



**Performance and Finance
Select Committee**
25th March 2009

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

For Information

Wards Affected:
ALL**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 2008/09.
- 1.2 Performance is shown as at 27 February 2009 with updates for March where available. End of year performance will not be available for the Committee meeting but a verbal update on collection as at 25 March will be given at the meeting.

2.0 Recommendations

- 2.1 Members are asked to note collection levels for both Council Tax and NNDR in year liabilities in 2008-09.
- 2.2 Members are asked to note that Council Tax arrears collection targets are unlikely to be achieved at 31 March 2009.
- 2.3 Members are asked to note the targets set for collection of NNDR in 2008-09 and the impact to collection arising from the changes to exemption rules for empty business properties.

3.0 Council Tax Collection**3.1 2008-09 Collection**

- 3.1.1 Council Tax in year collection exceeded monthly profile targets consistently until February 2009, when collection fell 0.04% behind the

profile target of 92.67% (at 92.63%). By way of comparison, collection at the end of January was 0.58% ahead of the monthly target. It is difficult to identify one major underlying cause for this reduction however we have asked Capita to evaluate non payers in February to help better understand what may have contributed to this. Possible causes include an increase to the number of customers who have paid all instalments by 31 January, a reduction to the number of customers whose instalments extend into February/ March or an increase in financial hardship.

- 3.1.2 When comparing performance to 2007/08 end of year position, 94.59% had been achieved by 31 March 2008. This was against a contractual target of 94%. Given that 2007/08 performance Capita exceeded contractual targets, a non contractual target of 94.8% was agreed for 2008/09, to support continued improvement to in year collection rates.
- 3.1.3 In order to achieve 94.8% by the end of the financial year Capita will need to collect 2.17% by 31 March 2009. As at 11 March, 1.4% had been collected including direct debit payments for a small number of accounts with instalment dates of 1 March 2009. There are now 14 working days left in March, during which time a further 0.73% needs to be collected, or 0.052% per day. Current forecasts indicate an end of year collection rate of 94.6%, unless collection can be increased during the remainder of the month. A total of £95.1m had been collected at 27 February 2009, leaving a further £2.25 m to be collected by 31 March to achieve 94.8%.
- 3.1.4 Capita are taking a range of actions to help increase in year collection and achieve the target of 94.8%. These include telephoning customers to obtain payment, increasing bailiff presence in Brent and direct liaison with landlords or agents who have debts for multiple properties. Claims to Council tax Benefit are also being processed quickly to ensure that those who are entitled to this help, receive reduced bills that reflect this. A total of £28M has been awarded in Council Tax Benefit in the year to date.
- 3.1.5 Table 1 below contains details of the monthly collection for 2008-09 in comparison to 2007/08 collection including and excluding summons costs collected.

Table 1: Monthly collection for 2008/09 compared to 2007/08

% Collection Cumulative

2007/8 Actual (less Costs Paid)	April	May	June	July	August	Sept	October	November	December	January	February	March
	14.09	23.44	32.15	40.69	49.01	57.2	65.92	74.15	82.21	90.12	92.67	94.59

2008/2009 Target (Less Cost)	14.09	23.44	32.15	40.69	49.01	57.2	65.92	74.15	82.21	90.12	92.67	94.84
Month on month %		9.35	8.71	8.54	8.32	8.19	8.72	8.23	8.06	7.91	2.55	2.17
2008/2009 Actual	15.14	24.26	32.64	41.29	49.38	58.22	66.74	74.91	83.29	90.7	92.63	

Variance on last year	1.05	0.82	0.49	0.6	0.37	1.02	0.82	0.76	1.08	0.58	-0.04	
Variance on target	1.05	0.82	0.49	0.6	0.37	1.02	0.82	0.76	1.08	0.58	-0.04	
month on Month %		9.12	8.38	8.65	8.09	8.84	8.52	8.17	8.38	7.41	1.93	

3.2 Council Tax Arrears Collection

3.2.1 As has been previously reported to Committee, arrears collection has remained an issue throughout the year, and current forecasts indicate that arrears targets will not be achieved for any of the years from 2003 to 2007.

3.2.2 2007-08 year

The collection target of 96.5% for the 2007-08 year is unlikely to be achieved. At the 06 March 2009 collection for this year was 96.26%, leaving 0.24% or £235k to collect by the end of March 09. Between April 2008 and 06 March 2009 £870k or 0.89% was collected. Forecast collection to the end of the year is 96.34%. This is particularly disappointing as collection had previously been on course to achieve the end of year target.

3.2.3 2006-07 year

The end of year target is 96.75% a collection rate of 96.03% had been achieved at the end of March 2008 with a further 0.54% or £496k collected between 01 April 2008 and 06 March 2009. This leaves 0.18% to be collected in March to achieve the target. Forecast collection to the end of the year is 96.07%.

3.2.4 2005-06 year

The end of year target for 2005-06 is 97%. At 31 March 2008, the collection rate was 96.16% and a further 0.3% or £261k was collected between 01 April 2008 and 06 March 2009. This leaves 0.54% or £470k to be collected to achieve the target of 97%. Forecast collection is 96.20%.

3.2.5 2004-05 and 2003-04 years

The target for both of these years is 97.25% at 31 March 2009. A cumulative collection rate of 96.43% was reached for 2004-05 on 06 March 2009 with 0.2% collected since April 2008. Forecast collection to the end of the year is 96.44%.

