Improving income collection

Efficient collection of council tax, housing rent and other income by direct debit
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Summary

1. In November 2005, the Audit Commission published *The Efficiency Challenge – the Administration Costs of Revenues and Benefits*. This report identified, along with other improvements in efficiency, that direct debit (DD) collection of council tax was one area where councils acknowledge the potential for improved efficiency. Our study found that if councils improve their DD rates there is potential to save millions of pounds in administration costs.

2. We have undertaken a more detailed study to examine how councils are approaching this issue. We also examined the position regarding housing rent collection by councils and housing associations (HAs). Although the volumes are less than council tax, the number of transactions is significant, and DD therefore offers the potential for improved efficiency. Our study has focused on:

   - identifying the cost benefit of increasing DD collection of council tax and housing rents (in councils and HAs) and associated good practice;
   - providing a clear benchmark for calculating DD rates (and the costs of other methods of payment) – improving the potential for councils to work together to build an accurate picture of what works well;
   - examining the relationship between the cash payment of rent and any link to cash payment of council tax;
   - examining the potential conflicting issues relating to choice, and balancing other local priorities;
   - looking for other opportunities for efficiency gains through improved use of electronic payment transactions, for example, direct credit (DC); and
   - applying lessons learnt from councils and other sectors about the best ways of maximising DD.

Key findings

3. The study has identified some important issues for councils and HAs. There are significant benefits in terms of efficiency by increasing DD take-up. But this must be balanced with the needs of the community, and vulnerable groups in particular. Councils and HAs would benefit from having good information about customer decisions, and about where in its area there is the most potential to increase DD take-up. Valuable resources can be released to help those in real need of help with their finances.

4. There is a particularly big incentive for councils in more deprived areas to improve DD rates so that they can free up resources to deal with more complex debt issues that exist. Councils can allocate more staff time to help people with debt problems and payment arrangements.

5. Organisations need to be able to demonstrate the value of their existing payment arrangements. On average, well over 95 per cent of council tax is collected within the year it is billed. About 53 per cent (estimates vary) of this
is collected by DD. Each method of payment has a different cost and councils need to be able to demonstrate that they are achieving value for money in this area.

6. A coordinated approach is needed. Housing and revenue departments need to work together to ensure that their services are complementing each other in the interest of customers. Government support for increased DD would be welcomed by councils – either through a national marketing initiative, or with more specific support through the regional centres of excellence (RCEs). But councils can do more for themselves, by working with others (including HAs) through joint campaigns, or saving money on joint banking arrangements. Coordinated campaigns with links to improving council tax benefit take-up would add even more value, as people may be reluctant to use DD because they are facing financial difficulty.

7. There are many other challenges for councils in achieving improvements. Councils face a potential conflict with local and/or central government policies to offer people more choice, for example, in the ways people can pay their council tax, while at the same time seeking to improve efficiency. The study has identified many areas of good practice and the case studies in this report demonstrate that even in the most deprived areas, good rates of collection by DD are possible. The report is supplemented by an interactive tool on our website at www.audit-commission.gov.uk/directdebit.
Chapter 1 – Background

8. DD is the most efficient way to collect local taxes and rent. There are large variations in the amount collected by this method. DD has a positive influence on the amount of tax that is actually collected each year. The council tax collection rate through DD varies from less than 30 per cent to a maximum of over 70 per cent across the country across all types of councils. The figures for housing rent collection are much lower than this.

9. Comparative data is available for council tax, but there is less robust information available regarding housing rent. Business rates, which is also collected by councils, has much lower volumes of transactions but the general principles outlined in this report apply equally to collecting this form of local taxation.

10. The Efficiency Challenge report concluded that considerable savings could be made in the administration of local tax collection and housing and council tax benefit administration. Box A summarises the conclusion in relation to the amount of money that could be saved in England through improved collection of council tax by DD.

Box A
Potential savings from increased DD take-up

Savings from increased take up of DD:
- The current national average for council tax collection is about 53 per cent.
- Assuming payment by cash costs around 50p more than a DD payment (this is a minimum figure based on our initial research), for each cash payer there is an annual additional cost to a council of £5 per year (assuming 10 instalments paid by this method – some people pay cash more frequently).
- The table below demonstrates the potential annual transactional saving for all councils if the national average DD rates improve to the level of the council with the current highest rate (70 per cent). Given the efforts required to achieve these figures, we recognise the change could not be achieved quickly. But we think it would be reasonable for councils to work towards this improvement over the next three to five years.

<table>
<thead>
<tr>
<th>DD rate</th>
<th>Total amount of potential savings per annum (£ million)</th>
</tr>
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<tbody>
<tr>
<td>53%</td>
<td>Current rate</td>
</tr>
<tr>
<td>60%</td>
<td>6.3</td>
</tr>
<tr>
<td>70%</td>
<td>15.3</td>
</tr>
</tbody>
</table>

Note: Many people on benefit do not have to pay any council tax. However, some people still have to pay something towards the tax but we have excluded them from this calculation as there is insufficient data available to make an accurate figure. The savings assumption is therefore based on a maximum of 17 million households paying 10 instalments a year. We have also excluded any potential savings from efficiencies in back office functions.

Source: Audit Commission
11. Our saving assumption was based on a transactional saving of 50p per transaction. The evidence from the new study suggests there is potential to save more than this. The savings do not take into account efficiency gains in administration. One significant finding from our study is that most councils are administering more properties each year due to the general population growth and the reduction in average household size (fewer people per household) creating a requirement for more properties. For example, Huntingdonshire District Council has grown from 58,000 properties to 67,000 in the last 12 years. Revenues departments have tended to absorb this additional administrative burden. Councils acknowledge that this would not have been possible without efficiency improvements, including information technology (IT) developments and DD take-up.

Current situation

12. There is no national performance indicator for collection by DD. Estimates of the average vary between 46 and 62 per cent of people with a liability to pay council tax. There is no robust published information on DD rates for the collection of rent by councils or HAs.

13. Comparisons with other sectors show that councils perform relatively well compared with public utilities. Figure 1 shows that the highest rates tend to exist where the supplier controls the payment method – for example by insisting customers pay for its product by DD. Councils and HAs do not have this option.

Figure 1
Direct debit collection rates for a range of utilities and services and council tax (2004)

Source: BACS

1 The average figure shown here is higher than some of the others we identified – for example, the Chartered Institute of Public Finance and Accountancy average for 2003/04 was 46 per cent. BACS Payment Schemes Limited is a membership-based industry body. Its principal products are DD, direct credit and standing orders.
14. International comparison of the amount of transactions dealt with by DD in 2003 show that:
   • The UK boasts the second highest total number of DD transactions in Europe although this is less than half of the highest, Germany.
   • 20.1 per cent of all UK cashless payments are made by DD (41 per cent in Spain).
   • However, this only equates to 0.9 per cent of the value of all UK cashless payments (11.2 per cent in Ireland).

