

FINANCE CABINET MEMBER MEETING

Agenda Item 34

Brighton & Hove City Council

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|-------------------------|---|------------------------------------|---------------------|
| Subject: | Income Collection & Recovery 2009/10 - Quarter 3 | | |
| Date of Meeting: | 18 January 2010 | | |
| 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

The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that due to the proximity of the reported quarter's end date, the financial information necessary for the completion of the report was not available in time to meet the standard publication deadline.

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 3 (December 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 3, performance remains on track to achieve the target of 96.20% for the year with performance being at 83.61% compared to a profiled target of 83.57% for the third quarter. This indicates that performance is still holding up well despite the current economic conditions. However, the current recession is likely to mean that harder to collect debt which is generally collected later in the year, often through recovery action, is likely to be a more difficult exercise this year and it may be hard to sustain performance above target through to the end of the financial year.

3.5 BVPI 10 NNDR Collection

Collection performance for the third was 87.79% compared with a target of 87.33%, which is 0.46% above target. The target for the year is a collection rate of 97.50% which is a slightly lower target than last year in recognition of economic conditions. Performance at quarter 3 indicates that the outturn could be very close to target although this is the first quarter of the year in which performance has met or exceeded the target. The council is ensuring that regular payment is being collected from those businesses that can pay, however, many businesses are struggling under the pressure of the recession and it is difficult to project how this will impact on the full year collection performance, particularly following the outcome of the Christmas trading period and the impact of severe weather on businesses.

3.6 BVPI 66a Housing Rent Collection and Arrears Recovery

Current rent arrears have continued to reduce and the collection rate forecast has improved to 98.31% compared to 98.27% at the end of quarter 2 and against a year end target of 98.5%.

3.7 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 3 of 2009 has reduced from 82% to 74% of debt being collected, however, this is still well above the target of 65%. The overall recovery of all debts, including historic arrears, is holding up well and stands at 32% against a target of 30%. This is an improvement of 5% compared with quarter 2. We have written off 6% of bad debt against a target of 10% for the year.

3.8 Sundry Debt

Performance indicators for sundry debt invoices collected within 90 days continues to improve increasing to 95% for this quarter from 93% in quarter 2; this area is now collecting on target. In terms of sundry debts collected in year, performance has decreased slightly to 90% compared to a quarter 2 collection rate of 95%. Sundry debt performance can be affected by delays in collecting a small number of large debts and it is expected that performance will balance out and increase back to target of 95% over the final quarter.

The number of days taken to collect debt has again reduced this quarter for sundry debts to 49 days, this is compared to previous quarters of 52 and 54 days. The same indicator for adult social care has increased slightly to 73 days against 65 for the previous quarter.

The in-year collection rates have increased to meet the target of 95% this quarter, an improvement of 11% on last quarter (84%) for Sundry Debts. Debts collected within 90 days is currently at 93% for sundry debts. The target for in-year collection is 95% and at this stage there are no indications that this will not be achieved.

3.9 ASC Debt

The performance indicator for adult social care debts collected within 90 days continues to increase and is currently at 99% against a percentage of 98% for the previous quarter. Adult Social Care debts collected in year has also risen to 94%, against a percentage of 87% for quarter 2 and 79% in quarter 1. The in-year collection is now just below the annual target of 95% and it is still expected that the recovery target for the year can be achieved.

3.10 Parking Debt

Penalty Charge Notice (PCN) recovery this quarter equates to over 73% of the 32,840 PCNs issued in October, November and December 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. The figures continue to represent a significant improvement on last year's figures. Overall it is anticipated that an average recovery rate of at least 70% (target) will be achieved over the coming 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.

3.11 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 for quarter 1 was 87.75% collected within 4 weeks, 92.80% collected within 8 weeks and 96.38% collected within 12 weeks.

Information on collection performance for this area is not available until some weeks after the quarter end. At this stage, quarter 3 data is therefore not yet available and quarter 2 information is therefore provided. Collection performance at quarter 2 is running at 83.88% within 4 weeks, 92.33% within 8 weeks and 96.95% within 12 weeks. This represents continued good performance for the collection of rents given the current retail climate.

