

Michael Rickard
Clerk to the Public Accounts Committee
Northern Ireland Assembly
Parliament Buildings
Stormont Estate
Belfast
BT4 3XX

8 August 2001

Dear Mr Rickard

**PERFORMANCE MEASUREMENT AND REPORTING IN THE RATE
COLLECTION AGENCY (RCA)**

Thank you for your letter dated 19 June 2001 regarding the Public Accounts Committee's (PAC) invitation to comment on the action taken in response to the Comptroller and Audit General's (C&AG) Report on Performance Measurement and Reporting in the RCA (NIA 20 of Session 1999-2000). In your absence on leave your colleague Stephen McCourt very kindly extended the deadline for reply to 6 August. I am sorry I missed this.

At the time of the Northern Ireland Audit Office (NIAO) review, many of the issues which subsequently appeared in the C&AG's report had already been identified and were being actioned by the Agency. All the recommendations made in the C&AG's report were accepted by the Agency and details of the action taken in relation to the questions raised by the PAC are set out on the paper attached.

If you or any of the PAC members require any further information or clarification please let me know.

Signed

Arthur E Scott
Chief Executive

NIAO REPORT ON PERFORMANCE MEASUREMENT AND REPORTING IN THE RCA

RCA RESPONSE TO PAC QUESTIONS

Paragraph 2.10 – What progress has been made by the Agency in reviewing its objectives, identifying those which are clearly critical to its business, and setting key targets for each separate strategic objective?

The Agency reduced the number of strategic objectives to three that focus clearly on business critical areas. They are:

1. To increase the percentage of the Gross Collectable Rate collected.
2. To manage resources efficiently and reduce the cost of collecting rates and managing Housing Benefit for owner-occupiers.
3. To increase customer (ratepayers and stakeholders) satisfaction levels.

The strategic objectives are linked to key performance targets set by the Minister for output, efficiency, quality of service, and financial management.

The revised strategic objectives, key Ministerial targets and operational objectives are published in the Agency's Corporate and Business Plans for 2000 – 2003 and 2001 – 2004.

For the 2001 – 2004 Corporate and Business Plan the Agency also introduced the "Balanced Scorecard" approach to assist in the further development of the operational objectives. This approach built on previous years and ensured a balanced focus on all aspects of the business. The "Balanced Scorecard" supports the strategic objectives and compliments financial measures of past performance with measures of the "drivers" of future performance. Specific, measurable, achievable, realistic, and time-bound (SMART) objectives have been established which represent a balance between external measures for customers and stakeholders, and internal measures of critical business processes, innovation and learning and growth. Key result areas and associated objectives have been identified and developed in the areas of: customers, finance, processes, and learning and growth and the "Balanced Scorecard" approach has been cascaded down through the Agency to guide the day-to-day efforts of staff at all levels.

The Agency objectives agreed by the Minister as key performance targets for 2001-2002 are:

Output

- To collect 98% (or the 2000-2001 outturn if higher) of a forecast £660 million Gross Collectable Rate (excluding Late Assessments) by 31 March 2002.

Efficiency¹

- To achieve a forecast unit cost of £11.61 for collecting rates per hereditament, excluding development costs for the RIM and ONE projects, representing a 1% improvement in real terms on 2000-2001.
- To achieve a forecast unit cost of £30.52 for processing housing benefit cases, excluding development costs for the RIM and ONE projects, representing a 1% improvement in real terms on 2000-2001.

Quality Of Service

- To accurately calculate and advise District Councils of the Actual Penny Product outturn for 2000-2001, by 30 November 2001.
- To process 98% of Housing Benefit applications free from error.
- To achieve an average turnaround time for processing regular, non-annual Housing Benefit applications of 28 working days.
- To issue all eligible rate refunds within 14 working days of being identified as a rate refund.
- To achieve, by 31 March 2002, an overall rating for service provision of 'satisfied' or above from at least 85% of respondents.²

Financial Management

- To live within budget allocations for 2001-2002.

Note:

¹ Work on the RIM and ONE projects are considered long-term investments aimed at improving service efficiency and quality. Such work temporarily increases the Agency's costs. To facilitate comparison with efficiency in earlier years, the costs associated with these projects are not included in the unit cost targets for 2001-2002.

² The measurement of customer satisfaction is being enhanced from 1 April 2001. Specially designed Comment Cards will be the principal means of gathering data, supplemented by a survey of ratepayers who pay through direct debit or standing order and those who claim Housing Benefit.

Paragraph 3.6 – When were the Agency’s Business Plans for 2000-01 and 2001-02 formally published?