Source: European Central Bank's 2005 'blue book’ – although figures are for UK (and not just England), it gives an indication of the relative comparison with other countries

15. This contextual information demonstrates that councils are performing relatively well in terms of overall collection by DD. The statistics also demonstrate the potential for further improvement. Our study therefore examined the issues around improving performance and the barriers and enablers for change.

Calculating DD rates

16. One difficulty with measuring the effectiveness of council performance in terms of DD take-up is the number of different ways of measuring it. The study found at least three different methods, including:
   • the number of households paying by DD as a percentage of the total households;
   • the number of households paying by DD as a percentage of the total households, minus those on full benefit, or exempt from council tax; or
   • the total amount of money received by DD as a percentage of the total income received.

17. Each of these calculations will give a different answer and this consequently makes it more difficult for councils to compare performance. We consider that the calculation that provides the best benchmark to use as a target for improvement is the second one above. This helps councils to concentrate on the numbers of people with something to pay, where the individual transaction costs are highest, as well as the associated administrative overheads. The Chartered Institute of Public Finance and Accountancy (CIPFA) support this method, and is now updating its guidance to councils when completing annual returns. Councils may also find the amount of money received by DD as a useful indicator to support financial planning.

18. The calculation for housing rent collection by DD is more confusing. There is no reporting of the information to CIPFA. Most councils do not routinely measure DD rates for rent collection. A similar calculation would help councils to improve by concentrating efforts on the numbers of people with a rental liability and comparing that to the percentage of rent payers as a whole.
Deprivation and study approach

19. The study has demonstrated that performance in DD for council tax and housing rents has improved over time. Examples of the extent of the improvement are provided later in this report. Councils with higher levels of deprivation, on average, collect less council tax each year than less deprived areas. There is some relationship between deprivation and DD rates but there are exceptions (Figure 2).

20. Rural districts tend to have higher rates of DD collection than other types of council. This is largely due to issues of deprivation and associated difficulties of collection in areas where there is a high population turnover. However, there are significant variances by council type and deprivation and the challenge to councils is to improve to the level of the best performers with similar local circumstances.

21. The study therefore commenced by examining councils with similar levels of deprivation, but different levels of DD take-up. We selected a sample of councils of each type (district councils, London boroughs and unitary/metropolitan boroughs) and visited them to establish the reasons behind the performance. The chart below shows that councils with lower deprivation levels tend to have a higher percentage of people paying by DD. However, the chart also shows that some councils with relatively high levels of deprivation can perform very well.

Figure 2
Council tax direct debit performance in relation to deprivation levels

22. We found a number of reasons for the difference in performance. These are fully explored within this report. However, it is clear from our initial sample that although deprivation has some influence, councils can still make considerable progress in increasing DD rates. Table 1 illustrates the different DD levels in our initial sample, and shows that performance by councils in more deprived areas can be much better than those in more affluent areas. For example, Council B is performing better than Council G even though it is more deprived. Council F, which is the 61st most deprived council is collecting 4 per cent more by DD than Council K, which is the 259th most deprived.
### Table 1

<table>
<thead>
<tr>
<th>Council</th>
<th>Deprivation (1 = most deprived council in England)</th>
<th>DD rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>6</td>
<td>40%</td>
</tr>
<tr>
<td>B</td>
<td>36</td>
<td>51%</td>
</tr>
<tr>
<td>C</td>
<td>45</td>
<td>36%</td>
</tr>
<tr>
<td>D</td>
<td>47</td>
<td>35%</td>
</tr>
<tr>
<td>E</td>
<td>54</td>
<td>63%</td>
</tr>
<tr>
<td>F</td>
<td>61</td>
<td>68%</td>
</tr>
<tr>
<td>G</td>
<td>72</td>
<td>49%</td>
</tr>
<tr>
<td>H</td>
<td>97</td>
<td>57%</td>
</tr>
<tr>
<td>I</td>
<td>142</td>
<td>52%</td>
</tr>
<tr>
<td>J</td>
<td>228</td>
<td>52%</td>
</tr>
<tr>
<td>K</td>
<td>259</td>
<td>64%</td>
</tr>
</tbody>
</table>

23. This report is supplemented with examples (and case studies) of councils with relatively strong performance and those that have chosen a different approach to DD.
Chapter 2: Costs and management arrangements

Costs

24. Some councils were not able to supply us with a detailed breakdown of their transactional costs. Transaction costs are related to bank charges, which in turn can be part of a wide contract which each council agrees with its bank. Individual costs will vary for a number of reasons, such as the number of payments or DD transactions. Nevertheless, we did find that some councils have tried hard to break down all the associated costs of transactions.

Case study 1  
Kirklees metropolitan borough council (MBC)

Kirklees MBC has made an analysis of all the associated costs of collection by different payment type. It has included an estimate of all the associated costs, such as cashier recharges and bank charges for each different type of payment. This work again concluded that DD was by far the cheapest collection cost. The council has increased the number of people on DD by over 7,000 in the last year and now has a DD rate of over 52 per cent.

25. The study has confirmed the potential for councils to make significant efficiency gains. We found the following range of unit costs for different types of payments in the councils we visited:

- cash office: 93-98p (but examples of £2.50, £3, £6);
- post office: 42-64p;
- Allpay/Pay-point: 38-43p;
- credit card payments: £1.30-£3.50 on a payment of £100 – some councils pass this charge on to customers; and
- DD: less than 1p – 4.5p

26. Councils will therefore be able to save in excess of the estimated 50p per individual transaction. This efficiency gain does not include the additional benefits for the council through improved processing and the related freeing up of staff time, or the ability to examine how the reduced numbers of people paying by cash can lead to other improvements for customers. The strong link to better tax collection will also provide councils with improved cash flow.

27. The additional administrative benefits can also be measured by the reduction in other debt recovery activity. We found many examples of this including:

- Between 2002/03 and 2004/05 the DD rate of St Helens MBC improved from 42.1 per cent to 50.6 per cent. Reminders reduced from 46,706 to 36,563 in the same period.

28. Councils can demonstrate considerable reductions in other activity as well:
Case study 2  
Denbighshire Council

Denbighshire Council now has over 22,200 out of 36,000 liable households paying their council tax by DD – nearly 62 per cent. This has improved from 45 per cent three years ago. It has won BACs awards for the last two years.

The Council demonstrates strong performance monitoring including weekly performance information which is provided to all staff. The Council’s philosophy is to use DD as a tool to help recovering debt, for example by withdrawing a final notice if the taxpayer agrees to sign up for DD.

