatly in checking DCC account balances in our main service areas, until a consolidated Council solution is in place.
- Customers will be treated as individuals; cases can be complex therefore rather than a 'one size fits all' approach we require to work with the customer to help address multiple debts and achieve a sustainable outcome.
- Many customers with multiple debts will not have considered the total debts they owe to DCC or other organisations, and may be unaware of the full extent of the issue and worried how to cope.
- Customers should be referred to Welfare Rights or another money advice agency where assistance is required.

Allocation of Monies Collected To Outstanding Debts

- Current and on going liability is the prime priority for allocation of payments before considering arrears.
- All current liability for Housing Rent, Council Tax, Sales Ledger and Fines must therefore be checked and verified, prior to setting up instalment plans for arrears.
- Current rent and Council Tax payments will be prioritised over all other payments.
- Only excess monies will be allocated towards arrears and on a pro rata basis.
- Discussion should take place with the customer to establish the most efficient and convenient method of payment for both current accounts and arrears, suggesting direct debit where the customer has an appropriate bank account.

- Dundee City Council debts will be allocated where possible as follows:
 - The officer making a payment arrangement will be responsible for checking the Citizen account and with other recovery sections if required, to establish current and ongoing liability, and confirm the overall arrears position.
 - It is recognised this will make the arrangement process longer (and possibly complicated) until IT systems are fully developed, however customer service will improve.
 - From the total funds available from the customer, payments for arrears will be allocated on a pro rata basis depending on the level of outstanding debt in the various streams.
 - Defaults will have to be managed within existing systems until a corporate IT solution is in place.
 - Regardless of the share allocated, recovery action will be suspended by all relevant teams, provided the customer maintains their arrangement.
- Any direct request from a customer asking for a different distribution of their payment should be considered and acknowledged.

INTERIM STRUCTURE



**WELFARE REFORM DUNDEE
COMMUNITY CONNECT FORCE**

This team will work in Dundee’s most deprived communities to provide face-to-face advice services and raise awareness of the implications of welfare reform encouraging people to seek help before they reach crisis point.

CORPORATE DEBT – TEAM A

This team is responsible for Council Tax, Community Charge, HB Overpayments and rent debts as well as another debts where the debtor has more than 1 debt type (called consolidated debts).

**CORPORATE DEBT –
IMPLEMENTATION**

This team will compromise of staff seconded to work full time on the implementation of the changes from this report.

CORPORATE DEBT - TEAM B

This team is responsible for sales ledger, non domestic rates, rent accounting any other miscellaneous tasks from the centralisation of all the teams.