

FINANCE CABINET MEMBER MEETING

Agenda Item 26

Brighton & Hove City Council

Subject:	Income Collection & Recovery 2007/08		
Date of Meeting:	21 July 2008		
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 2007/08 as at quarter 4 (March 2008) and highlight improvement and best practice actions.

2 RECOMMENDATIONS:

- 2.1 Note the contents of the report.

3 INCOME COLLECTION PERFORMANCE 2007/08

- 3.1 Monitoring collection performance is important for safeguarding the council's financial position and maximising income to support the provision of services. A number of income areas have high profile BVPI indicators, which are reported below, while others require local indicators and targets to be developed. Services monitor performance in many different ways but this report focuses only on key indicators and headline information. Key performance indicators are summarised in appendices A (current year) and B (2006/07 comparisons).

3.2 BVPI 9 Council Tax Collection

As at quarter 4, performance is expected to be 96.0% for the year although this is subject to final confirmation. This is 0.6% below the target of 96.6%. However, this is partly due to a change in the method of calculation provided by the Northgate system, which is required to meet the definition of the BVPI. Prior to this adjustment, the comparable rate in 2006/07 was 95.7%, which shows year-on-year improvement of 0.3% in the underlying performance. When looking at 2008/09 performance it will be important to review the targets for council tax collection in view of the new calculation methodology.

3.3 BVPI 10 NNDR Collection

As at quarter 4, performance is expected to be 97.6% for the year although this is subject to final confirmation. This is 0.9% below the target of 98.5% for the year. Just prior to the end of year, the Valuation Office notified the council of a large number of revaluations, which effectively significantly increased the in-year collection target. Unfortunately, this notification was so late that there was little opportunity to bill businesses for the extra NNDR charge before the end of the financial year. This has impacted on the BVPI collection rate for 2007/08 but it is expected that the extra charges will be collectible and this is just a timing issue at the year end.

3.4 BVPI 66a Housing Rent Collection and Arrears Recovery

Performance for 2007/08 is 97.8%, which is slightly above target (97.7%). However, this includes a small change to the method of calculation whereby “tolerated trespassers”, who are not legally tenants, are now no longer included in the BVPI. Performance is however improving well and, excluding the change in the method of calculation, is actually 1.1% better than last year.

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

The authority has recently received a windfall of £0.7m following the external audit of the 2005/06 Housing Benefit claim which concluded that our error rate (for overpayments of HB) was actually below the threshold at which additional subsidy is triggered. In 2006/07 and the current year we expect to be well below the threshold. Overpayment recovery in-year (BVPI 79bii) is running at 31.34%, which is 5.66% below the target of 37%. However, as shown in Appendix D, the overall level of overpayments outstanding has reduced by over £175,000 compared with the previous quarter.

3.6 Sundry Debt

Sundry debt collection suffered a short-term hiatus at the beginning of the year due to technical problems with the new financial system. These have now been substantially resolved and collection speed and recovery are improving month-on-month. Current collection performance shows that 69% of debts are collected within 60 days compared with a target of 80%. This has improved from 57% last quarter. Current in-year collection stands at 81% of debts raised while overall collection (i.e. including arrears) is at 89% compared with the target of 97.5%. Note however that it is rare to write-off Sundry Debts and although speed of collection and in-year collection are currently below target, this should not adversely affect the overall collection of debt which is expected to steadily improve.

3.7 ASC Debt

As with Sundry Debt, problems with the system at the start of the financial year have meant that speed of collection has been hampered and current performance indicates that 43% of debts are collected within 60 days compared with a target of 60% (up from 40% in quarter 3). Adult Social Care debt is one of the more “sensitive” debts to collect due to the vulnerability of clients. Benchmarking with other authorities (through the Cipfa Benchmarking Club) shows that all authorities take longer to collect these debts compared to

all other forms of income. The overall collection rate is estimated to be 90% compared with a target of 95% while the current in-year collection rate is at 84% of debts raised. As for Sundry Debt, it is unusual to write-off adult social care debts, however, slower collection runs the risk of service users dying before collection is achieved.

3.8 Parking Debt

Collection performance for quarter 4 is at 60.6% of all PCNs issued compared with 60.8% at quarter 3. This should result in a collection rate of 61% overall which compares with the rate achieved in 2006/07.

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.

3.9 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 2007/08 so far is 81.45% collected within 4 weeks, while overall collection is averaging 97.2% or 2.2% ahead of target.

4 AGE PROFILE OF OUTSTANDING DEBT

4.1 Appendix C shows the current age profile of debts outstanding while, more importantly, Appendix D shows the change in profile from the previous quarter. Aged debt profiles are a difficult area to report on in a standardised format as there are a number of different systems used to manage income and debt recovery and many of them have fixed reporting structures. However, as far as practicable, debts outstanding have been categorised under the same age bandings.

