Better citizen experience in debt recovery – and why it leads to greater returns

esendex.

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1 | Introduction

Introduction

Financial constraint has been a challenge across the public sector for more than seven years now, with direct cutbacks and below-inflation tax increases forcing a fundamental re-examination of how public services can be configured and what they can deliver.

Even greater challenges lie ahead, with 2020 seen as a watershed moment for the funding of Local Authorities as Central Government support reduces to historically low levels.

But these challenges have coincided with a significant technological change that has brought with it opportunity. In particular, the adoption rates for the use of mobile technologies to deliver products and services has risen exponentially – increasing engagement with consumers while reducing friction in the way in which these products and services are delivered, and improving operational efficiency and financial outcomes.

Across broad demographies, there is now an expectation that products and services will offer improved accessibility and user-friendly experiences via a digital route.

This has been particularly prevalent in payment services, where suites of easy-to-implement multi-channel solutions like those developed by Esendex have enabled greater engagement with debtors, more nuanced management of the behavioural and financial challenges behind debt, and significantly greater returns from debt books as a result.

While the maintenance of frontline services remains a critical focus across the public sector, innovative new models of service delivery and revenue enhancement are beginning to emerge. **Those that involve the simplest implementation, the easiest adoption and the best citizen experience are likely to deliver the greatest returns**.

In this White Paper, we examine why the collection of debt is ripe for the introduction of simple solutions which can significantly improve the financial position of authorities responsible for recovery while delivering a better service to citizens.

Sean Sutton
Head of Public Sector, Esendex Limited

2 | Challenging times and challenging experiences

Challenging times and challenging experiences

Local Authorities remain a fundamental part of people's lives: they are the cornerstone of grassroots democracy and the most visible source of the everyday public services that define the fabric of society, ranging from the delivery of social care to the collection of household waste.

While their responsibility for services remains under constant scrutiny, the resources behind them have been reducing at an unprecedented rate. According to the Institute for Fiscal Studies[1], Local Authority budgets have fallen by an average of 26% since 2010 once the impact of inflation is taken into account.

The Local Government Association[2] suggests the financial challenge is becoming significantly steeper: between 2015 and 2020, the Revenue Support Grant provided by Central Government is due to fall by 77%, leaving a funding gap of £5.8 billion even if Local Authorities dramatically reduce the scale of the services they currently deliver, the LGA asserts.

Individual Local Authorities have told their own stories about the implications this has for the basic numbers which lie behind these services. In the immediate aftermath of recession, some have contemplated increasing Council Tax to make up for cutbacks; now the figure is 94%[3]. Alongside rises in Council Tax and other fees and charges, Local Authorities are also implementing further redundancy programmes[4].
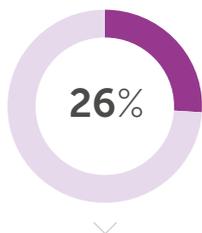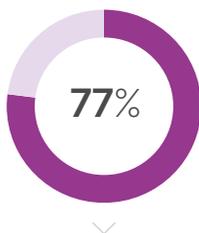
26%

*Local Authority budgets have fallen by an average of **26%** since **2010**.*

77%

*Grant provided by Central Government is due to fall by **77%**, leaving a funding gap of **£5.8 billion**.*

94%
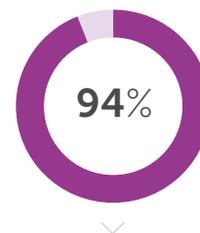
*Few were contemplating increases in Council Tax to make up for cutbacks; now the figure is **94%**.*

Illustration: Revenue Support Grant

1. Source: https://fullfact.org/economy/local-authorities-budgets/
2. Source: https://www.ft.com/content/9c6b5284-6000-11e7-91a7-502f7ee26895
3. Source: https://www.lgiu.org.uk/report/2017-state-of-local-government-finance-survey/
4. Source: https://www.localgov.co.uk/Job-cuts

Falling trust, rising expectations

While people's faith in civic institutions has remained surprisingly resilient in the face of successive budget reductions, evidence is emerging that it may have reached a tipping point: the most recent Edelman Trust Barometer[5] suggests that, post-Brexit vote, Britain is approaching a crisis of confidence in all government institutions. A drop in measures of trust has been mirrored by falls in confidence within Local Government[6] about its long-term ability to fund and deliver services.

