



**Performance and Finance Select
Committee**

5th June 2008

**Report from the Director of Finance
and Corporate Resources**

For Information

Wards Affected:
ALL

Report Title: Revenues Performance

1.0 Summary

- 1.1 This report outlines performance in relation to Revenues collection (Council Tax and NNDR) collection for the financial year 2007/08.
- 1.2 Performance is shown as at 31 March 2008 and for the 2008-09 year where it is shown at 30 April 2008.
- 1.3 The report also contains details of the targets set for 2008-09 and plans that have been developed to help ensure that the targets are met.

2.0 Recommendations

- 2.1 Members are asked to note the improvements in collection for both Council Tax and NNDR in year liabilities in 2007-08
- 2.2 Members are asked to note the improvement in Council Tax arrears collection for the year 2007-08; however also the fact that post contract arrears targets were not met.
- 2.3 Members are asked to note the targets set for collection of NNDR in 2008 and the potential impact to collection arising from the changes to exemption rules for empty business properties.

3.0 Council Tax Collection

3.1 2007-08 Collection

3.1.1 Collection for the 2007-08 year saw the achievement of the highest ever in year collection rate of 95.37% (inclusive of costs) against a target of 94.5%. Nationally our performance is compared net of costs collected, which was 94.59%, and represents an increase of 1.39% from 2006/07.

3.1.2 At the 31 March 2008; £93.8m was collected for 2007-08, with an additional £27m raised through the award of council tax benefit. The total amount that could have been collected, after benefit was taken from the gross debit, known as the net debit was, £98.4m.

3.1.3 Official figures are not yet available but unofficial benchmarking figures across the London authorities shows that Brent could finally move into the 3rd quartile across London, moving up from 24th from 27th out of 33 London boroughs. Further details are contained in appendix 1.

3.1.4 The average increase in collection across London authorities was 0.49% net of summons; in comparison, Brent increased collection by 1.39%. Three authorities (Islington, Hackney and Lewisham) achieved a greater increase in their collection rate when compared to Brent and 3 authorities (Havering, Waltham Forest and Greenwich) saw a drop in their collection rate when compared with 2006-07.

3.1.5 Table 1 below contains details of the monthly collection for 2007-08 in comparison with the 3 previous years.

Table 1: Monthly collection 2003-04 to 2007-08

	% Collection Cumulative											
	April	May	June	July	August	September	October	November	December	January	February	March
2003/2004 Actual	23.35	29.02	34.84	40.47	46.53	52.98	60.14	66.54	72.98	79.54	85.39	90.97
2004/2005 Actual	13.77	22.01	29.90	37.42	44.79	52.66	60.15	67.59	74.92	81.53	87.30	93.41
2005/2006 Actual	14.11	22.60	30.51	37.70	45.21	52.91	60.44	68.07	75.46	82.31	87.78	93.56
2006/2007 Actual	13.51	21.85	29.52	37.05	44.46	52.09	59.68	67.39	74.67	82.05	88.01	94.17
Month on month %		8.34	7.67	7.53	7.41	7.63	7.59	7.71	7.28	7.38	5.96	6.16
2007/2008 Target	14.09	23.47	31.67	39.87	47.97	56.17	64.37	72.57	80.67	88.87	91.52	94.50
Month on month %		0.00	8.20	8.20	8.10	8.20	8.20	8.20	8.10	8.20	2.65	2.98
2007/2008 Actual	14.09	23.47	32.25	40.87	49.31	57.58	66.36	74.67	82.78	90.77	93.39	95.37
Variance on last year	0.58	1.62	2.73	3.82	4.85	5.49	6.68	7.28	8.11	8.72	5.38	1.20
Variance on target	0.00	0.00	0.58	1.00	1.34	1.41	1.99	2.10	2.11	1.90	1.87	0.87
Month on month %		9.38	8.78	8.62	8.44	8.27	8.78	8.31	8.11	7.99	2.62	1.98

3.1.6 Some of the factors that lead to the improvement in council tax collection for 2007-08 include:

- increase in the number of DD payers,
- review of arrangements linked to the anti-poverty policy so that those with genuine financial difficulties are given affordable arrangements which also ensure the debt is collected as quickly as possible
- increase in bankruptcy and charging order applications which has seen some people who owe arrears over a number of years making payments

- improvements of the quality of data held on the database
- improvements in benefit assessment and the benefit take up campaigns

3.2 Council Tax Arrears Collection

3.2.1 While in year collection has been very successful, the percentage of arrears collected although improved in percentage terms when compared to 2006-07, still falls short of the target for all years between 2003-04 and 2006-07.

3.2.2 During 2007 total arrears collection for the years 2003-04 to 2006-07 represented 3.66%. This compares to a total of 3.31% collected in the previous year for the years 2002-03 to 2005-06. Details of actions identified to help improve collection are outlined in section 3.3 with further details contained in the action plan Appendixes 2 and 3.

