

CABINET MEMBER MEETING FINANCE

Agenda Item 56

Brighton & Hove City Council

Subject:	Income Collection & Recovery 2008/09 – Quarter 3		
Date of Meeting:	23 February 2009		
Report of:	Director of Finance & Resources		
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Key Decision:	No		
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 2008/09 as at quarter 3 (December 2008) and highlight continuing improvement and best practice actions.

2 RECOMMENDATIONS:

- 2.1 That the contents of the report be noted.

3 INCOME COLLECTION PERFORMANCE 2008/09

- 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 (BVPI's), which are reported below, while other areas use locally developed indicators and targets. BVPI indicators will continue to be collected while the new National Indicator Set (NIS) and/or other local performance indicators are put in place.
- 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
In-year collection is running at 74.22% as at quarter 3 which remains marginally ahead of target (73.80%) and compares with 73.73% this time last year. This is a good position for the council given the current economic climate and should enable the service to achieve the target collection rate of 96.1% although it is clearly difficult to predict the impact of the credit crunch over the coming months.
- 3.5 The collection of council tax arrears from previous years is also progressing well and the service has already collected more arrears in this financial year than was collected in the whole of the last financial year.

3.6 BVPI 10 NNDR Business Rate Collection

In-year collection is running at 78.36% as at quarter 3 which is close to the profiled (i.e. year-to-date) target of 78.30%. However, this performance must be treated with caution as the current economic conditions could mean that the profile of income received each month is different to previous years. The impact of the economic situation for the remainder of the year is even harder to predict in relation to businesses, particularly following the Christmas period, and the year-end target of 98.5% is likely to remain challenging.

3.7 BVPI 66a Housing Rent Collection

This indicator relates to the proportion of rent collected during the year as a percentage of the total rent charged through the year. It does not take into account any cash collected to clear arrears from previous years. At the end of quarter 3 the forecasted collection rate is 97.90% against a year end target of 98.5%. This is a slight drop from the result for the end of the second quarter when the forecast stood at 98.04%. This is not uncommon over the Christmas period and the Income Management Team anticipate that performance will recover in the final quarter.

Until year-end is reached the result can only ever be a forecast as it is impossible to predict how much rent will be foregone as a result of properties being empty whilst they are relet or how many right to buy sales will go through. This result does still compare favourably to 2007/08 when the forecasted result at the end of the third quarter was 97.11%.

During the first 9 months of this year current rent arrears have dropped from £905,675 to £859,742 a reduction of £45,933. With continued improvement and service developments, Housing Management have set a challenging target this year and are mindful of the impact of the credit crunch and the reduced ability of debtors to make significant payments against their arrears. As reported last time, additional financial inclusion work has been put in place to ensure the target is met this year. The success of these initiatives will be analysed shortly.

3.8 BVPI 79b Housing Benefit (HB) overpayments recovery

In-year collection figures for quarter 3 remain constant at 72% of debt being collected, which is above the target of 65%. Overall recovery of all debts, including historic arrears has improved dramatically since the last quarter and is now at 30.79% against a target of 30% compared with 13.35% previously. A total of 3.20% of bad debt has been written off compared with the target of 10% for the year.

3.9 Sundry Debt

Overall collection performance for sundry debt remains high at 98% of debts now being collected within 90 days compared with 82% in quarter 1. Current in-year collection has improved from 88% in quarter 2 to 93% in quarter 3. Although this is below target, it should be noted that the risks in relation to collection of Sundry Debt are much lower than for other types of debt. Debts are almost always collected with very few debts ever written off. The main issue is therefore the impact on cash flow rather than the risk of non-collection.

At present 26% of debt outstanding relates to other public sector agencies who can traditionally be slower to pay each other. This is because public agencies are unlikely to

take legal action against each other for slow payment and therefore most public sector agencies prioritise payments to individuals, suppliers and contractors where legal and reputational risks are higher. 39% of debt outstanding relates to the Business Sector and it is possible that the impact of current economic conditions means that this sector is becoming slower to pay debts. The council has also provided a recession relief package to assist those businesses in difficulty. The remaining 35% of debt outstanding relates to personal debt (e.g. charges for planning services).

3.10 Adult Social Care (ASC) Debt

Recovery of Adult Social Care debts within 90 days has decreased to 80%, compared to the quarter 2 collection rate of 95%; this is due to temporary staff shortages which have substantially reduced active debt recovery, but the service is working to address this issue. Fortunately, this has not impacted on overall in-year collection which has improved to 99% in quarter 3 from 98% in quarter 2 (target is 97.5%).

3.11 Parking Debt

Recovery of Penalty Charge Notices (PCNs) has shown significant improvement over first and second quarter results (58.7% & 63.6%). In the third quarter an average of 69.2% of PCNs have been 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 the trend shows that more PCNs are being paid early within the discount period than at later stages when the charge is higher.

It should be noted that recovery rates can be significantly affected by National Parking Adjudication Service rulings to cancel PCNs issued as well as other factors outside of the council's control such as the reliability of information from the DVLA. This explains why PCN collection rates are significantly lower than other types of debt. This collection rate is, however, known to be comparable in performance terms 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% within 12 weeks (i.e. the overall collection rate target assumes 5% voids).

