

EAST RENFREWSHIRE COUNCILCABINET2 March 2017Report by the Director of EnvironmentWRITE – OFF OF IRRECOVERABLE RENT AND COURT EXPENSES**PURPOSE OF REPORT**

1. The purpose of this report is to seek Cabinet approval to write off rental debt and court expenses which cannot effectively be recovered through the Council's debt collection process.

**RECOMMENDATIONS**

2. The Cabinet is asked to approve:
- (a) The write-off sum up to the value of £399,633.90 of irrecoverable rents and court expenses;
  - (b) That a total of £370,919.20 be written off against Housing Revenue Account (HRA) former rent arrears and court expenses; and
  - (c) That the remaining sum of £28,714.70 be written off against non HRA accounts as this was accrued by homeless households occupying temporary accommodation.

**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 are considered for write off where debt recovery processes have been exhausted and where the tenancy ended over two years ago (previously 5 years)
- Small balances under £75 written off (previously £20)
- The debtor is deceased and has left no estate
- The debtor is in care of nursing home or residential and there is no likelihood of debt being recovered.

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

5. This new policy will ensure the Council can target recoverable arrears, use resources more effectively and write off irrecoverable debt in a more efficient manner.

6. The Cabinet should note that, even if a debt is written off, it can still be pursued and recovered in future should additional information and opportunities arise.

## 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	12,539.47	0.00	12,539.47
Debt collection process exhausted	311,780.35	44,891.66	356,672.01
Debtor in care of nursing home	207.40	0.00	207.40
Small balances under £75 where recovery costs exceed amount due	953.68	546.64	1,500.32
<b>Total</b>	<b>325,481.90</b>	<b>45,438.30</b>	<b>370,919.20</b>

8. The largest 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 performance has improved in the previous two years.

9. In addition to rigorously engaging with and pursuing former tenants who owe a debt to the Council, the rent arrears procedures have also been reviewed to decrease the likelihood of tenancies ending in arrears.

10. Housing Services will now engage with the tenant as soon as the notice to terminate the tenancy is received. This involves the provision of appropriate advice and support to tenants, making it clear what their anticipated final charges would be and encouraging early payment and settlement. This approach also ensures that the service has suitable contact details to continue discussions with the household in the future.

11. Any household seeking housing through the general waiting list must sustain a payment arrangement for any housing debt owed to the council. The payment arrangement must be adhered to for a minimum of 12 weeks before an offer of accommodation will be made.

12. 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	27,848.20	0.00	27,848.20
Debtor in care of nursing home	0.00	0.00	0.00
Small balances under £75 where recovery costs exceed amount due	866.50	0.00	866.50
<b>Total</b>	<b>28,714.70</b>	<b>0.00</b>	<b>28,714.70</b>

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

14. Scottish housing legislation does not permit Local Authorities to refuse services to homeless households when they owe debt to a Council.

### **FINANCE AND EFFICIENCY**

15. In the current year, around £4.5m of rent (excluding benefits payments) is due to be received from tenants. The sum recommended for write off represents around 8.9% of this total and can be met from existing bad debt provision. Last year Cabinet approved write offs totalling £92,067.74.

16. The new policy has increased the amount of debt that has been written off for the financial year 2016/17. In future years, the debt is unlikely to exceed £100,000. This would provide a reduction in arrears for the year 2017/18 and continued improved performance thereafter.

### **CONSULTATION**

17. The new policy was developed in consultation with the Accountancy Business Partners to ensure there is no detrimental impact upon the HRA and non HRA accounts.

### **PARTNERSHIP WORKING**

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

### **IMPLICATIONS OF THE PROPOSALS**

19. The new rent arrears policy will deliver a reduction in arrears for the financial year 2017/18 and help to maintain former arrears at a manageable level thereafter.

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

### **CONCLUSIONS**

21. The collection of former tenant arrears remains a challenge for social landlords. However, the new Rent Arrears policy and procedures have been designed to ensure proactive measures are taken to prevent current from occurring, and tackle former arrears before the tenancy ends.

22. The “write off” process for 2016/17 is designed to ensure that resources are targeted effectively to address arrears that can be recovered and reduce rent arrears by around 1% for the year 2017/18. Once written off the debt can still be pursued if required.

**RECOMMENDATIONS**

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Director of Environment

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February 2017

**BACKGROUND PAPERS**

Council Rent Arrears Policy (approved at Cabinet 26 January 2017)