

REVENUE BUDGET – PERIOD 10 SUMMARY MONITORING REPORT 2012/13 (1 October 2012 to 31 January 2013)

EXECUTIVE MEMBER: Cllr Gillian Troughton,
LEAD OFFICER: Darienne Law – Head of Corporate Resources
REPORT AUTHOR: Ann Treble – Financial Management and Treasury Accountant

Summary:

This report details the revenue spend and estimated outturn forecast against the current approved 2012/13 budget, based on the financial position for the 10 month period to 31 January 2013.

Recommendations:

The Executive is asked to;

- (i) Note the approved net current revenue budget of £12.284m as detailed in paragraph 1.5.
- (ii) Note the projected year-end underspend spend of £919k against the current approved revenue budget of £12.284m being £520k under spend against Earmarked reserves and £399k under spend General Fund reserve. See Table 1 in Paragraph 1.7
- (iii) Notes the decision taken by Head of Corporate Resources, on outstanding debts totalling £64,311 as set out in paragraphs 1.3, 1.4 and 1.5 of Appendix B.

1 INTRODUCTION

- 1.1 In accordance with Council's Financial Regulations, the Head of Corporate Resources is required to report to the Executive on the overall budget position, and the monitoring and control of expenditure against budget allocations. It is the responsibility of the Corporate Leadership Team (CLT) and individual budget managers to control income and expenditure within their service areas and to monitor performance.
- 1.2 Due to Executive receiving the draft budget papers at its February meeting, prior to submission to Council, this report has not been presented until today. Consequently it has been prepared to give 10 months activity (as opposed to quarter 3 – 9 months) to provide Executive with more up to date figures, which will hopefully provide a more accurate forecast for year-end out turn. All the figures and explanations in this report have been provided by the relevant budget managers.

- 1.3 This report provides details of significant variances that have arisen or are forecast for the year, together with an explanation of these figures. In this report figures within brackets denote budget savings, favourable variances or income figures.
- 1.4 The Council approved its 2012/13 revenue budget in 23 February 2012 at £11,050,425. Subsequently at the Executive meeting of 29 May 2012, carry forwards of £215,517 from financial year 2012/13 and the rephrasing of funding from reserves of £1,169,778 were approved, bringing the total revenue budget for 2012/13 to £12,435,720. Subsequently Regeneration Support Team (RST) awarded £147,433 to fund the Copeland Community Fund (CCF) in year and this income and expenditure has been added to the budget.
- 1.5 The budget of £12,435,720 reported at period 4 has then been increased by £27,000 (funded from earmarked reserves) to fund demolition costs in year, as approved by Executive at its meeting 21 August 2012, and reduced by £102,000 (returned to reserve for future use) due to spend re profile on NCL as notified to Executive at its meeting on 21 August 2012, and a further reduction of £75,948 (returned to reserves for future use) due to the cancelling of specific Beacon expenditure pending results of PDGs. This brings the current approved revenue budget to £12.284m the funding of which can be seen in Appendix A of this report.
- 1.6 Based on the latest financial position for the 10 month period to 31 January 2013, the year-end forecast of £11.365m indicates an under spend of £919k against the current approved revenue budget of £12.284m.
- 1.7 The under spend is split between £520k under spend on Earmarked Reserves and £399k under spend against the General Fund Reserve. The make-up of the Earmarked reserve in the budget, their forecast usage and the subsequent underspend is detailed in Table 1 over page:

