

Resources Directorate Income and Debt Recovery Strategy 2018-2021

Blackpool Council



Income and Debt Recovery Strategy 2018-2021

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1. Summary

The Council collects approximately £200m of income during each year and securing these resources efficiently is a challenging business goal.

Meeting this challenge through a continued period of public sector spending constraint and the impacts of the Welfare Reform Act will hold even greater significance. Income collection makes a vital contribution to the health of the Council's finances and plays a vital role in assisting the future financing of quality services for the community of Blackpool.

This document relates to income and debt recovery for the period 2018 to 2021 and focuses on the following three themes:

- **Income Generation and Collection**
- **Customer Access and Convenience**
- **Management, Governance and Compliance**

“The Vision is to maximise the Council’s income generation and collection and in doing so support the future financing of quality services for the community of Blackpool”

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2. Context

The effects of the last decade's economic downturn have set the context for this document.

Whilst estimates vary, analysts expect a period of public spending constraints which will last well beyond the current Parliament and the Council faces the prospect of diminishing grant income from central government. This will place even greater importance on the ability of the Council to optimise the generation and collection of income efficiently and effectively.

The effect of the economic climate on residents will also reduce the ability to pay for some and make others generally more cautious in terms of personal spending. The overall effect will be to make collection of income due to the Council more difficult and potentially reduce the level of income generated from such services as planning, car parking, leisure and school meals.

The Council faced a significant challenge to maintain levels of Council Tax income following the introduction of the Welfare Reform Act and the impact of Universal Credit, etc. A reduction in collection levels was therefore anticipated.

In addition, a further number of schools have secured Academy status. This provides an opportunity for increased income generation but also represents an increased risk of delays in managing and administering income collection.

Current challenges facing the Council include:

- The continued impact of Welfare Reform upon residents' ability to pay.
- A reduction in advice specialists available to support residents to claim benefits, lodge appeals and provide debt advice.
- An increase in the number of lending agencies, e.g. Cash Converter, Bright House, Wonga, QuickQuid, Amigo Loans.
- The extended period of public spending constraint.
- Payment system developments, e.g. continuous card payments.
- The first interest rate increase for 10 years which will reduce disposable income for some households.
- The introduction of legal pre-action protocols which delays recovery action through the courts for individuals.

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The Council collects approximately £200 million during the year from residents and service users in the form of:

2017/18 In Year Budgeted Income / Debt collectable from external customers

	£000
Council Tax	59,081
Business Rates	47,197
Housing Rents (HRA)	18,844
Total	125,122

2017/18 In Year Budgeted Income / Debt collectable from external customers - Service Revenue

	£000
Adults	23,169
Community & Environmental	13,643
Budgets Outside Cash Limits	12,323
Places	9,185
Children's Services	7,633
Resources	4,848
Governance & Partnerships	2,967
Chief Executive	937
Public Health	4
Total	74,709

Since 2004 the Council has produced successive three-year Income and Debt strategies.

Particular successes in the last 3 years include:

- **Successfully negotiated a new Enforcement agent contract for collection of Council Tax and Business Rates.**
- **Developed a new system for payroll overpayments**
- **Produced a completely refreshed Sundry Debt collection good practice guide**
- **Launched the Credit Union to the public in its own high street premises**
- **Reduced high value debts**
- **Introduced domestic empty property inspections at no cost to the Council assisting with new homes bonus**
- **Ensured compliance under Payment Card industry rules**
- **Contributed to the successful implementation of a new banking contract**
- **Introduced commercial rent arrears recovery**
- **Upgraded the PARIS payment system to accept contactless payments**
- **Formed a partnership with a company to identify any missing or undervalued business rates properties**

The above context directs the content of this document.

Figures provided by Corporate Finance.

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3. Income and Debt Recovery 2018-2021

3.1 Vision

“To maximise the Council’s income generation and collection and in doing so support the future financing of quality services for the community of Blackpool”

Objectives for the themes are outlined over the following pages with Priorities for each Theme.

The **Action Plan** to deliver these Priorities is set out on pages 11 to 15.

3.2 Governing Principles

- A robust corporate income management policy
- Clear responsibility and accountability
- Active measurement and management of performance
- A “firm but fair” approach to income and debt recovery
- Support for customers to improve their ability to meet financial commitments
- Cross cutting links with related Council strategies

3.3 Framework

The Vision will (continue to) be delivered through the following three themes:

- Theme 1: Income Generation and Collection
- Theme 2: Customer Access and Convenience
- Theme 3: Management, Governance and Compliance

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4. Objectives and Priorities

4.1 Theme 1: Income Generation and Collection

Objective

“To optimise the Council’s income and debt recovery, increase its income generation and achieve the maximum contribution towards the health of the Council’s finances”

The restrictions on Government funding for councils over the last 6 years and those expected over the following years and the overall effects of the economic climate make it crucial that the Council’s collection of income is as efficient and productive as possible.

