

FINANCE CABINET MEMBER MEETING

Agenda Item 41

Brighton & Hove City Council

Subject: Income Collection & Recovery 2008/09 – Quarter 1
Date of Meeting: 13 October 2008
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
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 1 (June 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 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. BVPI indicators will continue to be collected while the new National Indicator Set and/or other local performance indicators are put in place.
- 3.2 Services monitor performance in many different ways but this report focuses only on key indicators and headline information. Key performance indicators are summarised at Appendix A (current year).
- 3.3 Council Tax Collection (BVPI 9)
In-year collection is running at 28.73% as at June 2008 which compares with 28.72% this time last year. This is a good achievement given the current economic climate and is expected to enable the service to achieve the target collection rate of 96.1% for the year.
- 3.4 Business Rate (NNDR) Collection (BVPI 10)
The first quarter performance figure for NNDR is 31.98%, which is slightly behind the target of 33.15%. However, we expect that NNDR collection will be relatively volatile this year due to the impact of the credit crunch and it is therefore difficult to monitor relative performance in these conditions and the potential impact of first quarter performance on the overall collection rate for the year.

3.5 Housing Rent Collection and Arrears Recovery (BVPI 66a)

This indicator relates to the proportion of rent collected during the year as a percentage of the total rent charged for the year. It does not take into account any cash collected to clear arrears from previous years. At the end of the first quarter the forecasted collection rate is 97.965% against a year-end target of 98.5%. Until year-end is reached the result can only ever be a forecast as the service cannot be precisely sure how much rent will be foregone as a result of properties being empty whilst they are re-let. This result compares favourably to 2007/08 when the forecasted result was 96.680%.

During the first three months of this year, current rent arrears have dropped from £905,675 to £834,592 a reduction of £71,083. With continued improvement and service developments, some of which are set out below, Housing Management are confident of meeting their annual target.

3.6 Housing Benefit (HB) overpayments recovery (BVPI 79b)

Performance in 2007/08 showed that in-year recovery was performing well and exceeded the target of 62.5% by over 10% (72.6%). Improving in-year recovery is important as the faster debts are collected, the less likelihood there is of arrears building up. In terms of arrears recovery, this was slightly below target at 31.34%, which was 5.66% below the target of 37% for 2007/08. However, it is difficult to assess whether performance is genuinely lower as many arrears may be in recovery via lengthy regular payment arrangements that are not accurately reflected by this indicator. Targets for Housing Benefit Overpayments are currently being reviewed in light of national comparative data.

3.7 Sundry Debt

Collection performance continues to steadily improve with 82% of debts now being collected within 90 days compared with 69% previously. Current in-year collection stands at 76% of debts, however, this includes some large one-off debts that once-cleared will bring performance much closer to target. Although it is difficult to forecast at this early stage of the year, the collection rate (including arrears) is expected to remain close to the target of 97.5% as sundry debts are not normally adversely affected by the speed of recovery (within limits). Targets for Sundry Debt are currently being reviewed in light of national comparative data.

3.8 ASC Debt

Recovery of Adult Social Care debts has improved markedly with 97% recovered within 90 days compared with less than 60% during 2007/08. In-year collection is currently at 92% and is expected to achieve the target for the year (95%). Targets for Adult Social Care are currently being reviewed in light of national comparative data.

3.9 Parking Debt

Penalty notice recovery rates were running at below 60% for the first quarter (e.g. 58.7% in June), however, this lower rate is primarily due to problems experienced during the migration of data to the new parking management system which reduced the recovery rate for this period by about 2.5%. Projections for the remainder of the year, including a strong recovery rate of well over 65% on bus lane enforcement, should ensure that the target of 61% is met or bettered.

It should be noted that recovery rates can be significantly affected by National Parking Adjudication Service rulings to cancel Penalty Notice Charges (PCNs) issued as well as other factors outside of the council's control such as the reliability of information from the DVLA. This collection rate is, however, known to be comparable with other authorities in the south.

3.10 Commercial Rents – Cluttons

Many 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. overall collection rate target assuming 5% voids). Average performance for 2008/09 so far is 72.39% collected within 4 weeks compared with the target of 85%.

Cluttons have continued to perform reasonably well in terms of rent collection and have refined their reporting of data to provide more information on the performance of the portfolio. Performance was better than target for rent collection during the 4th Quarter of 2007/08. However, in common with the wider industry we are now seeing the impact of the credit crunch on tenants in the tougher trading environment, particularly in the retail sector. In addition, voids are continuing longer than anticipated because the market for empty retail properties is particularly slow at present. The longer these economic conditionals prevail the more difficult it will be to hit targets and avoid arrears growing.

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 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 as debts are paid whereas Sundry Debts are continually being raised throughout the year. In practice, the income collection units will therefore compare their debt profiles with the same period in the previous years as an additional check on trends.

4.2 Currently there are no adverse or unexpected trends to report. The increase in Council Tax debts over 1 year old (+£3.8m) appears to be an adverse movement but in fact this is due to the way in which the system re-categorises debts as it rolls over to a new financial year; i.e. all current debts as at 31st March 2008 become listed as over 1 year old.