Though service reduction and reconfiguration, along with organisational restructuring, have helped Local Authorities to manage the impact of resource reduction, there is now a widespread recognition that – amid changing demographics and rising customer expectations – service transformation programmes must aspire to improve both delivery and financial outcomes.

How can these apparently conflicting demands be reconciled? A significant opportunity is presented by the rapid rise in digital adoption rates amongst consumers, and the delivery of products and services through channels which enable people to interact with them more easily and conveniently through mobile devices such as smartphones. Now a central part of our daily lives, smartphones are used by more than 80% of UK consumers (and 91% of 18-44 year olds) according to Deloitte[7].

Digital transformation programmes are a familiar feature of operational reconfiguration, and their potential to put the citizen at the heart of service design – identified as a priority by government as long ago as 2004 – is yielding **measurable improvement**. The UK Customer Satisfaction Index[8] of July 2017 suggests that the public sector saw the largest growth in satisfaction rates of any sector (with ease of navigation through websites identified as a contributory factor).

However, Local Authorities are yet to exploit the full potential of a multi-channel approach to citizen engagement that has the smartphone at its heart. In particular, Local Authority debt recovery work is dominated by traditional methods of management and contact which can lead to difficult experiences for citizens and sub-optimal returns for Local Authorities.

80%
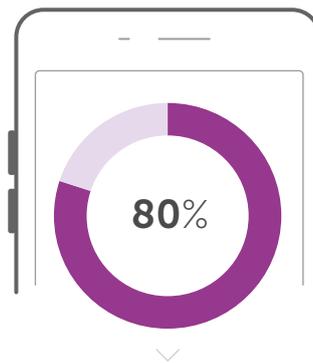
*Now a central part of our daily lives, **smartphones** are used by more than **80%** of UK consumers.*

5. Source: https://www.edelman.co.uk/magazine/posts/edelman-trust-barometer-2017-uk-findings/
6. Source: https://www.lgiu.org.uk/report/2017-state-of-local-government-finance-survey/
7. Source: https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-consumer-review-digital-predictions.pdf
8. Source: https://www.instituteofcustomerservice.com/research-insight/uk-customer-satisfaction-index

Debt recovery: A journey into the unknown?

According to research carried out by the Money Advice Trust[9], more than 2.3 million Local Authority debts were passed on to bailiffs in 2016/17. This is an increase of 14% on the Trust's 2014/15 report, and conflicts with clear guidance from government that bailiffs – *a costly and controversial form of recovery – should be used only as a last resort.*

The Trust's report also warns that at the same time the level of debt owed to Local Authorities has increased, with £2.8 billion of council tax arrears at 31st March 2017. Looking at the same issue from the citizen perspective, a survey carried out by the Citizens' Advice Bureau suggests more than half of those being pursued for debts by Local Authorities believe the use of bailiffs and Court Orders not only makes it harder for them to clear their debts, but increases the amount they owe.

Local Authorities are not meant to be commercially-driven organisations and they operate within a complex web of accountability constraints largely absent from the private sector; their key responsibility is for stability and safety rather than a commercial ROI.

Financially challenged and understandably focused on frontline services, Local Authorities are unclear on the effectiveness of their debt collection strategies. Research carried out by Esendex amongst 109

authorities shows that a significant minority are not keeping a separate record of the costs involved in chasing the late payment of council tax and business rates, with no breakdown of the internal spend or of funding the involvement of external recovery agencies.

Worryingly, 68% of Local Authorities, who responded with their expenditure, were unable to say whether the costs of collection exceeded the monies recovered.

Yet the potential benefits of significantly improved debt collection performance are huge.

The monies currently outstanding – that cumulative debt of £2.8 billion – have the potential to make significant inroads into the budget shortfalls that Local Authorities are now facing up to.

In the coming years therefore, efficient, effective and more citizen-friendly debt collection will become increasingly significant.
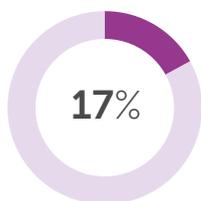
17% of councils were keeping a separate record of the costs of chasing late payments for council tax & business rates.
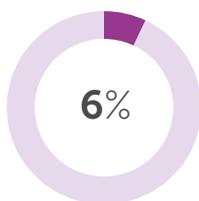
6% of respondents said that they were tracking both the cost of chasing late payments and the total debt recovered.
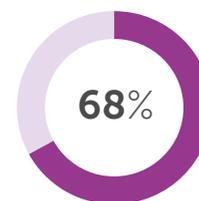
68% said that they didn't record or currently hold information to track the cost of debt recovery.

