

FINANCE CABINET MEMBER MEETING

Agenda Item 22

Brighton & Hove City Council

Subject:	Income Collection & Recovery 2009/10 Quarter 1		
Date of Meeting:	12 October 2009		
Report of:	Director of Finance & Resources		
Contact Officer:	Name:	Nigel Manvell	Tel: 29-3104
	E-mail:	nigel.Manvell@brighton-hove.gov.uk	
Key Decision:	No	Forward Plan No: N/A	
Wards Affected:	All		

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT

- 1.1 To update the Cabinet Member for Finance on income collection and recovery performance for 2009/10 as at quarter 1 (June 2009) and highlight improvement and best practice actions.

2 RECOMMENDATIONS:

- 2.1 That the report be noted.

3 INCOME COLLECTION PERFORMANCE 2009/10

- 3.1 The council collects over £300 million income from various sources which is critical to its overall budget strategy. Good collection and recovery performance is therefore very important to the financial health of the council, particularly given current risks posed by economic conditions, and therefore also in safeguarding services.
- 3.2 A number of income areas have existing Best Value Performance Indicators (BVPIs), which are reported below, while other services have developed local performance indicators and targets. Although BVPI indicators are no longer reported nationally, we will continue to use these indicators for income management alongside any new National Indicator Set performance data.
- 3.3 Services monitor performance in many different ways but this report focuses only on key indicators and headline information. A traffic light scorecard for key performance indicators is provided at Appendix A (current year) to enable performance to be monitored by exception.
- 3.4 BVPI 9 Council Tax Collection
As at quarter 1, performance is on track to achieve the target of 96.20% for the year with performance being at 29.10% compared to a target of 28.78% for the first quarter. This is a satisfactory result given the current economic conditions.

3.5 BVPI 10 NNDR Collection

Similarly, business rate collection is on target to achieve the target collection rate of 97.50%; a slightly lower target than last year that recognises current economic conditions. Collection performance for the first quarter was at 32.47% compared with a target of 32.09%; however, at this early stage it is difficult to predict the economic impact on future performance.

3.6 BVPI 66a Housing Rent Collection and Arrears Recovery

3.7 The collection rate forecast at the end of quarter 1 remains at 98.16% against a target of 98.50%. However, as the figures used to calculate this indicator include the 2009/10 rents before the application of the rent reduction, this is an estimate only. An accurate forecast will be available in future quarters once the down-rated rents have been applied.

3.8 BVPI 79 Housing Benefit (HB) overpayments recovered as a percentage of the total amount of HB overpayment debt outstanding

In year collection figures for Quarter 1 of 2009 has increased to just under 74% of debt being collected against a continuing target of 65%. As this is the first quarter, the overall recovery of all debts, including historic arrears, stands lower at 17% against a target of 30%. This is expected to improve throughout the year as normal. 5% of bad debts have been written off against a target of 10% for the year, so this is on course to achieve the yearly target.

3.9 Sundry Debt

Collection performance for sundry debt is 97% of debts now being collected within 90 days compared to 99% reported for quarter 4. Current in-year collection stands at 79% which is an improvement on quarter 1 last year which stood at 76%. In-year collection of sundry debts generally starts lower because, similar to council tax, some debts are charged in full but debtors are able to take options to repay by instalment. The target for in-year collection is 97.5% and at this early stage there are no indications that this will not be achieved.

3.10 ASC Debt

Recovery of Adult Social Care debts within 90 days has increased to 97%, compared to the quarter 4 collection rate of 96% while in-year collection is currently standing at 79%. The in-year collection is well below the target of 97.5% but this reflects a 3 month delay at year-end in Safe Custody payments being transferred onto the relevant accounts. This has now been resolved and there are no other indications that collection performance will not recover over the remainder of the year.

3.11 Parking Debt

Penalty Charge Notice (PCN) recovery this quarter equates to 69% of the 36,257 PCNs issued being closed as paid. The percentage of bus lane PCNs paid is generally higher than for parking which has helped raise the overall total of PCNs paid. Overall it is anticipated that an average recovery rate of at least 70% will be achieved over the year.

Recovery rates can be significantly affected by National Parking Adjudication Service rulings to cancel PCNs issued as well as other factors outside our

control such as the reliability of information from the DVLA. This collection rate is known to be comparable with other authorities in the south.

3.12 Commercial Rents - Cluttons

Commercial rents are managed under contract by Cluttons. The contract includes performance targets for speed of collection; these are set at 85% of rents to be collected within 4 weeks, 90% within 8 weeks and 95% by the end of each quarter (i.e. overall collection rate target assuming 5% voids).

Average performance for 2009/10 so far is 87.75% collected within 4 weeks, 92.80% collected within 8 weeks and 96.38% collected within 12 weeks. This represents good performance for rents due given the current climate. However, it should be noted that these figures only indicate collection performance for rents due; they do not indicate the level of voids currently being experienced. This is reported elsewhere under the council's Targeted Budget Management reporting (to Cabinet) which indicates whether or not income, in total, is on target.