The Council has four DD dates a month and has seen a significant reduction in associated debt recovery activity as DD rates have risen. For example, each year the Council is dealing with: over 25,000 less phone calls; 10,000 less letters and over 5,000 fewer summonses.

29. The relationship between improving DD and reductions in other activity is re-enforced by strong performance management.

Case study 3  
East Riding of Yorkshire Council

East Riding of Yorkshire Council actively monitors DD performance and trends in associated debt recovery. DD rates have improved over time; at the same time, recovery activity on reminders has reduced significantly:

The Council has used this information to drive progress, and has actively marketed DD as a cost saving for local taxpayers of £6 every year for each new DD signed up.
30. Councils told us that through dealing with less of the associated activity, such as phone calls, letters, emails and face-to-face enquiries, they were able to concentrate more time dealing with more difficult debts. Some councils have been able to shift resources to the extent that they have taken on additional work in the revenues department.

Case study 4
North Warwickshire Borough Council

North Warwickshire Borough Council, the Institute of Revenues, Rating and Valuation Revenues Team of the Year (2005/06), has achieved big improvements in its DD take-up which has seen it win four national BACS awards for take-up and marketing campaigns over the past three years.

Working closely with other councils, the local media and using external print support to deliver and promote its marketing campaigns, the Council has increased its take-up of DD by nearly 30 per cent to now achieve over 70 per cent council tax DD take-up levels.

In 2004, the Council closed its last remaining cash payment office. This was necessary due to pressures to improve security, coupled with falling customer usage. It used extensive consultation to achieve the closure, including a Member working party, and surveys with users and a corporate people’s panel. At the same time as closing the service, all e-government payment methods were introduced alongside a new arrangement with the Council’s bank to accept any payment free of charge, similar to the Council’s post office arrangements.

The revenues service has been able to absorb extra work as a result of the improvements, reduce the number of recovery notices it issues allowing it to concentrate its efforts on more regular contact with its non-DD payers. It has improved its collection rate into the upper quartile for the first time in 2004/05.

Management arrangements

31. Councils have a variety of approaches to managing DD as part of revenue collection. Common features of high-performing councils were:

- **Good performance management** – DD information (with targets) is regularly used to supplement collection performance. Monthly monitoring is in place, and communicated to managers, staff and councillors, with the ability to react to unforeseen fluctuations in performance. Where little or no monitoring is in place, there is a clear relationship with weaker performance. Managers’ awareness of what their staff are actually doing to promote DD also tends to correlate with higher levels of performance.
Case study 5
Hartlepool Borough Council (BC)

Hartlepool Council, in the 14th most deprived part of England, has a relatively high number of payment arrangements. By increasing DD, the Council is able to spend more time dealing with these people and offer better financial advice.

The Council has helped to drive improvement in DD through strong performance management. There is a high level of awareness on collection rates from staff, and DD rates are reported on a regular basis. This is supported by performance information through team briefing, emails, and charts – which are updated on a daily basis as year-end approaches. The Council has also tried to encourage staff to take interest in DD through an incentive scheme, with a log kept and reward to staff based on the amount of money received through DD. Team meetings are used to ensure that ideas from staff at all levels are encouraged to fully contribute to improvements.

- Better financial planning/treasury management – strong DD performance not only helps councils collect the money more efficiently, but also helps councils in their financial planning. The study established that less than 1 per cent of payments by DD default, meaning that councils can plan with the assurance that over 99 per cent of income through this method is ‘guaranteed’.

- A positive approach to change – supported by good change management. This was particularly prominent where councils had dealt with a major project – closing a cash office(s) or moving to a call centre approach for example (see case studies later in report).

- Involving staff – this was an important feature of the successful management of change, and in performance management. Staff involved in a significant change could help to shape and sell the outcome, and hence gain ownership. Strong awareness of performance helps staff to see how they can contribute to the bigger picture.

- Promoting success – opportunities to tell good news about DD progress to staff and others through team briefing, management reports or promotional material. Some councils have tried using individual or team prizes (on a small scale) for increased DD take-up. This has helped in the short term, but not necessarily as a longer-term strategy for improvement.

- Empowered staff – who are given responsibility to use their initiative when making arrangements to repay debt. Staff are encouraged to use their discretion to be flexible with people in order to encourage them to move on to DD. For example, by extending the number of instalments, or including the costs within the instalments. Although staff welcome the empowerment, we found that they also welcomed boundaries to ensure that an element of control was maintained.

32. Councils use a variety of approaches to promote DD. We have outlined some of the areas of good practice we identified, with case studies, in Chapter 4. Most councils do promote DD in some way, and some of the more standard approaches include:
• **mail shots to particular groups of people** not already paying by DD. Some councils have taken this approach to target those known to have a bank account such as cheque and standing order payers. Others have taken a broad approach to target all those not paying by DD.

• Some councils only target customers when the annual council tax demands are being sent. The success of these approaches varies, and tends to be dependent on how much knowledge a council has of its customers.

• Most councils **send a DD form with each non-DD bill**. It is also common practice for councils to send a form with a reminder or even a summons. However, councils told us that some customers object to this approach, especially when they have previously told the council that they do not want to pay by this method.

• Councils acknowledge that DD can be used as an **effective debt recovery tool**. Once a DD payer is signed-up, he/she rarely defaults. There is therefore an incentive for councils to use recovery as an opportunity to help people into regular payment through DD.

• **A variety of publicity material** is used to promote DD. Posters are displayed in many council offices and some councils supplement these with leaflets. Although this is helpful, the councils with more imaginative designs, and which regularly update information, appear to get better results.

• **Involving cashiers** in promoting DD also gives councils the opportunity to speak directly to customers, and to try and get behind the reasons for them continuing to use other forms of payment. Cashiering staff are also in a good position to contact customers where missing information may require a phone call – such as an un-signed cheque. We found examples where councils would use this as an opportunity to promote DD to save customers future inconvenience.

• Councils are **starting to utilise new technology** to promote DD. Most council websites provide access to a DD form. Councils are considering other options – such as ‘pointing’ online payers to DD as a way of saving time each month compared to an online payment. One council has a link from a popular local news website to attract DD payers, but it is difficult to track how successful this has been.

• **Setting up a DD over the phone**, and hence not having to send out and wait for the return of a form, is proving very effective at those councils which are already paperless for DD.

• Voca, the company that owns the infrastructure on which payment schemes can operate, operates the DD system for many organisations, and their experience has shown that the **more imaginative campaigns** are more likely to succeed.