Illustration source: Esendex research carried out amongst 109 authorities October 2017

Multi-channel: A path to better performance

The switch to digital channels in many consumer-facing sectors has been accompanied by higher expectations of customer service – and raised awareness of rights. In the context of payment services, there is an expectation that processes will make it easier for citizens to manage their payments and treat them fairly.

Local Authorities are also showing positive attitudes towards the impact of digital transformation on local public services. The Local Government Information Unit's 'Start of the Possible'[10] report in 2017 examined the perceptions of more than 800 elected members from a broad range of Local Authorities – Metropolitan, Unitary, District, Borough, County and from cabinet member to ordinary councillor.

It showed that far from being 'digital dinosaurs', councillors – whether first-termers or veterans – strongly believe technology, automation and data can have a positive impact on public services. They displayed a thirst for greater knowledge of technology's transformative power, but voiced some concerns about the impact of digital exclusion.

But what does digital *inclusion* look like – and why can carefully-designed digital services herald a new era in citizen engagement which opens up an easier path to better debt recovery performance?

Customer centricity is built on six pillars:

- Customer-focused leadership;

- Understanding your customer;

- Designing the experience;

- Empowering the frontline;

- Metrics that matter;

- Feedback driving continuous improvement.

This approach is consistent with Local Government's fundamental purpose: to serve the public. But the digital revolution presents an opportunity to raise engagement, access, service and performance on to a higher level in fields like debt recovery.

Understanding the key levers to digital engagement is important in shaping a new approach.

Boosting citizen engagement

According to the Office for National Statistics, 78% of UK adults were using the internet on the go, 73% of them via mobile or smartphone[11]. This trend pinpoints the critical importance of making services accessible via the device that now dominates interaction with the world around us.

Research by the housing and homelessness charity Shelter underlines this issue. Surveying tenants and landlords, it found that improved communication was one of the biggest changes occupiers wanted to see – a key factor in perceptions about being heard, the sense of having a voice, and trust in institutions.

Empowering citizens through self-service

A lesson learned by many consumer-facing organisations as the digital revolution has unfolded is that the key to enhancing customer experience lies in accessibility and effectiveness across all touchpoints.

Hence self-service: a clear opportunity to empower citizens by giving them the knowledge and channels that enable them to solve their own problems.

As this report has already shown, there is clear evidence that many people in debt to a Local Authority believe that current collection practices not only do the opposite – making it harder for them to clear their arrears – but can make a difficult situation worse.

Indeed, the Money Advice Trust report suggests only 7% of citizens surveyed viewed current collection methods positively.

Help yourself?

In the consumer arena, more than 90% of people now expect brands and organisations to offer online self-service access to products and services[12], while 73% expect to be able to solve product/service issues on their own. While these products and services can be radically different to statutory services delivered by Local Authorities, they illustrate the trajectory of citizen expectation.

Adopting new models which have the capacity to reshape services and transform outcomes is not easy in a challenged environment due to perceptions about disruption and cost. Nevertheless, the switch to digital is unstoppable – its impact on efficiency and expectation in similar environments should not be dismissed.

Combine this with evidence that traditional debt collection methods are less efficient, less effective and involve difficult citizen experiences, and the case for a better solution becomes compelling.

The question is not if, but how: Which self-serve channels can Local Authorities use to exploit reach, efficiency, enhanced experience and improved outcomes of digital – and what are the implications for debt recovery?

11. Source: https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccesshouseholdsandindividuals/2017
12. Source: https://info.microsoft.com/rs/157-GQE-382/images/dynamics365-en-global-state-customer-service.pdf
13. Source: https://www.salesforce.com/blog/2017/07/customers-expectations-in-age-of-the-customer.html)

3 | Better service, better outcomes: A suite of solutions

Better service, better outcomes:
A suite of solutions

SMS Text Messaging

The statistics around SMS messaging speak volumes: 93% of UK adults own and use a mobile phone or smartphone, 95% of SMS messages are opened[14].

On that basis, they present a significant opportunity to encourage payment, acknowledge receipt, increase engagement and boost payment rates.

