

## **METROPOLITAN BOROUGH OF KNOWSLEY**

To: The Cabinet Member with Portfolio for Finance and Information Technology

Meeting: 31 May 2012

Wards Affected: All

Portfolio area: Finance and Information Technology

Non-Key Decision

### **ACTION TAKEN BY THE BOROUGH TREASURER IN CONSULTATION WITH THE CABINET MEMBER WITH PORTFOLIO FOR FINANCE AND INFORMATION TECHNOLOGY**

#### **DEBT STRATEGIES – 2012/2013 RECOVERY**

##### **1. INTRODUCTION AND PURPOSE OF THE REPORT**

The purpose of this report is to set out the Debt Recovery Strategies for 2012/2013 for Council Tax, National Non-Domestic Rates, Sundry Debts and Housing Benefit Overpayments.

##### **2. BACKGROUND**

- 2.1 On 26 May 2004, the Cabinet agreed a Debt Recovery Policy for the Authority. The Policy sets out the actions that will be taken to fulfil the Council's legal duty to ensure the cost effective billing, collection and recovery of sums due to the Authority.
- 2.2 The Policy is supported by the Debt Recovery Strategies that are reviewed and updated annually to reflect procedural changes and to report performance measures.
- 2.3 The Strategies recognise that a large number of the Borough's residents are on low incomes and therefore, wherever possible, the Authority will seek an arrangement to minimise the financial burden on the debtor, while ensuring the debt is paid.
- 2.4 Wherever possible, the Revenues Team will seek to consolidate multiple debts owed and repayment arrangements will reflect the prioritisation of a customer's total liability to the Council.

2.5 The Strategies developed cover the following debts:

<b>Source of Debt</b>	<b>Appendix</b>
Council Tax	A
Non Domestic Rates	B
Sundry Debtors	C
Housing and Council Tax Benefit Overpayments	D

2.6 The Strategies have been reviewed for the 2012/2013 financial year and continue with the previously approved proactive measures adopted by the Revenues Team to account for the current economic climate.

### **3. CHANGES**

3.1 As much of the recovery procedures are driven by statute there are no fundamental changes to the processes. The way in which the regulations are implemented is where variations can be made and the main changes for 2012/2013 are explained below.

3.2 The 'in-year' collection rate target for Business Rates has been reduced to 98.6% (previously 98.7%). This is in accordance with the expected collection rate published by the Department for Communities and Local Government (DCLG). The arrears will continue to be collected and the collection rate will exceed 99% within 18 months of the end of the financial year.

3.3 The option to defer payment of Business Rates has been reintroduced by the Government, with relevant legislation in place from July 2012. Businesses can apply to defer 3.2% of their whole year's bill, paying the deferred amount back in 2013/14 and 2014/15 with those years' instalments.

3.4 The minimum rateable value at which empty premises must pay full Business Rates following the allowable 3 or 6 month exemption period will remain at £2,600. Below this value, empty premises are fully exempt. This continues to be an unpopular, difficult to administer area and rates-avoidance schemes are becoming more prevalent.

3.5 In the Autumn Budget Statement, the Small Business Rate Relief scheme was again extended. Rather than ending in September 2012, it will now run until 31 March 2013. Qualifying businesses with a Rateable Value up to £6,000 will not have to pay any Business Rates until April 2013. Those qualifying businesses with a Rateable Value of between £6,001 and £11,999 will receive relief on a sliding scale.

3.6 A tender process for the contract for Bailiff and Collection services was completed in July 2011. Of the 2 incumbent contractors, Jacobs Bailiffs successfully tendered for the contract. Dukes Bailiff Company were, however, replaced by Equita. Both contracted companies do not

charge commission on amounts recovered in respect of Housing Benefit Overpayments or Sundry Debts.

- 3.7 Referral of cases to Legal Services has been minimised during 2011/12 to reflect the cost effectiveness of the process and to release resources previously taken up in the monitoring of case progression. This has created no procedural difficulties and has had no effect on the collection performance so will continue through 2012/13.
- 3.8 During 2011/12 all new and existing non-residential care service users with a liability to pay have transferred to Sundry Debtors. Due to the potential vulnerability of clients any safeguarding, welfare or capacity issues will be considered at each stage of the recovery process. These additional checks have been incorporated into the Strategy set out in Appendix C.
- 3.9 The Oracle Accounts Receivable system used for the collection of Sundry Debts has been developed to instal a solution allowing collection of charges by Direct Debit. This has been a complex project requiring the services of an external IT company, Patech. Implementation has been successful and from 1 April 2012, customers will be able to pay by Direct Debit with the choice of 2 payment dates.

#### **4. CHALLENGES**

- 4.1 While not directly impacting on the Debt Recovery Strategies for 2012/13 there are a number of legislative changes to be implemented in 2013/14 that will require resources during the current financial year in helping to devise policy, procedures and plans for implementation.
- 4.2 These legislative changes include:
  - Council Tax Support Scheme – this replaces the existing Council Tax Benefit & is a cash limited funding with a reduction of 10%
  - Technical Reforms of Council Tax – where the exemption/discounts on certain empty dwellings can be altered
  - Localised Business Rates – Business Rates will be retained by the council
  - Transforming bailiff action – this will further regulate the action that may be taken by bailiffs and will standardise the fee structure
- 4.3 All developments will be subject to further reports to the Cabinet Member with Portfolio for Finance and Information Technology.

## **5. RESOURCE IMPLICATIONS**

### **5.1 Financial**

The Debt Recovery Strategies will maintain the overall revenue collection performance that facilitates the Council's spending plans. Consolidation of debt reduces cost and duplication of effort and minimises fees due from external agents. The operation of the Strategies also assist in preventing and deterring fraud.

### **5.2 Human**

The Portfolio's approach to debt management has been managed within existing resources to date. However the additional resources required to implement the social care policy changes has resulted in the necessity to recruit a temporary Revenues Officer for a fixed-term period of 12 months. The post is being funded through the additional income realised from the policy changes and will be focused specifically on maximising this income.

As part of the requirement to deliver budget savings for 2012/13, activities undertaken to pursue and recover debts will continue to be reviewed to ensure that resources are used as effectively as possible, and the commission-free areas offered by our contracted external collection agents will be exploited.

### **5.3 Information Technology**

The administration of Local Taxation and Housing Benefit is facilitated by the core Revenues and Benefits system (Northgate). The Sundry Debtor system utilises the core financial system (Oracle). There are, therefore, no additional information technology implications arising from this report.

### **5.4 Physical Assets**

There are no implications for the Council's physical assets arising from this report.