Table 1 Earmarked Reserves

| Cost Centre | Cost Centre | Amount funding from EMR | Forecast as at Period 10 | (Underspend)/Overspend as at Period 10 | Paragraph reference (if appropriate) |
|---------------|---------------------------------|-------------------------|--------------------------|--|--------------------------------------|
| 22213 | Choosing to change | 500,000 | 298,071 | (201,929) | 2.5 |
| 21500 | Website Maintenance | 14,060 | 14,060 | 0 | - |
| 21110 | HR Holding Account | 30,000 | 30,000 | 0 | - |
| 32900 | Catherine Street Car park | 20,000 | 5,811 | (14,189) | 2.16 |
| 11031 | Seaside Success | 50,000 | 13,851 | (36,149) | 2.28 |
| 26101 | NCL leisure (risk pot property) | 20,000 | 0 | (20,000) | 2.9 |
| 28100 | Land Management | 27,000 | 27,000 | 0 | - |
| 26215 | Copeland Centre | 7,000 | 7,000 | 0 | - |
| 48004 | Crematorium | 7,000 | 7,000 | 0 | - |
| 33200 | Refuse Collection | 27,000 | 22,862 | (4,138) | 2.19 |
| 31401 | Building Control Non fee | 2,225 | 1,900 | (325) | - |
| 31600 | Development Control | 14,273 | 14,273 | 0 | - |
| 22201 | Nuclear | 56,853 | 56,853 | 0 | - |
| 11002 | Planning Policy | 219,647 | 127,147 | (92,500) | 2.23 |
| 11006 | LABGI | 84,794 | 45,212 | (39,582) | 2.27 |
| Various | WNF | 298,363 | 186,679 | (111,684) | 2.31 |
| 11045 | Localities (WNF) | 76,179 | 76,179 | 0 | - |
| Totals | | 1,454,394 | 933,898 | (520,496) | |

- 1.8 As part of the 2012/13 budget process, members approved budget savings of £1,817,171. Monitoring of this target forms a key part of the budget monitoring process to determine if the budget savings are actually being delivered. The programme of planned savings included service review savings and active management of vacancies. The 2012/13 budget

is currently on course to be balanced by a combination of planned service reviews, work reviewing costs, treasury management and windfall income. This situation will require careful monitoring and management.

2 DETAILS

2.1 Appendix A of this report details the funding of the current year budget.

2.2 The significant reasons for the forecasted variance position at period 10 are as follows:

Within the Chief Executive's area;

2.3 The £438K service review and vacancy management target saving was hosted in the Choosing to Change budget. When the details of the actual savings have been agreed by Executive and Personnel Panel, if appropriate, the service area budgets will be reduced and the Choosing to Change budget credited.

2.4 The £438K comprised the following targets:

- £330K for service review savings
- £100K for vacancy management
- £8K for management restructure balance not achieved

Against this target the following have now been achieved and the appropriate budget realignments completed:

- 1% staff pay award which was not awarded nationally, savings of circa £80K
- Waste and opens spaces management review savings of circa £86K.
- Net saving on director's restructure
- Restructure Housing Service (PYE)
- Restructure Refuse rounds (PYE)
- Removal of Communications post

The management action taken to date has reduced this target to £165K, which is detailed in the table in paragraph 3.6.

2.5 In 2012/13 £500K of the choosing to change reserve has been allocated to the Chief Executive codes and the forecast at period 10 is that £298k will be spent in year on service reviews, supporting both the organisational development and the member development programmes, providing for redundancy costs, funding for communications resource /strategic partner and management of change. Members are asked to note the amount allocated in year for redundancies is based on the Personnel Panel of 17 January, but the actual amount that becomes payable may well be less if employees leave for alternative employment prior to redundancy.

Within Corporate Resources;

2.6 Treasury management is forecasting an additional £56K of income above budget as at period 6. A separate detailed report on treasury management performance up to period 10 is presented elsewhere on this agenda.

- 2.7 Human resources/organisation development is currently forecasting a total under spend of £50k, relating to underspends on staff training, changes to staffing arrangements within payroll and Human Resources and an underspend on relocation expenses.
- 2.8 Legal services are reporting an under spend of £29k due primarily to unbudgeted windfall income from the courts relating to expired CPO payments.
- 2.9 Property and land management is currently showing a total underspend of £126k an increase on the £17k underspend of quarter 2. This is made up of a number of issues:-
- There is a projected year end overspend of £32k on public buildings general code. This is due to a combination of factors:
 - a target reduction in the 2012/13 budget of £25K allocated to property for the reduction of contractors fees. Whilst contractors have been working with us to reduce costs, the £25K is not achievable.
 - the levels of spend required on responsive (not planned) maintenance where the base budget is inadequate for the level of call outs and maintenance required on our building stock.
 - NCL property pot will not be spent in year and will be returned to the earmarked reserve for future use.

Land Management has seen an increase in costs of £27k which when coupled with the additional rental and fees income of £50k nets down to an under spend of £23k on this cost centre.