4.2 Reviewing the age profile of debts is important as it is a clear barometer of the performance of the collection units. Good performance would be indicated by most of the debt outstanding being less than 90 days old with lower amounts outstanding for later periods. If there are large amounts outstanding, say, over 1 year old this can indicate either inefficient collection and recovery and/or that there is an unrealistic policy of writing off debt that is unlikely to be recoverable. The council generally falls into the latter category, hence the ongoing work to clear out old debt that is never likely to be recovered. The age profile of debt should be monitored over time to identify trends.

4.3 Since quarter 3, most services are showing good trends in terms of reducing the age of debt outstanding. However, Council Tax and Adult Social Care are showing negative trends, which are currently being investigated by the respective units.

5 WRITE-OFF OF BAD DEBTS

5.1 As mentioned above, clearing out debt that is highly unlikely to be recovered or that is uneconomic to pursue is good practice and enables teams to focus

on speeding up collection and concentrating on the recovery of debts before they become unmanageable or non-traceable.

- 5.2 Over the past year teams have been undertaking more rigorous reviews of outstanding debt, particularly Housing Benefit overpayments and Council Tax. A review of Adult Social Care debt has also been undertaken following the merger with Corporate Debtors and a significant write-off has been submitted for 2007/08, mainly concerning unresolved debts with the old health authority (i.e. pre-PCT). Housing Rents are also reviewing current debts more rigorously and concentrating particularly on clearing out very old debts and identifying debts relating to vulnerable tenants whom they are assisting with benefit claims. The higher level of write offs should not have a detrimental effect on income budgets as the corresponding accounting provision for bad debts is likely to be reduced accordingly. This provision, which is in addition to debts written off in-year, is reviewed each year and currently stands at £25.694m.

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

- A recent Internal Audit of the service (March 08) has reported that “considerable assurance” can be given that rent accounts are being managed appropriately and that sound internal controls are in place.
- e-benefits are expected to be introduced in June 08 to enable applicants to apply for Housing Benefit at letting meetings via a laptop. This info will be uploaded directly to the HB computer system and prioritised for processing. The system also allows officers to easily advise clients what other benefits they may be entitled to.
- The project to introduce a 48 or 50 week rent year is now going ahead. This will mean no rent charges over Christmas and Year End. Rents for remaining weeks will be higher. During these periods those in arrears will be expected to still keep to their repayment agreement but no additional debts will go on their accounts.
- Direct Debit drive – Housing Rent Accounting team have put together a project plan to directly promote the payment of rent by direct debit.
- Advertising Campaign – the service is currently working with the Tenant and Leaseholder Housing Income Management Group to devise an advertising campaign re the importance of paying rent, what could happen if you don't and what help is available to those with debts or who are struggling financially.

- Incentive Schemes – the service is working with the Tenant and Leaseholder Housing Income Management Group to devise a series of incentive schemes (or rewards) to encourage tenants to keep up with their rent payments. Includes researching what other organisations are doing and how successful those initiatives have been.

6.2.2 Council Tax and NNDR

- A new debt collection telephone techniques course has been introduced.
- Improved benchmarking information is now available following the Payment Review undertaken by Customer Services (which also recommended the closure of cash offices).
- There is increased activity on hard to collect debts. This is known as the Rossendale Collect scheme for cases that have had bailiff action that was unsuccessful and unsuitable for bankruptcy or Committal action.
- A new “abscond” procedure has been introduced to better target resources to tracing debtors.
- A new Corporate Debt Sub-group has been set up to support the implementation of the Corporate Debt Collection & Recovery Policy and improve cross-service working and data sharing.
- Closer working in respect of Street Naming and Renumbering has ensured that new properties are brought on stream accurately and quickly.

6.2.3 Housing Benefit

- The Recovery Team Leader is now working under a new protocol with the Court Team Leader to manage and prioritise overpayment recovery.
- Direct Debits for HB went live in December 2007. Mail shots were sent out to encourage take-up although many customers are already paying on Standing Orders. This initiative is therefore primarily aimed at new debtors. Take-up is now over 180 clients.
- A comprehensive 13-week induction programme has been put in place for new starters alongside an improved recruitment campaign. This has improved recruitment and retention of skills in this traditionally high turnover area of business.

6.2.4 Corporate Debtors Unit

- AUDDIS/paperless Direct Debits (DD) - a project is now underway which should see automated Direct Debits implemented during the summer. This will reduce the amount of administration needed to handle the growing number of accounts paid by DD. The same project will also investigate the possibility of implementing variable DDs, which could allow payment of Adult Social Care charges by this method.
- Bar Coding - all invoices are now bar coded. This allows customers the option to pay via Pay Point in local shops.

