

## **Irrecoverable Debts – Housing Benefits**

### **Report by the Executive Head of Financial Services**

#### **1.0 SUMMARY**

- 1.1 This report details outstanding Housing Benefit overpayments, which have been the subject of lengthy recovery action and enquiries. In each case the overpayment is irrecoverable, the debtor is insolvent, has absconded without trace or it would be uneconomical to recover the debt and, therefore, they are recommended for write-off. Where debtors have absconded, the cases have been passed to a Bailiff who has attempted to trace their whereabouts. Debts are only forwarded for write-off after the bailiff has reported that they cannot be found. However, their records will be retained for the statutory period and resurrected should their whereabouts become known.

#### **2.0 BACKGROUND**

- 2.1 Paragraph D24 of the Council's Financial Regulations requires irrecoverable debts of Housing Benefit overpayments exceeding £2,500 to be submitted to the Cabinet Member for Resources for write-off.
- 2.2 Changes in claimants' circumstances (e.g. tenancy terminations, cessation of other benefits), leading to cancelled or reduced benefit entitlement, are often notified or discovered after the latest benefit cheque has been despatched. The resulting overpayment problem is further compounded by the regular failure of claimants to immediately notify the Council when a change in their circumstances has taken place, despite reminders being included on the application form and all benefit award letters.
- 2.3 The rate at which these debts may be recovered is subject to statutory limits that often lead to repayment over a prolonged period. Debts are continuously monitored to ensure that payments are being made.

#### **3.0 FINANCIAL IMPLICATIONS**

- 3.1 The Government's subsidy rules underline the importance of vigorously pursuing the recovery of all housing benefit overpayments. Whilst genuine housing benefit expenditure attracts a basic subsidy of 100%, for most overpayments the subsidy level is only 40%, even though the circumstances are beyond the Council's control. Failure, therefore to recover at least 60% of benefit overpayments directly from the claimant leaves the Council's General Fund Budget out of pocket.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.2 Given the difficulties in locating so many of the overpayment recipients and their frequent inability to afford repayment, the recovery 'target' of 60% within 12 months of the debt being raised is challenging. However, this target is currently being achieved.
- 3.3 Over the past ten years overpayments amounting to more than £5 million have been identified. Currently approximately 70% of these debts have been recovered. The older debts have been passed to a Bailiff who is managing to recover some of the amounts owed, despite many debtors moving away from the area. At the end of the recovery cycle over 80% of the total overpayments will be recovered. Taking into account the 40% subsidy received this would result in a net income to the Council's General Fund Budget of £1 million over the ten-year period.
- 3.4 Nonetheless, some housing benefit overpayments can never be recovered and in accordance with proper accounting practices, a bad debt provision is made in each year's accounts against the possibility of future write-offs. As at 31<sup>st</sup> March 2006, the closing date of the last completed annual accounts, the bad debt provision for housing benefit overpayments stood at £536,000 against a total outstanding debt of just over £1.25 million.
- 3.5 Three irrecoverable overpayments totalling £22,582.21 are submitted for write-off in this report. All were cases of personal bankruptcy. Details of these individual debts are available by contacting the Principal Author of this report. Further sums will be submitted at later dates, as and when circumstances confirm they have become irrecoverable.
- 3.6 In addition ninety-two debts individually less than £2,500, but together totalling £24,192.56 have been written off by me since 31<sup>st</sup> March 2012 under the Financial Regulations described above.

### **4.0 CONCLUSION**

- 4.1 Considerable resources have already been expended in the effort to recover overpayments. Any further action would not be cost effective.

### **5.0 RECOMMENDATION**

- 5.1 That the Cabinet Member for Resources should approve the write-off of the debts referred to in paragraph 3.5.

**SARAH GOBEY**

**Executive Head of (Financial Services)  
and Section 151 Officer**

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**Background Papers:** None

## SCHEDULE OF OTHER MATTERS

1. **COUNCIL PRIORITY**
  - 1.1 Matter considered and no issues identified.
  
2. **SPECIFIC ACTION PLANS**
  - 2.1 Matter considered and no issues identified.
  
3. **SUSTAINABILITY ISSUES**
  - 3.1 Matter considered and no issues identified.
  
4. **EQUALITY ISSUES**
  - 4.1 Matter considered and no issues identified.
  
5. **COMMUNITY SAFETY ISSUES (SECTION 17)**
  - 5.1 Matter considered and no issues identified.
  
6. **HUMAN RIGHTS ISSUES**
  - 6.1 Matter considered and no issues identified.
  
7. **REPUTATION**
  - 7.1 Matter considered and no issues identified.
  
8. **CONSULTATIONS**
  - 8.1 Matter considered and no issues identified.
  
9. **RISK ASSESSMENT**
  - 9.1 Matter considered and no issues identified.
  
10. **HEALTH and SAFETY ISSUES**
  - 10.1 Matter considered and no issues identified.
  
11. **PROCUREMENT STRATEGY**
  - 11.1 Matter considered and no issues identified
  
12. **PARTNERSHIP WORKING**
  - 12.1 Matter considered and no issues identified.