3.2.3 2006-07 year

A collection rate of 96.03% was achieved against a collection target of 96.25%. This meant that 2.08% or £1.9m was collected during 2007-08 for the 2006-07 year. The shortfall of 0.17% equates to £156k.

The target for collection of 2006-07 council tax at 31 March 2009 is 96.75%. This requires £662k or 0.72% to be collected during 2008/09 to ensure the target is met.

3.2.4 2005-06 year

At 31 March 2008, a collection rate of 96.16% was achieved against a target of 96.5%. £827k or 0.95% was collected during the 2007-08 year. The shortfall against the target was 0.34% or £296k.

The target collection rate for 2008-09 is 97%, leaving 0.84% (or £732k) to be collected in 2008-09.

3.2.5 2004-05 year

96.23% was collected at the end of March 2008 against a target of 97%. 0.5% or £417k was collected for council tax owed for the 2004 - 05 year. This left a shortfall of 0.77% or £643k, 0.5%. The target for 2004-05 at the end of March 2009 is 97.25, leaving 1.02% or £852k to be collected in 2008-09.

3.2.6 2003-04 year

95.3% was collected by the end of 2007/08 against a target of 97%. 0.35% or £273K was collected for the 2003/04 year. The shortfall of 1.7% equates to £1.3m.

The target for 2004-05 at the end of March 2009 is 97.25%, leaving 1.95% or £1.5m to be collected in 2008-09.

3.2.7 Pre contract arrears

Collection for pre contact arrears at the end of March for debts relating to 2002-03 and the preceding years was £184k compared to £494k in 2006-07. It is expected that this figure will continue to drop as the debt ages. This reinforces the view that outstanding council tax needs to be recovered as early as possible to maximise collection.

3.3 2008-09 collection and strategies for continued improvement

3.3.1 During 2008-09 we will continue to seek to improve collection performance. We have agreed a target with Capita for in year collection of 95%, which would improve on the performance in 2007-08 by 0.41%. Details of the monthly profile for that target are contained in Table 2 below. As at the end of April the profile target of 14.09% was exceeded by 1.05%, a good improvement on last year. Two factors which we believe have attributed to this are the 3.3% increase in DD payers from 41.2% in April 2007 to 44.5% in April 2008 and the earlier issue of reminders in April 2008 compared with April 2007.

Table 2: 2008-09 collection profile

	% Collection Cumulative											
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
2007/2008 Actual	14.09	23.47	32.25	40.87	49.31	57.58	66.36	74.67	82.78	90.77	93.39	95.37
Costs Paid in 2007-8	0.00	0.03	0.10	0.18	0.30	0.38	0.44	0.52	0.57	0.65	0.72	0.78
2007/8 Actual (less Costs Paid)	14.09	23.44	32.15	40.69	49.01	57.20	65.92	74.15	82.21	90.12	92.67	94.59
Month on month %	0.00	9.38	8.78	8.62	8.44	8.27	8.78	8.31	8.11	7.99	2.62	1.98
Contractual Target 93.75%												
2008/2009 Target (Less Cost)	14.10	23.44	32.15	40.69	49.01	57.20	65.92	74.15	82.21	90.12	92.67	95.00
Month on month %		9.34	8.71	8.54	8.32	8.19	8.72	8.23	8.06	7.91	2.55	2.33

3.3.2 Throughout 2008-09 we will continue to seek to address issues that prevent better arrears collection. This will include continuing with the theme of robust action for those who show wilful refusal to pay while having a more flexible approach to those who are struggling to pay. Recent analysis shows that over 60% of chargepayers given extended arrangements because they were struggling to pay, have either paid in full or have adhered to their instalment arrangements.

3.3.3 During 2008/09, we will be making better use of demographic information about the borough, to better target arrears action. Some analysis has already been carried out for closed council tax accounts with an outstanding debt where a summons has been issued. This shows that:

- 23% of those liable are likely to have some reliance on state benefit (more likely to be experiencing financial difficulties)
- 21% are older families living in suburbia whose properties have a high value in relation to the outstanding mortgage and seldom achieve high levels of earnings (asset rich cash poor)
- 16% are educated young single people living in transient populations (these chargepayers may be able to pay – but move on before they do so- prompt billing and recovery action are key)
- 11% live in social housing with uncertain employment (more likely to be experiencing financial difficulty)

As can be seen, the circumstances of each of these groups and their ability to pay differs considerably. We hope by developing a better understanding of these customer segments, we will be able to adopt more tailored approaches to both communication and recovery actions.

Work is jointly underway between Revenue and Benefits and the One Stop Service, to identify and reduce avoidable customer contacts. This will help to support the Council's new national indicator and the wider customer services transformation, which is aiming to migrate customers to more cost effective ways of contacting us wherever possible. A key strand of these actions will be improvements to our initial communications with customers to ensure that these provide comprehensive, clear and easily understandable information that customers can act on without having to make further contact.

