

**Report of the Service Director of Customer Services
Corporate Resources and Governance Overview and Scrutiny Committee
6th September 2017**

Revenues Service

1. Purpose

- 1.1 To provide an update to the Committee following the previous Overview and Scrutiny Revenues report in March 2017.
- 1.2 To report progress on the operation of the Revenues Service following the decision to bring the service for the billing, collection, recovery and enforcement of council tax and business rates in-house from 1st February 2017.

2. Background

- 2.1 The revenues contract was let in 2011 before the introduction of a number of national welfare reforms in 2013 and the local retention of business rates. These changes have resulted in the council wishing to deal with revenues matters differently. By delivering the Revenues Service 'in house', the Council is able to react to both existing reforms and any future reforms with greater flexibility. There are also no constraints of formal change control processes which operate within contractual arrangements.
- 2.2 The termination of the Revenues Service contract element of the Service Birmingham contract and bringing this service in-house enables the Council to maintain the collection rates agreed as part of the Council's budget setting process. For council tax and business rates going forward (and in addition), prioritisation will be given to the maximisation of the tax base for both business rates and council tax. This can be achieved by identifying properties currently not on the valuation office listing and identifying changes in use within existing properties which may lead to increases in rateable value.
- 2.3 The Revenues contract was let over a ten year term (2011 to 2021) on a fixed price per annum reducing on a yearly basis over the term. The contract was structured so that investment was made in the initial years with payments reducing over time to deliver long-term savings benefit for the Council. In light of the mutually agreed earlier exit from the contract, the Council will not now achieve this benefit. The Council and Service Birmingham discussed the total costs and benefits for each party as a result of the earlier exit from the contract (including the long-term savings benefit). Both parties agreed an equitable adjustment to the charges being £1.2m which will be afforded to the Council via the ICT invoice being reduced. This reduction forms part of the council's financial position for 2017/18 and 2018/19.
- 2.4 An internal review of the Revenues Service was undertaken by the Service Director of Customer Services Division in June 2016. This identified the Council would be able to secure a saving of £0.45m per annum against the costs that the Council would have incurred during the remaining term of the contract. This is as a result of reduced overhead costs. These savings have formed part of the council budget setting process for 2017/18. The Revenues Service Plan (attached as Appendix 1) provides details of the actions in place to move the Service further forward.

- 2.6 The Revenues element of the Service Birmingham service, therefore, transferred to the Council with effect from 1st February 2017, with 106 employees of Service Birmingham Limited transferring to the Council under TUPE, which included only one Operational Manager.
- 2.7 Service Birmingham and the City Council formed a joint team to ensure a smooth transfer through the TUPE process of the Service back to the Council. However, a number of staff did not transfer back leaving significant gaps at managerial level. The Council has moved swiftly to fill these positions; a new Head of Service has been appointed and is about to commence his role; together with an additional Operations Manager, three Section Managers and two additional Team Managers.
- 2.8 The non-TUPE transfer of officers from the Capita Mendip and Bromley resource created a large number of vacancies within the Service. As a result 27 additional Revenues Officers have also been recruited and trained and are now employed in the Birmingham Revenues Service. During the transition period Capita continued to work with the Council to deliver elements of the Revenues Service due to the vacancies. This is now due to cease at the end of September 2017.

3. Current Position

- 3.1 A new operating model for the Revenues Service has been implemented. The model was created in line with the City Council's future operating model principles with support and direction provided by Ember Consultancy Services together with officers from the revenues client team, finance and legal services. The model was implemented following a formal consultation process involving the recognised trade union representatives and was progressed in an extremely positive industrial relations manner. This created a new operational and management structure (which is attached at Appendix 2) and offers clear levels of accountability and responsibility. Some of the key areas of activity that are now being taken forward highlighted below:

Customer Service

- The transfer back represents a significant opportunity to alter the approach of what has been a heavily transactional operation into a customer centric service. Initially this will be on a single customer view of Council Tax and Business Rates liability. Initial analysis has identified that a significant proportion of Council Tax debt (£30m) is due from only 2% of the customer base. Each of these customers has five or more liabilities spanning a number of years. A debt consolidation proposal is in the process of being devised and implemented. Details include reviewing the IT system functionality in order to align a citizen's outstanding debt, collecting from the oldest debt first and distinguishing between those who won't pay and can't pay. Together with reviewing and considering external data sources we will be able to create a full customer profile. From this full data set we are working to progress the proposal to both support citizens but also to maximise the collection of the debt.
- As part of the response to the Child Poverty Commission report in Birmingham, all Council Tax Support cases have been withdrawn from the enforcement agents (previously known as Bailiffs). Associated fees and charges for these cases have been written off by the agents and no further cases where the citizen is in receipt of Council Tax Support will be sent to them. Recovery action will follow the route of deductions from ongoing entitlements to welfare benefits once a liability order has been obtained from the Magistrates Court.

