

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

REPORT OF: **Darren Collins, Strategic Director, Resources and Digital**

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, Housing Benefits overpayments and Council tax Court Costs, 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 96 miscellaneous income accounts, amounting to a net sum of £335,837.67 where all possible recovery action has been taken and the amounts remain unpaid. These debts are now deemed uncollectable.
4. In addition, 692 accounts with balances of up to £500, totalling £72,817.21 have been transferred under delegated powers, in accordance with Schedule 5 Part 1 (3.5) of the Council's Constitution.
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 49 Housing Benefit overpayment invoices amounting to a sum of £135,100.62 where all possible recovery action has been taken and amounts remain unpaid.

8. In addition, 281 Housing Benefit overpayment accounts with balances of £500 or less totalling £13,657.02 have been transferred in accordance with Schedule 5 Part 1 (3.5) of the Council's Constitution.
9. There are 34 Self-Isolation Payment invoices with balances of £500 or less totalling £16,732.50 which have been transferred in accordance with Schedule 5 Part 1 (3.5) of the Council's Constitution
10. 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.
11. There are currently 8 council tax accounts court cost balances, totalling £4,421.96 where all possible recovery action has been taken and the amounts remain unpaid. These debts are now deemed uncollectable.
12. In addition, there are 1,904 Council Tax accounts with court costs balances of up to £500, totalling £193,012.69. Business Rates have 40 accounts with court costs balances up to £500 totalling £4,030.00. 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

13. It is proposed to transfer out of the Council's Accounts the balances on 96 individual sundry debtor accounts, to the value of £335,837.67. The amount of the proposed transfer represents approximately 0.37% of the value of accounts raised so far during 2023/24 of some £89 million.
14. It is proposed to transfer the balances on 49 Housing Benefit overpayment invoices to the value of £135,100.62. The amount of the proposed transfer represents 0.27% of total Housing Benefit expenditure of £50 million during 2023/24.
15. It is proposed to transfer the balances of 8 council tax accounts court costs to the value of £4,421.96.

Recommendations

16. It is recommended that Cabinet:
 - (i) Agrees to the transfer of balances on 96 Sundry Debtor accounts, amounting to £335,837.67, 49 Housing Benefits overpayment invoices totalling £135,100.62 and 8 Council Tax accounts court costs totalling £4,421.96.
 - (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 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.

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 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 £335,837.67:
 - £79,705.32 relates to 33 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.
 - £54,139.15 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.
 - £69,369.37 relates to 6 debts for Rechargeable Works. In all cases, either Legal Services have been unable to recover, or the debt is now too old to pursue further.
 - One invoice for £65,325.28 relates to 43 clients charged in ABACUS for social care services. In all cases either the debtor is deceased, and no funds are available from the estate, or the debts are uneconomical to pursue.

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 £135,100.62 the invoice balance exceeds £5,000 in 9 cases as detailed below:
 - 6 cases where the debtor is deceased and there were no funds in the estate (totalling £49,664.02).
 - 3 cases where recovery is prevented by Housing benefit legislation (totalling £32,895.89).

Council Tax

5. Of the total transfer value of £4,421.96 the court costs represent council tax accounts where all means of recovery action available has been exhausted and it is no longer cost effective to pursue due to varying reasons including insolvency and debts which are now uneconomical to collect.

Alternative Options

6. 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, Resources and Digital confirms that the cost of the transfer of £335,837.67 for Sundry Debtors and £135,100.62 for Housing Benefit overpayment and £4,421.96 for council tax court costs can be met from the appropriate bad debt provision.

b) **Human Resources Implications** – Nil

c) **Property Implications** - Nil

8. **Risk Management Implication** - Nil

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

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

11. **Health Implications** - Nil

12. **Climate Emergency and Sustainability Implications** - Nil

13. **Human Rights Implications** - Nil

14. **Ward Implications** - Nil

Background Information

15. Nil