As a method of instantly engaging with citizens, SMS can play a critical role in time-sensitive communication – prompting responses which avoid further action by preventing a case falling into the difficult territory of external debt recovery.

Importantly, SMS can be integrated into a Local Authority's existing software and systems via a simple API, becoming the automated message/alert component of a wider communications strategy for collections.

The prevalence of mobile/smartphone usage and the optimum delivery rate of SMS messaging may be one reason why Local Authorities are already beginning to adopt SMS as a means of chasing late payment of council tax, achieving dramatic reductions in the numbers of reminder/warning letters sent – and a reduction in the time it takes to collect overdue debt.

66%

*In February 2016, **194 text reminders** were sent with 66% of customers paying.*

47%

*In April 2016, **430 text reminders** were sent with 47% of customers paying.*

52%

*In May 2016, **408 text reminders** were sent with 52% of customers paying.*

Illustration source: City Council utilising SMS via a Customer Engagement Management solution

14. Source: https://www.esendex.co.uk/blog/post/what-is-the-open-rate-for-sms-in-2018/

Mobile Web Apps

Recognising the iniquities of current debt collection processes, the London Borough of Hammersmith & Fulham announced proposals for an ethical debt collections service[15]. LBHF's aim is to carry out expenditure assessments of debtors so that they pay only what they can afford.

This is where Mobile Web Apps can come in useful, aiding the completion rates of income and expenditure assessments by delivering forms which are easier to fill in because they are free from the online 'noise' of multiple tabs and distracting content/calls to action found in normal website presentation.

Experience shows that these simpler forms reduce friction in the user experience and result in significantly higher click-to-completion rates than those achieved when traditional web pages are accessed via a smartphone.

These self-serve forms can also be adapted to enable the paying of bills, complete surveys, pay outstanding debts and provide important assessment information.

Personalisation can also be introduced to these web forms – a feature which tends to encourage trust, prompt responses and leave citizens feeling that they have greater control of their own situation.
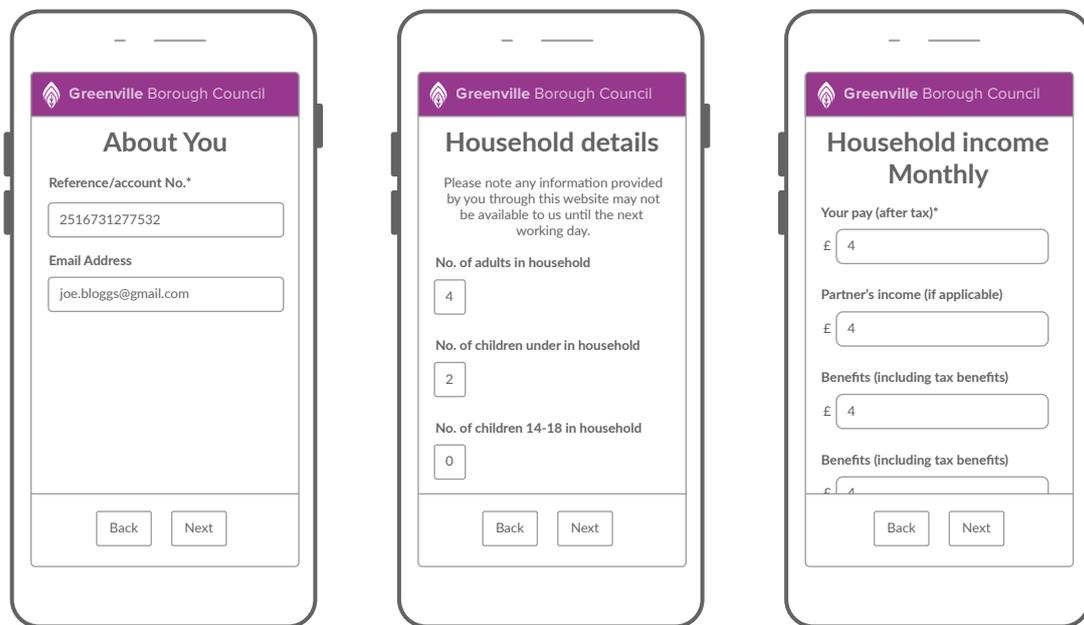
E-Billing and Online Portals

Despite the momentum of the digital revolution, the paper bill remains important: Local Authorities cannot afford to forget the digitally disenfranchised, and for some a traditional physical record still represents their preferred form of communication for financial issues.