- A joint review of payment guidance took place as part of our renegotiated terms of reference with our Enforcement Agents (previously known as bailiffs), Equita. They have issued updated guidelines to their collection teams regarding the rules governing arrangements to pay for council tax payers.
 - where contact is made and the customer is unable to clear their arrears in one payment they are asked to provide income and expenditure details. This helps to determine what payment parameters may be agreed. An initial period of up to 6 months will be sought. However where the customer is unable to commit to this level, payment may be agreed up to (and in some cases over) 12 months from the date of contact. Every effort is made to an agreement that is affordable and most importantly maintainable.
- Payment arrangements are monitored and where a mobile telephone number is held SMS reminders are issued prior to the payment date. Where a payment is missed two reminders by SMS are sent before the arrangement is cancelled.

Business Rates

- Improve the business rates customer service by creating a larger team which is capable of self-sufficient management of the tax base by October 2017. A plan has been compiled which will enable the termination of the current additional Capita resource by the end of September. A number of current employees have been identified to work on the Business Rates team. The first stage of the transition included reviewing all the procedures to ensure they were relevant. Overview training was delivered to new staff in July and further in-depth procedural training was delivered during the beginning of August. A work plan is being compiled to confirm the volumes and timelines for activities moving forward.
- Support for businesses – as a result of business rates reliefs announced in the Spring budget the Business Rates team has already awarded up to £1,000 relief (per account) to 224 public houses in the City. This fulfilled the qualifying conditions announced in the budget. In addition, approximately 380 ratepayers have been identified who may qualify for the support for Small Business Relief. It is anticipated that bills with this relief included will be issued in early September. In respect of the discretionary relief, to support businesses which have seen an increase due to the 2017 revaluation, we have undertaken the required consultation. The local scheme is scheduled to be presented to Members in September for approval. The relief will be applied and amended bills will be issued to around 1,700 ratepayers. It is anticipated these changes will result in an additional £3m of relief awarded to businesses in 2017/18.
- Maximisation of the tax base for both council tax and business rates – improvements in our business rate property inspections regime. This will ensure that liabilities are correctly and promptly identified and new properties are entered onto the rating list as well as maximising the debt on existing ones. A proactive approach to finding changes in business use is vital – especially as there is little legislative ground for businesses to report changes.
- During June 2017 a pilot was undertaken by the Inspection Team of 589 businesses in Erdington High Street and surrounding areas. This area was chosen as it is a typical example of a high street and the surrounding area where changes may have taken place over the years but not all of these changes may be reflected in the rating list or on the Revenue records. The focus of the pilot was to:

- identify hereditaments missing from the rating list;
 - identify changes in use, extensions, mergers and other required reviews of existing rateable values;
 - verify the liable taxpayer details held on the NDR database; and
 - verify any Reliefs or Exemptions .
- A summary of the findings is shown below:
 - New properties identified and reported to the VOA – 19
 - Change in business use identified and reported to the VOA – 14
 - Extensions and mergers identified and reported to the VOA – 28
 - Incorrect Reliefs/exemptions awarded – 45
 - Incorrect liable party – 39
 - The Revenues Service entered into a 4 month pilot with Inform CPI Limited in August. A forecasting and rateable value finder web based product is used to identify properties which are either missing or undervalued on the rating list. This information will allow the council to maximise the rateable value for the City as a whole and increase the level of income through retained business rates. During the first week of the pilot Inform CPI Limited identified nine properties with a potential rateable value increase (2010 list) of £292,500. This will provide total additional business rates income of up to £558,000.

