

Finance and Resources Committee

2.00pm, Thursday, 18 August 2016

Former Tenants Rent Arrears 2015/16

Item number	7.20
Report number	
Executive/routine	Executive
Wards	All

Executive Summary

The purpose of this report is to seek the annual Committee approval to write-off £661,096 of rent arrears from the Housing Revenue Account (HRA) for 229 former tenants with more than £1,000 rent arrears due.

A further 472 rent accounts of former tenants with arrears of less than £1,000 totalling £134,743 were written off under the delegated authority of the Executive Director of Place.

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 in accordance with the principles of the Corporate Debt Policy at the end of each financial year. Provision is made for this within the HRA budget.

Where arrears for former tenancies are written off the Council does continue to pursue the recovery of these debts.

Links

Coalition Pledges	P13 , P14 and P30
Council Priorities	CP10
Single Outcome Agreement	SO4

Former Tenants Rent Arrears 2015/16

1. Recommendations

- 1.1 The Finance and Resources Committee is requested to:
- 1.1.1 approve the write-off of £661,096 rent arrears of 229 former Council tenants who have a balance greater than £1,000 outstanding in 2015/16;
 - 1.1.2 note that the total number of former tenants' arrears cases written off has reduced by 7.8%, from 794 in 2014/15, to 701 in 2015/16; and
 - 1.1.3 note that debt written off, excluding where the debtor is deceased, will continue to be pursued by the Council.

2. Background

- 2.1 The Council is required to write-off, from the HRA, the rent arrears of former tenants. This is standard accounting practice adhered to by local authorities and provision is made for this annually within the HRA budget. The write-off relates to any accounts with outstanding arrears where all attempts to trace the tenant and collect the outstanding debt have been unsuccessful.
- 2.2 Write-off for arrears under £1,000 is carried out under the delegated authority of the Executive Director of Place. Arrears of £1,000 and over require Committee approval.
- 2.3 Tenants' rent payment obligations, under their tenancy agreement, are actively enforced. All tenancies that end with arrears are investigated and full repayment will be sought on any outstanding rent and tenancy related charges. Collection of former tenancy debt is challenging. It is affected by difficulties in tracing tenants once they have left their Council home, the level of rent and wider debt owed and the potential for financial hardship.
- 2.4 In accordance with legislation, former and current tenants seeking to move would normally be suspended from receiving an offer of housing if they have outstanding arrears of more than a twelfth of the gross annual rental charge. This would not however apply where they have maintained a repayment plan for at least three months or where the Council has a statutory obligation to provide permanent accommodation to a homeless household. A repayment arrangement would however be sought for any outstanding former tenancy debt.

3. Main report

- 3.1 During 2015/16 there were 651 current tenancy arrears cases lodged in court under formal debt recovery procedures and 103 tenants were evicted from their homes.
- 3.2 The cash value of accounts written off increased to £801,364 in 2015/16 from £708,638 in 2014/15. This is an increase of £92,726. However the number of accounts written off reduced to 701 in 2015/16 from 794 accounts in 2014/15.
- 3.3 There are 229 former tenants with arrears of over £1,000 for write-off in 2015/16, totalling £661,096. A further 472 former tenant accounts with arrears of less than £1,000 have already been written off under delegated authority. The value of these arrears was £134,743. A breakdown of the tenancy termination reasons for former tenancy cases to be written off and the balances on the date they were identified for write-off is contained in Appendix 1.
- 3.4 Outstanding debt for arrears that are written off continues to be pursued where the tenants' whereabouts can be traced or if they apply for Council housing in the future. Income collected during 2015/16 for former tenancy accounts written off in previous financial years was £28,053.
- 3.5 The debt recovery function for current and former tenancy arrears is being consolidated into an income management specialism as part of the Council Transformation Programme. This is expected to deliver efficiencies through reduced duplication of administration of formal debt recovery processes and more effective management of individuals with multiple debts owing to the Council.

4. 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.