- The property holding account is forecasting an underspend of £43k primarily due to staff savings on in year vacancies, it had been anticipated earlier in the year that these funds would be needed to secure additional external expertise to enable the service to be delivered but these costs have been incurred on land management, which due to the increased fees and rental income discussed above, have been possible to absorb.
 - An in year saving on the insurance for the Copeland Centre has resulted in a £6k forecast underspend. With a windfall, one off receipt of overpaid insurance on the Copeland Centre providing an additional underspend of £60k.
 - Moresby Park depot has unbudgeted income of £18k, being the final quarter rent and service charges of the Home Group's occupation of the property, however rates payable on the property which are £13k in excess of budget net this overspend down to £5k.
- 2.10 The Revenue and Benefits shared service is currently forecasting a £7k under spend due in the main to a forecast underspend on computer costs.

Within Policy and Transformation

- 2.11 Management Information Systems continue to forecast, an over spend by year end of £75,888. This is due to a number of factors including:-
- An imposed industry wide increase in Microsoft licence costs (rise of 26%) contributing £38K to the over spend.

- The budget savings for 2012/13 included a target reduction of £47K within MIS and whilst some of these savings will be made e.g. Safend Replacement (£5K), others such as the reduction in the cost of telephones of £10K will not be achieved as the assumed level of usage was incorrect.

- 2.12 Performance and Transformation underspend of £23k due to salary savings, with an under spend on Equality and Diversity of £8k also due to salary savings.
- 2.13 The budget for Joint Neighbourhood Forums will not be required this year (and has been removed from the 2013/14 budget as part of the savings programme), resulting in an under spend of £14k.
- 2.14 The localities team is currently forecasting an under spend of £76K made up of a number of different factors:
- * due to the leaving of one employee to take up an alternative post within the council, the delay (and subsequent non recruitment) of an administrator to the team and the leaving of another employee from the council, has saved approximately £50k
 - * Project expenditure will be under spent by £63k as a result of staff shortages.
 - * The restructure of Localities and Regeneration and Communities team for the 2013/14 budget has resulted in funding from CCF being redirected into 2013/14 rather than being received in the current year, in the sum of £38k.

Within Neighbourhoods;

- 2.15 Enforcement is forecasting a total over spend of £39k due primarily to lower than budgeted income from car parks, and to a lesser extent markets.
- 2.16 Table 1, at paragraph 1.7, shows an under spend on reserve funding for Catherine Street car park. This funding was to be used to make various changes to the car park, including increasing pay and display bays by bringing unused reserved bays back into general use, which has happened and making the facility more user friendly for disabled users by moving the position of disabled bays, dropping kerbs etc. This work has not been carried out in year but the money will be returned to the earmarked reserve to be utilised next financial year when capacity permits the works to be carried out.
- 2.17 Environmental Health are forecasting an under spend of £32k. The current underspend of the 12/13 budget is fortunate and allows the offset of the budget pressure caused by flood events. The department has seen expenditure on flooding exceed the budget by £19k offset by savings of £18k from legal and professional fees and £18k from Corporate Health and Safety (attributable to vacancy management) plus smaller savings elsewhere. Budget established to provide a contingency following the ending of a direct pest treatment service and removal of two posts to enable resources to be brought in to provide services. The experience of this financial year has shown that demand for external support has been reduced - the budget will need to be monitored into 13/14.
- 2.18 Parks and open spaces have forecast an under spend of £16k although this is likely to be a net balanced budget at year end once negotiations in relation to the Council's withdrawal from CCTV are concluded. The main variances from budget are:

- * An overspend on cemeteries arising from rates bills in excess of budget and contractors fees (for gravedigging), totalling £10k.
- * An overspend on crematorium budget where intestate funerals and rates in excess of the budget given have resulted in an £9k overspend.
- * Income on external trees work is below budget by £5k, partly arising from a lack of trained climbing staff to generate the income.
- * At face value street scene is forecasting a saving of £17k due to the decision to terminate CCTV next year albeit these savings are likely to reduce as early termination and decommissioning costs finalised.
- * A £29k vacancy management underspend on due to two vacancies being held in the team pending reshaping of the Council's grounds maintenance service.