Although collection performance is holding up well, the Targeted Budget Management report to Cabinet (November 2009) indicates a shortfall against commercial rent income of £0.420 million due to economic conditions. The main loss is due to rent/lease renewals being on lower terms than expected due to the economic downturn; there has also been a slight increase in the number of voids. Income on this budget is particularly sensitive to the current market conditions and is being monitored very closely.

Various measures are in place to manage and minimise the existing pressure, such as proactive marketing, offering small businesses the option to pay rent in monthly instalments rather than quarterly, and negotiating short term lets to minimise voids. Currently there are only 2 voids out of 200 city centre retail units. Proactive procedures have been put in place for temporary lets and property services have a list of potential clients so that they can tailor the possible voids to the right clients/product. Temporary tenants have been put in place already and/or are about to be put in place where leases have been surrendered. Appropriate measures are being implemented for each property on a case-by-case basis. As a result, the shortfall is £0.410 million lower than it would have been without such action.

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:

- Council Tax – there is a small increase in the amount of debt over 1 year old (i.e. arrears) compared with 2008/09. However, this type of debt can fluctuate during the year and the key measure will be comparative performance at the year end.
- NNDR Business Rates – the age profile shows a marked reduction (38.1%) of debt over 1 year old compared with the same period last year. As with Council Tax, this may be due to normal fluctuations in recovery during the year but if sustained during the final quarter will represent a favourable position.
- Sundry Debt – the number of days taken to collect debt has again reduced this quarter for sundry debts to an average of 49 days, this is compared to previous quarters of 52 and 54 days. Overall the age profile of Sundry Debt has improved with debts under 60 days old increasing while debts over 90 days old have correspondingly reduced.
- Adult Social Care – the aged debt profile shows that the amount of current debt (less than 30 days old) has increased by 20.8% compared with older debt. This is a favourable trend indicating that debts are being turned around more quickly overall.
- Housing Rents – the age profile has remained fairly static. The majority of Current Tenant debt is over 1 year old and therefore in-year debt does not fluctuate significantly. Once into an arrears situation, this type of debt is often difficult and lengthy to recover (e.g. through long payment arrangements) due to the generally low incomes of tenants. The challenge in this service is therefore to prevent arrears growth as far as practicable. To date the position is holding up well.
- Housing Benefit overpayment – similar to Housing Rents, in this area it is important to ensure overpayment is recovered very quickly otherwise recovery tends to become difficult and protracted. Current performance shows a stable position with no significant increase or decrease in the age or amount of debt/arrears.
- Parking – the amount of debt over 1 year old has increased by 15.1% compared to the same period last year. This is partly because some write offs (i.e. following successful appeal) have been delayed and partly due to the impact of economic conditions on businesses and individual's ability to pay (e.g. increased bankruptcies).
- Cluttons Commercial Rents – the profile of debt has remained relatively static which indicates that despite economic conditions, arrears are not growing relative to the same period last year.

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. Appendix D gives more information on debt over 1 year old (arrears) and shows the recovery status of this debt. Debt described as “Awaiting Write Off” is generally debt that has been identified as uncollectable for statutory or business reasons (e.g. bankruptcy, insolvency, etc).

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.

| Income | Direct Debit Collections: | |
|--|-------------------------------------|-------------------------------------|
| | As a percentage of all transactions | As a percentage of income collected |
| | % | % |
| Housing rent | 24 (24) | 28 (26) |
| HB Overpayments | 57 (52) | 22 (*) |
| Sundry Debtors (incl. Adult Social Care) | 51 (51) | 6 (*) |
| Council Tax | 72 (72) | 74 (71) |
| NNDR (Business Rates) | 65 (65) | 47 (45) |
| Cluttons (Rents) | 21 (21) | * |

Figures in brackets () represent the previous quarter

* 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 3% in the second quarter.