Nevertheless, there is compelling evidence that the preferences of emerging generations are changing. According to Ofcom, half of 25-44 year olds now settle their bills online, with most of them doing so via a smartphone or tablet[16].

The adoption of online filing of tax returns is now greater than 70%, while the DVLA's launch of electronic vehicle licensing for tax discs has cut costs by nearly a third.

The scale of the potential savings available through the adoption of digital service channels has been recognised in numerous official reports: Sir Peter Gershon's landmark public sector efficiency review set a savings target of £21.5 billion from a broad range of strategies, while a PwC/Martha Lane-Fox report suggested savings at individual transaction level from digital services could be between £3.30 and £12[17].

50%
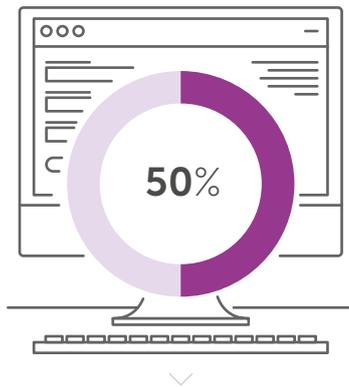
50% of 25-44 year olds now settle their bills online, with most of them doing so via a smartphone or tablet.

70%
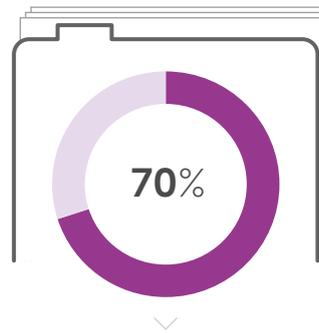
Online filing of tax returns is now greater than 70%

16. Source: https://www.ofcom.org.uk/__data/assets/pdf_file/0020/102755/adults-media-use-attitudes-2017.pdf
17. Source: https://gds.blog.gov.uk/2011/05/10/digital-by-default/

IVR: Interactive Voice Response

IVR means using an automated telephony system tailored to deal with the most common requests from citizens, such as call routing, payment processing, rearranging appointments and answering FAQs.

In the context of Local Authority debt, an IVR system would enable citizens in debt to handle simple tasks at a time to suit them, freeing up human resource for higher priority tasks. It also enables access outside normal working hours – increasing opportunities to achieve results.

IVR systems also overcome a key hurdle common to debt management interactions: the emotional stress involved in face-to-face contact or person-to-person conversation. Citizens in debt do not feel judged by an automated system and may find it easier to engage and respond.

In some cases, automated IVR systems can also be used to find out when payments are due, what the current outstanding balance is, or make a payment.

Experience shows[18] that self-service IVR systems can reduce inbound call volumes to staff by as much as 30% while simultaneously increasing collection rates.

Hello Mr Allen, your council tax bill is now 6 weeks overdue. Press 1 to make a payment, or 2 to speak to an adviser.

+447852124354

00:03

mute   keypad   speaker

add call   video   contacts

Chatbots

Chatbots – computer programs capable of conducting online conversation via typed text or artificial voice – are now commonplace in online financial services. Customers 'talk' to them to make payments, check balances or get advice about other payment options.

Offering instant service, chatbots can help Local Authorities reduce the strain on resources and human agents – who will be free to focus on enquiries which require one-to-one intervention.

In the context of Local Authority debt collection, chatbots can be easily programmed to discuss basic information about collection and payment plans and also resolve a range of simple, non-payment queries – such as lack of knowledge on how to make a payment, payments made but not received, invoices or statements not received.

Chatbots are gaining ground globally as an interaction mechanism, with nearly 40%[19] of consumers rating their perceptions of chatbots positively.

Susan Scott

You're still chasing me for council tax payment and I made a payment in full two weeks ago. Can you stop?

Bot

Hello Susan! Can I confirm that you have paid your council tax bill but have not yet had a receipt to confirm this?

Susan Scott

Yes, and I'm getting letters telling me I need to pay.

Bot

OK, I can help with that. Please can you tell me your council tax account number? You can find it on your tax bill.

How multi-channel meets accessibility requirements

While Local Authority debt recovery is different to consumer financial services, the basic foundations of customer service delivery are the same. The digital era has brought home to the commercial sector that engaging and relevant information delivered across multiple channels enhances the customer experience and builds loyalty and trust – whether it's for notifications or payments.