## **6 RISK ASSESSMENT**

6.1 Operation of the Strategies continue to assist the achievement of Performance Indicators relating to the collection of debts. They enable the Portfolio to demonstrate its thorough and consistent approach to external agencies, such as external auditors.

6.2 The Council has achieved and maintained its standing as a top quartile performer amongst all the Metropolitan Councils for income collection for over 6 years and is, again, the best performing council on Merseyside.

- 6.3 It is imperative that performance is maximised, but also necessary to minimise the risk of reductions in collection rates by working with our customers and partner organisations to recognise the financial challenges being faced, and adopt a flexible approach to action taken.
- 6.4 Procedural changes are intended to capture information at the earliest possible stages of recovery action. This, in turn will reduce the number of accounts which progress through to the enforcement procedures set out in the Appendices to this report.
- 6.5 Greater emphasis and flexibility at the beginning of the collection process will reduce the enforcement costs applied to customer accounts. Monitoring of collection performance against set targets will continue and will be reported monthly.

## **7. IMPACT ON POPULATION GROUPS**

Every effort is taken to safeguard potentially vulnerable members of the community. The Strategies seek to minimise the financial burden on low-income residents, while ensuring the Council maximises its income.

## **8. COMMUNICATIONS ISSUES**

- 8.1 Employees involved in the recovery of debts will be made fully aware of the Debt Recovery Strategies in place and the circumstances under which cases should be referred for further enforcement action for collection.
- 8.2 At every stage of the recovery process debtors are actively encouraged to make contact with the Council to discuss a payment arrangement and to apply for Benefit where they may be eligible.
- 8.3 The timescales between the issues of the various recovery notices has been reviewed and amended to ensure it is sufficient to allow this contact and is intended to prevent the use of inappropriate methods of enforcement.

## **9. CONCLUSION**

- 9.1 The Council's Debt Recovery strategies provide a framework for maximising income collection and are designed to ensure that debtors:-
- Are given sufficient time and opportunity to contact the Council in cases where the customer is having difficulty paying;
  - Are encouraged to apply for Benefit where they may be eligible;
  - Understand the consequences of failing to either make contact or bring their account up to date; and

- Are only referred to the most appropriate method of enforcement when all alternative arrangements and recovery options available have been exhausted.

9.2 The continued application of debt recovery strategies will allow the Portfolio to meet its legal obligations of collecting sums owed to it in a consistent and thorough manner.

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Background Documents:

Debt Recovery Policy, Cabinet, 26 May 2004

Report to the Cabinet Member with Portfolio for Finance and Information Society Technologies "Procedure for Writing-Off Irrecoverable Debt" (19 January 2007)

Report to the Cabinet Member with Portfolio for Finance and Information Technology "Amendment to Council Tax Debt Recovery Strategy" (12 February 2009)

Report to the Cabinet Member with Portfolio for Finance and Information Technology "Non-Domestic Rates – Deferred Instalment Scheme" (8 April 2010)

Report to the Cabinet Member with Portfolio for Finance and Information Technology "Debt Recovery Strategies – 2011-2012 (19 May 2011)

Appendices:

Appendix A Council Tax Recovery Strategy, 2012/2013

Appendix B Business Rates Recovery Strategy, 2012/2013

Appendix C Sundry Debt Recovery Strategy, 2012/2013

Appendix D Housing and Council Tax Benefit Overpayments Recovery Strategy, 2012/2013

## **Council Tax Recovery Strategy – 2012/2013**

### **1 Introduction**

This Strategy supports the Council's Debt Recovery Policy and shows how the aims of that Policy will be addressed by Knowsley's Revenues and Benefits Service.

This is a "living document" which will be adapted in response to legislation changes and the introduction of new initiatives by either the Government or the Council. It will also change as experience is gained in the delivery of the Strategy, to reflect what has been found to work well, as well as what has been found to bring little success.

Legislation dictates that the Council Tax may be paid in a maximum of 10 equal instalments, from April to January in each financial year.

The instalment dates currently operated by Knowsley Borough Council are 1<sup>st</sup> 5<sup>th</sup>, 15<sup>th</sup>, 24<sup>th</sup> or the last day of the month for direct debit payments and the 1<sup>st</sup> of the month for all other monthly payments.

The Council Tax payer is deemed to be in arrears when one of the instalment dates has been missed and recovery action, as outlined in the Council's Debt Recovery Policy will commence in accordance with the recovery timetable.

A recovery process which rigorously recovers Council Tax arrears will:

- Reduce cash flow loss to the Council by ensuring that arrears are recovered quickly;
- Maximise opportunities for the Council to increase income;
- Minimise losses on collection; and,
- Minimise the level of arrears written off as a result of delays in recovering debts (Statute Barred).

### **2 Minimising Council Tax Arrears**

The Council will seek to minimise Council Tax arrears by:

- Issuing accurate Council Tax bills in a timely manner;
- Ensuring that Council Tax payers are informed of the various payment methods available and the statutory instalment dates;
- Encouraging Council Tax payers to claim Council Tax Benefit and discounts / exemptions which they may be entitled to through providing information on all bills and recovery documents;
- Considering non-statutory instalments before recovery action is taken by encouraging Council Tax payers to make contact with the Council as soon as possible if they are experiencing difficulty in paying their Council Tax liability and including a standard information form with reminder notices; and,

- Ensuring that changes of circumstances are processed as soon as possible and that revised Council Tax bills are issued in a timely manner.

### **3 Methods of Payment**

#### **Direct Debit**

Direct Debit is the most cost-effective method of payment for the Council and is also the most certain.

Customers paying by Direct Debit have a number of instalment dates to choose from – 1<sup>st</sup>, 5<sup>th</sup>, 15<sup>th</sup>, 24<sup>th</sup> or last day of the month. This is intended to make payment by Direct Debit more attractive and to offer a range of dates to help customers to better manage their personal finances.

The number of customers paying by Direct Debit during 2011/12 was 28,770, an increase of just over 1% from the previous year. This missed the target of 29,000 as the rate at which customers sign up for Direct Debit has appeared to slow. This reluctance may be as a result of the current economic situation and customers' concern on job security. Nonetheless, a target of 29,000 paying by Direct Debit is set for 2012/13.

This will be achieved through on-going publicity, through the Contact Centre and One Stop Shops, including the plasma screens, promoting this method of payment. Leaflets are also included with reminder notices for those people falling in to arrears to highlight the range of payment dates available by using this method.

It is also believed that the development of the 'customer portal' where a customer can view their account on-line will encourage Direct Debit sign-up.

