

Report to Resources Committee

23 February 2016



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 2014/15, an amount of £485,392 owed by 684 former tenants was transferred, together with £303,723 relating to 249 Bankruptcy accounts.
4. During this financial year, the sum of £181,875 has been recovered from former tenants, including £37,201 relating to previously transferred accounts, which have been reinstated for recovery purposes.
5. Using the following criteria, it is proposed that 1,386 cases totalling £601,830 in value should be recommended for transfer.

	No of cases	Value £
Debts created before 1 February 2010	164	137,609
Debts created after 1 February 2010 but no forwarding address is known or not at the forwarding address	125	128,143
Amounts considered unrecoverable or uneconomic to pursue including deceased, no next of kin, no estate, credits etc.	1,097	336,078

6. Since April 2008, 2,346 cases considered unrecoverable through the internal recovery team and totalling £3,710,743 have been passed to external debt collection agencies. These agencies have managed to collect £244,190 so far from transferred cases.

7. We currently use two Debt Collection Agencies. One agency charges commission of 22% whilst the other charges a commission of 15% regardless of their contact method. We continue to use both agencies whilst comparing performance. We will continue to pass cases regarded as unrecoverable or uneconomic to pursue internally as a further stage before being considered for transfer to a debtors account.

Sundry Accounts

8. There are currently 1,641 cases relating to sundry accounts where relevant former tenant rent debts have been previously transferred to a debtors account. The total outstanding on these accounts is £371,735.
9. It is proposed that 475 cases totalling £119,749 in value, relating to accounts created before 1 February 2010, should be recommended for transfer.

Bankruptcy

10. There are currently 57 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 £59,316.
11. Using the criteria that bankruptcy debts are discharged after one year from the date of judgement, it is proposed that 40 cases totalling £45,779 in value should be recommended for transfer.

Link to values

12. This report is in line with the company values:
 - Fair
 - Customer Focused
 - Open and Honest
 - Accountable
 - Innovative

Impact on tenants

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

Risk Management Implications

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

Financial Implications

15. 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

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

Value for Money implications

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

Environmental Implications

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

Health Implications

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

Consultation carried out

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

Recommendation

21. It is recommended that the Committee propose to Gateshead Council the following transfers to a debtors account:
 - £601,830 former tenant rent arrears
 - £119,749 relating to sundry accounts
 - £45,779 relating to discharged bankruptcies