The Priorities for this Theme are aimed at increasing the proportion of income and debt collected, reducing the level of debts written off, and increasing the total value of income to the Council by identifying new sources of income generation and ensuring that charges for services are set at the appropriate level.

Governance arrangements will be reviewed on a regular basis as a pre-requisite to prudent financial housekeeping. Exploring opportunities to develop the Council’s trading powers and generating increased income from such activities will help to offset public sector spending constraints.

Meeting these priorities will contribute to the Council’s financial strength and its ability to deliver services to the community through a difficult economic climate.

Theme 1 - Priorities

- Take a proactive approach to enforcement.
- Tackle all cases of fraud and corruption and use powers such as the Proceeds of Crime Act to recover income when appropriate to do so.
- Increase level of governance around:
 - High level debt
 - Level of write offs
 - Examination of fees and charges
 - Use of enforcement powers.
- Maximise trading powers.
- Review planning charges on properties and introduce a formal Deferred Payment Scheme.
- Keep abreast of legislative and system development changes.
- Ensure robust recovery procedures are in place for debts owed by all.
- Strengthen pursuit of debt recovery for low value debt and “hard to reach” debt.
- Deliver training to ensure consistent income collection practices.
- Introduce a more proactive approach to late payment of debt.
- Raising sundry debt invoices promptly

Theme 1 - Case Studies

Outstanding debts have been collected by using the Late Payment of Commercial Debt legislation.

Additional income has been recovered following the introduction of a new recovery method for commercial rent debts.

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4.2 Theme 2: Customer Access and Convenience

Objective

“To increase customer payment options by removing barriers, maximising choice and blending self-service and modern systems with traditional payment methods”

Methods of payment continue to change rapidly, but for many customers traditional methods still hold preference.

The customers’ ability to make payment through their preferred option is at the heart of this theme and of necessity embraces the need for flexibility in terms of systems, policies and procedures. The Priorities for this theme are to simplify and extend payment processes, remove barriers and blend new modern payment options with more traditional payment methods.

Many organisations have embraced new technology and developed options for self-service. This is an area where further opportunities for the Council exist

Actions in this theme will help to improve the speed with which sums due to the Council are collected, reduce the costs of collection and most importantly increase customer satisfaction.

For customers experiencing financial stress, access to in house qualified debt advisors can be the best way to help the customer to maximise income and prioritise debts thereby improving recovery of Council debts.

Theme 2 - Priorities

- Maximise choice of payment options.
- Implement the continuous card payments module to allow customers to set up regular payment arrangements where direct debit facilities do not exist.
- Review income related contracts.
- Review methods for contacting customers.
- Increasing self-service options and other channel matching initiatives which are more convenient to the customer.

Theme 2 - Case Studies

- In 2016/17 over £16m payments were taken by debit / credit card.
- A number of internet forms have been designed to allow customers to apply and pay for services such as Parking Permits and copies of Birth, Death and Marriage certificates. A total of £443K was taken this way in 2016/17.
- Former self-employed man aged 56 with numerous health issues. Multiple debts accrued since unable to work, including Council Tax, credit card and personal loans. Assisted to claim a Personal Independence Payment (PIP) and Severe Disability Premium, increasing income by £144.75 per week. Discretionary Housing Payment awarded to pay rent shortfall until PIP received. Discretionary Support award for fee to apply for Debt Relief Order (DRO). £10,870 debts written off following DRO. Now able to pay Council Tax and other essential bills.

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4.3 Theme 3: Management, Governance and Compliance

Objective

“To achieve consistent practice of income collection and recovery at service level and increase senior management accountability through setting, monitoring and achieving realistic income targets”

The importance of income generation and collection to the health of the Council’s finances will increase as Government funding and the ability to raise levels of Council Tax is tightly controlled. The Council will need to address this challenge by strengthening the framework of its overall management, governance and compliance of income generation, collection and recovery activities.

Cascading ownership and responsibility for key processes and activities to appropriate levels within income generating services, along with strengthening accountability of relevant senior managers to set and meet realistic income targets are important aspects of this theme.

