

**EAST AYRSHIRE COUNCIL**  
**HOUSING COMMITTEE – 5 NOVEMBER 2003**  
**FORMER TENANT ARREARS**

**Report by Director of Homes and Technical Services**

**1.0 PURPOSE OF THE REPORT**

1.1 To seek approval for the writing off of those former tenant arrears accrued prior to 17 October 2003 which are no longer viable to pursue, and to advise committee of the current situation with regard to the contracted Debt Collection Agencies.

**2.0 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, being recommended for write-off.

**3.0 AMOUNTS FOR WRITE OFF**

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

Debt Recovery Agency Write-Off	£46497.29
Accounts under £15 (not sent to DRA)	£ 65.33
Deceased Tenants (not sent to DRA)	£ 2969.35
Hospital/ Nursing Home(not sent to DRA)	£ 633.79
Sequestrated	£0
Total	£50,165.76

(position as at 17 October 2003)

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.

## **4.0 ARRANGEMENTS WITH DEBT COLLECTION AGENCY**

- 4.1** As previously reported, the Council engaged two contractors, with a geographic split, for an initial period of 9 months on a pilot basis to assess the merits of externalising the service. One of the contractors, Intandem, has since intimated that they wished to disengage and, accordingly, all new cases in the south were passed to the remaining contractor, Moorcroft.
- 4.2** Since the introduction of the pilot, internal arrangements for the collection of Former Tenant Arrears have been reviewed and contact is now made by the Council at an earlier stage and the management of the debt processed via the Orchard system. Moreover, the value of new Former Tenant debts is now decreasing, given the significant improvements in performance in Current Tenant Arrears.
- 4.3** At the end of the trial period, it was noted that both contractors had broadly similar success rates in the collection of debts, but that this varied significantly, depending on whether the forwarding address was known. Both contractors confirmed that their overall anticipated level of collection would be in the order of 8% to 10% of the total debt.

Intandem's collection rate at 10.75% has exceeded that level.  
Moorcroft's collection rate at 7.95% is slightly below expectation.  
The benefits of retaining an external collection agency are:

- they have expertise in this line of work
  - they have established methods of trace and collect where the forwarding address of the debtor is not known
  - an exhaustive route can be identified which confirms whether it is economically viable for a debt to continue to be pursued
  - contracts can be let on a commission only basis which provides an incentive for the Collection Agency to pursue debts vigorously.
- 4.4** There is currently a contract in place with another contractor for the collection of Council Tax arrears which is due to be re-tendered. In view of the benefits to be gained from developing a corporate approach to debt management and collection, and the exchange of information arising therefrom, there is merit in channelling all externalised debt recovery work through the same contractor. Accordingly, it is recommended that the collection of Former Tenant Arrears, which are not collected as a result of internal collection processes, should be included in the contract for the collection of Council Tax debts. Internal Audit are currently reviewing arrangements and procedures with regard to Former Tenant Arrears and the detail of their report will inform the future direction of the process. In the meantime, it is recommended that Moorcroft continue to collect Former Tenant Arrears on behalf of the Council. Once further information is available another report will be brought back to Committee.

## **5.0 FINANCIAL IMPLICATIONS**

- 5.1** The Accounts Commission consider it to be good practice in 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. Provision is made in the HRA for bad debt.

## **6.0 LEGAL IMPLICATIONS**

**6.1** There are no legal implications.

## **7.0 RECOMMENDATIONS**

**7.1** It is recommended that Committee:

- i) approve the write-off in the current financial year of Former Tenant Arrears of £50,165.76p as detailed in paragraph 3.1 of the report; and
- ii) agree to include the collection of Former Tenant Arrears in the contract for the collection of Council Tax Arrears when it is tendered; and
- iii) agree that Moorcroft continue to collect Former Tenant Arrears until the new contract is let.

**James Lavery**  
**Director of Homes and Technical Services**  
**October 2003**

### **LIST OF BACKGROUND PAPERS**

- 1) Former tenant arrears accounts
- 2) Debt Recovery Agency write-off reports
- 3) Contracts for the collection of Former Tenant Arrears

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

Implementation Officer: Chris McAleavey, Head of Homes