Action has been taken to ensure that the Agency’s Business plans are in place and have been submitted to the Minister before the start of the financial year to which they relate. Publication of the Agency’s targets for 2000-2001 was by PQ whereas 2001-2002 was by an AQ. The Agency is working with the Department to ensure that the targets are formally published as an Assembly question and answer before the end of April in future years.

The Agency’s Business Plans for 2000-01 and 2001-02 were submitted and approved by the Minister and formally published as follows:

Year	Submitted To Minister	Approved By Minister	Formally Published
2000-01	12/4/00	17/4/00	25/5/00
2001-02	29/3/01	9/4/01	22/6/01

Paragraph 3.10 – What progress has been made on reassessing the Agency’s information requirements and on developing its management information system?

Objectives to drive this matter forward were included in the Agency’s 2000-03 Corporate and Business Plan and work to determine comprehensive management information needs and prepare a draft specification of requirements for an integrated replacement IT system is substantially complete. The Agency Chief Executive also asked Internal Audit to examine the systems used to monitor and report progress towards Ministerial targets.

Key result areas, associated objectives and targets, management information and monitoring arrangements have been identified and cascaded down throughout the Agency. Improved monitoring and reporting arrangements are now operating at Board level supported by improved monitoring and reporting of information at lower levels throughout the Agency.

In some areas however, the ability to capture the desired information is limited by the capabilities of the existing computer system. Substantial elements of functionality for an integrated replacement IT system have been drafted. Further work on the project to procure a new IT system / service is ongoing and will be informed by the outcome of the Quinquennial Review of the Agency.

Paragraphs 4.6, 7.8, 4.17 and 7.12 – What is the explanation of incorrect performance information on unit costs? Can you provide the Committee with the correct information, including explanations for the variation between targets and actual performance, for 1998-99 and ensuing years?

An apology for the error, an explanation and details of the correct information are set out the Agency's 1999-2000 Annual report (pages 8, 9 & 10) with figures in respect of earlier years restated where possible (copy attached as Appendix 1). Inconsistency in the use of data coupled with lack of documentation to guide those collecting and using the data were the main reasons for the errors.

Paragraphs 4.8 and 4.17 – What progress has been made on the disclosure of absolute unit costs of rate collection and processing Housing Benefit claims?

Absolute unit cost targets for rate collection and recovery and Housing Benefit administration which include all costs (i.e. direct administrative costs plus notional costs) have been in operation since 1991-92 and published annually in the Agency's Corporate and Business plans. Actual performance against targets is independently validated by the Department's Internal Audit and reported each year in the Agency's Annual Report.

Paragraph 4.11 – What is the latest figure for ratepayers paying by direct debit?

There has been an increasing trend in the use of direct debit and just over 224,000 ratepayers now use this payment method. This represents an increase of over 100% since 1995. The Agency continues to encourage all ratepayers to pay their rates in this way and has recently been involved in a publicity campaign sponsored by one of our business partners (BACS). In addition, all ratepayers who do not pay by Direct Debit are targeted as part of the annual billing exercise. Collection by this method during 2000-01 totalled £220M, and accounted for 41% of the revenue collected.

Paragraph 2.23 - What progress has been made in introducing an overall efficiency measure?

The Agency's Corporate and Business plans includes unit cost targets for collection and recovery and Housing Benefit which include all costs (i.e. direct administrative costs plus notional costs) and a key performance target on living within budget. These targets are considered to be an appropriate means for driving improvements in overall efficiency.

The Agency unit cost targets agreed by the Minister for 2001-2002 are:

- To achieve a forecast unit cost of £11.61 for collecting rates per hereditament, excluding development costs for the RIM and ONE projects, representing a 1% improvement in real terms on 2000-2001.

- To achieve a forecast unit cost of £30.52 for processing housing benefit cases, excluding development costs for the RIM and ONE projects, representing a 1% improvement in real terms on 2000-2001.

Note: Work on the RIM and ONE projects are considered long-term investments aimed at improving service efficiency and quality. Such work temporarily increases the Agency's costs. To facilitate comparison with efficiency in earlier years, the costs associated with these projects are not included in the unit cost targets for 2001-2002.

Paragraphs 5.11 and 5.13 – The Committee notes the Agency's success in recovering around 98% of collectable rates. What steps have been taken to include late assessments in the overall target to further improve performance?

A Quinquennial Review of the Agency is currently on-going and the Department agreed that it would be appropriate to consider and explore the scope for including late assessments in the rate collection targets as part of that review should Agency status continue.

Late assessments are new properties or changes to the net annual value of existing properties notified to the Agency after 1 January each year, which affect the total amount of rates due. In the case of such properties, the Department has acknowledged that there is generally insufficient time for the Agency to process and complete the collection and recovery activities required, which may include legal proceedings, within the remaining three months of the financial accounting year. Consequently, late assessments have been excluded from the Agency's collection targets.