Establishing relevant measures of performance and implementing a rigorous monitoring and reporting regime will enable the Council to continuously check performance against target, providing early indication of increasing or decreasing collection levels.

The adoption of consistent corporate policies and procedures will support the Council’s corporate

income management, governance and compliance framework.

Theme 3 - Priorities

- Improve staff awareness of policies and procedures.
- Undertake regular and targeted internal audit compliance checks on business rates, council tax and sundry debtors.
- Assess income management risks as part of the internal audit annual planning process and schedule risk-based audit reviews where appropriate.
- Undertake proactive anti-fraud work to reduce the risk of employee debtor fraud.
- Undertake proactive and reactive fraud work to identify potential issues relating to council tax fraud, including participation in the National fraud Initiative.
- Conduct challenge sessions to monitor performance with targeted services.
- Review roles of Income Management Group and Sundry Debtors Group and reconfirm memberships and Terms of Reference.
- Income & Debt Strategy Group to scrutinise high level debts > £10k.
- Ensure Payment Card Industry (PCI) compliance.
- Establish working group to develop innovative ways of working.
- Ensure robust bad debt management whilst considering the Fair Debt Policy.
- Annual review of collection and recovery policy, procedure and Codes of Practice.
- Implementation of the financial module of Mosaic.

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Theme 3 - Case Studies

- Over the course of previous strategies the Income & Debt Recovery Strategy Group scrutinised current high level debts to determine the best approach to secure debt / recovery. This initiative started by examining debts with a value over £50k and due to its success now examines debts over £10k. This proactive approach has helped to reduce the value of high level debts by £4m and improve collection rates by approximately 3%.
- The Assets, Estates and Business Management section of Property Services has implemented a number of improvements to the debt recovery process, both to prevent the occurrence of debts in the first instance wherever possible, and identify late payments promptly so that appropriate recovery action can be taken.

Through closer liaison with Corporate Debt colleagues, monthly reports are now received to identify cases where recurring billing arrangements are due to end so that they can be extended or systems updated to reflect changes in tenancy status as appropriate.

The team proactively monitors systems to ensure rents are being invoiced, and chase late payments by contacting debtors via telephone, e-mail and letter and highlighting penalties such as interest accrual on late payments where this is stated in the lease. The team can now process PARIS payments to

secure payment over the phone more promptly and encourage the use of Direct Debits to ensure regular payments.

Commercial Rent Arrears Recovery (CRAR) has been implemented where appropriate to collect outstanding rent, and regularly late or missed payments are escalated. Corporate debt liaison meetings are now being held on a monthly basis to ensure that potential aged debts are identified and remedial action taken without delay.

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5. Action Plan Monitoring and Review

Income & Debt Recovery Strategy – Action Plan for Delivery of Theme Priorities 2018 – 2021

No.	Action	Success Measures / Targets	Date to be achieved	Lead Officer	Commentary
1	Improve collection and recovery performance	<ul style="list-style-type: none"> • Meet annual targets set to increase collection levels • Reduce debt and write off levels % • Increase payment up-front or at the point of service delivery • Keep under review representation at Corporate Income Management Group • Strengthen reporting framework • Use debt collection agencies for low value debt (under £1k) • Pursue debts in Scotland • Introduce Formal Deferred Payment scheme • Implement procedures to mitigate staff salary overpayments and recover staff car loan payments • Develop an interface between Mosaic and the 	Ongoing	CLT supported by monitoring by Income & Debt Strategy Group	

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No.	Action	Success Measures / Targets	Date to be achieved	Lead Officer	Commentary
		<p>Cedar Debtors system to raise invoices regularly for care charges relating to home care and day care, ensuring prompt billing and reporting</p> <ul style="list-style-type: none"> • Ensure procedures are written in relation to prompt billing for client contributions where service providers are paid gross 			
2	Monitor the impact of Council Tax support and local discounts / exemptions on collection and recovery rates	<ul style="list-style-type: none"> • Reduction in collection rates mitigated and managed effectively • Amendments to process introduced with minimum disruption 	Ongoing – monthly	Head of Revenues and Exchequer Services	
3	Monitor the impact of localisation of Business Rates on collection and recovery rates	<ul style="list-style-type: none"> • Reduction in collection rates mitigated and managed effectively • Amendments to process introduced with minimum disruption 	Ongoing – monthly	Head of Revenues and Exchequer Services	
4	Optimise income generation through exploring opportunities to develop products, services and activities on a commercial basis	<ul style="list-style-type: none"> • Maximise trading powers and secure new business • Generate income from Council goods via Bristol HWRC and the corporate eBay account and other innovative ideas 	Ongoing	CLT	

