# Global trends in Government Collections

ITAPA
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Gordon Smith

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# This session

- Introductions: me, then CGI
- Global Context
- International Trends
- Solutions – Collections360
- Examples and Case Studies
- Summing up

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# Introductions

**Me**

- 37 years with UK Tax and Customs Agency, HM Revenue & Customs
- Senior leader of HMRC's debt management and enforcement service
- Specialising in strategy, predictive analytics, behavioural science

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- **20 year track record** of successful delivery
- **Deep pool of collections specialists**
- Billions of Euros of increased collections worldwide across the public and private sector
- Over **€1.8 Billion certified** in Government alone
- A results driven approach backed by our confidence in the **proven, lowest risk solution**
- **Extensive network of tax agency** clients

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# CGI has a proven track record of Tax, Revenue and Collections client partnerships



Swedish Tax Agency

Canada Customs and Revenue Agency / Agence des douanes et du revenu du Canada
Revenue Canada / Revenu Canada

Australian Government — Australian Taxation Office

Valtiokonttori Statskontoret State Treasury
The State Treasury of Finland

NCDOR

Internal Revenue Service IRS.gov
DEPARTMENT OF THE TREASURY

Liberté · Égalité · Fraternité
RÉPUBLIQUE FRANÇAISE

Welcome to California

MINERVA
Individual \ Independent \ International

HM Revenue & Customs

European Commission

Department of IOWA REVENUE

Virginia Department of Taxation

Ministry of Finance

Missouri DEPARTMENT OF REVENUE

SKAT

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# Global Context

- governments worldwide want to maximise tax revenues without raising taxes

- some also need to close large budget deficits

- as a result, agency operating and capital budgets are being cut

- debtors are becoming more sophisticated and aggressive in avoiding payment

- meanwhile, improved fraud and audit programmes are uncovering more debt

- ….a vicious cycle leading to growth in debt and in losses

Conclusion: Government collection programs must evolve and adapt new strategies just to keep pace

The good news: that proven solutions are already available in the marketplace

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# International Trends in Government Collections

**Working Smarter, not Harder**

- increasing operational capacity, not staff numbers
- use of analytics and predictive modeling to:
    - identify effective actions
    - avoid ineffective actions
- behavioural science – using insights to steer debtor behaviour - and change future behaviour
- automation – data gathering, involuntary recovery actions, self service

- expanding cooperation and data sharing among government agencies
- legislative improvements
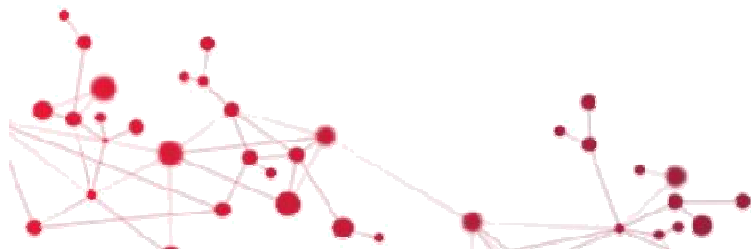- consolidation and centralisation of collections across Government

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# Collections360

CGI's built-for-government collections case management solution, known as CACS®-G