**Barriers to change**

33. There are many issues that will impact on the way in which councils approach income collection: These include:

• deprivation and population mobility;
• IT infrastructure:
• local cash offices;
• supporting post offices; and
• other approaches to collecting and recovering debts in line with local political priorities (such as withdrawing court costs).
34. Some of the barriers (real or perceived) to improving the existing arrangements that we identified in the study included:

- **Bad news stories** – past issues regarding an error made in DD collection by a council gave the public a suspicion of the method of collection.

- **A perception of a cash culture** – although councils were unable to provide any real evidence of this, there is certainly a strong perception in some areas that this prevents some people from signing up to DD.

- Call centres and one-stop-shops – some managers are concerned that the new arrangements may slow the increase in DD due to the lack of hands-on knowledge from non-specialist staff.

- Automatically **issuing customers with a payment card** to use for cash payments.

- We found little evidence of councils evaluating marketing campaigns, leading some to send out DD forms as a matter of routine (and therefore having campaigns with little imagination), rather than specifically targeted – because they know what works. Councils do not always measure the success (or failure) of campaigns.

- There remains ongoing confusion from customers about the difference between standing orders (SO) and DD.

- **Different payment and income cycles** – not all people have financial circumstances that fit in with monthly instalments. They may be paid weekly and have rent to pay fortnightly, so a monthly DD for council tax may not fit in with this in many cases.

- Long-standing agreements at councils that allow **staff to have their council tax collected by salary deduction** are preventing improved DD rates. While this is dealt with efficiently at some councils, others, due to the lack of a suitable IT interface, cannot deal easily with salary deductions. Councils told us that it was a manual exercise and expensive in staff time.

- The **lack of suitable IT** – many councils have the ability to process DD from information provided in a telephone call from a customer, otherwise known a paperless DD. However, not all councils can do this, and opportunities are being missed to sign-up new payers. Councils can still process the DD by a paper form, but the delay in getting the form sent out and returned (if it is returned) can lead to customers having higher instalments (because there are less months left in the year), as well as a further delay in the council receiving the money. Some housing systems do not have the functionality to receive any payments by DD.
Chapter 3: Cash offices and customer views

Cash offices

35. The study found that many councils are questioning the need for the number of council cash offices. Councils have had to consider cash office closure for a number of reasons. Examples identified in our study included:

- financial savings – one large council we visited had annual recharges for revenues of £580,000, and could make a net saving of over £100,000 by moving to alternative payment arrangements (excluding efficiency gains from increased DD);
- rising unit costs – as people move to DD, the unit costs of cash transactions in council offices are rising. One council had individual transaction costs of over £3 and £6 at its two cash offices;
- declining use by customers (see Case study 6 below);
- security – for example, a risk assessment meant expensive alterations were needed to make the office safe for handling cash; and
- opening a one-stop-shop.
Case study 6  
Hull City Council

In 1998/99 the number of housing rent transactions taken at housing offices in Hull was over 600,000. By 2004/05 this had reduced to less than 500,000 – the offices also take payments for council tax. This has since decreased further. Since the introduction of the swipe card in June 2004 even fewer payments are being made through the Housing Offices. However, there are still relatively low numbers of tenants that pay via the bank.

The Council therefore has developed a marketing strategy to improve the situation and move to more efficient collection by DD. It invested £25,000 in its campaign and achieved savings of over twice that amount with improved DD take-up. Its campaign included the use of ‘eye-catching’ posters to promote DD:

The Council has also started a programme of closure of its cash offices with 3 of the 18 so far closed.

Housing and council tax services have worked closely together and DD campaigns have brought significant results for council tax too. Numbers increased from 35,500 to 38,000 in 2004/05 and have now climbed to 42,000 by January 2006. Now over 50 per cent of paying council taxpayers pay by DD. Collection rates are improving and an increase of at least 2 per cent in collection is forecast for 31 March 2006. While other recovery measures will have played a part in increasing collection, there is no doubt in the minds of staff that year on year increased DD numbers have played a significant part in the success story.

36. Nevertheless, most councils see the need for at least one central cash office although they acknowledge this may not always be the case. As councils strive to make greater efficiency gains, some are using this as a further opportunity to re-consider their use.

37. Where councils have closed cash offices, with careful planning and consultation, there have been no measurable negative impacts. Customer complaints have been rare or non-existent, and there has been no noticeable drop in the overall collection rate. A key feature of success has been the need
for customers to be ‘given something back’ in the form of an enhanced service, through a one-stop-shop for example. The involvement and buy-in from staff, particularly cashiers, has been a vital element of success. Councils have achieved this through cashiers being able to see a future role for themselves in the changed organisation – in the one-stop-shop or call centre for example. Many councils promote DD with posters in their cash halls, and cashiers will normally have a stock of DD forms, should they be requested by a customer.

38. We found a number of examples where councils have decided that customer needs could be met without having a council cash office.

**Case study 7**
**Leeds City Council**

Leeds City Council has just over 60 per cent of customers with a liability for council tax paying by DD. 96.6 per cent of payments are automated.

The Council has undertaken a number of measures to achieve this position. It has closed its network of 33 cash offices. The Council has offered the public a number of alternative payment facilities instead. It has encouraged more people to sign up for DD by donating £5 towards the Council’s literacy fund – an important council priority. The initiatives have been repeated in the housing department leading to a 21 per cent increase in DD transactions.

Frontline staff, based at a corporate contact centre, encourage DD take-up. The Council received very few complaints by making the changes, which took careful planning and around two years to complete.

**Case study 8**
**Salisbury District Council**

The Council had three cash offices and first considered closure five years ago. At the time it did not have the political support to make the closures. However, it closed them in late 2004 and opened one-stop-shops which were an acceptable alternative to customers and politicians.

The move to a contact centre approach was a way of ‘giving something back’. There are less security issues and the Council is able to offer a better all round service. Staff who were employed in the cash office have moved to provide the frontline customer service. The Council provided a cash machine in the office to start with but this has now been removed as people are choosing to use swipe cards and other payment options – as well as DD which is now at 65 per cent.

Additional benefits of the closures have been in a reduction in postage costs, down by £2,000 per year, as the Council is not sending as many reminders and summonses, which is a further efficiency gain.
39. HAs have also examined the provision of cash taking facilities, and identified significant savings as a result.

**Case study 9**  
**North Hertfordshire Homes**

North Hertfordshire Homes Ltd (NHH) commenced operations on 1 April 2003 when it acquired the housing stock of the North Hertfordshire District Council (NHDC).

During the first year two years of operations it managed three cash payment offices for tenants (in Baldock, Hitchin and Royston) and utilised the cash payment offices of the North Hertfordshire District Council in Letchworth Garden City.

