

EAST RENFREWSHIRE COUNCILCABINET26 January 2023Report by Director of EnvironmentDEBT MANAGEMENT – WRITE OFF OF IRRECOVERABLE FORMER TENANT RENTS & COURT EXPENSES**PURPOSE OF REPORT**

1. The purpose of this report is to seek approval to write off former tenant rent and court expenses debt 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 the Cabinet:
- a) Approves the write-off sum up to the value of £238,467.35 of former tenant irrecoverable rents & court expenses whilst acknowledging these can be pursued and recovered in future should additional information and opportunities arise;
  - b) Notes that £198,526.61 of this amount is written off against the Housing Revenue Account (HRA) and the remaining £39,940.74 is written off against the Non HRA as this was accrued by homeless households placed in temporary accommodation; and
  - c) Note 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 AND REPORT**

3. The current Rent Arrears Policy allows for debt to be written off under the following circumstances and ensures the Council can target recoverable arrears, use resources more effectively and write off irrecoverable debt in a more efficient manner.

- Debts over 2 years considered for write off, where debt recovery processes have been exhausted
- Small balances under £75 written off
- 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 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.

5. A breakdown of the proposed “write-off” amount is as follows:

### RENTS

Category	HRA	Non HRA	Total
Debtor deceased with no estate	39,343.56	0	<b>39,343.56</b>
Debt collection process Exhausted	127,024.71	39,259.33	<b>166,284.04</b>
Debtor in care of nursing home	4,686.46	0	<b>4,686.46</b>
Small balances under £75 where recovery costs exceed amount due	652.15	681.41	<b>1,333.56</b>
Sequestered	17,099.31	0	<b>17,099.31</b>
<b>Totals</b>	<b>188,806.19</b>	<b>39,940.74</b>	<b>228,746.93</b>

### COURT EXPENSES

Category	HRA	Non HRA	Total
Debtor deceased with no estate	2102.92	0	<b>2102.92</b>
Debt collection process Exhausted	6,979.99	0	<b>6,979.99</b>
Debtor in care of nursing home	0	0	<b>0</b>
Small balances under £75 where recovery costs exceed amount due	0	0	<b>0</b>
Sequestered	637.51	0	<b>637.51</b>
<b>Totals</b>	<b>9,720.42</b>	<b>0</b>	<b>9,720.42</b>

6. A significant area of HRA “write off” occurs when the Council has exhausted the debt collection process. This consists mainly of rent arrears of former tenants. The Council has a thorough process to address arrears for current tenants and is working through a freshened Arrears Recovery Strategy to mitigate increased arrears over the last two years. However the ability to recover this debt becomes significantly more difficult once the tenancy has ended.

7. In addition to rigorously engaging with and pursuing former tenants who owe a debt to the Council following the end of their tenancy, procedures are subject to ongoing review to promote a culture of prevention and early intervention where arrears occur in any tenancy.

8. This involves the provision of appropriate advice and support to tenants, including those 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.

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

10. 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 arrangements for any housing debt owed to the council before an offer of accommodation will be made.

## **FINANCE AND EFFICIENCY**

11. In the current year around £12.7m of rent, net of benefits payments, is due to be received from tenants. The sum recommended for write off now from the HRA represents around 1.56% of this total and can be met from existing bad debt provisions. Last year the Cabinet approved write offs totalling, £134,773.12 for the full year.

## **CONSULTATION**

12. The Arrears policy was developed in consultation with the Environment Department's Accountancy Business Partner to ensure there were no detrimental effects on the HRA and non HRA accounts.

## **PARTNERSHIP WORKING**

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

## **IMPLICATIONS OF THE PROPOSALS**

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

## **CONCLUSIONS**

15. The rent arrears policy and procedures are designed to ensure pro-active measures are taken to prevent arrears from occurring in current tenancies, and also to ensure that former arrears can be pursued effectively.

16. The "write-off" process is designed to ensure that resources are targeted effectively to address the arrears that can be recovered. Once written off the debt can still be pursued if required.

## **RECOMMENDATIONS**

17. It is recommended that Cabinet:

- a) Approves the write-off sum up to the value of £238,467.35 of former tenant irrecoverable rents & court expenses whilst acknowledging these can be pursued and recovered in future should additional information and opportunities arise;
- b) Notes that £198,526.61 of this amount is written off against the Housing Revenue Account (HRA) and the remaining £39,940.74 is written off against the Non HRA as this was accrued by homeless households placed in temporary accommodation; and
- c) Note 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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