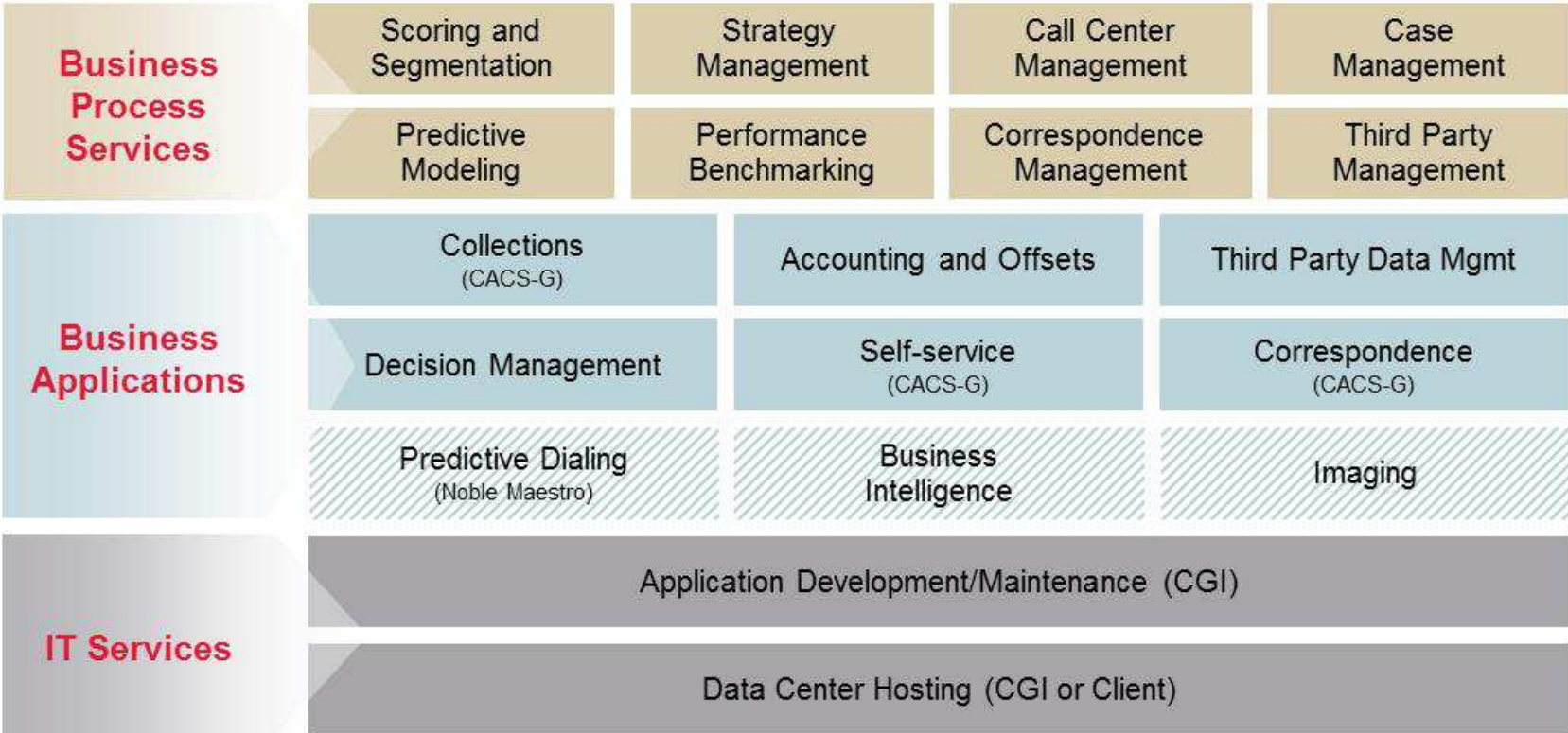(Computer Assisted Collection System for Government)



- strong workflow management
- case-to-debt and case-to-debtor relationships
- case consolidation
- multiple debt types
- involuntary collections processes
- automated asset gathering
- payment agreements with monitoring
- integrated correspondence engine
- driven by smart decisions