NHH carried out a feasibility study in 2003 to ascertain whether it was economical and/or necessary to continue to provide cash payment offices in the new premises after it moved out of the council-owned offices. The conclusion of the feasibility study was that it was not economical or necessary to provide cash payment offices in the new premises. NHH were able to identify significant cost savings, of over £103,000 per year, by reducing fixed operating costs through:

- not having to fund a cash facility in its new offices;
- reducing staffing costs of cashiers;
- reducing cash collection software costs;
- not requiring a courier service for the safe banking of cash; and
- not having to lease larger premises.

**Customer views**

40. Most of the councils we visited acknowledged the need to obtain a greater understanding of customer views. A clear picture of where take-up presents the greatest challenge on an area basis can also assist councils’ take-up campaigns. Awareness of local circumstances can make a difference in other respects too – for example, linking a DD collection date with the pay date of a major local employer.

41. Most organisations accept that the best way to keep a customer is to ‘get it right first time’. Hence new occupiers provide councils with an ideal opportunity to increase DD take-up. We saw examples of councils providing information packs for new residents which included a DD mandate. Occupiers of new properties are provided with an estimated banding if the property has not been banded by the Valuation Office Agency. This means that people can start to pay their council tax earlier, and do not build up arrears unnecessarily.

42. Over 70 per cent of the population have at least one type of payment made by DD. Other information suggests the potential for more people to pay their rent or council tax by DD, for example:
most people have a bank account – 35 million people in the UK have at least one DD;
most people who are on income support will not have to pay their council tax or rent;
more and more employers pay wages directly into bank accounts; and
most social security benefits and pensions are now paid directly into bank accounts.

43. However, there remains little robust information on customers’ views about why they do not use DD more often. Most councils we visited told us they thought it was to do with:

age – a perception that older people prefer other payment methods;
a cash culture;
people wanting to retain control;
a lack of trust – in DD or the council; and
some people wanting the social interaction of contact with the cash office or post office.

44. Very few councils could substantiate these reasons, or perceptions, through research. Councils rarely held information regarding take-up levels on a district or ward basis. This type of information could also help to inform future marketing strategies. Benefit being paid directly into bank accounts does not appear to have changed habits when it comes to making payments.

Box B
Surveying of customers

| One council we visited had tried to find out why people did not pay by DD, but found that many of the respondents (over 25 per cent) did not specify the reason for not wanting to pay by this method. This was a large proportion of respondents when the number of people already on DD (over 50 per cent) was taken into account. The important lesson for councils when asking people for reasons is to make sure the right questions are asked. |
| Another council conducted a survey, but one question asked if people would convert to DD if the council offered a discount. The majority of people ticked this box. Our research concluded that councils would be unwilling to offer discounts in any event. The cost benefit of doing so was considered to be weak. Councils also felt that offering discounts would be unfair to less well-off people. |

45. We visited the Citizens Advice Bureau head office to ascertain its views about DD. Its response to the issues are summarised below (Box C).
Box C
The views of the Citizens Advice Bureau (CAB)

The CAB recognises that over 96 per cent of benefits is now paid directly into bank accounts and sees DD as a helpful way of assisting budgeting. There are now over five million basic bank accounts (these were used to help to facilitate the move to more benefits being paid directly into the bank) in operation. Most of these will allow DD payments, but people experience problems in opening and operating an account. Problems include: banks trying to sell a more sophisticated product; banks credit scoring basic bank account applications (a problem for people in debt or undischarged bankrupts); the amount of time it takes to set up the account – often four to six weeks.

The CAB service is supportive of the move to an account that will make DD payments, provided the funds are there. A ‘bounced’ DD can cost a customer as much as £30. Clients in debt are also more likely to be paying bank charges.

The CAB service recognises the importance of cash for some people and that cash payment facilities should be available for people who wish to do this. The CAB service deals with 5.2 million referrals each year, of which 20 per cent relate to debt. People with casual jobs, on low incomes and in and out of work may not find DD suitable.

46. There are clearly lessons for councils in recognising these concerns to make sure that any moves to increase DD take-up do not have a negative impact on vulnerable people. Linking DD campaigns to council tax benefit take-up would have the dual benefit of improving collection and efficiency, as people may be reluctant to use DD because they are facing financial difficulty. Simple ways of obtaining feedback, such as asking people for reasons why they will not pay by this method (on the DD form perhaps), will help councils to effectively target the issue.

2 The CAB published a report in January 2006 Banking benefits - CAB evidence on payment of benefits into bank accounts.
Chapter 4: What works well

47. This report has described many of the general features of the efficient use of DD in tax and rent collection. The study examined particular practices that have proved successful for different councils. This Chapter describes some of the approaches that have had an impact.

48. We found examples where restricting alternative payment choice helped to encourage more people to take up DD. However, to make this acceptable, both politically and to customers, we found that councils had to extend choice in other areas. This could be by offering more choice of DD instalment dates, or other cash alternatives, such as payment machines in local shops.

49. It is important that councils offer flexibility for DD. Not everyone’s circumstances fit into a normal monthly cycle – rent payments are often on a fortnightly cycle, and wages could be weekly. It is therefore vital that councils try as far as possible to ensure that DD can be adapted to fit with individual circumstances. This will help to encourage more people to pay by DD and enable councils to deliver the service more efficiently.

50. We found that most councils offer more than one choice of instalment date for DD payments. Four dates, spread evenly over a month, appears to satisfy the majority of customers. We found examples where councils had weekly DDs and as many as six different dates. **One council is considering offering people a choice of ‘payment holidays’ – people would be able to choose which two months of the year they did not have to pay an instalment.** Thanet DC has every date in the month available for people to choose.

**Case study 10**
**Thanet District Council**

Thanet District Council offers local taxpayers every day of the month to pay council tax by DD.

It has run the system since 1999 and has seen a steady rise in DD payers. It has a well established daily routine in place which takes about an hour of staff time – unpaid DDs are low each day as they are spread across the month. There are now over 28,000 (around 60 per cent of those liable) people paying by DD with a fairly even spread of dates. Indeed, while the original three dates offered by the Council still see the largest concentration of payers, customers frequently request a change of date to meet their personal needs.

The rise in DD payments has also seen a reduction in the number of reminders sent – these have dropped by over 4,000 to 21,200 a year since 2002/03. The Council has clearly demonstrated that it is possible to give people the maximum possible choice of DD dates to suit their individual needs.

51. Councils told us that the extra flexibility, offered through the additional dates, had no impact on cash flow, as any slight change was more than off-set by transactional and administrative savings. When extending the choice of dates, most councils advise new customers, but will change a date for an existing
customer on request. One council wrote to all existing customers and only 3,000 out of 22,000 DD payers chose a different date. Other councils will automatically offer all customers 12 instalments (instead of the statutory ten) if they chose to pay by DD. All these initiatives are helping to increase take-up and improve efficiency.