In the same vein, compliance demands that payment services are accessible, understandable and convenient for debtors. On that basis, Local Authorities need to ensure they provide a service which reflects current citizen experience and expectations - and remains consistent across multiple channels.

Just as walk-in offices evolved into call centres, collections must now make the most of mobile and other electronic channels for exchanging important information, relationship management and the transactional experience.

Moving from a paper-based system to the adoption of multiple digital delivery channels may also reduce the cost of communications. This multi-channel experience could include a combination of hybrid mail delivery, SMS, web-based access, social media and email all working in unison to deliver a reliable, flexible, accessible service which builds trust.

It would enable citizens to either select their own channel preferences, or automatically prioritise them based on their own interactions.
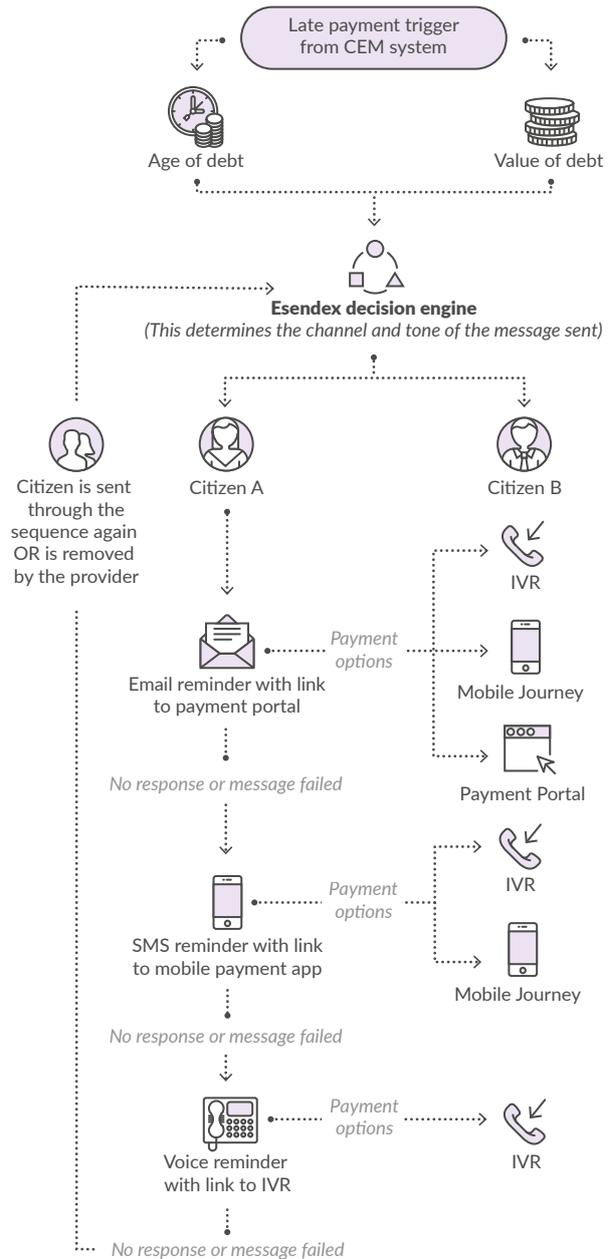
4 | Automatic, for the people

Automatic, for the people

Recovering debt and outstanding payment is a critical component in the financial health of Local Authorities at a time when they face unprecedented financial challenge. A fundamental part of the relationship with citizens, the manner in which it is handled is also an everyday manifestation of fairness, professionalism and trust.

Traditional debt management practices not only place this relationship under strain, they are at odds with consumer expectation elsewhere, and deliver sub-optimal results – whether that is the quality and effectiveness of the communication, the citizen experience or the financial return.

There is already active acknowledgement that there needs to be a fairer, better and more effective way of managing citizen debt. It hinges on better communication, through channels people routinely use, in ways which enable both parties to identify an appropriate route to the desired outcome.

50%

*A survey of **public sector decision-makers** shows that **half said their departments** had **explored using automation**.*

A survey of public sector decision-makers shows that more than half said their departments had explored using automation[20] – no surprise considering the cost and time savings and service improvements these systems can deliver to authorities under extreme financial pressure.