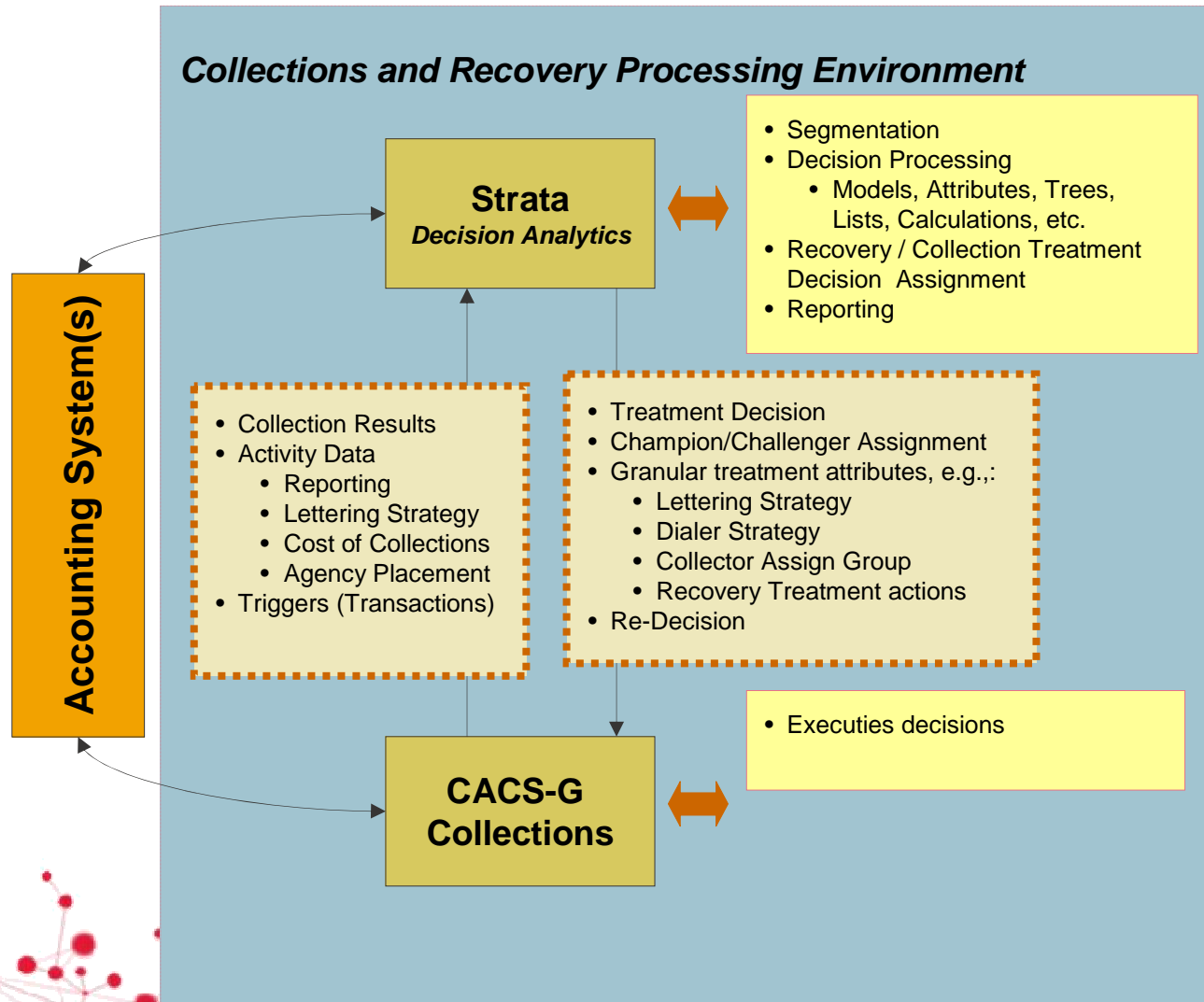**CGI**

# Collections360 provides best-in-class capabilities

## CGI Collections360™ for Government

| Business Process Services | Scoring and Segmentation | Strategy Management | Call Center Management | Case Management |
|---|---|---|---|---|
| | Predictive Modeling | Performance Benchmarking | Correspondence Management | Third Party Management |

| Business Applications | Collections (CACS-G) | | Accounting and Offsets | | Third Party Data Mgmt | |
|---|---|---|---|---|---|---|
| | Decision Management | | Self-service (CACS-G) | | Correspondence (CACS-G) | |
| | Predictive Dialing (Noble Maestro) | | Business Intelligence | | Imaging | |

| IT Services | Application Development/Maintenance (CGI) |
|---|---|
| | Data Center Hosting (CGI or Client) |

☐ = CGI Proprietary Business Application

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# How does Collections360 work?

