

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

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

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### **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 75 accounts, amounting to a net sum of £187,132.47 where all possible recovery action has been taken and the amounts remain unpaid. These debts are now deemed uncollectable. A breakdown of the debt by age is attached as Appendix 2.
4. In addition 512 accounts with balances of up to £500, totalling £48,897.57 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 176 Housing Benefit overpayment invoices amounting to a sum of £270,607.57 where all possible recovery action has been taken and amounts remain unpaid.
8. In addition 1017 Housing Benefit overpayment accounts with balances of up to £500 totalling £91,633.49 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 75 individual sundry debtor accounts, to the value of £187,132.47. The amount of the proposed transfer represents approximately 0.2% of the value of accounts raised so far during 2016/17 of some £94 million.
10. It is proposed to transfer the balance of 176 Housing Benefit overpayment invoices to the value of £270,607.57. The amount of the proposed transfer represents 0.32% of total Housing Benefit expenditure of £83.8 million during 2016/17.

## Recommendations

11. It is recommended that Cabinet:
  - (i) Agrees to the transfer of balances on 75 sundry debtor accounts, amounting to £187,132.47 and 176 Housing Benefits overpayments accounts, totalling £270,607.57.
  - (ii) Notes the action taken under delegated powers to transfer out of the Council's accounts 512 sundry debtor balances totalling £48,897.57 and 1017 Housing Benefit overpayment balances totalling £91,633.49

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 vision and medium term objectives as set out in Vision 2030 and the Council Plan, and in particular the key Council priority of ensuring a sustainable Gateshead through the best use of its resources.

### Background

#### Sundry Debts

2. Of the total transfer value of £187,132.47;
  - £88,412.37 relates to 24 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.
  - £55,473.07 relates to 20 invoices for occupation of council units/offices where the debtor has become bankrupt or is in liquidation or where it is considered not cost effective to continue to pursue. Where judgement has been obtained, the debts cannot be enforced any 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 £270,607.57 the invoice balance exceeds £3,000 in 23 cases as detailed below:
  - 5 cases where the debtor is bankrupt (totalling just over £29k)
  - 6 cases where the debtor is deceased and it is not possible to recover the debt from the estate (£28.5k)
  - 7 cases where it is unfeasible to recover the debt (just under £33k). In all cases, every possible means of recovering the debt has been tried, including recovery from HB or other benefits, contact for voluntary arrangements and referral to a debt collection agency. 2 cases relate to debt over 10 years old and the remainder all relate to debt over 5 years old.
  - 5 cases where the Housing Benefit regulations do not allow recovery of the debt (£31k)

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 £187,132.47 for sundry debtors and £270,607.57 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