



Report to Resources Committee

4 November 2014

Title: Transfer of Accounts – Former Tenants Arrears

Report of: Head of Corporate Services

Purpose of Report

1. To approve a recommendation to Gateshead Council to transfer former tenant's arrears to a debtor's account.

Background

2. Periodically the Council transfers former tenants arrears considered irrecoverable into a debtors account. This entails setting off an amount against the bad debts provision held in the Housing Revenue Account.

Summary

3. In 2013/14, a total amount of £512,528 owed by 3,438 former tenants was transferred in two instalments of £82,934 and £429,594.
4. During this financial year, the sum of £122,152 has been recovered from former tenants, including £13,020 relating to previously transferred accounts, which have been reinstated for recovery purposes.
5. Using the following criteria, it is proposed that 647 cases totalling £369,118 in value should be recommended for transfer. This transfer is the first of two instalments in 2014/15:

	No of cases	Value £
Debts created before 1 October 2008	127	52,724
Debts created after 1 October 2008 but no forwarding address is known or not at the forwarding address	126	126,616
Amounts considered unrecoverable or uneconomic to pursue including deceased, no next of kin, no estate, credits, etc.	394	189,778

6. Since April 2008, 1,784 cases considered unrecoverable through the internal recovery team and totalling £3,119,848 have been passed to external debt collection agencies. These agencies have managed to collect £182,715 so far from transferred cases.
7. We currently use two debt collection agencies - one charges 22% commission (which includes home visits and is slightly better performing) and the other 15% commission. We continue to use both agencies whilst comparing their performance in relation to recovery. We will continue to pass cases regarded as unrecoverable or uneconomic to pursue internally as a further stage before considering transfer to a debtors account.

Bankruptcy

8. There are currently 276 cases where tenants have been declared bankrupt or have applied for debt relief orders and debts on their rent accounts have been transferred to separate bankruptcy accounts. The total outstanding on these accounts is £320,591. None of the debts on bankruptcy accounts have previously been transferred to a debtors account.
9. Using the criteria that bankruptcy debts are discharged after one year from the date of judgement, it is proposed that 256 cases totalling £301,229 in value should be recommended for transfer.

Link to values

10. This report is in line with the company value of being honest, accountable and transparent.

Impact on tenants

11. There is no direct impact on tenants from this recommendation.

Risk Management Implications

12. There are no risk management implications relating to this report.

Financial Implications

13. Any debts within former tenant's arrears are fully provided for; hence there is no financial effect on the Housing Revenue Account.

Equality and Diversity Implications

14. There are no equality and diversity implications arising from this report.

Value for Money implications

15. Transferring unrecoverable arrears to a debtors account allows Rent and Income Team Recovery Officers to concentrate on recoverable debts.

Environmental Implications

16. There are no environmental implications arising from this report.

Health Implications

17. There are no health implications arising from this report.

Consultation carried out

18. There was no consultation carried out relating to this report.

Recommendation

19. It is recommended that the Committee propose to Gateshead Council a transfer of £369,118 former tenant's arrears and £301,229 bankruptcy debts to a debtors account.