

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 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 98 miscellaneous and income accounts, amounting to a net sum of £182,867.65 where all possible recovery action has been taken and the amounts remain unpaid. These debts are now deemed uncollectable.
4. In addition, 1271 accounts with balances of up to £500, totalling £131,840.66 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
 - the claimant has moved onto Universal Credit and has been overpaid (the law does not allow the Council to recover this debt but the council receives subsidy on the amount).
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 174 Housing Benefit overpayment invoices amounting to a sum of £337,673.53 where all possible recovery action has been taken and amounts remain unpaid.
8. In addition, 1,330 Housing Benefit overpayment accounts with balances of £500 or less totalling £164,983.55 have been transferred under delegated powers in accordance with Financial Regulation 8.10

9. Council Tax and Business Rates court costs are added to an account when the Council is granted a Liability Order following non-payment. This enables further recovery action to be taken to collect outstanding amounts of Council Tax or Business Rates.
10. There were 1,482 Council Tax accounts with court costs balances of up to £500, totalling £151,584.95 and 57 Business Rates accounts with court costs balances up to £500 totalling £6,193.18. All possible recovery action has been taken and these amounts of court costs remain unpaid and are now deemed uncollectable and have been transferred under delegated powers, in accordance with Financial Regulation 8.10.

Proposal

11. It is proposed to transfer out of the Council's Accounts the balances on 98 individual sundry debtor accounts, to the value of £182,867.65. The amount of the proposed transfer represents approximately 0.2% of the value of accounts raised so far during 2018/19 of some £81 million.
12. It is proposed to transfer the balances on 174 Housing Benefit overpayment invoices to the value of £337,673.53. The amount of the proposed transfer represents 0.4% of total Housing Benefit expenditure of £78 million during 2017/18.

Recommendations

13. It is recommended that Cabinet:
 - (i) Agrees to the transfer of balances on 98 sundry debtor accounts, amounting to £182,867.65 and 174 Housing Benefits overpayment invoices totalling £337,673.53.
 - (ii) Notes the action taken under delegated powers to transfer out of the Council's accounts the identified amounts that are deemed uncollectable.

For the following reason(s)

- (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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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 £182,867.65;
 - £42,912.93 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.
 - £37,184.04 relates to one invoice for rechargeable works undertaken during an event at Gateshead International Stadium. The invoice was issued to a company in Australia who disputed the charge. Advice from Legal Services is that the chances of recovering the money are small and that the debt is uneconomical to pursue.
 - £24,797.06 relates to 13 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 £337,673.53 the invoice balance exceeds £5,000 in 12 cases as detailed below:
 - 1 case where the debtor is bankrupt (totalling just under £6k)
 - 5 cases where all recovery avenues have been exhausted (totalling £42.2k). 2 cases were fraud, but we are unable to recover from the debtor as they are no longer on benefit and all other efforts to recover have failed. 3 cases where a failure to declare a change in circumstances has not been treated as fraud (in each case the claimant had gone into care).
 - 3 cases where the debtor is deceased and it is not possible to recover the debt from the estate (£18.5k)

- 1 case where the debtor can no longer be traced (£24.8k) despite all attempts to do so.
- 2 cases where the Housing Benefit regulations do not allow recovery of the debt (£32.2k)

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 £182,867.65 for sundry debtors and £337,673.53 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**