
Cabinet Member (Strategic Finance and Resources)

08 September 2014

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) – Councillor Gannon

Director Approving Submission of the report:

Executive Director of Resources

Ward(s) affected:

All

Title:

The exercise of delegated authority in the write-off of debt owing to Coventry City Council in 2013/14

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 service is responsible for the collection of Corporate Income (including council tax and business rates) 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 2013/14 £3.485 million was written off.

Recommendations:

The Cabinet Member is requested to:

- 1) Review the level of write-offs authorised under delegated authority.
- 2) Agree to receive a further report at the first meeting of the new municipal year 2015/16 to provide an update for the period April 2014 to March 2015.

List of Appendices included:

Appendix 1 – Debt written off 2013/14

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been 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 Coventry City Council in 2013/14.

1. Context (or background)

- 1.1 The revenues and benefit service administers more than £162 million in housing benefit and council tax support and collects £119 million of business rates, £105 million of council tax and more than £90 million in corporate income per annum. The revenues and benefits service have identified more than £4 million of housing benefit overpayment debt during 2013/14.
- 1.2 Officers within the Service hold 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 2013 to March 2014. 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 Executive Director of Resources; and
 - Over £100,000 – Cabinet Member

Where it becomes apparent that the net level of debt written off within a single financial year is likely to exceed £5 million, a report must be submitted to the Cabinet Member (Strategic Finance and Resources). The threshold was agreed to increase to this level (previously £3.5 million) at a Cabinet Member meeting on 17 June 2013. 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-off is, and will continue to be reported to the Cabinet Member through regular performance briefings.

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. 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 Head of Revenues & Benefits for review and approval in accordance with the current delegated write off levels. An account may be re-raised after write-off should further information become available, for example the whereabouts of an absconder may be subsequently discovered.

2.5 A breakdown of debt written off is summarised in Figure 1. The total debt written off for 2013/14 for all service areas is £3.62 million, a substantial reduction on the previous year 2012/13 which was £5.87 million. The significant reductions in the level of debt written off are for Business Rates, Business Improvement District, and Accounts Receivable. See table below along with explanations for the significant areas of variance.

Fig 1- Breakdown of debt written off

Service Area	2012/2013	2013/2014			Net Write offs (£000)
	Net Write offs (£000)	Written off (£000)	Written on (£000)	Credits written off (£000)	
Council Tax	1,705	1,441	50	82	1,309
Business Rates	2,569	1,362			1,362
Accounts Receivable	344	148			148
Housing Benefit Overpayment	1,080	602			602
City Centre Business Improvement District	168	64			64
Total	5,866	3,617			3,485

Business Rates

2.6 The level of debt written off for business rates has reduced from £2.569 million in 2012/13 to £1.362 million in 2013/14. The previous year's totals was somewhat inflated by a one off proactive housekeeping exercise which was undertaken to review much older debt where recovery had been exhausted. The £1.362 million written off in 2013/14 is a small proportion (1%) of the total debit raised and is reflective of the changes to the national business rates system which came into force on 1 April 2013, where any Business Rates debt written off is now borne by the Council.

Business Improvement District (BID)

2.7 The level of BID debt written off for 2013/14 is £64,000, and is more reflective of 'business as usual'. In the previous year (2012/13) the write-off levels had increased to £168,000 and were inflated by the closure of the city-wide BID. These debts had been written-off following a decision not to enforce this debt through legal channels.

Accounts Receivable

2.8 The level of write offs for Accounts Receivable has fallen significantly from £344,000 in 2012/13 to £148,000 in 2013/14, and is due to the conversion to the new Agresso system, part way through the year. Priority has been given to developing the front ended functionality of invoicing and recovery within the new system and has meant that reduced resources have been available to process write offs.

Housing Benefit overpayments

2.9 The level of write-offs for housing benefit overpayments reduced from £1.08 million in 2012/13 to £602,000 in 2013/14. The write-offs have levelled out in 2013/14 after an exercise in 2012/13 to write off a backlog of accumulated old debt where recovery action had been exhausted. This will continue as an exercise each year.

3. Results of consultation undertaken

No consultation has been undertaken

4. Timetable for implementing this decision

Not applicable.

5. Comments from the Executive Director of Resources

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 implications 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 / Local Area Agreement (or Coventry Sustainable Community Strategy)?

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 £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

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Appendices

Appendix 1 – detailed breakdown of debt written-off