Single person discount reviews

- A review of Single Person Discounts (SPD) was undertaken as part of the annual billing process in order to improve the accuracy of the Council Tax base. The exercise concluded:
 - 17,799 review forms were issued in March along with the citizen's annual bill and 9,905 Reminders were issued between the 8th June 2017 and 22nd June 2017.
 - 11,228 citizens have confirmed that entitlement to the award should continue.
 - 2,780 citizens had their entitlement ended.
 - 3,657 accounts were automatically cancelled on 17th July 2017 effective from 1st April 2017.
 - The remaining 134 accounts are being investigated.

Staff development and performance management

- Development of staff and skills ensuring the “right people, with the right skills, at the right place, doing the right work, at the right time” is vital to make further improvements. Following a training needs analysis across the Revenues Service an effective Training Plan has now been developed. A Management Development Programme is also to be conducted for all managers within the Service.
- Measurement of all employees' performance across the Service has been introduced through the 'my appraisal' process; encouraging performance improvement, behaviours, and setting daily performance targets to achieve monthly targets based on performance levels.
- Production of accurate and meaningful management information – key performance indicators will be redefined which are relevant to the operation and reflect the balance between serving our citizens and the requirements of the

Council. A new set of management information is being developed and created, to include the development of a dashboard to easily monitor progress and performance. This will be reported regularly and disseminated to all staff.

4. Collection outcomes to date

- 4.1 In year collection rates for both Council Tax and Business Rates continue to perform well (as at the end of July 2017 Council Tax is 0.48% is above target, and Business Rates 1.09% above target).

5. Future Plans for the Service

- 5.1 It is intended to operate the Service to provide both an excellent customer experience together with ensuring we meet our key priority of maximising the hugely important resource of both council tax and business rates for the Council. A Revenues Service Improvement Plan for 2017/18 has been produced detailing the service, its objectives and purpose, together with operational issues and expected outcomes.

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The Revenues Service Service Plan 2017/2018



Revenues Service Business Plan

Revenues Service Improvement Plan 2017/18

Introduction.

The Revenues Service transferred back under Birmingham City Council direct control on the 1st February 2017. This move represents a significant opportunity to deliver a change program within the Service.

The detail being developed below the initiatives within this plan will incorporate the significant benefits of improved communication and cross functional working that has arisen from the service working holistically within BCC and to joint objectives and values.

Key Priorities for 2017/18

Objectives

The Revenues Service Improvement Plan aims to achieve the following objectives:

- To summarise the key activities that the Service will undertake during the year that will be the focus of our attention.
- To deliver significantly enhanced performance and quality outputs, through improved collections and reduction in inefficient processing.
- To design and agree a new operating and service model for an efficient, integrated Revenues Service to achieve a step change in performance and deliver the revenue collection targets expected for BCC.
- To design and execute a comprehensive set of improvement initiatives that will address performance issues and provide a clear operational focus on the key outcomes of increasing the net collectable debt and maximising collection. These initiatives will contribute to the successful implementation of the new operating model
- To re-align the service Key Performance Indicators to reflect BCC's objectives.
- To deliver an improved service to the citizens and businesses within Birmingham

Purpose

The Plan will deliver the following capabilities and outcomes:-

- A new Operating Model and Organisation Structure that will reflect the view of the Council to treat our citizens and businesses fairly, to collect tax due to the City in a robust and ethical manner and to do so using methods appropriate with due regard to indebtedness.
- Additional jobs in Birmingham replacing those that were out sourced by Service Birmingham to Bromley and Mendip Capita offices.
- Revenues Service will improve collection in absolute cash terms against a 3 year target of 97.1% (currently £355.1m 17/18 billing year)

- Following the Service being brought back in house Key Performance Indicators will be redefined. These will be relevant to the operation and reflect the balance between serving our citizens and community. Management information will be improved to provide performance metrics that inform the effectiveness of processes. This will be done through the strengthened team structure which will increase the technical capability of the service.

There will be an increased focus on quality metrics that look at the customer journey and impact.

We will continue to develop working practices that focus on customer outcomes and away from transactional processing. Initially this will be on a single customer view of Council Tax and Business Rates liability and developing to look at all indebtedness to BCC.

Key Performance Indicators

KPI	Target	Current position
In-year collection of Council Tax	94.80%	30.11% actual v 28.82% target 06/17
In-year collection of Business Rates	95.52%	35.11% actual v 34.72% target 06/17

The activities that will support the achievement of these performance indicators and the Key Priorities are outlined in the following table.