2.19 Recycling and Refuse have a forecast of £40K overspend at period 10. The main contributor to the change is the reduction of recycling reward grant from CCC calculated at circa £60k. This is compounded by the change in Landfill Tax rates which have fallen from £85 to £60 a tonne, although offset by savings in other elements of the budget. Whilst the required number of replacement bins has been purchased in year there is a small underspend of £4,138 funded through the reserve, as detailed in Table 1 at paragraph 1.7, which will be returned to the relevant earmarked reserve for future bin replacement.

Within Nuclear, Energy and Planning

- 2.20 Building control is currently forecast an overspend of £24k, being £18k reduced fee income currently forecast due to Local Authority Building Control (LABC) fire risk work which the authority hoped to undertake not materialising, dangerous structures overspending by £3k subscriptions overspending by £3k.
- 2.21 Development control is forecasting a £5k overspend, as fee income has not achieved expected levels in line with the general position within the development industry. An increase in fees set by government has reduced any potential further overspend. There is scope for major applications to be received before year end which have the potential to bring fees closer still to budget expectations, but forecasts have reflected uncertainty of any such receipt.
- 2.22 The receipt of unbudgeted MRWS income of £139k and a salary saving on the Head of Nuclear and Planning total £174k, part of which will cover the reported overspend of £65k on legal and professional fees for works on Nuclear. It is anticipated that the remainder of this saving will be kept in an earmarked reserve in order to fund nuclear budgets in the future, however this will be clarified at year end with approval being sought from executive in the outturn report, if appropriate.
- 2.23 Planning Policy is forecasting to underspend by £149k, this is as a result of some salary savings but primarily due to the Planning Inspector's and associated fees, following the examination of the Core Strategy and Development Management Policies DPD to the Secretary of State, becoming payable next financial year, not this one. Any part of the budget that remains unspent at year end, that was funded from the earmarked reserve will be returned there for use next year, see Table 1 at paragraph 1.7 above.

Within Regeneration and Communities;

- 2.24 The total variance on regeneration and communities is a £370k under spend.
- 2.25 Economic development is forecasting an under spend of £8k due to salary savings on the Economic and Community Regeneration Manager post netted of against reduced rental income.
- 2.26 The budget for Planned Maintenance Plan for NCL is currently forecast to underspend by £93k which nets off against the £17k saving that will not be made against the NCL contract in the year. (The budget savings for 2012/13 included a target to reduce the NCL contract by £75K in year and negotiations have taken place and a saving of £58K is anticipated). A number of other smaller savings bring the total under spend for health and sports to £85k.
- 2.27 LABGI funded projects are forecast to underspend by £40k, which includes a sum of £17,623 required to be carried forward as a 29% match against HLF received funding to complete our Stage 2 Whitehaven Townscape Heritage Initiative for submission in May 2013. This submission date change from March to May was set by HLF. The other key underspend forecast is the £10,500 allocated to a Whitehaven prospectus which will now be produced with BEC in 2013/14.
- 2.28 The Coastal Initiative Board with delegated authority to allocate the Seaside Grant money met on 14 February, 2013, and agreed the allocation of funds to projects. It agree three areas of spend: a) a package of projects to the value of £71,576 seaside resources subject to receiving confirmation of match funding from Copeland Community Fund and FLAG; b) two projects for 2013/14 to follow through on previous activity of the partnership, to a value of £21,250 and c) for £60,000 to be allocated to a Coastal Community Fund bid for Whitehaven in line with the Coastal Initiative priorities. The spend to date in 2012/13 against the Strategy for Seaside Success budget is £13,851, leaving a £36,149 underspend to be returned to the earmarked reserve to meet the project commitments in (a) following confirmation of the match funding at the end of March 2013.
- 2.29 Copeland Community Fund is reporting a £16k under spend, due to staff vacancies in the year, this project is externally funded and this underspend will be required in future years to continue the programme.
- 2.30 The overall Strategic housing forecast is £71k under spend:
- Housing strategy is currently showing an under spend of £24k, due primarily to £8k under spend in year as the Housing Strategy document will not be printed before 31 March 2013, a saving of £6k on legal and professional and grant income over budget of £10k.
 - Private sector housing is showing an over spend of £19k, the majority of which is attributable to a loss of income for surveyors fees on private sector housing grants/loans. These grants/loans which have now ceased generated a receipt of 8% of the value of each claim.
 - The homelessness budget shows a favourable variance of £66K. This includes £30K of grant income from government to prevent repossession of properties. The guidance

that came with the grant indicated a maximum level of individual award at £5,000. The policy related to this spend is currently being developed. Expenditure cannot happen until this policy is in place and is therefore not expected in the current financial year. We are also forecasting to receive £46k extra housing benefits income. However the budgeted £11k of leaseholder income will not be received as the council no longer holds properties for homelessness purposes