**Collections and Recovery Processing Environment**

**Accounting System(s)**

**Strata**
*Decision Analytics*

- Segmentation
- Decision Processing
  - Models, Attributes, Trees, Lists, Calculations, etc.
- Recovery / Collection Treatment Decision Assignment
- Reporting

- Collection Results
- Activity Data
  - Reporting
  - Lettering Strategy
  - Cost of Collections
  - Agency Placement
- Triggers (Transactions)

- Treatment Decision
- Champion/Challenger Assignment
- Granular treatment attributes, e.g.,:
  - Lettering Strategy
  - Dialer Strategy
  - Collector Assign Group
  - Recovery Treatment actions
- Re-Decision

**CACS-G Collections**

- Executes decisions

- Strata provides **Decisions** and **Data** to Collections that can be used for any collections process
- CACS-G posts the **Decisions** and **Data** to the database
- CACS-G process strategies are enabled by using **Decisions** and **Data**

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# CGI Benefits Funding

**Payment by results, from results**

Under this approach costs are paid out of increased revenues, thus guaranteeing that general funds and departmental budgets are not negatively affected.
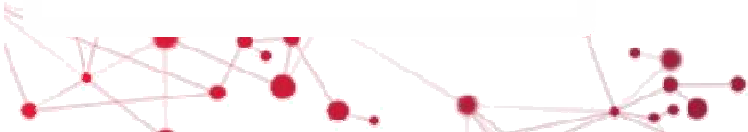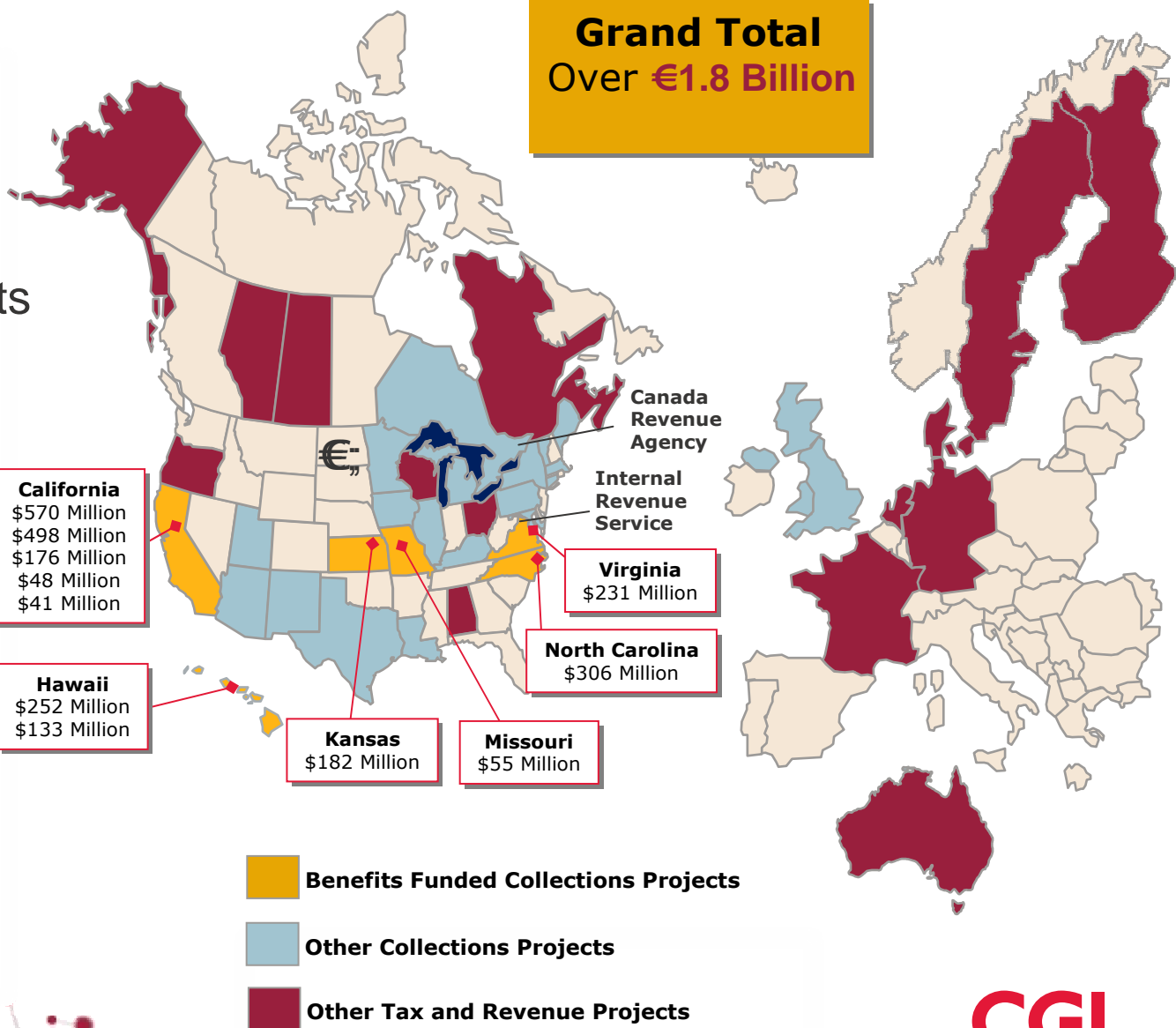
**The benefits funding bottom line:**

