
Cabinet Member (Strategic Finance and Resources)

17 June 2013

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) – Councillor Gannon

Director Approving Submission of the report:

Director of Finance and Legal Services

Ward(s) affected:

All

Title:

The exercise of delegated authority in the write-off of debt owing to the Authority in 2012/13

Is this a key decision?

No. Although the matter within the Report can affect all wards in the City, it is not anticipated that the impact will be significant and it is therefore not deemed to be a key decision.

Executive Summary:

The Revenues and Benefits division is responsible for the collection of Corporate Income and Corporate Debt. A range of measures are employed to ensure the maximisation and collection of all income and debt owed to the Council. In certain circumstances it is appropriate and necessary to write off debts owing to the Council. Robust processes are in place within the Revenues and Benefits service to ensure that debt is written off and authorised in accordance with the Council's rules of delegated authority. In 2012/13 £5.866 million was written off.

Recommendations:

The Cabinet Member is requested to:

- 1) Review the level of write-offs authorised under delegated authority.
- 2) Approve an increase, to £5 million, in the value of debt which must be expected to be written off in a single financial year before an interim report to the Cabinet Member is required.
- 3) Agree to receive a further report at the first meeting of the new municipal year 2014/15 to provide an update for the period April 2013 to March 2014.

List of Appendices included:

Appendix 1 – Debt written off 2012/13

Other useful background papers:

None

Has it or will it be considered by Scrutiny?

No

Has it, or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title:

The exercise of delegated authority in the write-off of debt owing to the Authority in 2012/13.

1. Context (or background)

- 1.1 Annually the revenues and benefit service administers more than £150 million in housing and council tax benefit and collects £117 million of business rates, £100 million of council tax and more than £90 million in corporate income. The revenues and benefits service have identified more than £6 million of housing benefit overpayment debt during 2012/13.
- 1.2 Since 2000, officers within the Revenues and Benefits service area have held delegated authority for writing off debts owing to the Council. This report documents the extent to which delegated authority has been exercised during the period April 2012 to March 2013. The thresholds to which designated Officers or Members may authorise the write off of debt owing to the Council were documented and agreed in a report to the Cabinet Member (Finance and Value for Money) on 21 January 2009 and these levels are detailed below. :
 - 0 – £5.00
 - £5.01 - £5,000 - Service Manager
 - £5,000 to £14,999 – Assistant Director
 - £15,000 - £100,000 Director of Finance and Legal Services
 - Over £100,000 – Cabinet Member
- 1.3 Where it becomes apparent that the net level of debt written off within a single financial year is likely to exceed £3.5 million, a report must be submitted to the Cabinet Member (Strategic Finance and Resources). The £3.5 million threshold was determined by the Cabinet Member (Finance and Value for Money) at a Cabinet Member meeting on 21 January 2009. The £3.5 million threshold has not been reviewed since this time.

2. Options considered and recommended proposal

- 2.1 All service areas have robust procedures and policies in place to ensure the effective recovery of debt owing to the Council and that debt is written off only in prescribed circumstances. The Council utilises a range of techniques to maximise the collection of corporate debt including tracing agencies, credit reference agencies, collection agents and legal processes.
- 2.2 Council Tax reports are produced quarterly and, depending on the value of the debt, the Service Manager, Assistant Director or the Director gives formal approval in accordance with the current delegated write off thresholds.
- 2.3 Accounts Receivable, business rates and business improvement district (BID) reports are produced monthly and submitted to the relevant Directorate Finance Managers for notification and approval. These cases are then referred for approval in accordance with the current delegated write off thresholds.
- 2.4 Benefit overpayment reports are produced weekly and submitted to the Revenues Manager for review and approval in accordance with the current delegated write off levels.

- 2.5 An account may be re-raised after write-off should further information become available, for example the whereabouts of an absconder may subsequently be discovered.
- 2.6 A breakdown of debt written off is summarised in Figure 1 below.