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No.	Action	Success Measures / Targets	Date to be achieved	Lead Officer	Commentary
		<ul style="list-style-type: none"> Generate income from providing services to other public sector organisations 			
5	Deliver the targets set in P.I. Performance Suite in Appendix 1	<ul style="list-style-type: none"> See Appendix 1. Set and confirm targets with services annually Review and strengthen PIs annually Quarterly reports from Corporate Income Management Group considered at Income & Debt Strategy Group Annual report to Resources Scrutiny Committee Scrutinise high level debts at Income & Debt Strategy Group Review income related contracts Review roles of Income Management Group and Sundry Debtors Group and reconfirm membership and Terms of Reference Ensure robust bad debt management whilst considering the Fair Debt Policy 	Ongoing – monitored quarterly	CLT/Income & Debt Strategy Group	
6	Ensure consistent and effective practice of collection and recovery policy and procedures	<ul style="list-style-type: none"> Undertake quarterly audit compliance checks and report findings to ensure appropriate remedial action is taken. Tackle all cases of fraud and corruption using 	Ongoing	Head of Audit and Risk	

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No.	Action	Success Measures / Targets	Date to be achieved	Lead Officer	Commentary
		<p>appropriate powers e.g. Proceeds of Crime Act to recover income where appropriate</p> <ul style="list-style-type: none"> • Extensive roll out of an I-Pool training course on robust income collection procedures • Establish a working group to develop innovative ways of working • Ensure Council fees and charges consider Social Value implications • Undertake an annual review of collection and recovery policy, procedures and Codes of Practice 		<p>Transactional Services Manager</p> <p>Income & Debt Strategy Group</p>	
7	Extend and implement use of electronic methods of payment	<ul style="list-style-type: none"> • Increase use of electronic forms with services and promote accordingly • Relaunch payment by Chip & Pin • Review methods for contacting customers e.g. via e-billing, SMS text messages and other channel shift initiatives • Ensure PCI compliance • Implement the continuous card payments module to allow customers to set up regular payment arrangements where direct debit facilities do not exist • Implement mobile forms to allow customers to see payment pages on a mobile phone in the correct format. 	Ongoing – monitored by Income & Debt Strategy Group	Transactional Services Manager	

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No.	Action	Success Measures / Targets	Date to be achieved	Lead Officer	Commentary
8	Contract management of banking contract	<ul style="list-style-type: none"> Secure most competitive banking rates Delivery of social value commitments Implement the new electronic cheque system to allow cheques to be credited in 2 working days and reduce cheque processing costs 	Quarterly	Chief Accountant	

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6. Appendices

6.1 Appendix 1: Performance Indicator Targets 2018-2019

	Service	PI Definition	Target 2018-19
Council Tax / NDR	Council Tax	% of Council Tax collected in year	92.5%
		% of Council Tax collected overall over a 4 year period	97.5%
	Business Rates	% of Business Rates collected in year	94.5%
Sundry Debt	Corporate Debt Team (CDT)	% of Sundry Debt collected in year by Directorate	93%
		% of Sundry Debt collected overall by Directorate	89%
		% of Sundry Debt collected overall following Notice of Legal Action	90%
		Average number of days taken to send a sundry debt final reminder	28 days
Benefits	Benefits Team	% of Benefit overpayment recovered during the period as a % of total Benefit overpayment identified	65%

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	Service	PI Definition	Target 2018-19
		during the period	
		% of Benefit overpayment recovered during the period as a % of total Benefit overpayment identified at the start plus during the period	23%
Parking	Parking	% of Penalty Charge Notice (PCN) debt paid of overall debt raised	75%
Fairer Charging	Benefits Team	% of Fairer Charging debt collected prior to issuing sundry debt invoice	90%
		% of overall collection rate of Fairer Charging debts	98%
Housing Rents	Blackpool Coastal Housing (BCH)	The current rent arrears as a % of collectable rent	1.15%
		% of rent collected excluding arrears brought forward	100%
		% of rent collected including arrears brought forward	98%
		% of Rent lost through voids	2.5%
Enforcement	CDT	% of debt secured where Legal / Enforcement action has taken place	40%
	CDT Recovery Team, Business Rates, BCH, Parking Services	% of debt recovered of the overall debt referred to Bailiffs / Collection Agencies by functional area (Sundry Debt, Council Tax, NNDR, Housing Rents, Benefits, Parking & Total)	12%