5. Financial impact

- 5.1 Where a debt is irrecoverable, it is 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 £801,364.41. The variation of £5,525.12 between this final ledger figure and the breakdown of the accounts included in Appendix 1 is due to adjustments such as Housing Benefit overpayments being applied to accounts after the write-off analysis was completed.
- 5.3 The total write-off for 2015/16 was £121,364 above the planned HRA budget provision for former tenancy arrears debt of £680,000. The provision for former tenancy arrears debt in the HRA budget for 2016/17 was increased to £850,000 as planning for an expected increase in the cash value of write-off.
- 5.4 The value of arrears which have been written off represents 0.82% of the overall value of HRA rental income due to be collected in 2015/16 for current and former tenancies. Scottish Government benchmarking figures for HRA income and expenditure indicate this is just above the Scottish Local Authority average write-off level of 0.71% (2014/15).

6. Risk, policy, compliance and governance impact

- 6.1 Rent arrears are written off in accordance with the Council's Financial Regulations and are reported to Finance and Resources Committee on an annual basis.
- 6.2 The determination of cases for write-off is completed in line with the principles of the Council's Corporate Debt Policy. Corporate Policy and Strategy Committee approved the current version of the policy on 23 February 2016.

7. Equalities impact

- 7.1 There are no negative equality or human rights impacts arising from this report. A range of services are available to all tenants to support them to meet their rent payment responsibilities during their tenancy. Reasonable repayment arrangements, that take account of individual household circumstances, are made available to enable former tenants to repay outstanding debt.
- 7.2 The collection of rental income supports the delivery of housing services to a wide range of households, including low income and vulnerable households.

8. Sustainability impact

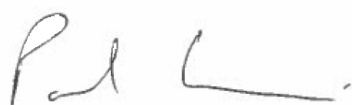
- 8.1 The collection of rental income supports investment in existing Council homes that will increase energy efficiency and reduce carbon emissions. It also supports the construction of new affordable energy efficient homes through the Council's 21st Century Homes programme.

9. Consultation and engagement

- 9.1 The Council Corporate Debt Policy is subject to consultation and engagement with elected members, equalities and anti-poverty groups. This was subject to review during 2014/15 and the current policy was approved by Corporate Policy & Strategy Committee in June 2015.
- 9.2 The Council consults with tenants, Edinburgh Tenants Federation and Registered Tenants Organisations as part of the annual HRA budget development process. The consultation on the 2016/17 budget identified that tenant investment priorities were for building more homes and reducing tenants' energy costs. It also identified support for investment in other services that could further help reduce tenants living costs.

10. Background reading/external references

- 10.1 None.



Paul Lawrence

Executive Director of Place

Contact: Jennifer Hunter, Tenant and Resident Services Manager

E-mail: jennifer.hunter@edinburgh.gov.uk | Tel: 0131 529 7532

11. Links

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 Priorities	CP10: A range of quality housing options
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 2015/16

Appendix 1: Summary of Rent Arrears written off in 2015/16

The data below represents the accounts identified for write-off.

Balances over £1,000

Balance	Accounts Written Off	Termination Reason
£172,662.05	68	Abandoned
£43,704.12	18	Deceased
£4,852.66	2	Eviction - Anti Social Behaviour
£262,247.91	61	Eviction - Rent Arrears
£9,102.33	5	Institutional Care
£158,078.17	69	Normal*
£5,496.93	4	Rehabilitation
£1,652.75	1	Succession- Transfer on Death
£3,299.22	1	Succession- Transfer for Family Reasons
£661,096.14	229	

Balances under £1,000

Balance	Accounts Written Off	Termination Reason
£12,523.59	29	Abandoned
£50,298.72	182	Deceased
£601.67	3	Eviction- Anti-Social Behaviour
£1,147.28	3	Eviction - Rent Arrears
£5,201.00	17	Institutional Care
£489.17	12	Mutual Exchange
£53,302.75	184	Normal*
£10,739.91	40	Re-housed
£439.06	2	Succession - Transfer for Family Reasons
£134,743.15	472	

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