2.31 Working Neighbourhood Fund is projecting an under spend of £112k due to:

- * £30K (20k as at December 2012) as the sports volunteers work on the Olympics has been funded from matched funding
- * A delay in the recruitment to the Joint Health Improvement post, resulting in a projected under spend of £10K. (10k as at December 2012)
- * A decision not to pursue business support commissioning in the knowledge that the BEC Economic Blueprint will be taking on some commissioning of business support across West Cumbria from 2013/14, had given rise to a saving in 2012/13 and 2013/14 of £55k as at December, resulting in a total of £85k (£10k+£20k+£55k) being released back to the general fund reserve (Earmarked Reserve Review Report 18 December 2012) However due to a delay in BEC establishing a commissioning framework, it has been necessary for Copeland (and the other partners) to fund a further quarter of WISE's work, resulting in £14k of the £55k being spent. This will require £14k to be released from the general fund reserve back to WNF earmarked reserve, if all the allocated WNF funds for 2013/14 are spent. This will be reviewed at out turn and any necessary adjustments made then.
- * An allocation of £24,000 to enable an updating of the Cleator Moor town regeneration plan including working with Leconfield, town square and links of number of land sites including Ehenside and the bowls centre has not taken place this year in line with limited capacity.
- * The smaller projects including the locality partnership allocations are currently showing underspends as it is not known at this time if it will be possible before year end to make payments. This underspend could therefore change by 31 March, but all these activities are funded from the WNF Earmarked Reserve.

3 MANAGEMENT ACTION TAKEN TO DATE

- 3.1 CLT are actively managing the vacancy management process and as a result only vacancies that are essential to the business needs of the council are being filled. The current levels of savings as detailed by budget managers, on the forecast model, to date are £480k (salaries, NI and Superann) and are reflected in the current period 10 forecast. Members are asked to note that these savings are funded by both the general fund reserve and various earmarked reserves.
- 3.2 Work on the housing restructure has been completed and an in year saving of £24k will be achieved (as detailed in the table at 3.6).
- 3.3 The approval of the changes to the Waste Collection service as from 5 November has led to a part year saving of £30k (as detailed in the table at 3.6).
- 3.4 A thorough review of the use of reserves in the current year and the reserves available for future use has been undertaken, to identify resources available and their application. These were reported to Executive at their meetings in December 2012 and January 2013.

- 3.5 Extensive work has been carried out reviewing the staffing profiles within the budget monitoring to reconcile to the vacancy management requirement.
- 3.6 The table below shows the savings achieved against the £438K service review and vacancy management target saving that is hosted in the Choosing to Change budget.

Savings still to be achieved against £438K service review and vacancy management target

| | |
|--|----------------|
| Savings to achieve currently hosted in C2C: | |
| Service review savings | 330,000 |
| Vacancy Management | 100,000 |
| Shortfall on Management Restructure | 8,000 |
| | 438,000 |
| Action taken to date and allocated to C2C: | |
| Removal of 1% pay award | -80,000 |
| Restructure Waste and Open Spaces | -86,000 |
| Net Saving on Directors post | -40,000 |
| Restructure Housing services | -24,000 |
| Restructure Refuse rounds | -30,000 |
| Removal of Communications post | -13,000 |
| Saving met through vacancy management: | 165,000 |

The £165k above will be met by vacancies savings within the current budget forecast.

4 WRITE OFFS

- 4.1 Debts totalling £64,311 have been written off by the Head of Corporate Services, Members are asked to review the attached report in Appendix B and formally approve these.