#### **Non-Statutory Payment Arrangements**

Non-statutory payment arrangements will be accepted on a case by case basis, taking account of the customer's ability to pay. An information form must be completed to support such an arrangement to help identify customers who are unable to pay from those who choose not to pay or persistently pay late without explanation.

The income/expenditure statement is designed to be used as an aid to customers in identifying all of their outgoings and to negotiate a mutually acceptable payment arrangement. It is acknowledged that there are some priority debts and these include mortgage/rent; water charges and gas/electricity charges. Other outgoings will be assessed in terms of the 'reasonableness' of the amount declared, based on the circumstances of the customer. If the statement is incomplete it may be difficult to assess the offer for repayment and in such cases the form will be returned and full details requested.

The scope of the non-statutory instalments are normally to secure payment within the current financial year, as this will prevent an upward spiral of arrears (i.e. there will be an outstanding balance in addition to the instalments

for the subsequent financial year). The non-statutory instalments will take a form that best suits that particular customer's requirements and may be 12 monthly or 52 weekly payments.

There will, however, be circumstances where arrangements may extend beyond the financial year and this may include, for example, where a secured loan is shortly to be repaid and this will free up additional income to the customer.

#### **4 Methods of Recovery**

The Council will use all appropriate methods of recovery available to it under legislation. All recovery documents will be sent within 3 days of production and will be in accordance with the recovery timetable for the year.

The recovery methods that will be used are:

- Reminder / Second Reminder / Final Notice
- Summons
- Liability Order Notice & request for Financial Information
- Fines Court for Non-Return of Financial Information (Fines Courts);
- Attachment of Earnings;
- Attachment of Benefit;
- Referral to the Council's Bailiffs for collection;
- Use of Tracing & Credit Reference Agencies;
- Application for charging orders;
- Instigation of bankruptcy proceedings; and,
- Committal Courts.

In addition, where the Council Tax payer is known to be over 65 years of age, up to 3 'soft' reminders will be issued before the normal recovery notices listed above, are issued.

#### **Liability Orders and Use of Bailiffs**

A Liability Order must be obtained from the Magistrates Court before any of the enforcement stages of recovery can be employed.

In 2011/2012, 7,772 Liability Orders were obtained. The bailiffs were issued with 6,404 Liability Orders with a total outstanding balance of £3.331m during 2011/2012. However, these instructions were not exclusively the Liability Orders obtained within the year as there were also historic cases that had been suspended for various reasons (e.g. to trace the debtor, or a payment arrangement had not been maintained). The bailiffs have to date collected £0.859m with this figure expected to rise to £1.17m when the enforcement action has been completed.

## **Attachment of Earnings and Fines Courts**

The service will seek to minimise the number of cases referred to bailiffs through an increased use of Attachments of Earnings, facilitated in turn, by the continued use of Fines Courts (for failing to supply financial information). An Attachment of Earnings is at a national prescribed level stipulated by the regulations as a percentage of a debtor's take home pay. This percentage is dependant upon the amount of net earnings and the frequency of the pay method. For example, the set percentage for a person on £225 weekly net take-home pay is 12% or £27 per week. For a person on £1,420 monthly net take-home pay the deduction is 17% or £241.40 per month.

There were no hearings during 2011/2012 listed for the imposition of a fine for failing to supply employment details. In 2012/2013 the option to convene a 'fines' hearing will be retained although will only be considered subject to appropriate cases being identified and having resources available to prepare for the hearing.

Although there is access to Credit Reference Agency records, in the main, these do not hold employers details. There is ongoing dialogue between the professional organisations (IRRV & CIPFA) and the Government with regard to access to H M Revenues & Customs for employer details. However, these have been ongoing for a number of years and as yet there is no progress (& no indication of progress). This situation will be monitored and raised at all meetings attended.

In addition, the negotiated non-statutory payment arrangements that are in default will also be progressed for an attachment of earnings, as the employment details will have been supplied on the income/expenditure form.

## **Attachment of Benefit**

During 2011/12, debts to a value of £0.896m on 3,833 accounts were subject to direct deduction from state Benefits (Income Support or Income-based Job Seekers Allowance). It is anticipated that this will increase during 2012/13 as the changes for non-dependants in the Council Tax Benefit calculations will increase the amount payable in such households. No case will be referred to the bailiffs where this method of recovery is a viable remedy (i.e. the prescribed weekly deduction of £3.55 will discharge the debt within the financial year).

## **Application for Instigation of Bankruptcy/Liquidation Proceedings**

Under the regulations, bankruptcy/liquidation proceedings can be instigated where the debt, or a number of debts for one individual or one company, exceeds £750.00. However, in order to protect potentially vulnerable people, the Cabinet Member with Portfolio for Finance and Information Technology agreed in the Debt Recovery Strategies 2005/2006 that bankruptcy proceedings would only be considered in the following exceptional circumstances:-

- there is a large value debt, in excess of £2,500, outstanding on a Liability Order, **and**
- the debtor is self-employed or employee details undisclosed, **and**
- they are an owner-occupier, **and**
- there has been no contact or there has been a wilful refusal to make payment or arrangement.

A detailed report is required for final approval by the Cabinet Member with Portfolio for Finance and Information Technology before bankruptcy/liquidation proceedings could commence. In each approved case, a final letter is issued advising of the intention to proceed to bankruptcy/liquidation in order to obtain payment or response.

The 2007/2008 Debt Recovery Strategy reduced the level of debt to £1,500 with all the remaining safeguards in place and approval to proceed with cases to bankruptcy/liquidation is still required to be given by the Cabinet Member with Portfolio for Finance and Information Technology.

Those cases satisfying the criteria all receive a visit from a Revenues Officer before approval is sought from the Cabinet Member with Portfolio for Finance and Information Technology. At this visit, the implications of bankruptcy/liquidation are made known to the debtor and documents detailing these implications are left.

In 2011/12, nine Council Tax cases were referred for approval to instigate bankruptcy/liquidation. One case has been made bankrupt by another party, 4 have entered in to payment arrangements, 3 have had the action withdrawn as there is no equity in their properties (albeit one of these cases is under investigation by our Corporate Counter Fraud Unit). The remaining case has been progressed through the bankruptcy process and full settlement is expected from the official receiver.

### **Application for Charging Order**

Similarly, for Charging Orders the Cabinet Member with Portfolio for Finance and Information Technology agreed in the Debt Recovery Strategies for 2005/2006 the following criteria:

- where there is a large value debt, in excess of £2,500, outstanding on a Liability Order, **and**
- the debtor is an owner occupier, **and**
- there is no possibility of making an attachment from their income, **and**
- there is a likelihood of a sale of the property within the near future.

