

Planning & Transportation - PCNs

The provision for PCN (Penalty Charge Notices, or parking tickets) debts of £1.549m has accrued over the period 2008/09 to 2011/12. Recoverable income in this period was some £15.226m and is defined as the value of PCNs issued less cancellations. The bad debt provision therefore represents some 10% of the recoverable income. The City has an average collection rate of some 90% of recoverable income (which reflects the fact that we recover in full the value of 80% of PCNs issued - the highest in London). An analysis of collection rates over the period 2004/05 to 2011/12 shows an average of 79% of PCN income is recovered in the year of issue with a further 10% collected in year two. Beyond the second year, recovery rate is less than 1% hence the operational focus on early recovery.

Of the provision of £1.549m, £1.008m relates to debts predating 2010/11 against an outstanding debt of £1.058m in the same period. This assumes forecast future income on these debts of £50k for which debt registration costs of £32k will apply. The delay in registering these debts has a negligible impact on recovery hence the decision to focus on the early debt.

The aim of this debt monitoring is to provide a reasonable forecast of income from PCNs. PCNs can take from 1 day to 4 years to process depending on various factors. There are both Tribunal and Court processes which provide motorists with the opportunity to challenge PCNs. These sections of the process are labour intensive and, unlike other Court processes, we are unable to claim our costs in defending appeals and Court challenges. Our previous IT system meant that court cases had to be manually selected, placed on floppy disk and sent to Northampton Court. The new system will provide electronic registration of cases managed by our IT supplier. This will streamline the process to ensure debt is processed effectively and efficiently and debts will typically be registered within 6 months of the PCN being issued.

Unlike other debt provision, PCNs are not debts per se. We are not providing goods or a service as they are fines issued for alleged parking and traffic contraventions. Drivers are entitled to challenge the PCNs on statutory and other grounds. Circa 12% of all PCNs issued are cancelled as the motorist makes a valid claim (proof of loading, proof of breakdown, etc) or we accept their mitigation circumstances (disabled driver, emergency, etc). Circa 7% of PCNs are written off as we are unable to recover the debt (warrant – gone away, unable to trace, void PCN, etc). Similarly a 30% increase in PCNs issued, as we had last year, will result in more challenges, more debt being carried on the system and more income than anticipated (£1.85m last year). We are not permitted to set

income targets as the aims of the service are increased compliance rather than income.

An Audit report in 2011 recognised as an amber risk the need to improve the regularity of debt monitoring within the service which had historically been tracked annually, this being largely limited by the laborious processes involved. The monitoring of the bad debt position will be introduced through the new IT system in July and this will see the bad debt monitoring move to a monthly basis from August of this year. This revised process has been agreed with Internal Audit.