

City of York Council

Business



Company: Direct Credit Customer: City Of York Council Submitted by:

Manning, Selvage and Lee City of York Council is one of the group of Unitary Authorities which came into being in April 1996; assuming responsibility for most of the services formerly provided by Ryedale, Selby, York City, Harrogate and North Yorkshire County Council. From its base in the heart of historic York, it now serves a population of some 175, 000, with around 7, 500 employees, providing a total of 63 different services. Responsibilities include 79 schools, nearly 10, 000 council homes, 443 miles of road, 11 homes for older people and 70, 000 domestic dustbins. From the beginning, a key objective of the corporate centre was to ‘ generate and sponsor new initiatives for best practice’.

In Financial Services, as the sheer volume of inherited creditor payments became apparent, it was quickly evident that the method of processing these payments was a suitable case for treatment. The centralised database revealed a total of some 36, 000 ‘ creditors’, though about 16, 000 of these were classified as ‘ temporary’ – representing ‘ special’ or one-off payments generated in the recent past. This left no less than 20, 000 creditors who were likely to require payment, by cheque, more than once a year. As with all local authorities, the former councils which constituted the new City of York, were all experienced in the use of Direct Debit for revenue collection and with Direct Credit for payroll (otherwise known as the BACS system). In fact, virtually all City of York employees receive salaries or wages paid direct to their bank or building society account.

In Financial Services, staff began to consider whether – for creditors, too – they could exploit the proven cost efficiency of electronic payments. Some

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prompting was available. The old North Yorkshire County Council had already used Direct Credit to pay grants and allowances to schools and training centres. And, at the former York City Council, there was a noticeable growth in requests from external suppliers to be paid this way. “ Our bankers, too, were keen to recommend Direct Credit,” says Angela Hebdon, Central Systems Manager.

“ They provided a cost-benefit evaluation model, which was helpful in developing our business case.” Ultimately, that case was convincing. Paying creditors by Direct Credit obviously meant savings in security-printed cheque stationery. It also lent itself to optimum cash flow management – with every Direct Credit payment, the council knows exactly when its account with the bank will be debited, so that, meanwhile the relevant funds can be deployed precisely to earn the best short-term interest available. Above all, it saves precious time for the hard-pressed Creditors section – no need to collate each cheque with the associated advice of payment to the creditor, and no need to keep track of that inevitable proportion of cheques which are always presented sporadically, and late, to the creditor’s bank account. At Library Square, York, the Creditors Section sets up a payment run twice a week, on Wednesdays and Fridays.

Jenny Smithson, Payments Manager, comments: “ Since we introduced the option of payment by Direct Credit, instead of cheques, we find that preparation of the Direct Credit file takes 1½½ hours less than preparation of the equivalent cheque run.” Once the decision was made to introduce the Direct Credit alternative, the next step was to present that choice to the Council’s creditors, and, if they liked the idea, to find out the sort code and <https://assignbuster.com/city-of-york-council/>

account number of the bank account to which Direct Credits should be made. Instead of tackling the whole database at once – all 20, 000 potential payees – Jenny Smithson and her team decided to go for ‘ quick wins’ and extend the invitation first to the creditors who tended to be paid most frequently. This way, too, they would be able to test the level of response, and the section’s ability to process it efficiently. For any local authority, creditors obviously come in many different shapes and sizes. Among the most frequent payments, are those made to ‘ agents’ of the council’s own departments – the schools, the libraries, the care homes, the foster parents, the recreational establishments.

These were among the first to be approached by City of York Council. Then there are the regular external suppliers – for example, providers of food and drink to institutions maintained by Community and Educational Services; or of fuel, maintenance and equipment to all departments. Not forgetting other regular recipients of council payments, such as universities and colleges for student tuition fees in cases where this still applies. Several years ago, the Creditors Section approached the majority of such ‘ regular’ creditors, defined as those who were paid at least once a month, and frequently more often. They were delighted to achieve an overall response of about 70% in favour of Direct Credit payment. Within the first year of its existence as a new unitary authority, about 30% of creditors on City of York’s ‘ live’ database were being paid electronically, accounting (with monthly variations) for between 40% and 60% of all invoices processed.

Clearly, communication with these creditors was persuasive. City of York used a standard enclosure, in lightweight card which clearly explained the <https://assignbuster.com/city-of-york-council/>

business benefits to a supplier in receiving Direct Credit payments- cleared funds immediately available on the date of payment, no risk of postal delays, no need to pay-in cheques, accounting simplified. Recipients are provided with a form on which they can return the details of the bank account to which they wish to be paid. Karen Dobson, Client Services Manager at HSBC, comments: “ City of York have obviously run an excellent campaign. But this is the sort of response that most authorities should expect these days. Our research evidence shows that a strong majority of suppliers nowadays prefer to be paid by Direct Credit”.

For Creditors Section, the next step is to extend the offer further, to those less frequent suppliers who may nevertheless form part of that majority. And, nowadays, all new creditors are automatically invited to take up the Direct Credit option. For City of York Council, the response is all the more gratifying because there are real benefits for both parties to the transaction – and most suppliers are also customers, in their capacity as tax payers, or valued providers of indispensable services to the community. Simon Wiles, Head of Financial Services, says: “ In our short experience, Direct Credit is undoubtedly the most cost-efficient way to pay creditors. It also enables us to reduce overheads for our customer departments, to support their needs in competitive tendering situations, or simply, in turn, delivering ‘ best value’ to their customers, which is the defined mission for all local government in the future.”