The 2007/2008 Debt Recovery Strategy reduced the level of debt to £1,500 with all the remaining safeguards in place and approval to proceed with a Charging Order is still required to be given by the Cabinet Member with Portfolio for Finance and Information Technology.

The instability in the housing market has reduced the effectiveness of Charging Orders as, in some cases, the property has either been

repossessed or sold for a value that has released no equity once the secured mortgage has been repaid. One case was successfully identified during 2011/2012 and full payment has been secured.

### **Committal Action**

The court fees for committal action are £240.00 per application and can be recovered from the debtor. However, the order to recover these costs can only be made when the debtor actually appears in the court although the fees will have already been paid to the court. Consequently, this action will only be taken where there is a likelihood that the debtor will appear. A sentence of up to 90 days can be applied by the magistrates where there is 'wilful refusal or culpable neglect'. No one has been committed to jail in Knowsley since before 1997.

It should be noted that this is the final course of action available to recover the debt and is a last resort. However, the regulations now permit committal action to be substituted for an attachment of earnings should these details become available. Where these details are supplied during committal proceedings an attachment of earnings will be commenced provided the debt will be satisfied without an upward spiral of arrears (namely, it will discharge the debt *and* maintain the ongoing liability).

## **5 Performance**

The Council is due to collect £43.59m of Council Tax during 2012/13 (net of Council Tax Benefit, exemptions and discounts). The target is to collect 97.5% of this amount before 31 March 2013. The target is to collect in excess of 99% of the debt. The time span to achieve this has been extended from 3 to 4 years following the savings delivered by the service as part of the 2011/12 budget strategy which resulted in a reduction in posts through Early Retirement/Voluntary Severance.

The monthly profile set to achieve the target for the in-year collection rate (percentage) is:

<b>APRIL</b>	<b>MAY</b>	<b>JUNE</b>	<b>JULY</b>	<b>AUG</b>	<b>SEP</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>	<b>JAN</b>	<b>FEB</b>	<b>MAR</b>
<b>11.50</b>	<b>20.76</b>	<b>30.00</b>	<b>39.41</b>	<b>48.60</b>	<b>58.04</b>	<b>67.24</b>	<b>76.62</b>	<b>85.91</b>	<b>94.82</b>	<b>96.42</b>	<b>97.50</b>

Targets are set for the in-year collection rate and for arrears collection, for both the current year and the preceding three years. Performance is reported monthly to senior management and to the Cabinet Member with responsibility for the Finance and Information Technology Portfolio.

The 4 year targets for the current year's collection rate and for 2009/2010, 2010/2011 & 2011/2012 arrears recovery are as set out overleaf:

	2012/2013 Collection Rate (%)	2011/2012 Arrears Collection Rate (%)	2010/2011 Arrears Collection Rate (%)	2009/2010 Arrears Collection Rate (%)
2012/2013	97.50	97.90	98.25	98.60
2013/2014	97.90	98.25	98.60	99.00
2014/2015	98.25	98.60	99.00	

## **6 Review**

This strategy will be reviewed at least annually. The review will be carried out by the Revenues Manager, the outcome of which will be reported to the Cabinet Member with Portfolio for Finance and Information Technology, again on an annual basis.

## **BUSINESS RATES RECOVERY STRATEGY – 2012/2013**

### **1 Introduction**

This Strategy supports the Council's Debt Recovery Policy and shows how Knowsley's Revenues and Benefits Service will address the aims of that Policy.

This "living document" will be adapted in response to legislation changes and the introduction of new initiatives by either the Government or the Council. It will also change as experience is gained in the delivery of the Strategy, to reflect what has been found to work well, as well as what has been found to bring little success.

Legislation dictates that the Business Rates may be paid in 10 equal instalments, from April to January in each financial year. For 2012/2013, 12 instalments will again be offered to any organisation or individual in financial difficulty who contacts us for assistance.

The instalment dates operated by Knowsley Borough Council are 1<sup>st</sup>, 5<sup>th</sup>, 15<sup>th</sup>, 24<sup>th</sup> and last day of the month for direct debit payments and the 1<sup>st</sup> of the month for all other monthly payments.

The Business Rate payer is deemed to be in arrears when one of the instalment dates has been missed and recovery action, as outlined in the Council's Debt Recovery Policy will commence in accordance with the recovery timetable.

A recovery process that rigorously recovers Business Rate arrears will:

- Reduce cash flow loss to the Council by ensuring that arrears are recovered quickly;
- Maximise opportunities for the Council to increase income;
- Minimise losses on collection; and,
- Minimise the level of arrears written off as a result of delays in recovering debts (Statute Barred).

### **2 Minimising Business Rate Arrears**

The Council will seek to minimise Business Rate arrears by:

- Issuing accurate Business Rate bills in a timely manner;
- Ensuring that Business Rate payers are informed of the various payment methods available and the statutory instalment dates;
- Encouraging Business Rate payers to claim reliefs / exemptions which they may be entitled to, through providing information on all bills and recovery documents;

- Encouraging Business Rate payers to make contact with the Council as soon as possible if they are experiencing difficulty in paying their Business Rate liability; and,
- Ensuring that changes of circumstances are processed as soon as possible and that revised Business Rate bills are issued in a timely manner.

### **3 Methods of Payment**

#### **Direct Debit.**

Direct Debit is the most cost-effective method of payment for the Council and is the most certain.

Customers paying by Direct Debit have five instalment dates to choose from – 1<sup>st</sup> 5<sup>th</sup> 15<sup>th</sup> 24<sup>th</sup> or last day of the month. This is intended to make payment by Direct Debit more attractive and to help Ratepayers to better manage their finances.

The number of customers paying by Direct Debit during 2011/2012 was 864 as at December 2011. In September 2010, the Government introduced amendments to the Small Business Rate Relief Scheme whereby Relief was doubled. This effectively removed any liability for those businesses that qualified; this in turn affected our ability to increase the proportion of businesses paying by Direct Debit. This enhanced relief now continues until March 2013.

### **4 Methods of Recovery**

The Council will use all appropriate methods of recovery available to it under legislation. All recovery documents will be sent within 3 days of production and will be in accordance with the recovery timetable for the year.

The recovery methods that will be used are:

- Reminder & Final Notice
- Summons
- Liability Order Notice
- Referral to the Council's Bailiffs for collection;
- Use of Tracing Agencies;
- Instigating insolvency action; and,
- Committal Courts.