- initial benefits are achieved within 3-6 months of project start
- results on average include
  - a 10-45 percent increase in delinquent collections, and a
  - 10-20 percent increase in other compliance revenues
- benefits can pay for a wide variety of technical upgrades and IT modernisation projects

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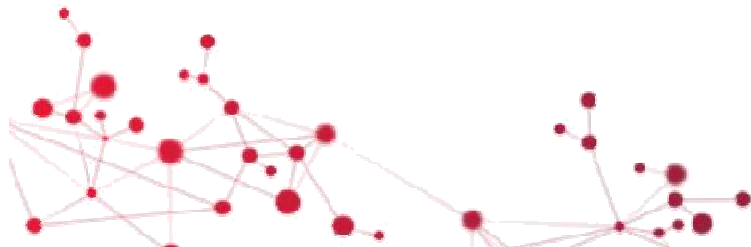
# CGI in Tax & Revenue Management

- Leading provider of debt collection solutions to large Governments
  - Pioneer in benefits funded engagements
  - 25+ Year history
- Recent collections projects:
  - Kentucky DOR
  - Iowa DOR
  - California FTB
  - UK HMRC
- Significant ongoing product investments

**Grand Total**
Over **€1.8 Billion**

**California**
$570 Million
$498 Million
$176 Million
$48 Million
$41 Million

**Hawaii**
$252 Million
$133 Million

**Kansas**
$182 Million

**Missouri**
$55 Million

Canada Revenue Agency

Internal Revenue Service

**Virginia**
$231 Million

**North Carolina**
$306 Million

Benefits Funded Collections Projects

Other Collections Projects

Other Tax and Revenue Projects

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# Strata Enterprise Decision Management – UK Deployment

**Some UK Context**

- Total tax revenues **€540 Billion**
- Paid late **€54 Billion** (around 10%)
- Written-off **€7 Billion**
- End of year debt balance **€20 Billion**
- Staffing around 6k people
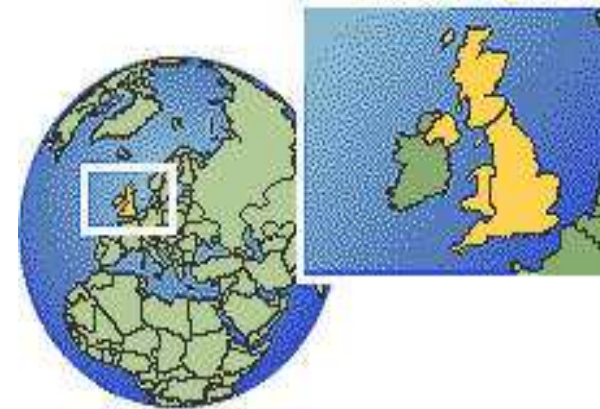
- Strata deployed in 2013 to drive…