52. Cash payers are normally given just one date to pay per month. We found examples of councils being slow at sending a reminder for non-payment. Customers become aware of this and therefore delay payment – in some cases by up to a month. By default the council is therefore giving cash payers more choice than DD payers.

53. This can present councils with a difficult choice. Some councils consider that providing the money comes in during the month, this is acceptable. Others acknowledge the issue, but realise it will be very unpopular to suddenly remind people earlier than they have been used to. We found examples of councils that had successfully bought the reminder date forward, and they used it as an opportunity to promote DD at the same time, and very successfully too.

54. Councils with paperless DD have noticed an immediate improvement in take-up. Staff value the ability to capture the information from the public and to be able to set the account up immediately. This is also an improvement in the service to the customer. Where this is not yet in place, simple ideas such as including a pre-paid address envelope with the manual form will encourage people to return it.

55. Councils undertake a variety of ways to promote DD. We found that where councils work together (Case study 11), the benefits and ideas could be shared and the cost of marketing kept to a minimum.
Bassetlaw DC actively promotes DD in its cash office. Posters are displayed to emphasise the way DD can prevent the need to wait in a queue:

The Council also works with others to promote DD, and has 'shared' its imaginative leaflet campaigns with over 20 other local authorities – in England and Scotland. The current DD syndicate features 16 councils and the Bassetlaw ALMO (for DD rent monthly). These partners have achieved savings for leaflet production through bulk purchasing of a proven leaflet design. The sharing of DD strategy and capacity has strengthened the group which started out as six councils in 2003.

56. Competitions are used as part of a take-up campaign and these have led to increases in take-up. The private sector has been used to help promote local initiatives through assisting with prizes for winners. Campaigns with a difference appear to capture the public imagination and lead to better results.
Case study 12
Hartlepool Borough Council

Hartlepool BC, the 14th most deprived council in England, has a DD rate of nearly 51 per cent. It has a relatively high council tax collection rate and a Charter Mark for its cashiering service.

It has tried hard to run innovative campaigns, including involving school children in the design of its promotional leaflets. The Council has used a professional design company to support this and had the additional incentive of paying £1 for each new DD to a Hartlepool Hospice and Hartlepool Mencap. Local publicity of the initiative, such as on council tax envelopes, helped in the promotion which attracted 1,200 new DDs within the first three months of the campaign.

The Council acknowledges that it is becoming harder to attract new people to pay by DD. But in 2005, it still attracted an additional 700 DD payers by using a similar campaign, but with the donation to charity raised to £5. The Council recognised that cost savings would more than pay for the donation in the first year. It has also been able to utilise additional resources to help to deal with the relatively high number of payment arrangements. The Council told us that this was a significant issue arising from the deprivation in the area.

57. There remains a need for councils to examine other areas where an increase in income by DD or payment by DC can improve efficiency. We found that there was a mixed approach to coordinating the approach across all council services to utilise DD. Some councils have made good progress on automating payment of housing benefit by DC, but others still rely on sending cheques.

58. We sent a simple questionnaire to the councils that participated in the study. The replies from the councils which responded indicated:

- Some were actively using DD for a number of other services including:
  - trade refuse;
  - sundry debt;
  - market rents;
  - housing benefit overpayments;
  - former tenant arrears; and
  - housing alarms.
- Others were very active in paying housing benefit by DC, with examples of over 75 per cent of payments made through this method.
- Some councils still rely very much on manual payments and receipts – for example, they do not use DC at all for housing benefit payments.3

3 The Local Housing Allowance (LHA) is being piloted in 18 councils in the UK. The scheme encourages people to receive their housing benefit payments directly into their bank accounts. The government is currently consulting with councils on the extension of the LHA to all councils – this will put a greater emphasis on paying housing benefit directly into people’s bank accounts.
Some examples from the replies to our questionnaires are illustrated in Box D.

**Box D**

**Examples of monthly payment of housing benefit by Direct Credit (DC)**

- Unitary council – 3,400 out of 4,000.
- District council – 1,000 out of 1,900
- Metropolitan borough – 12,000 out of 16,500
- London borough – 10,000 out of 13,000

Other examples where there is potential for significant savings included:

- Metropolitan borough – 60 out of 11,000
- District council – nil out of 1,314

59. The cost saving for each payment made in this way instead of cash or cheque is estimated to be £1 per transaction\(^4\). About one-third of the councils which responded to our survey have few or no direct credit payments in place. **Bracknell Forest Borough Council** has estimated it saves £1,125 per annum by refunding council tax directly to bank accounts, rather than sending cheques.

60. Our study identified a particular innovation on DD – by using it as a way of paying for school dinners.

**Case study 13**

**Warrington Metropolitan Borough Council (MBC)**

Warrington MBC offers DD for school meals. Over 800 people have taken up this option. The council offers people an incentive of paying in this manner, by supplying 32 weeks’ dinners for the price of 30. Well over £200,000 has been collected by DD since it was introduced in September 2005.

The introduction of payment by DD has cut down the administration time in schools handling cash and therefore cut down the risks involved. It has also enabled administrative staff to have time to carry out work in other areas.

\(^4\) Sir Peter Gershon’s report *Releasing resources to the front line* states ‘a transaction (normally paper based) to pay benefits in cash costs on average around £1, whilst direct payment into a normal bank account costs around two pence per transaction’.
61. Councils that have paid attention to their marketing campaigns have been able to learn from the experience for the future.

Case study 14
Reading Borough Council

Reading BC has actively promoted DD in a number of ways. The Council has not been afraid to try different things to try to improve collection, such as giving a £10 voucher for staff who obtained the most new DDs – but this had limited success. It has also tried promoting DD through a number of publications as well as targeting specific groups – some of these have produced very little success (such as in a local cinema magazine), but importantly, the Council has been aware of this and used the knowledge to try other initiatives.

The Council had a specific DD campaign with a £250 prize to attract new DD payers. It analysed the cost and success of the campaign – which proved very successful and attracted over 2,700 new DD payers at a cost (of promotion etc) of £2.92 for each one. Based on a conservative estimate of £6 saved for each new DD, the Council was able to demonstrate a very cost-effective campaign. The saving to the Council increases each year as people rarely change their payment method once they are on DD.
Chapter 5: Housing rent (and links with council tax)

62. Most of the general principles on DD described in this report apply equally to housing rent collection. However, there are differences and in this Chapter we have explored some of the issues specific to rent collection.