To support businesses that are facing short-term financial difficulties, the repayment period will be extended from 10 months to 12 months on request. The local scheme has again been introduced to allow payments to be deferred for a pre-defined period, up to a maximum of 12 months, if information is submitted to confirm why this would be beneficial to the business, and the Government scheme allowing 3.2% of business rates bills to be deferred will take effect from July 2012.

## Liability Orders and Use of Bailiffs

A Liability Order must be obtained from the Magistrates Court before any of the enforcement stages of recovery can be employed.

All Liability Orders obtained in 2011/2012 will be issued to the bailiffs within 3 weeks of being obtained. Arrangements with the office at this stage will be the exception and only at the discretion of the Business Rates Team Leader.

### Further Action

While the regulations do provide for Committal Action on individuals where the bailiffs are unable to enforce the charge, this course of action will only be taken in exceptional circumstances.

Where the bailiffs have been unsuccessful in securing payment, consideration will be given to applications for bankruptcy (for individuals) or liquidation (for companies). Each will be considered on an individual basis without any set criteria. A report will be submitted to the Cabinet Member with Portfolio for Finance and Information Technology for final approval.

## 5 Performance

The Council is due to collect £41.71m of Business Rates during 2012/2013 (net of any reliefs or exemptions). The target is to collect 98.6% of this amount before 31 March 2013. This is in accordance with the estimate for 'losses on collection' made by the Department for Communities and Local Government for Knowsley.

There has been a revaluation of all business premises from 1 April 2010. However, a transitional scheme is in place where any increase or reduction is phased in over a number of years up to a maximum of 5 years. No business should therefore see a disproportionate rise in their rates bill. This is being funded centrally and at no direct cost to the Council.

The minimum rateable value at which empty premises must pay full rates has, in accordance with Government's plans, reduced to £2,600 from April 2011 (during 2010/2011 it was £18,000). Below this value, empty premises are fully exempt.

The monthly profile set to achieve the target for the in-year collection rate (percentage) is:

APRIL	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
13.52	22.96	32.39	41.82	51.25	60.68	70.32	79.75	89.18	98.40	98.50	98.60

Targets are set for the in-year collection rate to achieve 98.6% (with the remaining 1.4% being the allowance for bad or doubtful debt). Any irrecoverable debt is written-off against the Council's contribution to the National Non-Domestic Rates pool and there is, therefore, no cost to the Authority. However, every effort is made to collect all the money due to minimise any losses on collection.

Performance is reported monthly to senior management and to the Cabinet Member with responsibility for the Finance and Information Technology Portfolio.

## **6 Review**

This strategy will be reviewed at least annually. The review will be carried out by the Revenues Manager, the outcome of which will be reported to the Cabinet Member with Portfolio for Finance and Information Technology, again on an annual basis.

**SUNDRY DEBT RECOVERY STRATEGY - 2012/2013**

**1 Introduction**

This Strategy supports the Council’s Debt Recovery Policy and shows how the aims of that Policy will be addressed by Knowsley’s Revenues and Benefits Service.

This is a “living document” which will be adapted in response to legislation changes and the introduction of new initiatives by either the Government or the Council. It will also change as experience is gained in the delivery of the Strategy, to reflect what has been found to work well, as well as what has been found to bring little success.

Sundry Debt is income due to the Council in respect of goods or services provided and contractual liabilities from leases, licences and agreements. Where possible, the Council requests fees up front, however, most payments are due retrospectively and invoices are, therefore issued.

Sundry Debt invoices are issued for the following services:

DCR	Overpaid Salaries, Payroll Recharges, Outstanding Car Loans, Phone Line Charges, Balance of Risk payments, Licence Fees, Sewer Works, Environmental Health checks, permits and training.
DRES	Market Rents, Shop Rents, Commercial & Industrial Unit Rents, Ground Rent, Footpath Crossings, Building Regulation Fees, Room Hire
DNS	Room Hire, Pest Control charges, Golf Course Fees, School SLA charges, Pool & Pitch Hire, Unpaid School Meals
DWS	PCT Contributions, Overpaid Residential Home Fees, Respite Care Charges, Non-residential charges
DCFS	Training Charges, Room Hire, CRB checks, SLA Charges
CE	Crime & Disorder Services Fees.

During 2010/11, as part of the implementation of the recommendations of the Scrutiny Working Group which examined Corporate Welfare Benefits, the billing, collection and recovery of charges for non-residential social care services started to be transferred across from the DWS Financial Assessment and Charging Team to DCR Sundry Debtors. During 2011/12, DWS revised their Charging Policy, which resulted in an increase in the number of domiciliary care clients required to contribute towards their care. Collection of the contribution from new and existing clients transferred from DWS to Sundry Debtors.

Approximately 75% of customers receiving non-residential care (2,300) have a contribution to make to the cost of providing the service, which is determined by a financial assessment. Those who have opted to procure their own care and receive Direct Payments have their charge netted off and

receive the Direct Payment net of contribution. All others are invoiced for their contribution and pay by instalment, at a frequency convenient to them.

The Oracle Accounts Receivable system has been developed to allow the introduction of Direct Debits as a payment method to provide further flexibility for all customers. This payment method has proven popular to this client group, and the Sundry Debt team have allocated dedicated resources to speak personally to customers to explain the charges, the policy change and the ways to pay.

Due to the nature of the service provision, the contribution amounts change frequently. Approximately 50% of all invoices raised are subsequently cancelled or revised to reflect the changes.

Due to the potential vulnerability of clients any safeguarding, welfare or capacity issues will be considered at each stage of the recovery process and prior to any decision being taken on legal action which may be required to recover sums outstanding.

Excluding invoices for Domiciliary Care, approximately 80% of invoices are raised by finance/admin officers within each Directorate and 20% are raised by the central Sundry Debt Team. The collection of all Sundry Debt income is administered by the Sundry Debt Team.

Invoices are raised through the Council's core financial system, Oracle, using the Accounts Receivable module. The most effective method of minimising Sundry Debtor arrears is through ensuring that the invoice is raised correctly and quickly. Officers involved in raising invoices are provided with system and procedural training and issued with guidance notes prior to being granted system access to minimise the risk of error.

The Financial Procedure Rules set out each Directorate's responsibility in respect of Sundry Debts. Financial Procedure Rule 6.6 states:

*"The granting of any credit relating to a charge to a third party for services or goods supplied by the Council, and of all other amounts due, shall be in accordance with the guidance issued by the Borough Treasurer. Where such credit is granted, Executive Directors must ensure that an invoice for its recovery is raised within ten working days of the provision of the goods or service."*

This Strategy sets out the steps that are taken to maximise income and to minimise any losses on recovery in respect of irrecoverable debt, and is supported by a Credit Policy Framework, which details all of the processes involved.