4 AGE PROFILE OF OUTSTANDING DEBT

4.1 Appendix B shows the current age profile of debts outstanding, while Appendix C shows movements from the same quarter last year. As far as practicable, debts outstanding have been categorised under the same age bandings although the various systems often have different reporting structures. The underlying age profile can also be different for each type of debt. For example, Council Tax and NNDR bills are raised at the beginning of each year and the debt outstanding therefore gradually reduces with each passing month whereas Sundry Debts can be raised at any time throughout the year. In practice, the income units will therefore compare their debt profiles with the same period in the previous year as an additional check on trends.

4.2 The general aim is to move toward a younger age profile for debts which indicates that debt collection and recovery is becoming quicker and more efficient and therefore debts run less risk of becoming bad or unrecoverable. The trend can be seen by comparison with the same quarter last year which indicates the following:

- Housing Rents – both current and former tenant debts have remained steady with only marginal shifts in the age of debt;
- Sundry Debt – the figures indicate that the amount of debt now less than 60 days old has increased by 14.3%;
- Adult Social Care – this shows a short term increase of 32% of debts moving to over 90 days old. However, as mentioned earlier in the report, this is expected to be a temporary downturn caused by delays in processing safe custody payments. The position will be closely monitored during subsequent quarters;
- Council Tax – there is no significant change to the age profile;
- NNDR – There has been a marginal shift in the profile with an increase in 6% of debts now over 6 months old. This reflects the increasing number of payment arrangements (i.e. longer recovery period) as part

of the council's recession relief measures to help businesses through the impact of economic conditions;

- Housing Benefit Overpayments – the age profile is holding relatively steady;
- Parking Operations – there has been no significant shift although debts over 1 year old have increased by 12.4% - this will need to be kept under review;
- Commercial Rents – there has been a small increase in debts over 6 months old which, similar to NNDR, represents the increasing number of temporary payment arrangements as part of the council's recession relief measures.

4.3 When looking at outstanding debt, it is important to realise that not all debts are static and work is ongoing for a high proportion of debts to ensure payments continue to be made, using all methods of recovery open to the teams.

5 DIRECT DEBIT PERFORMANCE

5.1 The 2007 Audit Commission report "Improving Income Collection" focuses heavily on encouraging the take-up of regular payment methods, particularly Direct Debit, which is inexpensive and efficient to handle. Current take up of regular payments by service is shown in the table below.

Note: Figures in brackets () represent the previous quarter

Income	Direct Debit Collections:	
	As a percentage of all transactions	As a percentage of income collected
	%	%
Housing rent	26 (23)	27 (27)
HB Overpayments	52 (49)	*
Sundry Debtors (incl. Adult Social Care)	52 (51)	*
Council Tax	69 (64)	69 (63)
NNDR (Business Rates)	64 (57)	41 (50)
Cluttons (Rents)	21 (21)	*

* Indicates that systems cannot currently report management information in this format

The all-important service is Council Tax collection (over £100 million income) where the value of payments by Direct Debit continues to perform well and has increased a further 5% in the first quarter.

A total of 425 Housing Benefit debtors paid by DD from April to June 2009. A further Direct Debit date has been introduced on 6th of each month but this only started in July 2009 so we have yet to see if that date proves more popular and creates less failed payments. The reason for introducing this

additional date was to ensure end of month salaries were cleared in time for the council to collect DD payments from debtors.

Regular payments obviously do not apply to PCN fines. The main payment methods for this service in 2008/09 were credit/debit cards (60.19%), cheques (28.37) and cash (11.44%).

6 IMPROVEMENTS ACTIONS FOR 2007/08 AND BEYOND

6.1 Improving the performance of income collection services is a matter for each service and the relevant directorate, however, the Corporate Debt Management Group plays an overarching role in ensuring that best practice is shared across services, that performance monitoring is standardised as far as possible and that collection units work with each other (e.g. data sharing) to maximise overall collection and recovery. Each quarter, a brief summary of improvement actions or implementation of best practice will be provided.

6.2 Best Practice Updates

6.2.1 Housing Rent

- **Financial Inclusion:**

The service is working in partnership with residents and local agencies to develop a financial inclusion strategy that will have an impact on those in poverty by making sure residents have access to appropriate financial products and services and the opportunity, ability and confidence to make informed decisions about their financial circumstances. The strategy is due to be launched in December 2009.

- **Housing Pre-action Advice Scheme:**

Since January 2009 the service has participated in the Housing Pre-action Advice Scheme (Rent Arrears) pilot set up by the Ministry of Justice. The project is managed in partnership with Brighton County Court and Brighton Housing Trust (BHT) and aims to avoid possession action and prevent evictions and homelessness. Each month, six tenants who are due to be summonsed are invited by Brighton County Court to attend an appointment with a BHT adviser to resolve any housing benefit issues and/or agree a repayment plan. The early indications are that the scheme is achieving its objectives.