- Interest on Late Payment - the new financial system (Authority Financials) has a facility that allows interest on late payment of commercial invoices to be automatically charged.
- Debtors Statements - Debtors' Statements are now being developed and this will assist customers who need to see a brought forward balance on invoices.
- Document scanning and archiving – debtors' documents are now scanned and archived. These documents will be viewable from the Debtors system, which will speed up response times to customer queries and assist auditors and budget holders.
- Performance indicators - improved performance indicators are being developed. These will enable Debtor's managers to focus resources into lower performing debt areas and will also give senior managers a clearer view of the debt portfolio.
- Business process Re-engineering - a project to review and re-engineer all processes and procedures is underway to ensure that the unit runs at optimum efficiency levels and remains cost effective when benchmarked both with internal colleagues and other authorities. There is a particular focus on reducing the time spent by staff on the administration of the system rather than on debt recovery.

6.2.5 Parking Operations

- The service is moving to an Automated Voice Recognition 24 hour telephone payments system on 12 May (as opposed to the current system which only takes telephone payments during office hours).
- A web payments system will shortly be up and running which will link in with the parking management system and provide the facility to view the vehicle parked in contravention. This is in addition to the current system and both telephone / web system will allow real time updating of the system. It is hoped that expanding the times at which payments can be made by phone will further improve the recovery rate.
- Sussex Police have agreed to run Operation Bluebird on a quarterly basis. Ongoing campaigns such as this which combat blue badge misuse should help protect income.
- Following on from the implementation of the Traffic Management Act on 31 March, the service has applied for additional resources, some of which at off peak times can be allocated to the tracing of persistent evaders. Relevant staff will be trained in the use of Experian (an on-line tracing service) with the aim of improving the recovery rate.

6.3 Income Project Officer

- As reported last quarter, it is proposed to appoint a short term Project Officer to help the teams further identify and implement cross-cutting improvements. A bid has been submitted to the Transformation Fund to support the work.

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: 6 July 2008

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: John Heys Date: 8th July 2008

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 Cabinet 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 2007/08
- (2) Appendix B – 2006/07 Comparative Performance
- (3) Appendix C – Aged Debt Profile – Quarter 4
- (4) Appendix D – Aged Debt Profile (Movement from Last Quarter)

Documents In Members' Rooms

- (1) None

Background Documents

- (1) None

Debt Collection Performance 2007/08

Measure	Year-to-Date	Target	Outturn for Year	Distance from Target	Current Status	Movement (See Key below)
Debt						
Sundry Debtors	89.0%	97.5%	89.0%	8.5%	RED	↔
Adult Services Debtors	90.0%	95.0%	90.0%	5.0%	RED	↔
Housing Rents	97.8%	97.7%	97.8%	-	GREEN	↔
Parking - PCN's Paid	60.6%	61.0%	60.6%	0.4%	AMBER	↓
BVP19 - Council Tax Collection	95.8%	96.6%	95.8%	0.8%	AMBER	↓
BVP110 - NNDR (Business Rates) Collection	97.6%	98.5%	97.6%	0.9%	AMBER	↓
Rent from Managed Portfolio (agricultural)	76.0%	85.0%	85.0%	-	GREEN	↔
Rent from Managed Portfolio (commercial)	97.2%	95.0%	96.5%	-	GREEN	↔

Performance Measure

- Overall Collection Rate
- Overall Collection Rate
- Overall Collection Rate
- Overall Collection Rate
- Overall Collection Rate
- Overall Collection Rate
- Collected within 4 weeks
- Overall Collection Rate

GREEN
AMBER
RED

- Meets or exceeds target
- Less than 1% short of target
- More than 1% below target

- ↔ No change from last report
- ↕ Position has improved since last month
- ↔ Position has worsened since last month

2006/07 Comparative Performance

Performance Indicator	Income Type: Description	Brighton & Hove 2006-07	Unitary Average	Unitary Upper Quartile	Unitary Median
BVPI 9	Council Tax: The % of domestic Council Tax received as a % of the total Council Tax expected to be received by the council	96.8%	96.6%	98.1%	96.8%
BVPI 10	Business Rates: The % of Business Rates collected as a % of the total Business Rates expected to be received by the council	98.4%	98.8%	99.3%	98.9%
BVPI 66a	Housing Rents: The Housing Rent collected is the total amount of rent collected during the year, less any payments of arrears for earlier years from former tenants	96.4%	97.7%	98.6%	97.8%
BVPI 79bii	HB Overpayments: This indicator measures the value of Housing Benefit overpayments recovered during the period being reported on as a percentage of the value of recoverable overpayments identified by the local authority on or after 1st April 2000	30.9%	33.3%	38.4%	31.3%
Cipfa Benchmark	Commercial Rents: Debtor Days	84 days	71 days	n/a	n/a
Cipfa Benchmark	Sundry Debts: Debtor Days	94 days	79 days	n/a	n/a
Cipfa Benchmark	Adult Social Care: Debtor Days *	229 days	88 days	n/a	n/a
Local	Parking Fines	61.0%	n/a	n/a	n/a

* Excludes all client charges relating to spot purchase and block contract. We are one of only a few authorities who pay providers net of client charges, which are therefore collected at the point of payment to the provider. Cipfa benchmarking requires that we do not include these debts but if these were included, debtor days would be well below the unitary average.