- …a previously inflexible year 2000 in-house legacy case-management system

- forecast revenue benefits **€535 Million** – debt that would otherwise have been written-off

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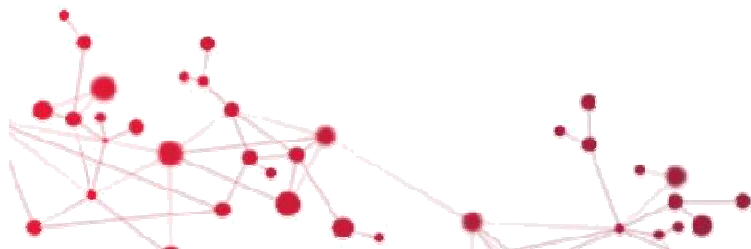
# UK Benefits from Strata

**Strata now allows HMRC to design and execute collection strategies optimised to characteristics and predicted behaviour of individual debtors**

€ ++

€ +
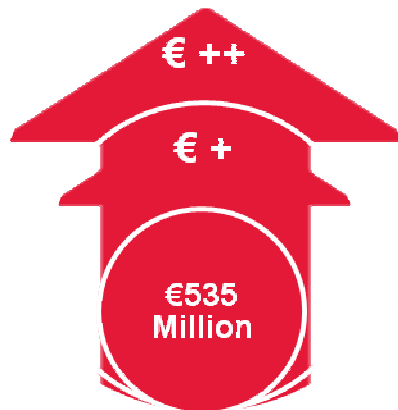
€535 Million

€535 Million forecast benefits driving a legacy case-management system, substantially more if replaced by CACS-G

**Smarter decisions, quickly implemented**

- easy user interface
- powerful decision and modelling tools
- simulation
- built-in feedback loop
- flexible rules under business control
- test and learn capability for rapid strategy evolution
- clearer results - reporting flexibility

[1] 17BC Operational Assessment – January 2011

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# Strata – Smarter UK Decisions