Fig 1

| Service Area | 2011/2012 | 2012/2013 | | | Net Write offs (£000) |
|---|-----------------------|--------------------|-------------------|----------------------------|-----------------------|
| | Net Write offs (£000) | Written off (£000) | Written on (£000) | Credits written off (£000) | |
| Council Tax | 714 | | 25 | 64 | 1,705 |
| Business Rates | 1,983 | | | | 2,569 |
| Accounts Receivable | 269 | | | | 344 |
| Benefit overpayments | 427 | | | | 1,080 |
| City wide Business Improvement District | 3 | | | | 168 |
| Total | 3,396 | | | | 5,866 |

Business Rates

- 2.7 A report was submitted to the Cabinet Member (Strategic Finance and Resources) at the meeting of 13 March 2013 confirming that the Council expected total write off levels for 2012/13 to exceed £3.5 million. The report outlined changes to the national business rates system which came into force on 1 April 2013. Under the new system the impact of debt written off is borne by the Council whereas it was previously borne by central government. In addition the government has recently clarified a decision for 49 per cent of backdated appeals relating to business rates charges incurred prior to 1 April 2013 to be borne by local government under the new framework. As detailed in the March report, it was therefore imperative that the Council maximised the write-off costs described above that should be reflected legitimately in the amount borne by Government where these relate to the previous business rates regime.

Business Improvement District

- 2.8 Included within the total write off figure of £5.866 million is £167,606 city-wide BID debt. This debt was written off as a one-off exercise following a decision not to enforce this debt through legal channels following the closure of the city-wide BID.

Housing benefit overpayments

- 2.9 Again, as outlined in the Cabinet Member report of 13 March 2013, the amount of housing benefit overpayments written off has increased significantly in 2012/13. This is primarily the result of a one-off proactive exercise to review outstanding benefit overpayments and write off old debts for which recovery action has been exhausted.

Write off threshold

- 2.10 As stated, if it is expected that write off levels will exceed £3.5 million in a single financial year a report must be submitted to the Cabinet Member (Strategic Finance and Resources). This threshold has not been reviewed since inception in 2009 and it is therefore proposed that the threshold be reviewed and increased to £5 million in 2013/14. This level better reflects the current economic climate which fosters adverse recovery

conditions with many residents and local businesses facing challenging financial circumstances. The level of debt written is, and will continue to be reported to the Cabinet Member on a regular basis through monthly performance briefings which ensures that the Cabinet Member is able to request a formal report where concerns are identified.

3. Results of consultation undertaken

No consultation has been undertaken.

4. Timetable for implementing this decision

Not applicable.

5. Comments from Director of Finance and Legal Services

- 5.1 The Council makes appropriate budgetary provision for the estimated level of debt to be written off. When a decision is taken to write off a debt, it is charged to this provision. Each year the level of bad debt provision is reviewed based on the level of debt having been written off. This process ensures that the Council's annual budget contains sufficient provision for the write-off of bad debt.

Writing off of debts is carried out in strict compliance with the policies and procedures of the delegated authority under the City Council's Constitution.

- 5.2 There are no legal obligations arising from this report

6. Other implications

None

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

The effective collection of all Council debts and the existence of robust processes for monitoring the write-off of such debt are crucial in maximising the use of Council resources.

6.2 How is risk being managed?

The service is required to submit an annual report to the Cabinet Member (Strategic Finance and Resources) documenting the exercise of delegated authority. The service must report immediately that the level of debt written off in a single year is likely to exceed £3.5 million.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

No equality impact assessment has been carried out as the recommendations do not constitute a change in service or policy

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

Report author(s):

Jan Evans

Name and job title:

Head of revenues

Directorate:

Finance and Legal Services

Tel and email contact:

024 7683 3935

| Contributor/approver name | Title | Directorate or organisation | Date doc sent out | Date response received or approved |
|--|---|------------------------------------|--------------------------|---|
| Contributors: | | | | |
| Helen Harding | Assistant Director Revenues and Benefits | Finance and Legal Services | | |
| Garry Hamer | Revenues Support Manager | Finance and Legal Services | | |
| Barrie Strain | Revenues and Benefits Performance Manager | Finance and Legal Services | | |
| Matthew Rossi | Governance Services Officer | Customer and Workforce Services | 28/05/13 | 28/05/13 |
| Other members | | | | |
| Names of approvers: (officers and members) | | | | |
| Finance: Neil Chamberlain | Finance Manager | Finance and Legal Services | | |
| Legal: Clarissa Evans | Commercial Team Manager | Finance and Legal Services | | |

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