Paragraph 5.19 – What changes have been made to the procedures for authorising write-offs? How has the Agency taken account of the effect of write-offs in the targets for rates recovery?

The Agency has reviewed its write-off strategy and is satisfied that procedures comply with the Government accounting requirements, are sufficiently rigorous and are applied consistently. The Agency does not consider it is appropriate to adjust the relevant targets to take account of the amount of write-off as this would not accurately reflect the effectiveness of the Agency.

Bankruptcy and liquidation cases account for the largest share of write-offs in any year and the Agency has full delegation to write these amounts off. Bankrupts are fully protected by the courts and without leave of the court there is no other action this Agency can take against debtors. The Agency is not deemed to be a 'preferential debtor' in bankruptcy cases and in a large number of cases fails to receive any dividend.

Of the amount 'written off' in 1997/98 (£1.186m) bankruptcy and liquidation cases accounted for £512,000 and £257,000 respectively. The total amount written off during 2000/01 was £837,000 of which £545,000 was in respect of bankruptcies and liquidations. This indicates a downward trend in the amounts written off.

Paragraphs 5.23 and 5.24 – What progress has been made in introducing a verification framework for Housing Benefit claims? What steps have been taken to ensure that eligibility of claimants and accuracy of payments are reflected in performance targets and measurement?

A pilot of the Department of Social Security (DSS) Verification Framework was introduced by the Agency at the beginning of April 2000. The pilot covered all first time applicants for Housing Benefit and involved a more rigorous check of identity and ownership evidence in support of claims. The Agency intends to give further consideration during the year to extending verification to all repeat applications for Housing Benefit. The Agency met with representatives of the Citizens Advice Bureau to discuss a number of issues arising from the introduction of the verification framework including access and proof of ownership and to seek their views on rollout of the scheme to include all Housing Benefit applicants.

In addition to the verification framework, a range of checks is applied to all claims to confirm eligibility and accuracy of payments. The Agency's Corporate and Business plans for 2000-03 and 2001-04 includes a key performance target to process 98% of Housing Benefit applications free from error. Sampling is conducted monthly throughout the year and of the 65,408 applications processed during 2000-01 98.32% of Housing Benefit claims sampled were processed free of error.

Paragraphs 6.9, 7.4 and 7.6 – What steps has the Agency taken to set more challenging targets?

Each year the Agency, in conjunction with the Minister's Departmental adviser, establish challenging targets which seek to act as a real incentive to achieve better performance. The targets established for the Agency each year are subject to Ministerial scrutiny and approval. All targets established in the Agency's Corporate and Business plans for 2000-03 and 2001-04 take into account past performance and have been set at 100% or above the actual level of performance achieved in the previous year.

Paragraph 6.13 – What progress has been made in publishing quantified information for all aspects of performance?

The Agency's Annual reports since 1999-2000 provides quantified information and outturn figures for all aspects of performance. The reformatted layout provides clearer and better information including explanations where performance targets have not been met. The 2000-01 Annual Report also includes a copy of the Department's Internal Audit Validation Certificate confirming actual performance against targets.

Key Targets - PERFORMANCE

OUTPUT				
To collect X% of the Gross Collectable Rate for non-domestic properties (excluding Late Assessments)	Target	98.55	98.75	98.80
	Outturn	98.72 Achieved	98.67 Substantially Achieved	
To collect Y% of the Gross Collectable Rate for domestic properties (excluding Late Assessments)	Target	97.00	97.50	97.55
	Outturn	97.43 Achieved	97.54 Achieved	
QUALITY OF SERVICE				
To have processed more than X% of applications in respect of the incoming year received from existing Housing Benefit recipients before 15 March by 31 March	Target	95.00	96.00	Discontinued
	Outturn	95.40 Achieved	96.00 Achieved	
To achieve by 31 March 2001 a satisfied rating for overall service provision from at least X% of customers responding to the annual survey	Target	N/A	N/A	75.00
	Outturn	N/A	N/A	
To achieve an average turnaround time of X working days for regular non-annual Housing Benefit applications	Target	N/A	N/A	28
	Outturn	N/A	N/A	
To generate refunds to more than X% of ratepayers within 14 days of credits being identified for 2000-2001	Target	97.00	98.00	100*
	Outturn	98.00 Exceeded	98.00 Achieved	
To process X% of Housing Benefit claims free of error	Target	96.00	97.00	98.00
	Outturn	98.00 Exceeded	99.00 Exceeded	

* Where the Agency has all the necessary relevant information to enable the refund to be processed