In quarter 2 performance was 92.47% within 4 weeks, 97.63% within 8 weeks, and 98.71% within 12 weeks. Current performance for quarter 3 is 82.78% within 4 weeks. Figures for 8 and 12 week performance for quarter 3 are not yet available but as at November performance was 85.02% within 8 weeks and 93.31% within 12 weeks. These results clearly show that the position is becoming more challenging as the increasingly difficult economic conditions impact on the commercial portfolio, particularly the retail sector. However, at the end of the quarter there were a small number of large rents outstanding which have now been paid and the position is therefore still relatively strong given current conditions.

4 AGE OF DEBTS OUTSTANDING

4.1 Appendix B shows the current age profile of debts outstanding, while Appendix C shows movements from the last quarter reported. 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 Currently there are no adverse or unexpected trends to report and there is a reduction in the overall debt outstanding on Sundry Debts despite an increase in bills raised of over £3m. Business rate (NNDR) and Council Tax debt outstanding appears to have fallen dramatically but this is merely because taxes are billed and become payable at the beginning of each year but in practice are collected in instalments. As time passes and more tax is collected, the debt outstanding reduces throughout the year. For these services it is therefore more important to compare the profile (i.e. performance) with comparable periods in previous years. Currently, performance is in line with expectations.
- 4.3 Encouragingly, Housing Benefit overpayment debt has increased by just 0.86% since the last report and the relative debt outstanding remains fairly constant. Improvements also continue to be made in collecting more recent debt and there has been a reduction of over £154,000 in debts less than 60 days old. Although there are 1755 invoices outstanding which are aged 6 months or older, it is worth noting that over 72% of these debtors are currently making repayments by instalment. Therefore, when looking at the outstanding debt, it is important to realise that not all debts are static and work is ongoing to ensure payments continue to be made, using all available methods of recovery.

5 DIRECT DEBIT TAKE-UP

- 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. Direct Debits also enable customers/citizens to plan their finances. 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	16 (15)	29 (26)
HB Overpayments	40 (34)	*
Sundry Debtors & Adult Social Care	51 (51)	*
Council Tax	66 (65)	66 (66)
NNDR (Business Rates)	65 (64)	50 (49)
Cluttons (Rents)	21 (20)	*

* Indicates that systems cannot currently report information in this format

- 5.2 The all-important service is Council Tax collection (over £100 million income) where the value of payments by Direct Debit continues to improve and has increased by a healthy 8% this year having increased 5% in the first quarter. Housing Benefits continue to steadily increase the number of people repaying by Direct Debit since introducing this method in December 2007, while other services are generally maintaining levels of Direct Debit take-up.

5.3 Regular payments obviously do not apply to PCN fines. The main payment methods for this service in 2007/08 were credit/debit cards (41.3%) and cheques (45.3%).

6 IMPROVEMENTS ACTIONS FOR 2008/09

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 practicable 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, customer service initiatives or implementation of best practice is provided below:-

6.2 Housing Rent

- From the beginning of February a financial inclusion checklist will be completed with all new tenants and they will be offered access to money advice, basic bank accounts and affordable sources of credit.
- An eviction flyer has been designed to be circulated in an area following an eviction. The aim is to encourage tenants to seek assistance if they are having difficulty paying their rent or need help to claim Housing Benefit.

6.3 Council Tax and Business Rates (NNDR)

- Along with other areas, the service is currently working to support the "recession relief" package recently announced by the council to help businesses through the economic slow-down. This includes measures to help hundreds of businesses manage their cash flows as the credit crunch tightens by offering alternative payment arrangements where businesses are running into difficulty.
- Inspectors will be personally visiting small businesses in the main retail areas in the coming weeks to advise relevant businesses to apply for small business rate relief. Communication with other businesses is also being devised. These are positive steps to help small businesses, which are generally slow to take advantage of this relief. In the case of personal visits, the aim is to ask businesses to sign the claim form on the spot and process this directly.

6.4 Housing Benefit

- The service will be looking at the option of paperless Direct Debits (DDs) this year to speed up processing further. The BACS banking service would not previously consider this option until the authority had been operating DDs successfully for at least a year, which passed in December 2008.
- Proposals to improve the debtors element of the current system, supplied by Northgate, are currently being drafted to further improve recovery practice. These proposals may be optimistic, and generally any changes take time to achieve, as the software suppliers schedule their changes well in advance. However, Northgate do recognise that the system is currently limited, so it is hoped that some useful changes can be made which could help monitor and target debt more effectively in forthcoming years.

6.5 Corporate Debtors Unit (Sundry/ASC Debt)

- The service has recently introduced direct input at the point of contact which is contributing towards reducing administration time and has also developed local performance indicator reports enabling officers to undertake targeted recovery. The benefits of both these initiatives should be seen over the coming months.

- The service is continuing to work towards introducing AUDDIS for both paperless and variable direct debits together with rationalised recovery routes through integration with the corporate banking team.

6.6 Parking Operations

- The Parking Information Centre has started a pilot project of extended opening hours for a trial period of 3 months with late opening until 7:00pm on Thursdays as well as the current Saturday opening from 9:00am to 1:00pm.
- Parking has been included in the 'National Fraud Initiative' for the first time with data matching exercises for blue badges and resident permits. Results should be available from the National Audit Office at the end of January for processing.

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: 23/01/09

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. All 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: Abraham Ghebre-Ghiorghis

Date: 03/02/09

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. An Equalities Impact Assessment has been undertaken on the Corporate Debt Collection & Recovery Policy.

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 2008/09
2. Appendix B – Aged Debt Profile – Quarter 3
3. Appendix C – Aged Debt Profile (Movement from Last Quarter)

Documents in Members' Rooms

1. None

Background Documents

1. None