Behaviours – We put Citizens First, We are true to our word, Acts Courageously, We achieve excellence

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look	QTR Update	Corporate Behaviour				
Implement new structure	Staff in place to meet service needs and improve collection	Assistant Director Revenues and Benefits	New management structure and associated staff resources in place	30/09/2017	Revenues Officers in post GR5s in post GR2 positions resolved, Operations Managers in post, Head of Service starting 11/09/2017						
New Policy for Discretionary relief for businesses	Support businesses with highest rate increase following revaluation	Assistant Director Revenues and Benefits	New policy in place with up to £2.6 million of relief available in 2017/18	13/09/2017 for Cabinet approval	Consultation completed. Report drafted. Member meetings in place						

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look	QTR Update	Corporate Behaviour			
Localise NDR Resource	Increase local resource to undertake NDR work in the City	Head of Revenues	Work moved from external sites run by Capita to the Council's Revenues service	01/10/2017	Recruit and train staff Decommission arrangements with Capita					
Maximise Council Tax Base	Single Person Discount Reviews	Head of Revenues	Improve tax base accuracy Increase collection rates (£s)	Completed	To utilise data from SB highlighting high risk cases and carry out mailing in Annual Billing 17/18					
		Operations Managers	Maintain statutory obligations		To report response rates. Update Latest					
		Operations Managers	(SPD volumes are 158k (146k in May 2016) valued at	February 2018	To report ongoing responses / cancellations subject to cancellation schedule					

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look	QTR Update	Corporate Behaviour			
		Operations Managers	<p>£40.9m).</p> <p>Review procedures and monitoring, evaluate changes to Annual Billing going forward to provide improvements</p> <p>Consider opportunity to capture review information as part of inbound call process</p> <p>Cancelations done from 4/17 review</p> <p>Next review scheduled 09/17 expected to consider 27k further accounts</p>	01/11/17	To refine the review process as part of future AB cycle, to incorporate all review types as necessary.					

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look	QTR Update	Corporate Behaviour			
Maximise Council Tax Base	Complete a review of suppressed account reviews	Operations Managers	Improve tax base accuracy	Completed	Files for suppressions re run to identify volumes.					
		Operations Managers	Increase collection rates (£s)	Completed for Deceased cases with class F 01/09/2017	Experian batch file preparation. Agree size with operation.					
		Operations Managers	To ensure that all suppressed accounts are dealt with in a timely manner according to policies and procedures in place. (for example traces within 6 months of "gone away" notification.)	01/07/2017	As part of revised MI pack need to report value/volume & movements					
		Operations Managers		01/09/2017	Revise procedures for suppressions					
Maximise Business Rates tax base	NDR Tax base audit (pilot)	Operations Managers	Improve tax base accuracy.(Property reconciliation, occupations) having assessed overall accuracy of the current base	Completed	Identify initial pilot area and produce initial business and property details.					
		Head of Revenues		Completed	Initial meeting with supplier to discuss outline data capture and potential.					
		Head of Revenues	Identify	Completed	Sample data file provided to supplier for analysis					

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look	QTR Update	Corporate Behaviour			
		Head of Revenues	opportunities to increase collection rates (£s)	Completed	Arrange review meeting with Analyse Local.					
		Head of Revenues	Inform review processes (eg SBRR) impacting income Experian Review	01/09/2017	Procurement exercise needed; 4 month extension in place					
Increase collection of NDR Debt	NNDR Repeat Defaulters	Head of Revenues	Increase collection rates through the use of appropriate recovery action Identify liability issues Improve tax base accuracy Identify potential tax avoidance cases	Completed	Repeat offenders identified through model. £30m across 1400 accounts					
		Operations Managers		Completed	Sample of cases intercepted 2/5/17 for investigation.					

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look	QTR Update	Corporate Behaviour				
		Operations Managers	Reduce the numbers of NDR customers progressing through the recovery process without resolution	Ongoing through case reviews	<p>Review alternative enforcement strategies</p> <p>Prepare project template if not BAU.</p> <p>Target to reduce the volume of repeat offender cases being processed through the Magistrates Court by 20% during 17/18.</p> <p>Subject to the outcome of the sampling exercise</p> <p>Now investigating alternative enforcement processes with Legal Services (either County Court or CPR 70 transfers)</p>						

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look	QTR Update	Corporate Behaviour				
Maximise arrangements with Enforcement Agents	Improve use of Enforcement Agents	Operations Managers	<p>Increase effectiveness of the EA.s</p> <p>Improve reporting and measures</p> <p>Leverage relationship to build improved committal / enforcement processes</p> <p>Corporate early warning systems</p>	Completed	Review MI produced by agents. First reports received; Early stage of new arrangements						
		Operations Managers	Review of submitted cases to identify cases where	Provisional dates provided by Court	Revise committal processes (inc Clinics)						
		Operations Managers	reinstruction will enable recovery or to identify cases earlier where EA activity is	Ongoing	Review early warning systems in place, discussions with Experian commenced and Greenall Kerr overview given.						

