

North Lanarkshire Council Report

Housing and Regeneration Committee

approval noting

Ref SL/GT/BDWO 19-20

Date 19/02/2020

Former Tenant Arrears Write Off to 31 March 2018

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Executive Summary

The purpose of this report is to present to Committee a summary of outstanding Housing Rent debts which are deemed uncollectable following all attempts at recovery by the Housing Rents and Court teams or are considered uneconomically viable to continue pursuing. In accordance with financial guidelines a bad debt provision has previously been established for the outstanding accounts highlighted below.

The debt to be written off relates to former tenancies where the tenancy end date is prior to the 31 March 2018.

The total recommended write-off for 2019/2020 is £2,408,606.87 which equates to 2% of the total rent income of £115,000,000.

Recommendations

It is recommended that Committee:

- (i) Notes the decision of the Head of Housing Solutions and the Head of Financial Solutions under delegated responsibilities to write off £260,062.46 for debts under £500.
- (ii) Approves the write off of £2,148,544.41 which includes individual debts greater than £500.
- (iii) Approves the write off of credit balances that have arisen in some former tenancy rent accounts, totalling £61,153.06.
- (iv) Remit this report to the Finance and Resources Committee.

Supporting Documents

Council business plan to 2020 This report links to the Council's Plan by improving the Council's resource base through applying sound accounting procedures to eliminate debts which are clearly irrecoverable.

1. Background

- 1.1 The Housing Service has a turnover in tenancies each year of approximately 3,000 with tenancies terminating for a variety of reasons.
- 1.2 The Housing Service has a full rent arrears process in place ranging from reminder letters at the early stages through to the pursuit of arrears via the courts. The arrears process actively pursues debt in both current tenancies and former tenancies and only ever seeks to write-off debt relating to former tenancies once all avenues of recovery have been exhausted.
- 1.3 A whole range of payment methods are available to tenants to enable them to make payments towards their rents in a timely and consistent manner that suits their circumstances. These range from Direct Debits, Online Payment facility, Standing Orders, Post Office, Paypoint and deductions from wages.
- 1.4 Early intervention and engagement with current tenants who fall into arrears is a key part of the process to minimise the level debt that exist when tenancies terminate.
- 1.5 As a result of these proactive efforts, the Council's collection rate improved from 99.51% in 2015/16 to 99.57% in 2016/17. However, the impact of Universal Credit in recent years has challenged this with collection rates reducing to 98.81% in 2017/18 and 97.46% in 2018/2019.
- 1.6 Despite these steps there are a number of debts that are deemed uncollectible or are considered not economically viable to engage further collection activities and costs. This annual process of assessing the likelihood of debt non-recovery conforms to accepted best accounting practice and is a realistic assessment of expected outcome.
- 1.7 The impact of various welfare reform measures has seen a significant increase in total rent arrears from 2013/14 onwards. North Lanarkshire Council moved onto full Universal Credit status in April 2018 and already there has been a significant increase in current tenant arrears as a result. This is likely to an adverse impact of the future levels of former tenant arrears that will be sought for write off. A full Income Maximisation Service is offered to all tenants to try and mitigate the impact of welfare reform on them.
- 1.8 As reported last year, based on current assumptions about the impact of welfare reform as borne out by recent trends, the level of write-off has increased and will likely continue to increase in future years. Additional provision for bad debt has therefore been factored into the HRA base budget to accommodate this.

2. Report

- 2.1 An exercise has been undertaken to identify debt that is now considered to be non-collectable. In accordance with financial guidelines a bad debt provision has previously been established for the outstanding accounts highlighted below.
- 2.2 There are a number of reasons why the outstanding balances are being written off and these are summarised below:
 - a) Liquidation / Sequestration. The debtor has been liquidated / sequestered etc, and there is no prospect of recovery of funds.
 - b) Deceased. The debtor is deceased and there have been insufficient funds within the estate to meet the sum due.

- c) Eviction / Abandonment / No Forwarding Address. The debtor has been unable to be located following eviction or abandonment of their tenancy or have left no forwarding address and there is no prospect of recovery of funds.
- d) Recovery exhausted. All avenues of recovery have now been exhausted via our internal processes and via the courts and the decision has been taken not to pursue any further any recovery is considered to be not possible.

2.3 The following tables categorise the value of debt recommended for write-off by cause and value:

Cause Analysis	£	No of Tenancies
Abandoned	286,210.75	191
Deceased	178,484.07	557
Eviction	374,168.95	153
Liquidations/Sequestrations	54,063.62	44
No forwarding address	369,933.57	350
Recovery exhausted	1,145,745.91	1,258
Total	2,408,606.87	2,553
Credit Balances	(61,153.06)	619

Value Analysis	£	No of Tenancies
< £500	260,062.46	1,445
>£500	2,148,544.41	1,108
Total	2,408,606.87	2,553

2.7 The Council will continue to seek collection of the outstanding balance if the circumstances of the debtor alter and recovery is deemed practical.

3. Equality and Diversity

3.1 Fairer Scotland

There are no specific impacts on Fairer Scotland.

3.2 Equality Impact Assessment

There are no specific Equality Impact Assessments to note.

4. Implications

4.1 Financial Impact

There are no additional financial implications linked to this report for the current financial year because a corresponding bad debt provision has been included in the previous year's accounts.

4.2 HR/Policy/Legislative Impact

No implications.

4.3 Environmental Impact

No implications.

4.4 Risk Impact

No implications.

5. Measures of success

- 5.1 The Service continues to engage in a number of activities aimed at improving collection rates, reducing debt arising and streamlining the recovery process. The Council will continue to seek collection of the outstanding balance if the circumstances of the debtor alter and recovery is deemed practical.
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Stephen Llewelyn
Head of Housing Solutions