

	<p>Performance and Finance Select Committee 22 January 2008</p> <p>Report from the Director of Finance and Corporate Resources</p>
For Information	Wards Affected: ALL
<p>Report Title: Revenues & Benefits Performance</p>	

1.0 Summary

- 1.1 This report provides an update on performance in relation to Council Tax and Business Rate (NNDR) collection as at 31 Dec 2007. Capita and Brent officer representatives will be available at the meeting to respond to any questions arising.
- 1.2 Both Council tax and NNDR in year collection are positive however Council Tax arrears collection up to 2005/06 remains of concern.

2.0 Recommendations

- 2.1 Members are asked to note Capita's Council Tax and NNDR performance for the year to date and the current forecast which currently indicates contractual targets for in year Council Tax collection should be exceeded but arrears targets for 2003 to 2005/06 are unlikely to be achieved.

3.0 Detail – Revenues

Summary of General Position

- 3.1 Council Tax in year collection is progressing well and is currently on course to exceed last year's collection performance. At 31 December 2007, in year collection had reached 82.78 compared to 74.67% at 31 December 06. Much of this increase relates to changes to Direct Debit instalment payments, which are now paid over 10 months compared to 12 months in 2006/07. Notwithstanding this, in year collection is improving and if current performance is sustained, highest ever levels of in year Council Tax will be achieved by 31 March 2008.
- 3.2 National Non Domestic (Business) Rates collection is also positive and currently on course to exceed the profiled target. At the end of December 2007, 88.26% was collected for NNDR due (excluding amounts due for

Wembley National Stadium Ltd) in comparison to 88.73% at the same time in 2006.

- 3.3 Post contract Council Tax arrears collection (for the years 2003/04 to 2005/06) has remained disappointing and is not forecast to achieve contractual targets. This has been the position with these arrears since Capita took over the contract in 2003. However performance for 2006/07 is more encouraging and is currently forecast to reach the target set for March 2008.
- 3.4 Pre contract Council Tax arrears collection has reduced when compared to December 2006 with £107,033 collected compared to £466,420 in December 2006. This reflects the fact that this debt spans as far back as 1993 up to 2003 and is becoming increasingly difficult to collect. Further details are provided at paragraph 3.10.

In Year Council Tax Collection for 2007/08

- 3.5 In 2007/08 Capita are contractually required to achieve an in year collection rate of 94% (including summons costs) by 31 March 2008. Given that this target was exceeded in 2006/07, Capita have set an internal target to achieve 94.5% for 2007/08.
- 3.6 In order to measure the progress of collection throughout the year, a monthly profile of expected collection levels is drawn up with Capita at the beginning of the year. The profile for 2007/08 is shown in Table 1. This shows that by the end of December 2007, the collection profile was exceeded by 2.11%. This is despite a reduction to the levels of Council tax Benefit awarded, arising mainly from changes to customer's circumstances. There is likely to be some levelling out against the profile between January and March, however current performance indicates that collection should reach 94.5%.

Table 1: 2007/08 Actual collected as a % of debt, in comparison with Monthly Profile

	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Contract Target 2007/08	14.09	23.47	31.67	39.87	47.87	56.02	64.07	72.32	80.37	88.52	91.12	94.00
Aspiration 2007/08	14.09	23.47	31.67	39.87	47.97	56.17	64.37	72.57	80.67	88.87	91.52	94.50
2007/08 Actual	14.09	23.47	32.25	40.87	49.31	57.58	66.36	74.67	82.78			
Variance			0.58	1.0	1.34	1.41	1.99	2.10	2.11			

- 3.7 When comparing collection at the end of December 2007 with the end of December 2006 (Table 2), collection is 8.11% ahead in 2007. Approximately 7.2% of this increase has arisen because of the reduction to Direct Debit instalments from 12 to 10.

Table 2: 2007/08 Collection as a % of Net Collectable Debit compared with 2006/07

Cumulative Collected – Council Tax												
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March
2004/05	13.77	22.01	29.9	37.42	44.79	52.66	60.15	67.59	74.92	81.53	87.3	93.41
2005/06	14.11	22.6	30.51	37.7	45.21	52.91	60.44	68.07	75.46	82.31	87.78	93.56
2006/07	13.51	21.85	29.52	37.05	44.46	52.09	59.68	67.39	74.67	82.05	88.01	94.3
Actual	14.09	23.47	32.25	40.87	49.31	57.58	66.36	74.67	82.78			
Comparison with 2006/07												
	0.58	1.62	2.73	3.82	4.85	5.49	6.68	7.28	8.11			

3.8 A revised recovery policy was implemented in 2006/07, which set out to ensure that in year collection continued to improve and introduced more flexible repayment arrangements for customers in arrears. The revised policy acknowledges that customers who have outstanding arrears, can find it difficult to meet both their in year liability and multiple arrangements for previous years. In cases such as these, Council Tax debts can be amalgamated into a single affordable arrangement, subject to the completion of a means enquiry form by the customer. Coupled with this, unspecified payments are now allocated to in year debt first to prevent new arrears arising. This approach appears to be supporting our aim to reduce levels of Council Tax arrears going forward. Briefings on the revised policy have been carried out for customer services staff and advice agencies such as the CAB and Brent Law Centre, to encourage its use.

