

EAST RENFREWSHIRE COUNCILCABINET14 March 2019Report by the Director of EnvironmentWRITE – OFF OF IRRECOVERABLE FORMER TENANT RENT AND COURT EXPENSES**PURPOSE OF REPORT**

1. The purpose of this report is to seek approval to write off former tenant rental debt and court expenses that cannot be recovered through the debt collection process. There is already bad debt provision within the relevant revenue accounts to cover this eventuality.

RECOMMENDATIONS

2. It is recommended that Cabinet:
- (a) approves the write-off sum up to the value of £75,323.02 of former tenant irrecoverable rents and court expenses whilst acknowledging these can be pursued and recovered in future should additional information and opportunities arise;
 - (b) notes that £71,222.59 of this amount is written off against the Housing Revenue Account (HRA) and the remaining £4,100.43 is written off against the Non HRA as this was accrued by homeless households placed in temporary accommodation; and
 - (c) notes that the write-off of these historic unrecoverable debts will have no net impact on the Council's accounts as provision has been made for the debt, in full, in previous years.

BACKGROUND

3. On 26 January 2017, the Cabinet approved a new Rent Arrears Policy. The new policy was developed by assessing and comparing other practices across Scottish Local Authorities. The new policy allows for debt to be written off under the following circumstances:

- Debts over 2 years considered for write off, where debt recovery processes have been exhausted (previously 5 years)
- Small balances under £75 written off (previously £20)
- Debtor is deceased and has left no estate
- Debtor is in care of nursing home and there is no likelihood of debt being settled

4. The policy allows for the "write off" process to be carried out twice a year instead of annually as was the case previously.

5. The policy also ensures the Council can target recoverable arrears, use resources more effectively and write off irrecoverable debt in a more efficient manner.

6. The Council's Internal Audit Team have requested that rent accounts where tenants have been "sequestered" now be included in the irrecoverable report to ensure that all "written off" debt is approved by Cabinet.

REPORT

7. A breakdown of the proposed "write-off" amount for the HRA is as follows:

Category	Rents	Court Expenses	Total
Debtor deceased with no estate	6083.73	0.00	6083.73
Debt collection process Exhausted	17053.29	0.00	17053.29
Debtor in care of nursing home	1013.57	0.00	1013.57
Small balances under £75 where recovery costs exceed amount due	1130.51	0.00	1130.51
Sequestered	45941.49	0.00	45941.49
Total	71222.59	0.00	71222.59

8. A significant area of HRA "write off" occurs when the Council has exhausted the debt collection process. This consists mainly of rent arrears and court expenses of former tenants. The Council has a thorough process to address arrears for current tenants and this performance has improved significantly in the previous two years. However, the ability to recover this debt becomes more difficult once the tenancy has ended.

9. In addition to rigorously engaging with and pursuing former tenants who owe a debt to the Council following the end of their tenancy, procedures have been reviewed to promote a culture of prevention and early intervention.

10. This involves the provision of appropriate advice and support to tenants who are in the process of terminating their tenancy, making it clear what their anticipated final charges would be and encouraging early payment and settlement.

11. A breakdown of the proposed "write off" amount for Non HRA is as follows:

Category	Rents	Court Expenses	Total
Debtor deceased with no estate	0.00	0.00	0.00
Debt Collection process Exhausted	4029.08	0.00	4029.08

Debtor in care of nursing home	0.00	0.00	0.00
Small balances under £75 where recovery costs exceed amount due	71.35	0.00	71.35
Sequestered	0.00	0.00	0.00
Total	4100.43	0.00	4100.43

12. The Non HRA debt to be written off occurs when the Council has exhausted the debt collection process. This consists of rent arrears and court expenses for households who have occupied homeless temporary accommodation.

13. Scottish housing legislation does not permit Local Authorities to refuse services to homeless households when they owe debt to the Council. However, any household that seeks housing via the general waiting list must sustain payment arrangement for any housing debt owed to the council before an offer of accommodation will be made.

FINANCE AND EFFICIENCY

14. In the current year around £11.5m of rent, net of benefits payments, is due to be received from tenants. The sum recommended for write off now represents around 0.65% of this total and can be met from existing bad debt provision.

15. As per standard accountancy practice, when it is clear that all viable means of collection are exhausted, the debt is written off and a release from the bad debt provision is used to offset this expense. There is no net impact on the overall revenue accounts of the Council as "bad debt provision" has already been provided for the debt not being repaid. The Council sets the level of "bad debt provision" at a prudent level to minimise risk to the Council.

CONSULTATION

16. The new policy was developed in consultation with the Environment Departments Accountancy Business Partner to ensure there were no detrimental effects on the HRA and non HRA accounts.

PARTNERSHIP WORKING

17. No partnership working was required in the development and preparation of this report.

IMPLICATIONS OF THE PROPOSALS

18. This report does not have any implications in terms of property, staffing, equalities, or sustainability.

CONCLUSIONS

19. The amount proposed for “write off” for Sequestrated cases represents 64% of the total proposed. This is an amount which the Service cannot influence, unlike the other categories which remain well managed and minimised by early and appropriate recovery action.

RECOMMENDATIONS

20. It is recommended that Cabinet:

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- (b) notes that £71,222.59 of this amount is written off against the Housing Revenue Account (HRA) and the remaining £4,100.43 is written off against the Non HRA as this was accrued by homeless households placed in temporary accommodation; and
- (c) notes that the write-off of these historic unrecoverable debts will have no net impact on the Council’s accounts as provision has been made for the debt, in full, in previous years.

Director of Environment

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