Directorates are advised and encouraged to minimise the risk of non payment by seeking information regarding companies and individuals prior to granting credit terms, in accordance with the Data Protection Act. Where risks are identified but there is a need to continue the proposed service or agreement, systems are in place to request bonds or deposits to minimise this risk.

## 2. Minimising Arrears

Where repeat payments are due at regular intervals as determined by the contract, lease or licence agreement, 1 annual account is raised which releases an invoice at the time each instalment is due. In all other cases, an individual invoice is raised for the goods or services provided.

All invoices raised state that payment is due immediately. Recovery action commences three weeks after the due date:

Activity	Timescale
Invoice raised	Issued to Debtor within 2 working days
Reminder on unpaid invoices	21 days after the date the invoice was raised
Final Notice on unpaid Reminder	35 days after the date the invoice was raised (i.e. 14 days after the Reminder Notice)

After a maximum period of 28 days, if the invoice has not been disputed (and with the exception of domiciliary care charges) the outstanding amount is either:-

- (i) Referred to an external Debt Collection Agency;
- or,
- (ii) In the case of ongoing commercial rents, referred to bailiffs for further enforcement action.

During this 28 day period, debtors will be contacted by telephone, where it is deemed appropriate, to try to elicit payment. Furthermore, at any time during this 28 day period, a Directorate can request that the invoice is immediately progressed to the next recovery stage or that further action is suspended. Any request to suspend further recovery action must be received from an authorised officer of the appropriate Directorate and a timescale must be agreed on the length of the suspension.

The cancellation or crediting of any invoice must be requested by an authorised officer of the appropriate Directorate or a relevant Revenues Manager. The Sundry Debtor Team will then cancel or credit the invoice on the Accounts Receivable system and issue a credit note or revised invoice as appropriate.

In the case of charges for care services, additional checks, including direct contact with the service user, will be undertaken after 21 days and again after 28 days. If no positive response is received following contact and issue of reminders, the case will be referred to the visiting team where appropriate, to identify the reason for non-payment and any issues preventing contact.

If a dispute arises about the charge, the case will be referred to the visiting team to review the charge and re-visit if appropriate. Visitors will visit within 10 days of the request and will provide a response to inform the decision on recovery action following the visit.

If the financial assessment requires exceptional Disability Related Expenditure or where enforcement action is to be considered, the case will be referred to the DWS panel. The panel will receive information from Sundry Debts, Visitors and care management to consider any safeguarding, welfare and capacity issues. A decision will be made within 14 days and notifications will be issued to the customer, Sundry Debtors and/or the Visiting Team as appropriate as soon as the decision is reached.

If at any time concerns are raised about the wellbeing of the customer, the case will be referred to the visiting team who will liaise with Wellbeing Services.

If DWS agrees to proceed with recovery action, the case will either be referred to an external collection agent, or to Legal Services for County Court action. Cases will only progress following panel agreement and strict scrutiny to ensure all supporting information is available.

Telephone contact will continue to be attempted prior to this action, and where appropriate the claim will be referred back to Benefits. If, after 10 days, payment has still not been received, the matter will be referred to Legal Services for County Court action.

### **3. Referral to Bailiff**

Debts outstanding in respect of an ongoing commercial or shop rent will be referred to a bailiff for enforcement action, following discussion with the Directorate for Regeneration Economy and Skills, if the leaseholder is still trading from the property and a suitable repayment arrangement has not been made. Under Common Law, the landlord (in these cases, the Council), or his agent, is entitled to distrain, or remove and sell goods for any rent outstanding.

The bailiff companies contractually employed by the Authority for the collection of Council Tax and Business Rates are issued with commercial rent debts for enforcement action. All fees associated with the use of bailiffs will be added to the debt amount to be repaid by the debtor. The bailiff fees charged are the same standard fees as for Council Tax.

### **4. Referral to Debt Collection Agency**

The Cabinet Member with Portfolio for Finance and Information Technology has previously approved the appointment of an external debt collection agent to collect Housing Benefit Overpayments and Sundry Debts, on behalf of the Council and this service is included in the contract for the provision of bailiff services for local taxation, renewed in July 2011. The appointment of a single contract for the provision of bailiff and debt collection services provides for the consolidation of all debt and a single point of contact for customers where there are multiple debts (e.g. Council Tax and overpaid Housing Benefit).

## **5. Referral to Legal Services**

The referral of Sundry Debt to Legal Services has not been cost effective for a number of years. The cost of litigation and the resources required to monitor the debts exceed the value of any money recovered. While the option will remain available it will only be used in exceptional cases and when there is a likelihood of success.

Those invoices remaining unpaid following referral to bailiffs or to the external Debt Collection Agency will be considered for referral to Legal Services, subject to a minimum outstanding balance (currently set at £100) when it is deemed uneconomical to pursue the debt through to litigation. Debts below the minimum outstanding balance may still be considered for legal action in appropriate cases, following advice from Legal Services.

Consideration will be given by Legal Services where appropriate to the forfeiture of lease for those debts arising from ongoing commercial rents. This will be subject to the terms of the lease and referral to the Directorate of Regeneration, Economy and Skills for final approval. A decision will be made within fourteen days of referral to Legal Services.

Legal Services will, within five working days of referral, issue a letter to the remaining debtors with a notice of the intention to proceed to the County Court.

Where there is no contact within 21 days, and the debt exceeds £100.00, the Sundry Debtor Team will be requested to undertake a financial profile of the debtor from available records (e.g. employment status/existence of other County Court Judgements or Bankruptcy Orders).

Upon receipt of this information, a decision will be made by Legal Services, in consultation with the Sundry Debtor team, on the appropriateness of issuing a County Court summons. In those cases selected for court action, the summons will be issued within a further 14 days. The remaining cases will at this point be submitted for write-off in accordance with the approved Procedure for Writing-off Irrecoverable Debts or for such other action as Legal Services may recommend.

If there is still no response, a County Court Judgement will be sought for entry on to the court register. County Court Judgements remain on the County Court register and will adversely affect the debtors' creditworthiness

When a summons is issued, fees are charged based on a sliding scale, dependant upon the monetary value of the debt (e.g. £30.00 for a debt of up to £300 and a maximum of £1,530 for debts of £300,000 and over).

If a case with a value of £5,000 or less is defended, the matter is automatically listed for a small claims hearing. This takes place before a District Judge in his/her chambers. These hearings are relatively informal and the winning party does not normally recover costs. A responsible officer from the Department that raised the invoice, together with any other appropriate witnesses to prove the debt, will be required to attend the hearing as they will be required to provide background information, produce documents and give evidence on the circumstances in which the debt occurred. This officer will be supported by representatives from the Sundry Debtor Team and Legal Services.