3.3.4 This year we will also be focussing on the removal of exemptions and discounts where the customer is no longer entitled to these, in order to maximise the amount of Council Tax that can be collected during the year.

4.0 NNDR (Business Rates) Update

4.1 2007-08 Collection

Collection was at its highest ever for Brent with 99.07% achieved for 2007-08 in year collection.

Table 3: NNDR for 2007-08 in comparison to previous years (to be amended to include years)

	% Collection Cumulative											
	April	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
2002/03	9.36	19.50	29.19	38.55	46.81	55.51	65.56	74.23	83.50	92.01	94.33	94.75
2003/04	N/A	17.73	26.28	37.47	46.48	56.75	65.79	73.96	84.03	92.58	94.98	96.39
2004/05	9.66	19.01	28.46	38.33	48.85	58.59	68.03	77.54	87.36	95.35	96.67	97.80
2005/06	10.57	19.75	28.99	40.08	49.61	59.56	68.94	78.99	88.56	96.39	97.06	98.29
2006/07	9.64	19.72	30.69	40.74	50.21	59.82	69.47	78.54	87.73	96.90	98.32	98.66
2007/08	9.46	19.09	27.75	39.07	49.01	59.42	69.33	78.66	88.12	96.31	98.05	99.07
2008/09 Target	9.64	19.72	30.69	40.74	50.21	59.82	69.47	78.54	87.73	96.90	98.32	98.66
Actual	9.27											
Variance on last year	-0.19											
Month on month %	9.64											

4.1.1 Table 3 above shows details of the monthly collection. An improvement of 0.24% was achieved in comparison to the previous year. The average improvement across London boroughs was 0.41%.

4.1.2 Nine authorities across London saw a drop in their collection rates and 6 achieved greater improvements than Brent.

4.1.3 Despite the improvement in collection Brent dropped 1 place in the league table across London boroughs, placing us in the 3rd quartile.

4.1.4 2008-09 collection and empty property rates

4.1.5 The contractual target for 2008-09 is 98.25%, Capita have agreed to a non contractual target of 98.7% in line with previous year's performance. While this is lower than the amount collected in 2007-08 this reduction takes into account the potential impact of the changes in legislation in relation to empty properties. This is outlined in further detail in paragraphs 4.1.8 and 4.1.9.

4.1.6 Table 4 below contains details of the monthly profile and the performance at the end of April 2008

Table 4: NNDR in year collection

	% Collection Cumulative											
	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
2002/03	9.36	19.50	29.19	38.55	46.81	55.51	65.56	74.23	83.50	92.01	94.33	94.75
2003/04	N/A	17.73	26.28	37.47	46.48	56.75	65.79	73.96	84.03	92.58	94.98	96.39
2004/05	9.66	19.01	28.46	38.33	48.85	58.59	68.03	77.54	87.36	95.35	96.67	97.80
2005/06	10.57	19.75	28.99	40.08	49.61	59.56	68.94	78.99	88.56	96.39	97.06	98.29
2006/07	9.64	19.72	30.69	40.74	50.21	59.82	69.47	78.54	87.73	96.90	98.32	98.66
2007/08 Target	9.64	19.72	30.69	40.74	50.21	59.82	69.47	78.54	87.73	96.90	98.32	98.66
Actual	9.46	19.09	27.75	39.07	49.01	59.42	69.33	78.66	88.12	96.31	98.05	99.07
Variance on last year	-0.18	-0.63	-2.94	-1.67	-1.20	-0.40	-0.14	0.12	0.39	-0.59	-0.27	0.24
Month on month %	9.46	10.08	10.97	10.05	9.47	9.61	9.65	9.07	9.19	9.17	0.00	0.00

4.1.7 At the end of April 2008 collection was 0.19% below the profile target. This is believed to be attributable to the amendment in legislation which means that empty properties, with the exception of listed properties, are no longer partially or fully exempt from NNDR after 6 months.

4.1.8 At 15 May 2008 the total collectable NNDR debit was £95,516,566 of which £10,800,048 or 11.31% related to empty properties. As at 31 May 2008 20% of the empty debt should be collected, at 15 May only 9.16% was collected. Out of 388 formerly exempt properties only 121 have made payments for NNDR so far. Paragraph 3.2.5 sets out the actions being taken to improve this position.

4.1.9 In order to minimise the impact of the changes in legislation a number of actions are being undertaken by Capita. These include land registry and other searches for properties where no payment or correspondence has been received, in order to ascertain that the correct details are held for the owner. Where appropriate, tracing agents will be utilised. Enquires will also be made to ensure that all properties considered to be in poor condition and which cannot be economically repaired, are removed from the valuation list. These checks will be made through Companies house, and liaison with the

valuation office. This will be closely monitored throughout the year but has the potential to impact on the collection rate for 2008-09

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 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.

Background Papers

Contact Officers

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