**Collections Strategies constantly being developed and fine tuned**

- predicting the strategies likely to be most effective - lowest cost, fastest resolution
- avoiding costly and ineffective actions
- less intrusive for many taxpayers where soft interventions are all that is necessary
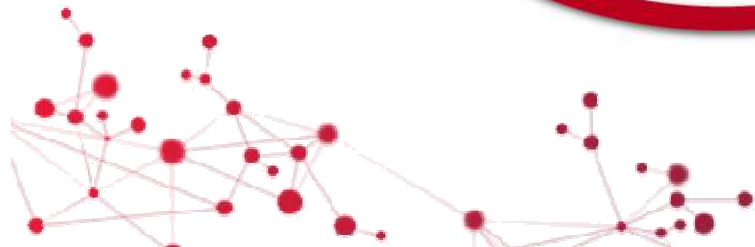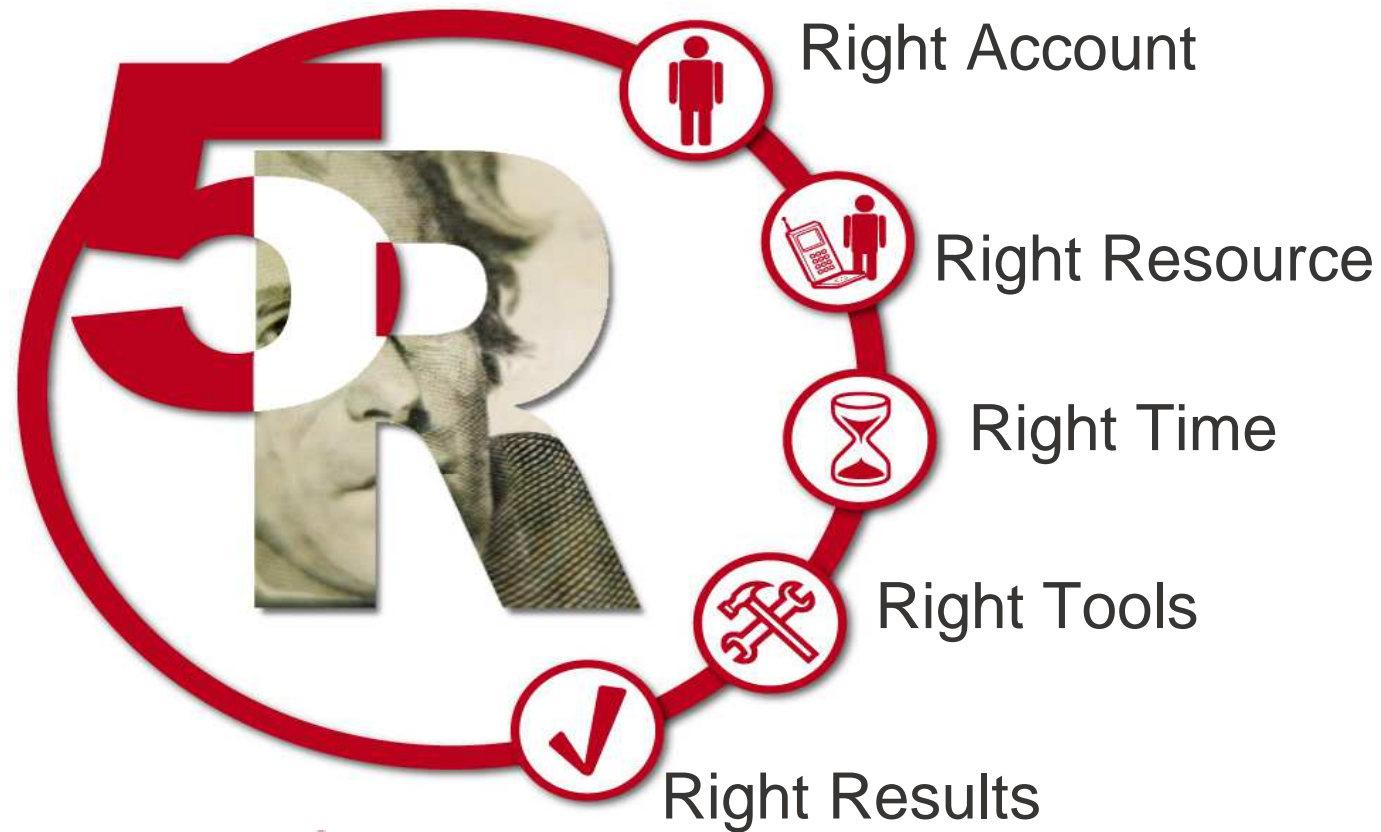- but firm measures can be fast-tracked where the risks are high

**Not all debtors are the same**

- previous behaviour
- size, age of debt, risk of default
- known assets and liabilities
- demographics – age for example
- likely effectiveness of behavioural messages
- optimum contact channel – phone, letter
- movements on the account
- external events

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# Summing Up & Questions

**CGI's 5R collections methodology**



- Right Account
- Right Resource
- Right Time
- Right Tools
- Right Results

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# About the Presenter

ISO 9001 Certified

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**Gordon Smith  CBE**

• 37 years with for HM Revenue & Customs and with other UK Central Government agencies
• wide ranging knowledge in assessment, accounting, audit and collection functions – including development of policy and strategy
• senior leader of HMRC's debt management and enforcement service
• extensive international experience in use of advanced analytics and behavioural economics

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