3.9 Table 3 below shows the cumulative cash collected on a monthly basis for the in-year Council Tax for this year and last. This allows a comparison of the cash collected for the months of April to December 2007 with the same period in 2006. This shows that an additional £12M has been collected in Council tax this year for in year debt compared to the same period last year. This reflects the increased level of Council tax, changes to direct debit instalments and improved collection performance.

Table 3: Cash collected for 2007/08 Council Tax

Cash Collected £000's– Council Tax												
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
2006/07 Cumulative	12,782	20,690	27,901	34,935	41,906	49,062	56,165	63,234	69,930	76,714	82,001	87,364
2007/08 Cumulative	13,999	23,287	32,023	40,604	48,954	57,095	65,786	73,972	81,929			
Monthly £	13,999	9,288	8,736	8,581	8,350	8,141	8,691	8,186	7,957			
% NCD	14.09	9.38	8.78	8.62	8.44	8.27	8.78	8.31	8.11			

Council Tax Collection for previous years: 2003/04 to 2005/06

3.10 Collection of arrears from 2003/04 to 2005/06 remain of concern, with particular issues being experienced with 2003/04 debt. In year collection for 2003/04 was the lowest for all of these years and arrears collection suffered from early teething problems with the contract. Much has been done to address the issues affecting arrears collection since 2003 and the position is now much stronger. However it is clear that failures in collecting arrears at an

early stage are not easily addressed. Capita are subject to contractual reductions where targets are not achieved and thus are actively seeking to improve performance for these years. Table 4 shows details of collection year to date and forecast to 31 March for these years.

Table 4: Arrears collection 2003-2005/06

Year of arrears	Target	December collection	Forecast end of year collection
2003/04	97%	95.21%	95.3%
2004/05	97%	96.11%	96.2%
2005/06	96.5%	95.94%	96.0%

2006/07 Collection

- 3.11 At the end of December 2007, a collection rate of 95.88% had been achieved for arrears relating to 2006/07. Should collection continue at this rate for the remainder of the year, it is likely the target of 96.25% will be achieved by the end of March 2008. However, the amounts collected in December 2007 were the lowest for this year and this will need to be monitored.

Pre Contract Arrears Collection

- 3.12 Since the commencement of the contract, Capita have collected £5.548M in pre contract Council tax arrears. This relates to all pre contract arrears outstanding from April 1993 to March 2003, and a total debt value of £18.925M as at 1 April 2007. Capita attract incentive payments each year, for collection exceeding a cumulative collection figure. £107,033 has been collected in this year to 31 December. This reduction is partly attributable to a number of backdated band reduction to 1993 April 1993 which have resulted in Council Tax refunds and reductions to benefit entitlement. In the year to date, 61 band reductions, with a total value of approximately £70,000 have been received from the Valuation Office compared to 5 reductions in 2006/07.

3.13 NNDR Performance

2007/08 Collection

- 3.14 At the end of April 2007 the value of NNDR to be collected for the 2007/08 year before any discounts or empty relief was awarded on accounts was £92.903M, this has since increased by £3.43M to £96.337M. This increase is mainly related to the Wembley National Stadium which was formally rated for Business Rates after April 2007.
- 3.15 The NNDR in-year collection rate at the end of December 2007 was 88.26% which is 0.53% above the monthly profile agreed with Capita in April. Capita exceeded the profiled target for the first time in 2007/08, in November 2007. This performance indicates that collection performance for 2007/08 is likely to exceed last year.
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- 3.16 Table 10 outlines the collection performance and compares it with the previous year and the profiled targets set to achieve 98.66%. Monthly collection in December 07 was 9.17% compared to 9.19% in December 2006.

Table 10: %NNDR collection 2007/08

% Collection Cumulative	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2005/2006	10.57	19.75	28.99	40.08	49.61	59.56	68.94	78.99	88.56	96.39	97.06	98.29
2006/2007	9.64	19.72	30.69	40.74	50.21	59.82	69.47	78.54	87.73	96.9	98.3	98.66
2007/08 Profile	9.64	19.72	30.69	40.74	50.21	59.82	69.47	78.54	87.73	96.9	98.3	98.66
2007/08 Adj Wembley	9.46	19.09	27.75	39.07	49.01	59.42	69.33	79.09	88.26			
Variance adj Wembley	-0.18	-0.63	-2.94	-1.67	-1.2	-0.4	-0.14	0.55	0.53			
% Month on month		9.63	8.66	11.32	9.94	10.41	9.91	9.76	9.17			

- 3.17 Although 98.66% is the target for 2007/08, the financial deduction and incentive scheme is based on collection compared to payments that have to be paid into the National Pool. This increases Capita's motivation to exceed the targets set, whilst ensuring that incentives are firmly based on speed of collection.
- 3.18 From 1 April 2008, most empty business properties will no longer receive relief (exemption or part exemption) from payments due. These relief's were introduced in the 1980's and as a result some properties attracted between 50% and 100% (for owners of empty industrial properties) relief from Business Rates for a significant amount of time. The removal of this relief in April 2008 affects approximately 1,400 properties and will result in a further £9.9m NNDR to be collected. Capita attempted to contact the last known owner of these properties in November, to ensure that they were made aware of the change to empty rate exemptions and to ensure correct details of the present owner were held. Empty properties owned by companies who are in administration and empty listed buildings will continue to be exempt.