5 CONCLUSION

- 5.1 The spending forecast at period 10 is a year-end under spend of £918k against the current approved revenue budget of £12,284m, as detailed in Appendix A.
- 5.2. Whilst savings have been made in the first six months of the year and the authority has received a number with windfalls of non-recurrent cash receipts, it still remains imperative that the work on the Target Operating Model and future role of the Council continues and delivers savings to provide a balanced budget in line with the Medium Term Financial Strategy and, wherever possible, that these savings are brought forward to help balance the 2012/13 position.

6 STATUTORY OFFICER COMMENTS

- 6.1 The Monitoring Officer's comments are:

No legal issues arise from this report

6.2 The Section 151 Officer's comments are:

The year end projections in this period 10 revenue report highlights the need for a continued focus on the accurate monitoring of spend against budgets and the need for all managers, members and staff to remain focused on delivering savings, seeking opportunities for sustainable income generation and exploring options for new ways of working. The outturn position signals the need to successfully deliver the change programme of future service options.

6.3 EIA Comment:

EIA completed as part of the budget setting process

Council set budget in February 2012

6.4 Other consultee comments, if any:

7 HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

7.1 The budget monitoring process is carried out on a monthly basis. Management and finance staff work together to ensure financial reports are accurate and timely to assist the decision making process of the Council as a whole.

7.2 Budgets are monitored during the year with exceptions reported through Corporate Leadership Team and Executive during the year now on a quarterly basis. At the year- end, the draft outturn prior to the external audit process must be reported formally. It is also good financial practice to report the year-end position on revenue reserves as a consequence of the outturn.

8 WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?

8.1 The measurement of revenue budget position for 2012/13 is key to determining the required use of reserves for the year and the level of general and earmarked reserves the Council will have available to support its revenue budget in future years.

8.2 Spending areas that vary significantly from the approved budget are also identified, which can then be fed into the budget planning process to enable informed decisions on changes to the Council's budget to be made.

List of Appendices

Appendix A - Details of budget and forecast funding period 10 2012/13

Appendix B - Write Offs 01/04/12-31/01/13

REVENUE BUDGET – PERIOD 10 SUMMARY MONITORING REPORT 2012/13 (1 October 2012 to 31 January 2013)

Appendix A

Table 1 below summarises the current budget position by department and the current funding arrangements for the budget.

| Department | Original Budget | Carry forwards from 2012/13 | Re phasing of reserves | Changes period 1-9 | Current Approved Budget | Year-end Projection | Variance between Year-end Projection and Current Approved Budget |
|------------------------------------|-----------------|-----------------------------|------------------------|--------------------|-------------------------|---------------------|--|
| | 23 Feb 2012 | 29 May 2012 | 29 May 2012 | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Chief Executive | 401 | 66 | 571 | 20 | 1,058 | 1,026 | -32 |
| Corporate Resources | 3,981 | 86 | | -42 | 4,025 | 3,752 | -273 |
| Policy and Transformation | 1,257 | 0 | | 76 | 1,333 | 1,287 | -46 |
| Neighbourhoods | 3,306 | 22 | | -720 | 2,608 | 2,635 | 27 |
| Regeneration and Communities | 2,105 | 42 | 599 | -176 | 2,570 | 2,200 | -370 |
| Nuclear , Energy and Planning | | | | 690 | 690 | 465 | -225 |
| Total | 11,050 | 216 | 1,170 | -152 | 12,284 | 11,365 | -919 |
| Funding | | | | | | | |
| Revenue Support Grant | 5,000 | | | | 5,000 | 5,000 | 0 |
| Council Tax Freeze Grant (4 years) | 100 | | | | 100 | 100 | 0 |
| Council Tax Freeze Grant (1 year) | 100 | | | | 100 | 100 | 0 |
| Council Tax | 4,014 | | | | 4,014 | 4,014 | 0 |
| Council Tax Surplus | 15 | | | | 15 | 15 | 0 |
| PFI Grant | 837 | | | | 837 | 837 | 0 |
| Transitional Grant | 327 | | | | 327 | 327 | 0 |
| Earmarked Reserves | 436 | | 1,170 | -152 | 1,454 | 934 | -520 |
| General Fund | 221 | 216 | | | 437 | 39 | -399 |
| Total | 11,050 | 216 | 1,170 | -151 | 12,284 | 11,365 | -919 |

WRITE OFFS 2012/13

EXECUTIVE MEMBER: Councillor Gillian Troughton

LEAD OFFICER:

REPORT AUTHOR: Angela Brown

WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS

It is good practice to write off debts that are irrecoverable.

