

# FINANCE CABINET MEMBER MEETING

**Agenda Item 11**  
Brighton & Hove City Council

<b>Subject:</b>	<b>Income Collection &amp; Recovery 2008/09 – Quarter 4</b>		
<b>Date of Meeting:</b>	<b>29 June 2009</b>		
<b>Report of:</b>	<b>Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Nigel Manvell</b>	<b>Tel: 29-3104</b>
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<b>Key Decision:</b>	No		
<b>Wards Affected:</b>	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 4 (March 2009) and highlight continuing improvement and best practice actions.

### 2 RECOMMENDATIONS:

- 2.1 That the Cabinet Member for Finance notes the contents of the report.

### 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 (BVPIs), which are reported below, while other services have developed local performance indicators and targets. BVPI indicators will continue to be collected 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

The Council Tax in-year collection rate for 2008/09 is 96.10% which means the service has achieved the target (96.10%) for the year. Given the deteriorating economic conditions, particularly in the 4<sup>th</sup> quarter, this result represents a good achievement for both the management of debt and safeguarding the council's financial position.

### 3.5 BVPI 10 NNDR Business Rate Collection

The final in-year collection rate was 1.67% below the target of 98.60% at 96.93%, which is not unexpected given the harsh economic climate that has affected businesses and the indications are that many other local authorities have been similarly affected. The council's recession package includes measures to assist struggling businesses and this has meant that increasing numbers of extended payment arrangements are in place which has also reduced in-year collection but will hopefully secure the longer term financial position.

### 3.6 BVPI 66a Housing Rent Collection and Arrears Recovery

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. End of year figures show a collection rate of 98.16% against a year end target of 98.50%.

While falling slightly short of target, the result compares favourably to the collection rates of 96.44% in 2006/07 and 97.75% in 2007/08 and shows a year-on-year improvement in rent collection and arrears management. During 2008/09 current rent arrears also improved from £905,675 to £750,568; a reduction of £155,107.

Maintaining a high level of income management performance will be an even greater challenge in the changing economic climate. However, it is anticipated that planned service improvements will enable the Income Management Team to achieve continuous improvement.

### 3.7 BVPI 79b Housing Benefit (HB) overpayments recovery

In year collection figures for Quarter 4 remain constant at 72% of debt being collected against a target of 65%. Overall recovery of all debts, including historic arrears, have improved significantly since the last quarter and are now 36% against a target of 30%. A total of 6% of bad debt has been written off compared with the target of 10% for the year. Whilst this latter figure has not met the target, recent improvements in reporting and identifying bad debt will enable this to be achieved in 2009/10 and subsequently focus on recovering more recent debt.

### 3.8 Sundry Debt

Overall collection performance for sundry debt has improved further to 99% of debts now being collected within 90 days compared with 98% last quarter. Current in-year collection has improved from 93% in quarter 3 to 98% in quarter 4 (and for the year) which exceeds the target of 97.5%.

### 3.9 ASC Debt

Recovery of Adult Social Care debts within 90 days has substantially improved to 96% compared with 80% last quarter which was due to a number of temporary staffing shortages. In-year collection has remained high throughout the year and a collection rate of 99% has been achieved which exceeds the target of 97.5%.

### 3.10 Parking Debt

Penalty Charge Notice (PCN) recovery, as with last quarter, exceeded previous highest recovery rates this quarter with 70.0% of the 33,055 PCNs issued being 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 parking section is also trialling the use of Automatic Number Plate Recognition vehicles to identify persistent evaders.

Recovery of Penalty Charge Notices (PCNs) has shown significant improvement throughout the year (58.7%, 63.6% and 69.2% for quarters 1, 2 & 3) and has further improved in quarter 4 to 70.0%. Overall the trend shows that more PCNs are being paid early within the discount period than at later stages when the charge is higher. The target for the year was revised to 70%, recognising the higher recovery rates for bus lane enforcement, and although the average for the year is below this at 65.4%, the improvement through the year and the last quarter's performance indicate that this target can now be reached going forward.

Note 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 for other types of debt. This collection rate is, however, known to be comparable in performance terms 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% within 12 weeks (i.e. the overall collection rate target assumes 5% voids). In quarter 3 performance was 84.41% within 4 weeks, 92.29% within 8 weeks, and 95.76% within 12 weeks. Current performance is 80.89% within 4 weeks while 8 week and 12 week performance is not yet available for quarter 4.