Sefton Council on Merseyside provides a graphic example of this digital dividend. Among other things, its automated service is capable of signing up citizens for council tax direct debit payments and processing single person discounts. The time it takes to set up these direct debits has been slashed by 80%, while the cost per transaction has plummeted from £1 to just 20p[21].

20. Source: http://www.information-age.com/automation-technology-rescue-123461983/
21. Source: https://www.wired-gov.net/wg/directory.nsf/campaign/Automation+set+to+become+fundamental+to+public+sector+transformation?open

In such a challenged environment, concerns about the risks associated with digital transformations are understandable: disruption and failure could compound the problem.

The key, then, is integration with existing systems and easy adoption both internally and externally. The foundation stone for successful transformation is to place citizen expectations front and centre of such an exercise.

At Esendex, we have spent the past 20 years doing just that. We work with organisations in the public sector and the private sector to understand their customers, the communications challenges they face, and develop the integrated solutions that help them to deliver timely information which improves the experience and unlocks better outcomes.

Our team understands the unique challenges that Local Authorities face, their position as public custodians, and the need to provide solutions which deliver rather than disrupt.

We're confident that our suite of multi-channel solutions will improve the citizen experience of debt management, enable Local Authorities to better prioritise resources, increase repayments and improve financial performance.

5 | Case studies

How SMS Reduced Inbound Calls for a City Council

Adopting SMS as a means of chasing late payment of council tax led to a dramatic reduction in the volume of letters sent, and less time taken to collect overdue taxes.

However, the original SMS reminders were designed to direct residents to a call centre who would manage the payment process.

The Esendex team developed a more sophisticated SMS solution to take the emphasis off inbound calls, and give residents more options for self-service.

1 Personalised with the resident's name, address, and the amount owed

3 Interactive Voice Response (IVR) allows payments to be securely made over the phone without speaking to an operative

5 Recipients can check their reference by replying to the text with their postcode to receive an automated response

2 Advises of the implications of non-payment

4 An embedded link takes the recipient to a self-service web form to take payment

6 The option to speak to the call centre is still available

7 Finally, the resident can get further information and advice delivered automatically to their mobile phone

●●●○○ UK 📶   4:21 PM   100% ▮▮▮▮▯
‹ Messages   City Council   Details

Mr Sean Sutton, please note that your Council Tax for High Street is £120 in arrears. If this payment is not received by 09/05/2016 further action may be taken which could result in £74 costs. You can pay on our automated line 0345 356 5758 or at http://bit.ly/1Qbli3g. You will need your reference to pay. If you do not know it, reply to this message with your postcode.To discuss your account ring 0345 356 5758 Monday to Friday, 8.30 to 5.30, and select option 2. If you have paid in the last few days please ignore this message. Reply DD to find out how to pay using Direct Debit. Reply DEBT if you are experiencing debt problems. What hapens if I don't pay Council Tax? Reply INFO or click http://bit.ly/1Qbli3g to find out.

What's the Effect?

Each SMS campaign stimulates an average of 29.4% of recipients to make a payment, of which 87% are conducted through self-service channels (website and automated line / IVR).

The reduction in the number of calls has helped the council reduce operational costs, and the self-service channels have reduced the length of time it takes to collect payment.

Date Sent	29/09	06/10	13/10
No. of SMS	836	1430	1965
Payments Made via Self-Service	211	406	456
Payments Made via Cash, Cheque or Kiosk	43	44	59
Total Payments	254	450	515
% of SMS	30.38%	31.47%	26.21%
% of Self-Service Payments	83%	90%	89%

The future

The council want to make it as easy as possible for residents to pay for their council tax, and are working with Esendex to deliver a secure and convenient means of doing this via a mobile.

Residents will receive a text with a link to a simple, streamlined form with pre-completed fields for reference number, postcode and the value owed. They'll then be able to pay their bill without needing a computer, to make a call, or visit a paypoint.

Our partnership with Northgate

Having worked in partnership since 2009, Esendex and Northgate Public Services are at the forefront of providing intelligent Customer Engagement Management (CEM) solutions. By integrating Esendex's SMS delivery systems with Northgate's software solutions for the public sector, customers can benefit from improved communications and better customer service. The partnership provides solutions for a variety of services ranging from council tax and blue badge parking renewal notifications, to the management of HGV (heavy goods vehicles) levies.

If you want to find out more or are interested in the services provided by Esendex please get in touch.

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