Improvement Plan

- 3.19 Our overall strategy since 2006/07 has been to refine recovery processes so that those charge payers who are genuinely having difficulty paying are given the opportunity to agree realistic repayments and those who are wilful non payers are dealt with robustly. Recovery policies have been amended to allow greater discretion in consolidating arrears payments and repayment timescales for those in financial hardship. This has been balanced with tough action against those who won't pay, including suspended prison sentences, bankruptcy, charging orders on properties and removal of goods, including cars. This strategy has been supported by the implementation of the Anti Poverty Policy for Revenues and Benefits

Appendix A provides details of some of the recovery initiatives currently planned or being undertaken.

Offshore Working

- 3.20 From September 4th 2007 some aspects of Council Tax administration have been carried out offshore in India. This has resulted in contract savings equating to £40,000 per annum, without reductions to Capita staff working within the Brent offices. The service has been successfully implemented with more clerical tasks now being carried out in India, allowing staff sited in Brent and Bromley to focus on more specialist recovery activities e.g. tracing debtors and increasing proactive contact with those who have outstanding arrears.

4.0 Housing Benefits Performance

- 4.1 The Housing Benefit Service remains very stable and is currently on course to achieve a CPA rating of 4 in 2007/08. A more detailed update will be provided in March 2008, along with an evaluation of the new CAA regime that will commence in April 2008, replacing CPA.

5.0 Financial Implications

- 5.1 Any failure to maximise collection of Council Tax and NNDR will impact on the Council's cash flow and budgetary provision for current and future years.

6.0 Legal Implications

- 6.1 There are no direct legal implications arising from this report.

7.0 Diversity Implications

- 7.1 There are no direct diversity implications arising from this report.

8.0 Staffing/Accommodation Implications (if appropriate)

- 8.1 There are no direct staffing implications arising from this report.

9.0 Background Papers

10.0 Contact Officers

Margaret Read - Head of Revenues and Benefits
Paula Buckley - Head of Client team

DUNCAN McLEOD
Director of Finance and Corporate Resources

Council Tax Collection and recovery initiatives

Bailiff

The turn around time for debts held by the bailiff without any payment arrangement has been reduced from 6 to 4 months. In practise this means that bailiffs will return liability orders to Capita within 4 months, if they have been unable to secure payment or agree an arrangement. This will enable other methods of recovery to be considered and implemented at an earlier stage. Monitoring has also begun to ensure that where appropriate, cases with the bailiff are under a consolidated payment arrangement for debts in line with the amended recovery policy. The bailiffs have also undertaken a review of any long term arrangements that they have in order to identify those with financial difficulties who can be referred back to the council for arrangements or attachment of benefit or earnings.

Proposed changes to legislation from August 2008 will allow attachments to Incapacity Benefit which should also assist vulnerable residents. Additionally an indicator has now been set up on the Council Tax system to identify those who are vulnerable and thus prevent their debts being automatically sent to the bailiff for recovery.

Bankruptcy

The number of cases being progressed to bankruptcy for non payment of Council Tax has also increased. To date, 28 Council Tax debtors have been made bankrupt. 45 statutory demands are awaiting service and a further 275 are in progress with a debt value of £1.5m. Statutory demands are a pre-requisite to bankruptcy proceedings.

Charging Orders

Fifty three charging orders have also been obtained for properties, with 18 orders of sale in progress and 2 orders of sale where the debt due has been fully paid. In the month of December 18 drive by valuations were undertaken in order to progress these cases to order of sale. A further 47 new cases have been identified to progress to charging orders.

Attachment of earnings

The number of Attachment of Earnings will continue to increase in 2007/08 and where a payer defaults on an arrangement and employer details are available this will be the preferred method of collection. An attachment of earnings means that we can require the employer to take deductions from the employee's pay to meet any Council Tax owed. An additional 249 Attachments of Earnings have been set up since the beginning of April 2007 bringing the total number of Attachments of Earnings that are currently active to 451.

Benefit Take Up

A benefit take up campaign has commenced and this includes plans to target customers with Council Tax Arrears. Take up surgeries have been held in GP surgeries, and major supermarkets and a targeted pensioner campaign is being run in January, for Council Tax Benefit.

Publicity

We continue to utilise publicity campaigns to raise awareness of the need to pay Council Tax promptly. During January a number of tube stations in the borough will display posters outlining the actions the Council is willing to take against non payers in order to improve collection, including bailiffs and taking possession of properties and also to promote direct debit as a payment method. Also in January we will include publicity in the Brent Magazine and on the side of the Brent Transport buses. A coordinated campaign to encourage Direct Debit take up is planned to take place simultaneously across the majority of London authorities in March.