However, should the value of the defended debt exceed the small claim limit of £5,000 then more complex procedures are applied by the County Court for recovery. In cases of this value, costs are normally awarded to the winning party and this could place the Council at risk of being ordered to pay significant costs, should the claim prove unsuccessful. Legal Services will therefore make specific recommendations to the Sundry Debtor Team and the appropriate Directorate on any such cases, having considered the risks involved in proceeding with a claim.

Where a County Court claim is successful, Judgement against the debtor will be ordered and there are various remedies available to enforce the debt (e.g. bankruptcy/liquidation, charging order). Legal Services will make a recommendation on the most appropriate course of action (and the fees associated with that action) to the Sundry Debt Team who will normally liaise with the appropriate Directorate and then instruct on the final action. If Legal Services advise that urgent action is necessary to safeguard the Council's position, immediate instructions will be given.

Should the recommendation be to instigate bankruptcy proceedings a full report will be submitted to the Cabinet Member with Portfolio for Finance and Information Technology for approval.

A Partnership Working Agreement between the Sundry Debtors Team and Legal Services was introduced in April 2008 which sets out the responsibilities of each team and confirms the actions required in respect of outstanding debt referred for litigation and the agreed timescales for each action.

Where all the legal remedies have been exhausted, or where the debt is irrecoverable, it will be submitted for write-off in accordance with the Council's Financial Procedure Rules 6.11 & 6.12.

## **6. Performance**

The Council is expected to collect an estimated £42m of Sundry Debt during 2012/13, including a projected £2.2m for domiciliary care charges. Work is ongoing with colleagues in DWS to reconcile the contribution amounts held on the SWIFT system (where the social care assessments are recorded) and the



1.00% 3.00% 5.00% 7.00% 9.00% 11.00% 13.00% 15.00% 16.00% 17.00% 18.00% 20.00%

## **7 Review**

This strategy will be reviewed at least annually. The review will be carried out by the Revenues Manager, the outcome of which will be reported to the Cabinet Member with Portfolio for Finance and Information Technology, again on an annual basis.

**Housing and Council Tax Benefit Overpayment Recovery Strategy –  
2012/2013**

**1 Introduction**

This Strategy supports the Council's Debt Recovery Policy and shows how the aims of that Policy will be addressed by Knowsley's Revenues and Benefits Service.

This is a "living document" which will be adapted in response to legislation changes and the introduction of new initiatives by either the Government or the Council. It will also change as experience is gained in the delivery of the Strategy, to reflect what has been found to work well, as well as what has been found to bring little success.

An overpayment is any amount of Housing or Council Tax Benefit which has been paid or credited to an account but to which there is no entitlement. Council Tax Benefit overpayments are known as excess Benefit. The Regulations regarding recovery of overpaid Housing Benefit differ from those in respect of overpaid Council Tax Benefit and this Strategy takes account of this.

A recovery process which rigorously recovers overpayments of Housing Benefit and Council Tax Benefit will:

- Have a significant deterrent effect on fraud, delivering the message that fraud does not pay;
- Reduce subsidy loss to the Council by ensuring that overpayments are minimised; and,
- Maximise opportunities for the Council to increase income.

**2 Causes of Overpayments**

Overpayments of Housing Benefit and Council Tax Benefit occur as a result of:

- Changes in the circumstances of the claimant or a member of their household which reduce or end the Benefit entitlement;
- Delays by claimants or landlords in notifying changes of circumstances which reduce or end Benefit entitlement;
- Delays or mistakes by the Council or the Department for Work and Pensions when processing information provided by claimants or others;
- Incorrect information provided by claimants or landlords in support of a Benefit claim whether or not there is fraudulent intent; and,
- Computer system errors which result in the incorrect payment or calculation of Benefit.

### **3 Minimising Overpayments**

The Council will seek to minimise overpayments by:

- Ensuring that claimants and landlords are made aware of their duty to notify changes of circumstances in a timely manner;
- Ensuring that changes of circumstances are processed as soon as possible to reduce overpayments caused by Local Authority error;
- Undertaking a robust system of checks on the accuracy of Benefit assessments carried out and addressing any training needs or competency issues that arise as a result of those checks;
- Carrying out structured testing of all computer software releases to ensure that the Benefit calculations carried out by that system are correct; and,
- Ensuring that any underlying entitlement to Benefit is calculated and only the net overpayment claimed.

### **4 Classification of Overpayments for Subsidy**

Overpayments will be classified for subsidy purposes by the Housing Benefit Officer who creates the overpayment, at the time that the overpayment is raised. Correct classification of overpayments is essential if the correct amounts of subsidy are to be claimed from the Department for Work and Pensions. The correctness of overpayment classifications for subsidy is checked by the Benefits Subsidy Officer as part of the routine checking function.

### **5 Recoverable Overpayments**

When an overpayment of Benefit occurs, the Housing Benefit Service will decide:

- If the overpayment is recoverable;
- If so, from whom recovery should be sought; and,
- The method of recovery that should be used.

If all or part of an overpayment is deemed irrecoverable because of Local Authority or Department for Work and Pensions error and the claimant and any person acting on behalf of them, or the person to whom the payment was made, could not reasonably have been aware at the time that the payment was made to them that an overpayment had occurred, the irrecoverable overpayment will be dealt with under the write off policy.

In all other cases, recovery of the overpayment will be sought in accordance with Housing Benefit Regulations, Council Tax Benefit Regulations and Department for Work and Pensions guidance.

Priority is given to the recovery of overpayments that have been classified as fraud. In order to assist in recovering overpayments colleagues from CCFU

will continue to agree payment arrangements with debtors as part of the sanction interview.

## **6 Methods of Recovery**

The Council will use all appropriate methods of recovery. There are different methods of recovery for Council Tax Benefit overpayments and overpayments of Housing Benefit.

### **Council Tax Benefit Overpayment Recovery**

Excess Council Tax Benefit is normally recovered by debiting the Council Tax account. A revised Council Tax bill is sent to the claimant and they are required to repay in the normal way, making arrangements with the Council Tax section if appropriate. The methods of collection and enforcement are the same as for normal Council Tax liability and details of these are part of the Council Tax Recovery Strategy (Appendix A). This is the most cost-effective way of recovering excess Council Tax Benefit and will be used in most circumstances.

There will be rare occasions when it is not appropriate to debit excess Council Tax Benefit to the Council Tax account. For example, excess Council Tax Benefit can only be recovered from a partner if they were members of the same household when the Council Tax Benefit overpayment occurred and when the deduction is made.