The position has become more challenging due to economic conditions since quarter 2 when 4 week collection performance was at 92.47%. 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 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 The profile of debts compares reasonably well with the previous year although there are increases in the amount of debts over 1 year old on Commercial Rents and Parking. The former is due mainly to economic conditions and the increased take up by businesses of extended payment arrangements. The latter is partly due to a change in policy regarding foreign vehicles which are removed to the pound where 5 or more Penalty Charge Notices (PCNs) have been incurred, however, these PCNs are not written off as previously.
- 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 TAKE-UP

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	23 (16)	27 (29)
HB Overpayments	49 (40)	*
Sundry Debtors (incl. Adult Social Care)	52 (51)	*
Council Tax	64 (66)	63 (66)
NNDR (Business Rates)	57 (65)	50 (50)
Cluttons (Rents)	21 (21)	*

\* Indicates that systems cannot currently report management information in this format  
n/a = not available at time of reporting

The all-important service is Council Tax collection (over £100 million income) where the value of payments by Direct Debit improved overall this year and has held relatively steady after an initial increase of 5% in the early part of the year.

Direct Debit for Housing Benefit overpayments continues to increase significantly since it started in December 2007 with 49% of arrangements now being paid using this method. It is also planned to apply to BACs (Banking Service) to run paperless direct debits this year to speed up the process further. An additional direct debit date is also being introduced on the 6th of each month as many people find the 1st of the month an unpopular date, as often salaries have not cleared in time to meet payments.

Regular payments (Direct Debits) 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 IMPROVEMENT ACTIONS

6.1 Improving the performance of income collection services is a matter for each service and the relevant director, however, the council’s 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

- **Financial Inclusion** - financial exclusion amongst tenants affects performance so an important dimension of income management will be to focus on helping tenants to maximise their income. The service is in the process of developing a Financial Inclusion Strategy, to be applied throughout the tenancy process, which will set out

how the service intends to assist residents to access money management advice and ethical financial services to maximise their income.

- **eBenefits** - the majority of tenants (75%) now receive Housing Benefit and the Benefit Service is the largest single source of payments into rent accounts. In September 2008 eBenefits were introduced for all new tenants. The success of the pilot has led to the purchase of eBenefits Mobile technology. This system enhancement enables the service to offer eBenefits to existing tenants which is planned for launch during Summer 2009.
- **Benefit Take Up Campaign** - from October 2009 Child Benefit will be disregarded for Housing Benefit purposes and the service will be working with the Benefit Service, advice agencies, and tenant representatives to encourage families on low incomes who do not currently qualify for benefit to apply.

### 6.3 Council Tax and Business Rates (NNDR)

- During the period January to March, the Revenues Section conducted a campaign to increase the take-up of small business rate relief in the business community. Staff personally visited hundreds of business properties in the area and sent mailshots to every business that may qualify. The results were very successful and take-up over that period increased considerably. A total of nearly £2 million of small business rate relief has been awarded for 2008/09.
- Along with other areas, the service is also working to support the "recession relief" package announced by the council to help businesses through the economic slow-down. More leeway has been allowed around payment arrangements to help local businesses to manage their cashflows and closer links have been developed with other areas of the council involved with the business community.

### 6.4 Housing Benefit

- Further improvements in relation to Direct Debits are described in section 5 above.
- The service is improving working relationships with the Department of Work and Pensions (DWP) and two analysts from the DWPs Performance Development team will be visiting the service at the end of May to review practices and determine if there are any areas for improvement that can be recommended. An officer from the DWP Housing Benefit Policy team will also be visiting the service in June to discuss how DWP can help by giving the council more powers when recovering debt e.g. requiring other Local Authorities to recover debts where debtors claim Housing Benefit in their area rather than this being optional as it is now.
- The service attended the first London Overpayments Benchmarking Group in April. This forum provides an opportunity to share best practice and look at different ideas around recovery with a view to improving performance. Initial feedback from the group was positive and the group is very keen to learn more about the council's Court work.

### 6.5 Corporate Debtors Unit (Sundry/ASC Debt)

- The service is continuing to develop and enhance individual officer performance reports, which are resulting in the collection improvements reported above. The service is now focusing on older debts and has secured the resources of both the in-house bailiffs and lawyers to progress these cases. This is coupled with the plan to administer court proceedings in-house via the on-line HM Court Service. This should see not only a future reduction in debt outstanding but also a reduction in costs associated with collecting debt.

## 6.6 Parking Operations

- Parking managers from East and West Sussex are due to meet in June with Brighton & Hove to share best practice and explore possible opportunities for partnership working to reduce costs and further improve recovery.

## 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: 05/06/09*

### 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: Oliver Dixon*

*Date: 05/06/09*

### Equalities Implications:

8.3 As reported above, financial exclusion of citizens and council tenants not only means that people are unable to maximise their income but also has an affect on their ability to pay council debts. In the current climate, the council will ensure people are directed to appropriate advice agencies and other support wherever possible.

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 (to follow)
- (2) Appendix B – Aged Debt Profile – Quarter 4 (to follow)
- (3) Appendix C – Aged Debt Profile (Movement from Last Quarter) (to follow)

#### **Documents in Members' Rooms**

None

#### **Background Documents**

None