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	Service	PI Definition	Target 2018-19
Process	Transactional Services	% of income processed electronically via debt / credit card compared with the total conceivable income that can be processed electronically across the Council	14%
		% of income processed electronically via direct debt compared with the total overall income across the Council for services using direct debit functionality	55%
		% of debt written - off as not collectable as a proportion of overall debt by functional area (Sundry Debt, Council Tax, NNDR, Housing Rents, Benefits, Parking & Total)	2%

Targets are provisional and will be reviewed at 2017/18 outturn

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6.2 Appendix 2: Risk Assessment

No.	Description of Risk	Impacts / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation	Net Risk Score			Current Actions to Reduce Risk
				I	L	GS		I	L	NS	
1	Impact of economic downturn and Brexit on collection and recovery performance	1) Further reduced funding from any and all sources (Regional, National, European, Private) 2) Reduction and loss of services 3) Increase in benefits claimed 4) Potential rise in fraud cases 5) Services fail to operate within revised budgets 6) Erosion of reserves	1) Enhance reputation from positive media coverage of efficiencies 2) Reduce bureaucracy and duplication 3) Alignment of similar services 4) New forms of service delivery	5	5	25	1) Monthly Financial Management monitoring including savings 2) Reserves to some extent 3) Medium Term Financial Planning and Medium Term Financial Sustainability Strategy 4) Restructures 5) Income Generation 6) Promotion of Credit Union	4	5	20	1) Framework for Priority led Budgeting will at least enable the Executive's priority services to be resourced first through thematic savings planning. 2) Vigorous examination of additional recovery options / initiatives
2	Loss of significant funding streams.	1) Inability to deliver critical services	1) Income generation from external sources 2) Promotion of services	4	5	20	1) Downsizing 2) Alternative service delivery options 3) Use of discretionary funds	4	5	20	1) Financial modelling to assess the impact 2) Increase financial support / advice available for customers

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No.	Description of Risk	Impacts / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation	Net Risk Score			Current Actions to Reduce Risk
				I	L	GS		I	L	NS	
3	Non-collection of social care payments	1) Loss of income 2) Inability to pursue debts 3) Bills not being raised	1) Maximise income due to the Council 2) Provide an efficient service to customers	4	4	16	1) Joint working between Adult Social Care, the Social Care Benefit Team and the Client Finances Team	4	4	16	1) Successful implementation of the financial module of Mosaic
4	Non-compliance with Payment Card Industry Standards	1) Inability to take credit and debit / card payments 2) Financial penalties/fines	1) Introduction of robust and compliant systems	4	5	20	1) Use of a bureau service to help ensure compliance	4	2	8	1) ICT policies and procedures need to be updated to ensure compliance
5	Lack of funding to develop hardware / software/channel shift initiatives	1) Income collection channels become outdated / inefficient 2) Reduction in the amount of income collection	1) Keep up to date with modern technology 2) Provide customers with a wide range of options to promote prompt payment	4	4	16	1) Significant system development work already undertaken 2) Amendment to Customer First telephone lines to enable only appropriate calls to be recorded 3) Directorate and Corporate reserves	4	2	8	1) Explore alternative methods of payments such as via Apps 2) Ensure that how to pay is clear on the new Council website 3) Adequately budget plan for any significant developments required over full lifecycle

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6	Selection of inappropriate enforcement activity	1) Debt is not collected	1) Robust debt collection processes 2) Deterrent message to customers who do not pay	4	3	12	1) Corporate Debt Team in place	4	2	8	1) Services to take ownership of debt and ensure that effective recovery procedures are used.
7	Failure of services to accept ownership of responsibilities for income collection and recovery	1) Income is not collected 2) Budget targets not achieved due to lack of income	1) Re-emphasise the need for effective income collection process across the Council 2) Improve transparency and accountability of debt owed to the Council	4	3	12	1) Income and Debt Strategy Group 2) Income Management Group 3) Reporting on performance 4) Member oversight	3	2	6	1) Work with poorly performing services 2) Continued audit compliance checking 3) Introduction of challenge sessions

Key to scoring

I = Impact (5=Catastrophic, 4=Major, 3=Moderate, 2=Minor, 1=Insignificant)

L = Likelihood (5=Almost certain, 4=Likely, 3=More than even, 2=Less than even, 1=Improbable)

GS/NS = Gross/Net Risk Score R=High Risk, A=Medium Risk, G=Low Risk BCM = Business Continuity Management Risk