

EAST AYRSHIRE COUNCIL

HOUSING COMMITTEE – 26 JANUARY 2005

RENT ARREARS AND FORMER TENANT ARREARS

Report by Executive Director of Neighbourhood Services

1. PURPOSE OF REPORT

- 1.1 To seek approval for the writing off of those former tenant arrears which are no longer viable to pursue and to advise of the situation with regard to current tenant arrears.

2. BACKGROUND

- 2.1 It was reported to Committee on 21 May 2003 that regular reports requesting write-off of former tenant arrears would be submitted and would include those cases where the Debt Recovery Agency have attempted to recover the debt but have since concluded that it is no longer economically viable to pursue the debt. There are a variety of reasons for this, including: failure to trace, death of former tenant, or small value of debt.
- 2.2 Debts of less than £15, sequestrated debts, those of deceased tenants and those of permanently hospitalised (or nursing home) tenants are not being forwarded to the contractor to pursue and are, accordingly, recommended for write-off.
- 2.3 It was reported to Committee in September 2004 that Stirling Park had been awarded the contract for the Recovery of Former Tenant Arrears. In that report, the concept of 'second placement' was referred to, whereby debts which had been returned by the contractor as non-recoverable could be placed with a second contractor to make a further attempt to recover the debt. The amount, therefore, presented below under the heading: *Debt Recovery Agency Write-off* has been returned by Stirling Park as non-recoverable, having previously been returned by Moorcroft, the previous contractor, with the same comment.

3. AMOUNTS FOR WRITE OFF

- 3.1 The amounts of former tenant arrears presented for write-off are as follows:

Debt Recovery Agency Write-off	£ 157,798.01
Accounts under £15	£ 71.57
Deceased Tenants	£ 6,323.25
Hospital/ Nursing Home	£ 2141.52
Sequestrated	£ 0.00
Total	£ 166,334.35

(position as at 9 December 2004)

3.2 The amounts above are presented for write-off without prejudice to future recovery of the debt should that prove possible at some future date.

4. CURRENT TENANT ARREARS

4.1 Very significant improvements have been made in recent years with regard to performance in this area and a separate report submitted to Committee identifies the position as at 30 September 2004. In order to further reduce rent arrears in the coming year we are seeking to target persistent arrears cases involving tenants who, serially, only clear their accounts when we have exhausted the process and gone through the Courts to seek decree. Essentially, there is evidence to suggest that certain tenants are abusing the system to access what amounts to an interest-free loan.

4.2 It is proposed, therefore, that where a second decree is awarded against a tenant, interest will be charged at the prescribed rate (currently 8%) for the sum sued for and for the expenses associated with the action. Where a third decree is awarded for recovery of possession, it is proposed that action be taken to evict regardless of whether the account is cleared. Tenants will be given clear warnings at each stage of the process. As always, there will be a degree of discretion applied to this system to take account of genuine hardship and implications for family members.

5. FINANCIAL IMPLICATIONS

5.1 The Accounts Commission consider it to be good practice for Local Authorities to write off as bad debts, on a regular basis, those sums owing to the Authority which are thought to be not recoverable. Budget provision is made in the Housing Revenue Account to cover bad debt costs.

6. LEGAL IMPLICATIONS

6.1 Debts owed to the Council are normally recoverable up to five years after the date on which they are constituted, subject to a number of exceptions which include debts for which a court decree has been obtained irrespective of any decision to write off the debts.

7. CONCLUSIONS

7.1 The introduction of the concept of 'second placement' ensures that every reasonable measure has been taken to recover debts, prior to presenting the debts to Committee for write-off.

7.2 The introduction of a more robust system of dealing with persistent non-payers will allow staff to spend more time with arrears cases where there is genuine hardship and should lead to continued improvements in minimising tenants debts and in the recovery of outstanding rent arrears.

8.0 RECOMMENDATIONS

8.1 It is recommended that Committee:

- i) approve the write-off in the current financial year of Former Tenant Arrears of £166,334.35p as detailed in paragraph 3.1 of the report; and
- ii) note the position with regard to charging interest on the award of second decrees and enforcing third decrees, as detailed in paragraph 4.2 of the report.

William Stafford
Executive Director of Neighbourhood Services

7 January 2004

LIST OF BACKGROUND PAPERS

Nil

Members wishing further information on any of the above should contact Gerry Darroch, Operations Manager on 01563 554873.

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