63. Collection of rent by DD is at a much lower rate than council tax. While there is no national benchmark figure, our study found rates of up to 44 per cent (but most were much lower than this). There are a number of reasons why this is lower than council tax. The associated problems for people in more deprived areas – such as fluctuating income and related benefit issues make DD less attractive to some people. Tenants are more likely to be on full or part benefit (in some areas as many as 70 per cent of tenants), although many would have no liability to pay rent or council tax. Other factors include:

- The impact of delays in housing benefit and the potential for the full rent to be taken by DD when benefit is due.
- The higher proportion of older people, who may be reluctant to change the way they pay rent or council tax.
- There is often a network of local offices in place to deal with many related housing issues, such as repairs. These offices are usually on estates and are convenient locations for people to pay their rent by cash (although customer usage tends to be reducing as councils and HAs encourage more tenants to utilise call centres for issues such as repairs).
- Some IT systems have not been designed (or are not used) with DD in mind.
- Some councils still have door-to-door rent collection, including water rates.
- Many councils collect rent weekly – and unless DD dates can match this, some people will find it difficult to budget.

64. We found that those councils with higher DD rates were more aware of the advantages of DD. There was greater awareness of how it can save time in administration and, as a result, councils were actively trying to improve it. Performance management systems included this as a supplementary measure for rent collection.
Case study 15
Bristol City Council

Bristol City Council has actively promoted DD as a means to improve its rent collection. It uses DD rates as a supplementary indicator for rent collection and has undertaken two major campaigns which have helped the number of tenants paying by DD from 2,800 to 5,000 (around 44 per cent of those people with a liability to pay rent). An innovative campaign based on stopping the need to queue was supported with posters and leaflets featuring a well-known TV celebrity.

The Council used a radio campaign (18 times a day for 6 weeks) and shared the cost with a neighbouring council, South Gloucestershire. Increasing DD was just one of a number of measures the Council took to help improve its rent collection. Following a major review it has closed a number of offices and introduced rent payment by text.

The Council has used the extra resources available, through having to deal with fewer manual payments, to improve arrears collection, which has fallen from £4.2 million to £2.8 million.

65. Most of the councils we spoke to were becoming more aware of the potential efficiency gain from improved DD. We found a similar trend in councils and HAs questioning the cash collection function and considering alternative solutions – for example through automated cash machines which can be placed in local shops and/or post offices.

66. IT remains a significant barrier in some of the councils we visited. Statements in relation to DD take-up included:
- ‘just starting’;
- ‘problems with interface’; and
- ‘not actively promoted’.

67. There was evidence in some councils of different approaches between housing and finance departments. Housing customers were being encouraged to use the alternative payment arrangements for rent, whereas council tax customers were being encouraged to use DD. There was a lack of awareness of the payment arrangements in some councils where the stock had been transferred to a HA. Different policies were applied by the two departments in other cases, such as meeting the charge (or not) for payment at the post office. An acknowledgement that DD is the most efficient payment method for most council services helped develop a more corporate approach in other councils in our study.

68. Where possible we spoke to council tax and housing managers at the same time. It was clear from many of these discussions that learning opportunities were not being maximised, and that there would be benefit in closer liaison regarding payment arrangements. We found some very good examples of close working between the two departments.
Case study 16
Norwich City Council

Norwich City Council collects nearly 69 per cent of council tax by DD and is sharing the learning from this to help improve efficiency in rent collection.

Since August 2005, the Council has asked all new tenants to pay their rent by DD. Its housing application form contains the space for tenants' bank details as a way of signposting people to pay by DD. The Council has worked with voluntary agencies to help people open bank accounts. The initiative has not been without problems. The Council collects water rates on behalf of the local water company, and therefore collects money from every council-owned property. Voluntary agencies have been concerned that some vulnerable people may have difficulty with managing their money through a bank account. Bank charges are levied on those least able to afford it through DDs that 'bounce' and can cost people over £25 each time. These people are often on full benefit and tend to be the highest rent arrears cases.

The Council is therefore working hard to try and balance the need to improve efficiency, while at the same time meet the needs of the most vulnerable members of its community.

69. The relatively high proportion of benefit claimants in social housing is a potential barrier to increasing DD. This is particularly the case for people with an irregular income. However, we found some very positive examples where councils have proved that to discount this part of the population completely from DD is unwise. One council we visited had 33 per cent of people on part benefit paying their rent by DD. People who were on low fixed incomes found it helpful to manage their money.

70. An important issue for most people in rented accommodation is the matching of the frequency of income and out-goings. For example, rent may be due weekly or fortnightly, wages paid weekly and council tax monthly – over ten months. We found some positive examples where councils had introduced fortnightly DD for rent. However, there were very few examples where the council tax could also be paid by DD at this frequency.

71. Direct payment of benefit and pensions into bank accounts does not appear to have led people to change their payment habits significantly. We were quoted many examples of people going to the post office to withdraw their pension and then taking the cash across the road to pay their rent at the housing office. Most of the housing offices do accept payment for council tax, although this is not always the case if the stock has been transferred to a HA. In councils that have measured this relationship up to 90 per cent of people who paid their rent in cash also paid council tax in cash at the same time. Clearly councils need to make a coordinated approach to achieve a shift in behaviour.
72. Where councils are coordinating their approach, there are mutual benefits. For example, one housing department was very successful in marketing DD after undertaking a comparison of people paying council tax by DD but not rent. We found that, in general terms, housing tenants were less likely to have a choice in the date their DD was taken, compared to council tax. We also found examples where both departments would hold each other’s DD forms and actively promote this for each other. Other significant factors influencing the success of DD promotion in housing included:

- The appropriate advice at sign-up which ensures that the needs of the individual are fully considered. For example, DD may not be a suitable method of payment for someone on irregular earnings. Fluctuating income can lead to people paying unnecessary bank charges.
- Using DD as a way to help people manage their money better. With most pensions now paid into bank accounts, DD can assist budgeting by ensuring that people pay their rent, a priority debt, on time.
- By encouraging people to prioritise rent payment, other means of borrowing money to pay it, such as through ‘loan sharks’, are minimised. As a result, the possibilities of very high loan repayments for vulnerable people will be minimised.

73. While some councils are actively encouraging people to pay their rent by DD (see Case study 16 for Norwich City Council, which includes the bank details on its sign-up form), others are automatically signposting people to pay by cash, by automatically issuing new tenants with a payment card.

74. HAs are also using DD as a means to improve efficiency. There is no national measure regarding the performance of Has’ use of DD. However, HAs of varied size are recognising the potential for efficiency gains by encouraging DD as a means of payment.

Case study 17
United Housing Association

United Housing Association, a small Black and Minority Ethnic Housing Association, is offering DD payments from April 2006.

Operating in the South West region in areas of high deprivation, many tenants are on full or partial housing benefit. However, an assessment of the benefits of DD has been made and these include:

- cost savings from processing large volumes of low-value transactions without having to use cash or cheques;
- reduced administration costs because reconciliation would be greatly reduced; and
- eliminating the need to amend standing orders when the rents change.