WHY HAS THIS REPORT COME TO THE EXECUTIVE? (NB. This report will be ‘merged’ with the Budget Monitoring Report)

(eg Key Decision, Policy recommendation for Full Council, at request of Council,etc.)

All write offs must be approved in accordance with the Council’s Scheme of Delegation and a summary report to Executive. This is the report from 1st October 2012 to 31st January 2013.

RECOMMENDATION:

The Executive formally approves the write off of the debt totaling £64,311.28 for the four months 1 October to 31 January 2013, as set out in Paragraphs 1.3 and 1.4, bringing the year to date write offs to a total of £181,113.74.

1. INTRODUCTION

1.1 Under the Council’s Scheme of Delegation, the following limits for write offs apply:-

- Head of Corporate Resources – authorised to write off debts due to the Council not exceeding £50,000
- Director of Resources and Transformation – authorised to write off debts up to the value of £50,000
- Executive must authorise all write offs above £50,000

Once write offs are approved, a summary must be reported to Executive, this report is that summary.

1.2 The debts written off in this report have been authorised by the Corporate Director, Resources and Transformation as they are below £50,000 in value.

1.3 £48,346.28 is being written off in respect of debts where the debtor is bankrupt or the company dissolved. The number of accounts written off for this reason is 29 this period and a total of 70 in year (compared to 101 during the whole of the Financial Year 2011/12).

1.4 The remaining balance of £15,965.00 is being written off for a variety of reasons including where:-

- the debtor has absconded without trace or

- the debtor has died without any estate or
- the debt is uneconomical to pursue

1.5 A summary of the position for the dates 1st October 2012 to 31st January 2013

| Type of Charge | Number of Accounts 1.10.12 to 31.1.13 | Amount Written Off 1.10.12 to 31.1.13 |
|------------------------------|---|--|
| Council Tax | 29 | £27,031.62 |
| National Non Domestic Rates | 7 | £21,841.34 |
| Housing Benefit Overpayments | 40 | £15,064.33 |
| Sundry Debt | 3 | £373.99 |
| Total | 79 | £64,311.28 |

Cumulative 1 April - 31 January 2013 and the Financial Year 2011/12 read as follows:-

| Type of Charge | Number of Accounts 1.10.12 to 31.1.13 | Amount Written Off 1.10.12 to 31.1.13 | Number of Accounts 2011/12 | Amount Written Off 2011/12 |
|------------------------------|---|--|-----------------------------------|--------------------------------------|
| Council Tax | 67 | £49,078.28 | 77 | £28,914.91 |
| National Non Domestic Rates | 24 | £102,286.84 | 45 | £167,716.84 |
| Housing Benefit Overpayments | 54 | £20,613.08 | 14 | £2,090.00 |
| Sundry Debt | 18 | £9,135.54 | 30 | £4,755.92 |
| Total | 163 | £181,113.74 | 166 | £203,477.67 |

2. DETAIL

2.1 Of the amount approved for write off the Council bears a different proportion depending on the type of debt as set out below:-

- Central Government bears the full cost of Non Domestic Rate write-offs, which accounts for £102,286.84 (£167,716.84 in 2011/12) of the total debt being written off. This amount equates to 0.25 % of the debt raised for 2012/13 of £41.3m. Under the localisation of Business Rates proposals currently being enacted by the Government, Local Authorities will pick up the cost on Non-Domestic Rates write offs from 2013/14.
- Debts in respect of Council Tax total £49,078.28 (£28, 914.91 in 2011/12) and fall on the Collection Fund, of which any surplus or deficit is shared by the relevant authorities in the ratio of their precepts on the Collection Fund in the previous year. This ratio for 2012/13 could mean that the amount of debt falling to Copeland Borough Council would be £5,707.80 (11.63%). The amount to be written off equates to 0.12% of the debt raised for 2012/13 of c. £40.3 m.