A collection rate of 95.47% was reached for 2003/04 on 06 March 2009 with 0.17% collected since April 2008. Forecast collection to the end of the year is 95.48%.

3.2.6 Pre contract arrears (1993 to 2003)

Collection for pre contact arrears at the end of March for debts relating to arrears from 1993 to 2003-04 was £167k compared to £184k in 2007-08 year. Total arrears outstanding for these years is £16m however it is becoming increasingly difficult to collect as the age of the debt increases.

4.0 Year End and Billing

4.1 Arrangements for annual billing and annual year end activities have been undertaken successfully, with 2009/10 bills being dispatched between 16 March 2009 to 20 March 2009. Capita will be providing additional support to customer services during this period, to ensure that customer demand is met effectively.

4.2 Strategies for improvement

4.2.1 During 2009-10 we will continue to seek to improve collection performance and will build on some of the areas that have begun in 2008-09.

4.2.2 In order to support customers during the current economic climate more work is being done to provide extended payment arrangements for those who are experiencing financial difficulty. This has proved to be successful in 2008/09, with 391 customers given extended arrangements since April 2008. Of those 73% have either paid in full or continue to adhere to the arrangement given.

4.2.3 We have put measures in place to ensure that more customers become aware of the increased support available for those who are experiencing financial difficulties. These include Capita's specialist recovery officers taking calls direct from customers who have contacted the Call Centre because they have arrears or state they are experiencing difficulty paying. The recovery officer will review their circumstances and seek to come to a suitable arrangement that will enable them to gradually reduce their arrears and maintain adherence to arrangements for repayment. Initial outcomes show that 191 customers with a combined debt valued at £231k have been able to discuss their problems with a Capita officer since December 2008. Of those 81% agreed to a revised instalment arrangement and 44% had a single payment arrangement agreed for debts owed for more than one year. These arrangements will continue to be monitored by the

recovery team, allowing more in-depth analysis of the type of call that is best handled by a specialist recovery officer and that delivers the best results in terms of successfully obtaining the council tax owed.

- 4.2.4 Throughout 2009-10 we will continue to seek to address issues that prevent better arrears collection. This will include continuing with robust action for those who show wilful refusal to pay, such as bankruptcy and charging orders on their properties.
- 4.2.5 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.

5.0 NNDR (Business Rates) Update

5.1 2008-09 Collection

- 5.1.1 NNDR collection has increased year on year since 2003/04, with 99.07% achieved for in2007/08, the highest ever level of collection achieved. Due to a number of factors, it seems unlikely that this upward trend will continue in 2008/09, within year collection forecast collection likely to fall to be approximately 96%. These factors include changes in legislation for empty properties which removed the exemption for those properties and the current economic climate.
- 5.1.2 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.
- 5.1.3 Table 2 below shows details of the monthly collection. It should be noted that during February 2009 notification was received from the valuation office of a backdated valuation for Royal Mail which resulted in a bill for the 2008-09 year of £1.4m being sent in February. This amounted to 1.6% of the net debit and has impacted on the end of February collection figures. If this was excluded the collection figure at the end of February would have been 95.17%, a shortfall of 2.61% on the end of month target.

Table 2: NNDR for 2008-09 in comparison to previous years**% Collection Cumulative**

	April	May	June	July	August	September	October	November	December	January	February	March
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	18.55	29.59	39.71	49.25	58.93	68.65	77.79	87.05	96.37	97.78	98.19
Actual	9.27	18.90	28.74	38.71	47.55	56.95	67.22	75.60	85.37	94.10	93.57	
Variance on last year	-0.19	-0.19	0.99	-0.36	-1.46	-2.47	-2.11	-3.06	-2.75	-2.21	-4.21	
Month on month %	9.64	8.91	11.04	10.12	9.54	9.68	9.72	9.14	9.26	9.32	-0.53	

5.1.4 At 27 February 2009 the total collectable NNDR debit was £93.4m of which £8.2m related to empty properties. At that time 87.6% of the outstanding debt for empty properties has been paid in comparison to 95.6% for the occupied properties. Proposed changes in the legislation for 2009-10 would result in properties with a rateable value of less than £15k receiving empty rate relief. It is estimated that 650 properties will benefit reducing the charge for empty properties by £2,270k from £8,352k to £6,082k.

5.1.5 A number of businesses within Brent have been affected by the current economic situation including branches of Woolworths and MFI. These account for 0.67% of the 2008-09 debt which is unlikely to be collected.

6.0 Contract Review

6.1 The existing Capita contract is due to expire on 30 April 2011 and in preparation for this a full options appraisal for the future provision of Revenue and IT services, is planned for 09/10. Officers plan to evaluate all options available to the Council by the Autumn of 2009, so that a decision can be made about the Council's preferred model from 2011. Members of the PFSC will be kept updated about the progress of this.

7.0 Financial Implications

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

8.0 Legal Implications

8.1 There are no direct legal implications arising from this report.

9.0 Diversity Implications

9.1 There are no direct diversity implications arising from this report.

10.0 Staffing/Accommodation Implications (if appropriate)

10.1 There are no direct staffing implications arising from this report.

Background Papers

Contact Officers

Margaret Read - Head of Revenues and Benefits

Paula Buckley - Head of Client

DUNCAN McLEOD

Director of Finance and Corporate Resources