5 **Direct Debit/Standing Order 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. Current take up of regular payments by service is shown in the table below. Figures are shown as a percentage of either transactions (i.e. each bill raised) or the value of debt raised. The latter is the more important indicator but not all systems can currently report in this way.

Figures in parentheses () represent the previous quarter

Income	Direct Debit Collections	
	Transactions	Value
	%	%
Housing rent	14 (15)	26 (26)
HB Overpayments	30 (n/a)	*
Sundry Debtors (incl. Adult Social Care)	52 (47)	*
Council Tax	*	62 (57)
NNDR	*	43 (47)

Cluttons (Rents)	20 (n/a)	*
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* Indicates that systems cannot currently report information in this format

n/a = not available at time of reporting

- 5.2 The table shows that regular payment take-up is holding steady for Housing Rent who undertook a significant drive to encourage take-up during 2007/08 and who are currently planning further initiatives. Sundry Debt take-up is improving and the service is working toward automating Direct Debit transaction handling (using the AUDDIS service). The all-important service is Council Tax collection where the value of payments by Direct Debit has increased by a healthy 5%.
- 5.3 It is also worth noting that the authority pays independent sector adult social care providers net of any client charges. This is a very efficient and cost effective way of collecting the vast majority of social care charges compared with many authorities.
- 5.4 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 and Best Practice Actions

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 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

- “E-benefits” will be implemented in **September 2008**, a slight delay to the proposed introduction in June of this year. This will enable housing benefit applications to be taken on-line and uploaded directly to be processed. E-benefits also enables advisors to establish what other benefits or tax credits may be available for individual households.
- Direct Debit drive – targeted letters are being sent to tenants to encourage direct debit payment. The letter includes a mandate form, provides details of the incentive scheme and sets out why direct debit is the easiest way to pay.
- Advertising Campaign – the service is currently working with the Tenant and Leaseholder Housing Income Management Group to devise an advertising campaign about 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.
- A review of collection methods is to be undertaken during September and October to streamline procedures whilst ensuring debtors still receive appropriate levels of advice and support. In addition, a customer satisfaction survey will be completed by 30 November and the results used to improve service delivery. A best practice-sharing visit is also planned with another city council.
- A review of the Housing Income Management Team Structure is expected to take place by 31 October.

6.2.2 Council Tax and NNDR

- The service is currently running a Recovery Review Project which is looking at all aspects of recovery. This has led to an improved training programme, which many staff have already been through. This is aimed at improving telephone techniques to collect payments there and then and also promote Direct Debit payment as far as possible, especially at reminder and summons stages.
- The service is also conducting site visits to other top performing authorities to pick up best practice, and reviewing recovery timetables to ensure action is taken as quickly as possible against defaulters.
- There is also more cross-service work being undertaken, particularly with Housing, to ensure a more holistic view of recovery is being taken.
- Increased activity on hard to collect debts continues. 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.

6.2.3 Housing Benefit

- 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 250 clients (up from 180 last quarter).
- The service is working on a project to streamline invoice processing which will further improve the focus on recovering current debt and reduce the amount of arrears building up in future.

6.2.4 Corporate Debtors Unit (Sundry and Adult Social Care Debt)

- AUDDIS/paperless Direct Debits (DD) - this project, which will enable automated Direct Debits, is now entering the testing phase. AUDDIS will reduce the amount of administration needed to handle the growing number of accounts paid by DD. The project will later move on to investigate the possibility of implementing variable DD's, which could allow payment of Adult Social Care charges by this method.
- Performance indicators - improved performance indicators are being developed in line with national benchmarking data sets. These will enable Corporate Debtors managers to focus resources into lower performing debt areas and will also give senior managers a clearer view of the debt portfolio.
- The service continues toward the integration of the Debtors and Banking services and is currently recruiting to a management post to lead the integrated teams. This is designed to ensure that debtors systems (which handle billing) and banking systems (which handle payments and income) and supporting services are as co-ordinated as possible.

6.2.5 Parking Operations

- The 24 hour telephone payments system is now fully operational, allowing telephone payments to be taken outside of office hours. It is hoped that expanding the times at which payments can be made by phone will further improve recovery rates.
- A new web-based payments system is also operational, which links to the parking management system and provides the facility to view the vehicle parked in

contravention. This is in addition to the current system and both telephone / web system allow real time updating of the system.

- Sussex Police have agreed to run operation bluebird on a quarterly basis and the next operation is due in October. Ongoing campaigns to combat blue badge misuse should help protect income.
- Additional resources are currently being recruited to support the implementation of the Traffic Management Act on 31 March, some of whom, at off peak times, will be allocated to the tracing of persistent evaders. Relevant staff will be trained in the use of on-line tracing services with the aim of improving the recovery rate.

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: 7/09/2008

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: Abraham Ghebre-Ghiorghis

Date: 23/09/2008

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 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 1
- (3) Appendix C – Aged Debt Profile (Movement from Last Quarter)

Documents In Members' Rooms

- (1) None

Background Documents

- (1) None