Promotion of DD will be at the sign-up stage for all new tenants and through a mail shot and promotional advertising to existing tenants. The HA, which is relatively small, has assessed the cost benefits of the initiative. It estimates that significant savings can be achieved – even for a relatively small organisation.
75. Larger HAs are also recognising the benefit of DD. Targeting at specific
groups of tenants is a very effective way of improving efficiency. This can also
dispel certain perceptions about groups of people, such as the elderly, not
being ‘suited’ to DD as a form of payment.

Case study 18
Waterloo Housing Association

Waterloo Housing Association has been operating DD for the last eight
years. It is now the preferred payment method for the home ownership
team’s customers (shared owners, retirement leaseholders, outright owners
and private renters).

Out of 1,738 units that are currently managed, 1,032 pay by DD which
represents 59 per cent of customers. Prior to the HA introducing DD, most
customers used a standing order as their method of payment. Many of the
customers reported they were thankful of the change to DD – previously
they had to notify their bank of any change in payment. DD also ensured
that their landlord received the correct payment.

Some customers were initially sceptical, regarding losing control of their
money. The HA worked hard to promote the benefits of DD and there has
been a steady increase from an initial 300 to now over 1,000 residents.

From a property management perspective, DD has helped to enable a
reduction in arrears figures from an average of 4.5 per cent in 1998, to 2 per
cent in 2006. Arrears figures for DD payers is substantially less than those
that pay by other methods. DD payers’ arrears are 0.6 per cent while other
payment method arrears are 4.6 per cent.

76. The Efficiency Challenge report estimated a potential for councils in England
to save at least £15 million by improving DD take-up for council tax collection.
Our new study indicates that there are significant additional improvements
that councils and HAs could be make to collect rent more efficiently. There
are over 1.8 million socially rented homes (council houses and HA properties)
where no housing benefit is in payment. This indicates a significant potential
for councils and HAs to improve the existing relatively low rates of rent
collection by DD.
Conclusions

77. The case studies in this report provide valuable evidence of the approaches that can help improve efficiency in collecting money for local services. The study has identified some important issues for councils and HAs. There are significant benefits in terms of efficiency by increasing DD take-up. But this needs to be balanced with the needs of the community, and vulnerable groups in particular.

78. A clear benchmark for calculating DD would help councils and HAs to compare their performance and maximise learning. A better understanding of the costs of collection is needed to help focus on the main areas for improvement. Strong performance management will help to support improvement and our study has identified how this can contribute to success.

79. Improved marketing of DD could take place if councils and HAs had a better understanding of the reasons for non take-up. Good information about customer decisions supported by local data on take-up by areas would assist this. Valuable resources can be released to help those in real need of help with their financial outgoings.

80. Our study has identified many features of a positive approach to change. But there are barriers to overcome. Good information on low take-up will help overcome some of them, but councils and HAs also need to focus on the needs of customers and how DD can support people in a variety of situations. It will not work for everyone. Society is tending to move away from a cash culture. This presents particular challenges to councils where local people see the ‘cash office’ as a key point of contact. Our report has identified examples where councils have achieved the right balance when closing offices by giving people something back, such as a one-stop-shop, or other ways to pay their council tax or rent.

81. Councils are facing difficult challenges to improve efficiency. We have identified examples where councils in very deprived areas have used improved DD to release resources to give more time for more complex problems. Our annual assessment of value for money in councils will continue to challenge the status quo. We will look at underlying measures, such as DD rates, to see if councils are maximising opportunities for improvement.

82. Our study has identified many areas of good practice and the case studies in this report demonstrate that even in the most deprived areas, good rates of collection by DD are possible. The report is supplemented by an interactive tool on our website at www.audit-commission.gov.uk/directdebit.
Recommendations

88 To help councils meet this challenge, we recommend that:

Councils and housing associations should:

- ensure that customer views are used to help inform policies and processes on collecting debt;
- develop a better understanding of their customers to aid the targeting of DD and council tax benefit campaigns;
- use improved DD take-up as a way of helping to release resources to assist people with more difficult financial circumstances;
- develop coordinated policies for all services on payment and debt so that services are delivered efficiently and are customer focused;
- set challenging targets to increase DD for council tax, housing rent and other areas of income collection, where appropriate to do so;
- work with others to maximise marketing opportunities and efficiencies in promoting DD and for dealing with banking arrangements;
- ensure that cost benefit analysis supports policies to change people’s payment routines; and
- ensure that initiatives do not have a negative impact on vulnerable people.

The government should:

- ensure the regional centres of excellence (RCE)\(^5\) provide support for councils in developing improvements in payment efficiency.

The Audit Commission will:

- examine the progress of councils to improve efficient collection through annual value for money assessments;
- work with CIPFA to develop financial benchmarks to assist councils in their drive for improving DD;
- support the RCEs in their initiative to develop good practice in efficient income collection through DD; and
- provide a web-based improvement tool to supplement this report and build on examples of good practice.

\(^5\) Regional centres of excellence – the government established RCEs to support councils in their efficiency improvements. There are nine RCEs in the English regions, each hosted by a local authority and each with its own governance structure.
Appendix 1 – references

This report uses research from a variety of sources to examine the potential for improved efficiency including:

- visits to over 30 councils in England and Wales to examine the approach to DD;
- financial data from council submissions to the Office of the Deputy Prime Minister (ODPM);
- statistical data from the Chartered Institute of Public Finance and Accountancy (CIPFA);
- interviews with key stakeholders including the: Local Government Association (LGA); Institute of Revenues, Rating and Valuation (IRRV); Office of the Deputy Prime Minister (ODPM); Chartered Institute of Public Finance and Accountancy (CIPFA); and VOCA. In Wales: Welsh Council Tax group; and the Welsh Assembly Government.

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- Colchester BC
- Denbighshire County Council
- East Riding of Yorkshire Council
- Fenland DC
- Greenwich LBC
- Hartlepool BC
- Hull CC
- Huntingdonshire DC
- Islington LBC;
- Kirklees MBC
- Lichfield DC
- Merthyr Tydfil County Borough Council (CBC)
- North Hertfordshire DC
- North Hertfordshire Homes HA
- North Somerset Council
- North Warwickshire BC
- Norwich CC
- Nottingham CC
- Reading Borough Council (BC)
- Sheffield Metropolitan Borough Council (MBC)
- St Albans DC
- Salisbury DC
- Thanet DC
- United HA
- Wakefield MBC
- Waltham Forest LBC
- Wansbeck DC
- Warrington MBC
- Waterloo HA
- Watford BC
- Wrexham CBC
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