



Focus on Lambeth

Where prevention is better than cure

Following last month's article on Wolverhampton City Council's credit recovery processes, Alan Mayo looks at how his training consultancy Maltway has worked in partnership with Lambeth Council to prevent credit problems arising.

Lambeth Council has been working closely with training consultancy Maltway for over two years, to develop a comprehensive finance training curriculum for its staff in the finance community. In credit management terms, this community includes anyone responsible for issuing invoices and monitoring and managing outstanding debts. Since the curriculum's launch in 2004 and the introduction of a specific credit management course, outstanding debt levels have fallen by £10m (a 13 per cent reduction with no corresponding reduction in activity levels) and debt collection levels have improved from 78 per cent to 85 per cent.

By its nature, debt collection at a local authority is challenging. Lambeth is no exception. Accounts receivable staff work across the borough issuing numerous different types of invoices (including council tax, parking fines and fees for using council facilities) on different systems and at different locations.

Getting the basics right

The training was developed and is co-delivered in close consultation with Lambeth's credit management team, ensuring a focus on live issues and tying in the training specifically to Lambeth's credit procedures and policies. A core theme is getting the basics correct and preventing debt from ever getting to the stage where it falls into the recovery process. The training focuses on five key areas:

- 1. Staff roles and responsibilities:** The training provides an overview of Lambeth's end-to-end credit control process, from setting up agreements to provide services, issuing invoices and following up and collecting debt, as well as a forum to review the council's credit policy and procedures.
- 2. Preparing accurate invoices:** Any inaccuracies can provide the "won't pay" customer with an easy excuse to delay or ignore the invoice, or may even mean that the invoice does not reach the intended recipient. In the training, participants review a collection of offending invoices and suggest where improvements might have been made. Typical problems include the use of trading names vs. legal entities, lack of personal contact details, non-existent or incomplete addresses, incorrect post codes, being imprecise about the service provided or when it was provided and invoices sent long after the event.
- 3. Removing credit risk:** For customers with a poor credit history or who operate in areas where it is historically difficult to collect debt, the council can insist on advance payment and it is an eye-opener for many staff to realise

that they have the right to do this!

- 4. Understanding credit reports:** Finance systems are notorious for providing reams of reports that no-one uses. The course discusses a selection of reports available and includes short exercises to help staff interpret and act upon them appropriately.
- 5. Formulating collection strategies:** Like most organisations, a "one-size-fits-all" strategy to debt collection doesn't work at Lambeth because of the nature of its debt and customer base, including vulnerable groups. During training, real case studies are used to encourage participants to think laterally to develop appropriate and cost-effective debt collection strategies on a case-by-case basis.

Raising the profile of credit management

Well-designed and delivered training can be a powerful tool for change, but it will only work effectively in changing behaviours and producing business results when it is part of a wider programme to address the broader issues. In Lambeth this included raising the profile of debt collection internally (specific collection targets are included within Lambeth's "Top 10 Finance Objectives"), clarifying the credit and recovery policies, ensuring appropriate management support and making procedures available on the intranet.

Of course things can still go wrong and there remains a backlog of debt, due in part to a history of poor controls and a culture of non-payment going back to the unpopular poll tax. Consequently the training also considers what can be done to resolve debt collection issues by staff and to ensure that they understand the point at which they should hand over the file to the credit specialists within Lambeth.

Richard Hay, corporate credit manager and course sponsor concludes: "This training has definitely equipped credit control officers with the tools to be more effective in credit management. The delivery of these courses and the positive ratings by delegates has also raised the profile of credit management, which, in turn, has highlighted its importance to the overall financial position of the council."



Alan Mayo is a Director of Maltway, a training company providing a full range of tailored in-house training to support finance teams and people working with financial systems, controls, analysis and reporting. For more information, please visit www.maltway.com or email alan.mayo@maltway.com