

Finance and Resources Committee

10.00am, Thursday, 27 August 2014

Former Tenants Rent Arrears 2014/15

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| Item number | 7.19 |
| Report number | |
| Executive/routine | Executive |
| Wards | All |

Executive summary

The purpose of this report is to seek committee approval to write-off £530,187 of rent arrears from the Housing Revenue Account (HRA) for 221 former tenants with more than £1,000 rent arrears outstanding.

A further 573 rent accounts of former tenants with arrears of less than £1,000 totalling £179,226 have already been written off under the delegated authority of the Director of Services for Communities.

Accounting practice is to write off rent arrears of former tenants, where there is little likelihood of the debt being recovered. This is carried out at the end of each financial year and provision is made for this within the HRA budget.

Where tenancy arrears are written off the Council will still pursue the recovery of these debts.

Links

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| Coalition pledges | P13 , P14 and P30 |
| Council outcomes | CO16 |
| Single Outcome Agreement | SO4 |

Former Tenants Rent Arrears 2014/15

Recommendations

It is recommended that Finance and Resources Committee:

- 1.1 Approves the write-off of £530,187 rent arrears of 221 former Council tenants who have a balance greater than £1,000 outstanding in 2014/15
- 1.2 Notes that the total number of former tenants' arrears cases written off has reduced by 9%, from 869 in 2013/14, to 794 in 2014/15.
- 1.3 Notes that debt written off, excluding deceased cases, will continue to be pursued by the Council.

Background

- 2.1 The Council is required to write-off, from the HRA, the rent arrears of former tenants. The write-off relates to any accounts with outstanding arrears where all attempts to trace the tenant and collect the rent due have been unsuccessful.
- 2.2 Provision is made for this annually within the HRA budget. This is the standard accounting practice adhered to by local authorities whereby debts arising from former tenancy arrears that cannot be collected are written off on an annual basis.
- 2.3 Write-off for arrears under £1,000 is carried out under the delegated authority of the Director of Services for Communities. Arrears of £1,000 and over require committee approval.

Main report

- 3.1 Tenants' rent payment obligations, under their tenancy agreement, are actively enforced. All tenancies terminating with arrears are investigated and payment sought on all outstanding rent and tenancy related charges. Collection of former tenancy arrears debt is challenging and is affected by difficulties in tracing tenants once they have left their Council home, the level of debt owed and the potential for financial hardship.
- 3.2 Income collection for current and former tenancy arrears debt is included within the annual Scottish Social Housing Charter performance indicators. For 2014/15 gross arrears, (for current and former tenancies prior to write-off), as a percentage of rent due to be collected was 6.33%. Early benchmarking of peer performance indicates this performance to be in line with the Scottish Local Authority average of 6.16%.

- 3.3 The number of former tenants' arrears cases identified for write-off in 2014/15 was 794. This is a reduction of 9% on the 869 cases written-off in 2013/14. The cash value of cases written-off is £708,638 for 2014/15 compared to £682,086 in the previous financial year. This is an increase of £26,552.
- 3.4 There are 221 former tenants with arrears of over £1,000 for write-off in 2014/15, totalling £530,187. A further 573 rent accounts of former tenants with arrears of less than £1,000 have already been written-off under delegated authority. The value of these arrears was £179,226. A breakdown of the reasons for termination of those tenancies with rent arrears to be written-off is contained in Appendix 1.
- 3.5 Where rent arrears are written-off, these debts will continue to be pursued where the tenants' whereabouts can be traced or if they apply for council housing in the future. Income collected during 2014/15 for former tenancy accounts written-off in previous financial years was £30,479.
- 3.6 In accordance with legislation, former tenants and current tenants looking to move, who have outstanding arrears of more than a twelfth of the gross annual rental charge, would normally be suspended from receiving an offer of housing. This would not however apply where they have maintained a repayment plan for at least three months, cleared the arrears in full or where the Council has a statutory obligation to provide permanent accommodation to a homeless household.

Measures of success

- 4.1 The amount of rent arrears owed by former Council tenants is minimised.
- 4.2 Reasonable arrangements are provided to debtors, allowing them to meet their obligation to reduce and then clear debts.
- 4.3 Improved performance against the annual statutory Scottish Social Housing Charter indicators.