6.2.2 Council Tax and NNDR

- In the first quarter, the NNDR team conducted a telephone campaign to offer early take-up of the Deferment legislation due in July for the businesses that were worst hit by increases in their bills. This enabled such businesses to pay the increases over a three year period. In addition, officers of the service attended several events laid on by initiatives such as the Business Lifebelt to give information on help that is available to businesses in the current economic climate.
- Take -up of payment of Council Tax by direct debit is now at its highest ever level, with nearly 69% of all council tax payments being made by Direct Debit. This follows several successful initiatives in offering direct debit in such circumstances as following the issue of reminders and summonses for non-payment.

6.2.3 Housing Benefit

- Proposals have been developed and presented to the Housing Benefit system supplier, Northgate, to improve the debtors element of the system. Once the cost of these developments has been estimated, the London User Group Forum may consider sharing the costs to implement the changes, enabling more efficient use of the system.
- A Recovery Team leader and Senior Recovery Officer will be hosting and presenting an Enforcement Day for the London Overpayments Benchmarking group in September as many London authorities are keen to learn from us about our work in this area.
- The service is currently trialling referring a small amount of debt to an external debt collection agency where this is cost effective, but it is too early at present to say how effective this will be compared with traditional methods.

6.2.4 Corporate Debtors Unit

- Similarly to Housing Benefit, the service is currently reviewing collection methods to ensure the most effective in-house or external collection methods are deployed. In this case, the service is expecting to reduce the use of external collection agencies and instead utilise the council's in-house bailiff service which is proving successful both in terms of recovery and improved information.

6.2.5 Parking Operations

- A new bailiff company, TASK have been engaged to identify vehicles with unpaid warrants through the use of Automatic Number Plate Recognition systems.

6.2.6 Commercial Rents (Cluttons Contract)

- External solicitors are deployed on more difficult arrears cases but officers are currently examining with the Income Collection Team and Legal services other methods which might prove more economical but just as effective. However, some of the legally complicated cases will remain outsourced as there is insufficient capacity in-house.

7 CONSULTATION

7.1 No formal consultation has been undertaken in relation to this report.

8 FINANCIAL & OTHER IMPLICATIONS

Financial Implications:

8.1 Included within the body of the report.

Finance Officer Consulted: Nigel Manvell

Date: 01/10/2009

Legal Implications:

- 8.2 The council has a duty of best value and a general fiduciary duty to council tax payers to act with financial prudence. It is consistent with these duties to (a) make proper arrangements for billing and payment of income, monitoring of arrears and recovery of debts and (b) to keep the arrangements under review. Many types of income to be collected by the council are subject to statutory rules and time limits for recovery. The Corporate Debt Management Group and the income collection teams must have regard to these in their collection and recovery processes.

Lawyer consulted: Oliver Dixon

Date: 16/09/2009

Equalities Implications:

- 8.3 There are no direct equalities implications arising from this report, although poor income collection performance and associated loss of revenues may reduce opportunities or access to services and employment for communities of interest. Poorly managed income collection could impact on the council's financial standing, which could affect opportunities for investment and partnership working that may be advantageous to particular areas or groups.

Sustainability Implications:

- 8.4 There are no direct sustainability implications arising from this report. However, it is believed that the reputation of the council's financial control framework and its ability to demonstrate sound budgetary control could have an impact on the willingness of other funding partners to invest in and with the council. This could affect the level of inward investment in respect of projects that contribute towards sustainability.

Risk and Opportunity Management Implications:

- 8.5 A risk assessment is undertaken in relation to the management of individual budgets including income targets.

Crime and Disorder Implications:

- 8.6 There are no direct prevention of crime and disorder implications arising from this report, although reductions in expenditure or service levels caused by not meeting income targets may impact on these issues.

Corporate / Citywide Implications:

- 8.7 The council's financial position impacts on levels of council tax and service levels and therefore has citywide implications. Income collection is an important element of the council's finances.

9 EVALUATION OF ANY ALTERNATIVE OPTION(S)

- 9.1 The report is for noting.

10 REASONS FOR REPORT RECOMMENDATIONS

- 10.1 Collection of income and management of debts is critical to the council's finances with over £300 million income collected. These quarterly reports will ensure that the council's lead member for finance is aware of the council's

current performance and arrangements for continually improving income collection and recovery.

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix A – Debt Collection Performance Quarter 1 2009/10
2. Appendix B – Aged Debt Profile – Quarter 1 2009/10
3. Appendix C – Aged Debt Profile – Quarter 1 2008/09 (for comparison)

Documents in Members' Rooms

1. None

Background Documents

1. None