

TITLE OF REPORT: **Miscellaneous Income – Transfer of Uncollectable Amounts**

REPORT OF: **Darren Collins, Strategic Director, Corporate Resources**

Purpose of the Report

1. To seek approval to transfer out of the Council's Accounts outstanding balances in excess of £500 from miscellaneous income accounts and also Housing Benefits overpayments, where all possible recovery action has been taken and the balances are now considered to be uncollectable.

Background

2. Sundry debts for miscellaneous income are raised and appropriate recovery action is taken on those debts that remain unpaid within the specified time.
3. There are currently 105 accounts, amounting to a net sum of £169,694.91 where all possible recovery action has been taken and the amounts remain unpaid. These debts are now deemed uncollectable.
4. In addition, 1244 accounts with balances of up to £500, totalling £121,118.83 have been transferred under delegated powers, in accordance with Financial Regulation 8.10.
5. Housing Benefit overpayments arise where the council has paid housing benefit over and above the amount to which a claimant was entitled. This can occur where:
 - the claimant has failed to tell the Council about a change
 - there has been an error by the Department of Works and Pensions
 - there has been a delay in dealing with a change
 - the Council has made an error in calculating the amount of benefit payable.
6. Invoices for overpayments which are recoverable from the claimant or landlord, and which remain unpaid, are subject to appropriate recovery action. Despite this action there remain some debts which are judged to be uncollectable.
7. There are currently 138 Housing Benefit overpayment invoices amounting to a sum of £204,284.22 where all possible recovery action has been taken and amounts remain unpaid.
8. In addition 684 Housing Benefit overpayment accounts with balances of up to £500 totalling £100,844.15 have been transferred under delegated powers in accordance with Financial Regulation 8.10

Proposal

9. It is proposed to transfer out of the Council's Accounts the balances on 105 individual sundry debtor accounts, to the value of £169,694.91. The amount of the proposed transfer represents approximately 0.2% of the value of accounts raised so far during 2017/18 of some £83 million.
10. It is proposed to transfer the balance of 138 Housing Benefit overpayment invoices to the value of £204,284.22. The amount of the proposed transfer represents 0.25% of total Housing Benefit expenditure of £84 million during 2017/18.

Recommendations

11. It is recommended that Cabinet:
 - (i) Agrees to the transfer of balances on 105 sundry debtor accounts, amounting to £169,694.91 and 138 Housing Benefits overpayments accounts, totalling £204,284.22.
 - (ii) Notes the action taken under delegated powers to transfer out of the Council's accounts 1244 sundry debtor balances totalling £121,118.83 and 684 Housing Benefit overpayment balances totalling £100,844.15

For the following reasons:

- (i) To ensure the effective management of the Council's resources.
- (ii) To ensure that the Council Accounts accurately reflect the correct financial position.

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APPENDIX 1

Policy Context

1. The proposals in this report are consistent with the Council's priorities and in particular the priority of ensuring a sustainable Gateshead through the best use of its resources. The proposals are consistent with the framework for achieving the Council's new strategic approach "Making Gateshead a Place Where Everyone Thrives". The Council recognises there are huge financial pressures on not just Council resources but those of partners, local businesses and residents.

Background

Sundry Debts

2. Of the total transfer value of £169,694.91;
 - £72,907.50 relates to 32 invoices for care charges. In all cases either the debtor is deceased and no funds are available from the estate or the debts are uneconomical to pursue.
 - £26,837.00 on 16 invoices for salary overpayments. None of the debtors still work for the Council. 1 of the debtors has an Individual Voluntary Arrangement and therefore the debt cannot be recovered further. All other debts are too old to pursue.
 - £21,456.51 relates to 21 invoices for occupation of council units/offices. In all cases the debt is too old to pursue or is considered not cost effective to pursue further.

The action of transferring balances out of the accounts would not prevent future recovery action being taken should this be appropriate due to circumstances changing or further information becoming available.

Housing Benefits

3. The transfer reflects Housing Benefit overpayment accounts where all means of recovery available have been exhausted and it is no longer cost effective to pursue the debts further.
4. Of the total transfer value of £204,284.22 the invoice balance exceeds £3,000 in 10 cases as detailed below:
 - 2 cases where the debtor is bankrupt (totalling just under £12k)
 - 2 cases where all recovery avenues have been exhausted (totalling just under £7k).
 - 2 cases where the debtor is deceased and it is not possible to recover the debt from the estate (£15.5k)
 - 4 cases where the Housing Benefit regulations do not allow recovery of the debt (£24k)

5. **Consultation**

Consultation has taken place with the Leader of the Council.

6. **Alternative Options**

No alternative options are proposed. A regular review of the debt owed to the Council is an essential part of best practice recovery and accounting procedures.

Implications of Recommended Option

7. **Resources:**

a) **Financial Implications**

The Strategic Director, Corporate Resources confirms that the cost of the transfer of £169,694.91 for sundry debtors and £204,284.22 for Housing Benefit overpayment can be met from the appropriate bad debt provision.

b) **Human Resources Implications – Nil**

c) **Property Implications - Nil**

8. **Risk Management Implication** - The transfer mitigates the risk of entries within the Statement of Accounts being inaccurate and supports prudent financial planning.

9. **Equality and Diversity Implications - Nil**

10. **Crime and Disorder Implications – Nil**

11. **Health Implications - Nil**

12. **Sustainability Implications - Nil**

13. **Human Rights Implications - Nil**

14. **Area and Ward Implications - All wards**

Background Information

15. **Nil**