Financial impact

- 5.1 Where a debt is irrecoverable it will be subject to a write-off process that is consistent with recognised accounting practices. This action ensures that debt recovery projections are realistic and that write-offs are provided for within the HRA's annual projected outturn.
- 5.2 Based on the final ledger figure, the total value of former tenancy arrears written-off in 2014/15 would be £708,638. There is a slight variation of £775 between this final ledger figure and the breakdown of the accounts included in Appendix 1. This is due to payments collected after the write-off process was completed.
- 5.3 The write off for 2014/15 was £28,638 above the planned HRA budget provision of £680,000.
- 5.4 The value of arrears which have been written-off represents 0.75% of the overall value of HRA rental income due to be collected in 2014/15 for current and

former tenancies. Scottish Government benchmarking figures for HRA income and expenditure, currently only available for 2013/14, indicate this would be better than the Scottish Local Authority average write-off level of 0.87%.

Risk, policy, compliance and governance impact

- 6.1 Rent arrears are written-off in accordance with the Council's Financial Regulations.
- 6.2 The summary of written-off rent arrears is reported on an annual basis, in line with the requirements of the Council's Corporate Debt Policy.
- 6.3 On 30 October 2014, the Finance and Resources Committee requested that a Corporate Debt Policy Working Group was established to examine all non-statutory notice related aspects of the Corporate Debt Policy to determine if any changes to the policy were required. On 4 June 2015, the Finance and Resources Committee considered a report on the main findings of the Corporate Debt Policy Working Group, and referred the report to the Corporate Policy and Strategy Committee on 9 June 2015 for approval of a number of minor changes to the current policy.

Equalities impact

- 7.1 There are no negative equality or human rights impacts arising from this report. The collection of rental income supports the delivery of housing services to a wide range of households, including low income and vulnerable households.

Sustainability impact

- 8.1 The impacts of this report have been considered in relation to the Climate Change (Scotland) Act 2009 Public Bodies Duties.
- 8.2 The collection of rental income supports the modernisation of existing homes, including improving energy efficiency. It also supports the construction of new affordable homes.

Consultation and engagement

- 9.1 The Council adopted a Corporate Debt Policy in September 2013. The policy was subject to consultation and engagement with elected members, equalities and anti-poverty groups. This was reviewed and updated in June 2015.
- 9.2 Edinburgh Tenants Federation and Registered Tenants Organisations are consulted as part of the annual review of the HRA Business Plan and the development of the HRA Budget.

Background reading/external references

[Review of Corporate Debt Policy](#), Corporate Policy and Strategy Committee, 9 June 2015

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Links

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| Coalition pledges | P13: Enforce tenancy agreements (council and private landlord) with a view to ensuring tenants and landlords fulfil their good conduct responsibilities. P14: Strengthen Council housing allocation policy to give recognition to good tenants and to encourage responsible tenant behaviour and responsibilities P30: Continue to maintain a sound financial position including long-term financial planning |
| Council outcomes | CO16: Well-housed – People live in a good quality home that is affordable and meets their needs in a well managed Neighbourhood |
| Single Outcome Agreement | SO4: Edinburgh's communities are safer and have improved physical and social fabric |
| Appendices | Appendix 1 - Summary of rent arrears written off in 2013/14 |

Appendix 1: Summary of Rent Arrears written off in 2014/15

The data below represents all accounts identified for write off.

Balances Over £1,000

| Balance | Accounts Written Off | Termination Reason |
|----------------------|----------------------|---|
| £217,739.24 | 92 | Abandoned |
| £18,131.71 | 10 | Deceased |
| £6,536.54 | 3 | Eviction - Anti Social Behaviour |
| £113,270.04 | 31 | Eviction - Rent Arrears |
| £3,049.29 | 1 | Institutional Care |
| £151,880.54 | 73 | Normal* |
| £17,325.85 | 10 | Rehoused |
| £2,253.54 | 1 | Succession- Transfer for Family Reasons |
| £530,186.75** | 221 | |

Balances Under 1,000

| Balance | Accounts Written Off | Termination Reason |
|----------------------|----------------------|--|
| £28,307.63 | 53 | Abandoned |
| £43,533.86 | 169 | Deceased |
| £2,014.08 | 4 | Eviction - Rent Arrears |
| £3,208.87 | 16 | Institutional Care |
| £547.26 | 5 | Mutual Exchange |
| £84,851.04 | 255 | Normal* |
| £259.98 | 1 | Re-habilitation |
| £13,664.45 | 59 | Rehouse |
| £135.27 | 3 | Rehouse on decree |
| £956.84 | 2 | Succession - Transfer on Death |
| £1,746.47 | 6 | Succession - Transfer for Family Reasons |
| £179,225.75** | 573 | |

**Normal terminations will include cases where no notice was given by the tenant, but the 28 day statutory notice period required under their tenancy agreement was applied.*

***The slight variation (£775) in the total write-off figure of £708,638 compared to the breakdown of the accounts included in this appendix is due to payments being made after the write off analysis completed for 2014/15.*