Although the percentage of housing rent income collected by direct debit has remained fairly static at 28% (of value), the percentage of transactions has declined slightly since quarter 1. This reflects the fact that while this payment method is cost effective for the council it may not always be suitable for many of our working tenants, many of whom have low and/or uncertain incomes. Housing Benefit Direct Debit take up continues to increase, with 57% of arrangements now being paid using this method. A total of 495 debtors paid by DD from October to December 2009. This is a further increase of 5% paid by DD compared with last quarter. The amount paying on the new 6th of the month date continues to increase and has reduced the number of DD requests declined from 3.4% in quarter 2 to 2.8% in Quarter 3.

While over 50% of Sundry Debts are collected by direct debit they tend to represent lower valued invoices such as personal alarms, beach huts and membership fees to various leisure facilities and therefore represent a very small percentage of the overall income collected. However, efforts are being made to encourage other regular debtors to take up Direct Debit where practicable.

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 2009/10 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

- Work continues on the development of eBenefits to fast track tenants claims and prevent rent and council tax arrears. Although the system enhancement has been delayed it is hoped to introduce a mobile solution relatively early in the new year.

6.2.2 Council Tax and NNDR

- The NNDR section have been busy implementing the new Rate Deferral legislation, which allows businesses to defer payment of 60% of the increase in their 2009/10 rates bills until 2010/11 and 2011/12. Close to £0.5 million has been deferred to future years in accordance with the legislation.
- The section has also undertaken an analysis of the draft Revaluation List that comes into force in April 2010 and has met with the Head of Profession, Director and Rating and Valuation Officer to discuss this with a view to minimising the effect of increased valuations on local businesses. It is planned to mailshot Business Rate Payers later this year with advice on how to work out their bill and what their appeal rights are.
- The service has also stream-lined its Council Tax telephone system to give better information to customers at the first point of contact and also obtain better management information on telephone performance.

6.2.3 Housing Benefit

- Training is being arranged for the team on Welfare Benefits, to help to ensure that debtors' incomes are maximised, and also on debt advice, including dealing with people with mental health issues, to help debtors to prioritise their debts more effectively. This is due to take place in March 2010.
- Electronic referrals now being made by secure email to the Department for Work and Pensions, which is expected to speed up the process for deductions from other DWP benefits.
- A new Service Level Agreement has been agreed with the Debt Management service, starting on 1 December 2009, and new monitoring processes as well as the electronic referrals should help the service to continue to improve collection rates as a result.
- The write off process for HB overpayments has been streamlined which means the service is able to process debts for write off more speedily. This does not mean that the level of write off's will increase, purely that those debts that are considered uneconomic or impossible to collect (e.g. due to bankruptcy, abscond, etc) will be cleared more quickly to enable officers to concentrate on live debt that may still be recovered.

6.2.4 Corporate Debtors Unit

- The Central Collection Team have recently adjusted the resources around the adult social care portfolio and this has resulted in the collection of debts increasing each quarter. The team have also continued to build on the number of cases that are referred to internal collection agencies with positive results at marginal cost.
- Recent introductions to the service have also included; enabling customers to print their own invoice number bar codes via the council's website and offering electronic invoices where originals have not been received, both of these initiatives enable customers to pay promptly whilst reducing the cost of the service. Work is also continuing on automating processes and procedures through development of the corporate Financial Information System which will positively contribute to the overall collection of outstanding debt.

6.2.5 Parking Operations

- In line with the requirements of the Traffic Management Act 2004 the service has produced its first Parking Annual Report 2008/09 as approved by the Cabinet Member for Environment on 24 September (Agenda item 41, Appendix 1). As all local Authorities are now required to produce this report this should improve the quality of benchmarking information.
- The service has also asked NSL's (formerly NCP) bailiff team, 'TASK', to use their Automatic Number Plate Recognition van to identify

vehicles with outstanding warrants returned as unpaid in January following a successful trial earlier this year. This additional process should help further improve the PCN recovery rates going forward.

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.

Financial Officer consulted: Nigel Manvell

Date: 11/01/2010

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 3 2009/10
2. Appendix B – Aged Debt Profile – Quarter 3 2009/10
3. Appendix C – Aged Debt Profile – Comparison to Quarter 3 of last year (2008/09)
4. Appendix D – Analysis of Debt Outstanding (Arrears) Over 1 Year Old

Documents in Members' Rooms

1. None

Background Documents

1. None