In these cases, the Council may seek to recover from the claimant or the person to whom the excess Council Tax Benefit was credited, by requesting a direct payment. Failure to make payment in these cases will result in the instigation of court proceedings.

If neither of the above methods of recovery is effective and the overpayment has arisen because of the misrepresentation of, or failure to disclose a material fact, whether innocently or deliberately, by the person from whom recovery of the excess benefit is sought, the Council may seek to recover the overpayment by asking the Department for Work and Pensions to deduct the amount from other prescribed welfare benefits (i.e. Job Seekers Allowance (Income Based) and Income Support). This method of recovery does not require a court order but can only be effective if the claimant has one or more of the prescribed benefits in payment at a sufficiently high rate to allow this to take place.

## **Housing Benefit Overpayment Recovery**

The Housing Benefit Regulations provide for a number of methods of recovery in respect of overpayments and the Council will make full use of all these methods of recovery to ensure that overpayments of Benefit are recovered in the most timely and cost-effective manner.

The methods of recovery to be used are:

- Deduction from ongoing Housing Benefit entitlement;
- Deduction from arrears of Benefit which become payable while there is a Benefit overpayment outstanding;
- Invoice for the outstanding amount where there is no ongoing Benefit entitlement;
- Application to the Department for Work and Pensions for deductions to be made from appropriate Benefits;
- Registration of debt with the County Court and subsequent follow up action, including attachment of earnings and use of court bailiffs;
- Application to other local authorities for deduction of Benefit from Housing Benefit entitlement in their area;
- Recovery of the overpayment from Housing Benefit paid to a landlord or agent in respect of other tenants;
- Recovery from the estate of a deceased person; and,
- Through the use of an external debt collection agency.

Recovery of fraudulent overpayments will not be sought from the landlord in direct payment cases unless the Council is satisfied that the landlord has made a direct contribution to the fraudulent activity and it is appropriate to do so because of the specific circumstances of that case.

Recovery from ongoing Benefit will initially be made at the maximum rate set by the Department for Work and Pensions. For financial year 2012/13 the recovery rate is £10.65 per week (fraud overpayments may be recovered at £17.75 per week). Lower rates of recovery may be agreed in cases where the claimant satisfies the Council that hardship will occur if the higher rate is applied. The claimant will need to complete an income and expenditure form giving details of their disposable income and may be required to seek support from a money guidance service before an arrangement is made to reduce the amount of the overpayment being recovered. In exceptional cases, recovery may be suspended for a period of up to 14 days to allow the claimant to provide this information.

In cases where there is no ongoing Benefit entitlement, the overpayment debt will be posted to the Debtors Module of the Northgate Benefits System. If it is certain that there will be no further Benefit due, for example, when the claimant has moved out of the area, the overpayment will be passed to the Debtors Module at the time that it is created. In cases where a new application for Benefit has been invited, or there is a possible underlying entitlement to Benefit to offset against the overpayment, the debt will be held in the core Benefits Module for a period of 1 calendar month, to allow the claimant to reapply for Benefit and / or provide information to allow underlying

entitlement to be calculated. Although the claimant will be notified of the overpayment at this time and has the right to appeal against it, no invoice is sent.

Recovery of overpayments transferred to the Debtors Module of Northgate becomes the responsibility of the Revenues Team.

Payment of the debt by instalments will be negotiated on a case-by-case basis on consideration of each individual's circumstances.

If payment has not been made and no arrangement has been agreed after 28 days, a reminder will be sent giving a further 7 days for payment to be made. The debtor will be contacted by telephone if a current number is available to arrange repayment and ascertain their financial circumstances to inform future actions.

In cases where a landlord or agent is being billed for an overpayment and no payments have been received following the issue of the reminder and there are ongoing payments being made to the landlord or agent in respect of other tenants, recovery will be made from those payments.

In cases where recovery of an overpayment is being sought from a claimant and no payments have been received at the end of the 7 days following the reminder, the case will be examined to determine the appropriate course of action. If there is ongoing entitlement to other Department for Work and Pensions Benefits, application can be made for direct deductions at this time. In other cases, court action will be considered and the debt registered with the court to obtain a County Court Judgment.

The Sundry Debtors Team will liaise with the Department for Work and Pensions Debt Management Team to set up direct deductions from other prescribed Benefits where appropriate. Registration of the debt with the court is also the function of the Sundry Debtors Team.

If the Council obtains a County Court Judgment and the debtor fails to pay, there are methods of enforcement open to the Council including attachment of earnings and the use of the Court Bailiff. To attach earnings, the Council must be able to confirm details of the debtor's employer to the Court and pay a fee of £65.00.

The Sundry Debt Team will assess the risk and cost benefits of enforcement action in each case before progression of the debt. Court fees and administration costs are not currently added to the overpaid amount for recovery.

## **7 Performance**

As the recovery of excess Council Tax Benefit is via the Council Tax account, performance in this area is included in the performance in respect of Council Tax collection.

Housing Benefit overpayment recovery is no longer measured as a National Indicator although local targets are set for the current year and the preceding two years based on the former Best Value Performance Indicators (see below). Performance is reported monthly to senior management.

We aim to reduce the amount of old debt outstanding and utilise external collection agents to target, in particular, old debt relating to payments made to private landlords who no longer receive Benefit payments direct and for which we are therefore unable to recover from other claimants' Benefits.

The targets for Local Performance Indicators for the current year are as follows:

Indicator	2012/13
Debt recovered in year as %age debt identified	30%
Debt recovered in year as %age of total debt	25%
Debt written off as %age of total debt	10%

In addition, aged debt is monitored separately to confirm a reduction in the number and value of inactive debts that are managed by the Sundry Debtors Team. The targets for reducing aged debt are set out below:

YEAR DEBT RAISED	TARGET FOR REDUCTION
2011/12	40%
2010/11	25%
2009/10	10%
Pre 2009	10%

It should be noted that Housing Benefit overpayments are classed as low priority debts. Subsequently, where multiple debts exist, offers of repayment are usually very low and are often disproportionate to the amount owed, particularly in fraud cases.

Performance measures have been adapted for this reason to include the proportion of debts that are being repaid through a voluntary instalment arrangement or by deduction from welfare benefit, as another demonstration of effective recovery action. The target for 2012/13 for the proportion of debts on arrangement is 55%.

## **8 Review**

This strategy will be reviewed at least annually. The review will be carried out by the Benefits Manager in conjunction with the Revenues Manager, the outcome of which will reported to the Cabinet Member with Portfolio for Finance and Information Technology.