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look	QTR Update	Corporate Behaviour			
		Operations Managers	unlikely to lead to recovery and where alternative action is appropriate	Completed	Sample accounts provided to Equita to review repeat offenders. With a view to identifying cases to refer back to Equita or not referring cases at all where no recovery prospects.					
		Operations Managers		01.09.17	Review response to above.					
Increase the capacity of our staff to meet challenges	Training & Development	Head of Revenues	Improve effectiveness of Officers / Managers	Ongoing	TNA issued to all staff; Initial NDR training provided					
			Succession planning							
			Risk mitigation							
			Process improvement							
		Head of Revenues	Quality	Completed	Experian (Train the trainers)					
	Head of Revenues	Measurement through the mechanisms to be agreed but	Completed	Financial Impacts /collection fund D&E etc						
	Head of Revenues		01/08/2017	TNA						

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look	QTR Update	Corporate Behaviour			
		Head of Revenues	may include adherence to arrangements, instances of 1ndone, i&e and citizen assessments Complaint reduction (where due to error)	01/09/2017	Develop training plan					
	Workflow Management	Operations Managers	<ol style="list-style-type: none"> 1. Implement replacement for EG system 2. Maximise resource utilisation 3. Prioritisation of activity in customer centric way 4. Promote single customer views. 5. Improve database quality 	<ol style="list-style-type: none"> 1. Completed 2. -5 ongoing 	New DMS system in place. Provisional performance management system in place and being monitored.					

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look	QTR Update	Corporate Behaviour			
Improve our management of performance	Performance & Effectiveness Measures	Operations Managers	Increased ability to measure effectiveness and outcomes of processes & people Implement review mechanism for performance improvements	Completed	Revise approach to QA measurement within service.					
		Head of Revenues		Ongoing	Identify upskilling for TM's together with coaching / mentoring development					
		Operations Managers		01/03/2018	Development of joined up customer journey modelling to show touch points and constraints. Linking to Brum Account development – awaiting procurement					

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look		QTR Update	Corporate Behaviour			
Improve our management of performance	KPI development	Head of Revenues	KPIs focused on performance	01/09/2017	Awaiting input from new Head of Service						
			Reflecting BCC budget expectations								
			Delivery of service levels								
			Recognise flexibility								

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look	QTR Update	Corporate Behaviour				
Proactive debt recovery	Recovery Profile Review	Head of Revenues	<p>Improve collection performance through the reduction of inbound call volumes and redirection of resources. This initiative has potential to release significant resources and drive down citizen contact</p> <p>Reduce back office activity on "paying cases"</p> <p>Provide transparency on cost recovery</p> <p>Reduce citizen indebtedness, through reductions to EA cases</p>	01/09/2017	The initiative is to model citizen payments and behaviours through the recovery cycle and propose changes. This may include the "reset" of customer reminders once an account is brought up to date. This will significantly reduce call volumes.						

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look	QTR Update	Corporate Behaviour				
Proactive debt recovery	NDR Telephony	Revenues Operations Managers	To provide increased levels of response on NDR inbound telephony	Completed	Developed MI reporting to track performance and comparisons to last year						
			Reduce inbound Vectus/DMS actions								

INITIATIVE	OUTCOME	RESPONSIBLE OFFICER(S)	Outcome / Target	TIMEFRAME	How does this look	QTR Update	Corporate Behaviour			
Review our reports	Maximise collection	Revenues Operations Managers	Rationalise report activity following transition to DMS and loss of EG. Move to customer Centric activity	1/10/2017	To create simple transparent workflow processes that maximise outcomes and resource utilisation					
			Developed “event date” reporting for the action of accounts at appropriate points							
			Remove duplication							
			Develop consolidated monitoring and reporting capabilities.							
			Move to citizen centric views							

Revenues Structure Chart