Agreement for the write off of debts was confirmed by the Director of Resources and Transformation during the year and will be reflected in the actual surplus or deficit upon the Collection Fund 2012/13. The surplus or deficit at the year end on the Collection Fund forms the first call on the Collection Fund in the following year i.e. 2013/14, and this opening balance will be reflected in the Council Tax calculations for 2014/15.

- iii. The remaining debt in respect of housing benefit overpayments of £20,613.08 (£2,090.00 in 2011/12) and sundry debts of £9,135.54 (£4,755.92 in 2011/12) falls completely on the Council.

The bad debt write-offs in respect of housing benefit overpayments are charged to the housing benefits cost centre. Write-offs in respect of sundry debts are charged back to the service cost centre which received the benefit of the debtor income when it was originally raised.

- 2.2 A summary of the position for the Financial Year 2012/13 up to 31 January 2013, of debts falling due to CBC under current legislation and under new legalisation:

| Type of Charge | | Total Debt | Debt Falling to CBC in Current Year | Potential of Debt To Fall to CBC In future years (with change in legislation) 2013/14 onwards |
|------------------------------|------------|--------------------|-------------------------------------|---|
| Council Tax | 67 | £49,078.28 | | £5,707.80 |
| National Non Domestic Rates | 24 | £102,286.84 | £0 | £102,286.84* |
| Housing Benefit Overpayments | 54 | £20,613.08 | £20,613.08 | £20,613.08 |
| Sundry Debt | 18 | £9,135.54 | £9,135.54 | £9,135.54 |
| Total | 163 | £181,113.74 | £29,748.62 | £137,743.26 |

*- subject to safety net

3 CURRENT DEBT MANAGEMENT ARRANGEMENTS

3.1 Recovery

The recovery of arrears of Council Tax, National Non Domestic Rates, Housing Benefit. Overpayments and Sundry Debts are all handled differently as Legislation dictates. However, in all cases reminders are issued within 6 weeks of the payment becoming due, and where a Liability Order is obtained from the Magistrates Court and no contact has been made with the Recovery Section to make an agreement to pay the case will be issued to a bailiff for collection a month after the Order has been granted.

3.2 Insolvency

There are various forms of insolvency, depending upon the type of business concerned. For companies, there are voluntary or compulsory liquidations, administration orders and receiverships. For individual traders there is bankruptcy.

When an individual or a company becomes insolvent a liquidator or trustee is appointed to distribute any assets amongst the creditors. Assets are applied first to the expenses of the liquidation, second in meeting preferential debts, and third, in payment of general creditors or unsecured debts, examples of which are Council Tax and NNDR.

The Council is debarred from pursuing normal methods of recovery, such as distress, in cases of insolvency, and so must write-off the debt as irrecoverable. Any subsequent dividends paid in respect of outstanding Council Tax and NNDR are dealt with by re-debiting the appropriate rate account with a corresponding sum.

Some businesses also cease trading without formal insolvency procedures being undertaken. Their debts are written off if they have no assets.

3.3 Absconded debtors

All cases submitted for write-off have been returned by the Council's bailiffs as 'Gone Away – Unable to Trace'. In addition, where appropriate, the following checks are undertaken when attempting to trace an absconded ratepayer: -

- (a) local enquiries are made by the Council's Visiting Inspector.
- (b) checks are made with internal records, such as Council Tax, Benefits and Electoral Registration.
- (c) enquiries, although heavily restricted by Data Protection legislation, may be made with other utilities, e.g. water, electricity, gas, B.T.
- (d) estate agents, solicitors, managing agents may be contacted.
- (e) various other avenues may be followed, such as contact with ex-landlords, family, ex-employers, other local authorities etc.

Such requests for information are made on a voluntary basis only, there being no requirement for respondents to supply the Council with information.

All the cases listed are ceased accounts whose liability has been ended.

3.4 Deceased debtors

Bills for outstanding Council Tax or NNDR are sent to the Executors of deceased persons, but the Council Tax and NNDR regulations prevent the Council from pursuing recovery through the Magistrates Court in cases of non-payment. Cases are therefore put forward for write off and will include cases where the debtor has died leaving no assets.

3.5 Recommendation for write off

Approving recommendations to write-off bad debts, is an internal accounting decision based on recommended good practice by the Audit Commission. The debtor is still

liable for the amount outstanding and recovery action can be resumed if circumstances change.