Appendix C - Aged Debt Profile (Quarter 4)

Debt	Debt Raised In Year £'000	Debt Outstanding £'000	Aged Debt Outstanding					
			<= 30 days £'000	<=60 days £'000	<= 90 days £'000	<= 6 months £'000	<= 1 year £'000	> 1 Year £'000
Housing Rent (Former Tenant Arrears)	n/a	1,717	24	22	34	95	130	1,412
Housing Rent (Current Tenants)	39,667	1,489	83	84	49	136	214	923
Sundry Debtors	30,813	7,255	2,764	745	1,044	635	780	1,287
Adult Social Care	15,461	5,413	1,358	388	445	297	736	2,189
Council Tax	106,208	15,437	3,386		1,273	719	1,578	8,481
NNDR	81,438	4,585	2,293		538	332	114	1,308
Housing Benefit Overpayments *	4,357	3,553	244	225	290	356	506	1,932
Parking Operations (PCNs)	5,903	3,162	251	187	185	518	782	1,239
Commercial Rents **	6,446	1,317	984	41	2		290	

Figures spanning more than 1 period represent data where system or contract information cannot currently provide a more detailed breakdown.

For example, we are able to determine that £2,293k of NNDR debt is less than 60 days old but are currently unable to analyse this further between 60 and 30 days old.

* Excludes amounts recovered through DWP benefit clawback

Debt	Aged Debt Outstanding as a percentage of Debt Outstanding					
	<= 30 days %	<=60 days %	<= 90 days %	<= 6 months %	<= 1 year %	> 1 Year %
Former Tenant Arrears	1.4%	1.3%	7.5%		7.6%	82.2%
Housing Rent (Current Tenants)	5.6%	5.6%	3.3%	9.1%	14.4%	62.0%
Sundry Debtors	38.1%	10.3%	14.4%	8.8%	10.8%	17.7%
Adult Social Care	25.1%	7.2%	8.2%	5.5%	13.6%	40.4%
Council Tax	21.9%		8.2%	4.7%	10.2%	54.9%
NNDR	50.0%		11.7%	7.2%	2.5%	28.5%
Housing Benefit Overpayments	6.9%	6.3%	8.2%	10.0%	14.2%	54.4%
Parking Operations (PCNs)	7.9%	5.9%	5.9%	16.4%	24.7%	39.2%
Commercial Rents **	74.7%	3.1%	0.2%		22.0%	

** Quarter 3 information shown. Quarter 4 monitoring report from Cluttons is not yet available.

Appendix D - Aged Debt Profile (Movement from last quarter)

Debt	Change in Debt O/S £'000	Aged Debt Outstanding (Movement)					
		<= 30 days £'000	<=60 days £'000	<= 90 days £'000	<= 6 months £'000	<= 1 year £'000	> 1 Year £'000
Housing Rent (Former Tenant Arrears)	-1,432	4	-22	-91		-87	-1,331
Sundry Debtors	-835	438	-297	508	-1,201	-279	-4
Adult Social Care	-654	716	-1,501	160	-153	64	60
Council Tax	-2,880	-875		65	-564	-292	-1,214
NNDR	-812		392		-472	-370	-362
Housing Benefit Overpayments *	-177	-51	57	30	35	-72	-176
Parking Operations (PCNs)	-218	88	-8	-27	-52	5	-224
Commercial Rents	0	0	0	0	0	0	0

Debt	Aged Debt Outstanding as a percentage of Debt Outstanding (Movement)					
	<= 30 days %	<=60 days %	<= 90 days %	<= 6 months %	<= 1 year %	> 1 Year %
Former Tenant Arrears	0.8%	-0.1%		3.5%	0.7%	-4.9%
Sundry Debtors	9.3%	-2.6%	7.8%	-13.9%	-2.3%	1.8%
Adult Social Care	14.5%	-24.0%	3.5%	-1.9%	2.5%	5.3%
Council Tax	-1.3%		1.7%	-2.3%	0.0%	2.0%
NNDR	4.8%		11.7%	-7.7%	-6.5%	-2.4%
Housing Benefit Overpayments	-1.0%	1.8%	1.2%	1.4%	-1.3%	-2.1%
Parking Operations (PCNs)	3.1%	0.1%	-0.4%	-0.5%	1.7%	-4.1%
Commercial Rents	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%