

**TITLE OF REPORT:** Rent Arrears for Former Tenants and Sundry Account Debts  
– Transfer of Uncollectable Amounts

**REPORT OF:** Colin Huntington, Strategic Director, Housing, Environment  
and Healthy Communities

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### **Purpose of the Report**

1. To seek approval for a recommendation to transfer out of the Council's accounts individual debts in excess of £500 relating to former tenant rent arrears and sundry account debts orders where all possible recovery action has been taken and the balances are now considered uncollectable.

### **Background**

2. The Gateshead Housing Company (TGHC) is responsible for the collection of rental income from both current and former tenants. The total amount of former tenant rent arrears outstanding at 5 January 2020 (prior to this proposed transfer) was £2,557,254.
3. A recovery procedure is followed for all debts; however, it is necessary to transfer former tenant arrears and sundry account debts considered uncollectable.
4. There are currently 133 former tenants accounts with arrears amounting to £215,063 where all possible recovery action has been taken and the amounts remain unpaid and debt transfer is now proposed.
5. In addition, there are 297 former tenant accounts with arrears balances of up to £500, totalling £33,412 that have been transferred under delegated powers in accordance with Schedule 5 Part 1 (3.5) of the Council's Constitution.
6. There are 355 accounts with credit balances amounting to £40,625 where traces on tenants have been unsuccessful or the balance is uneconomical to refund. The credits will in part offset the proposed transfers.
7. Although these accounts have been identified for transfer, if circumstances change and further information to aid recovery is obtained, those accounts will be reinstated and recovery action recommenced.
8. There are currently 92 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 £124,215, of which 45 cases totalling £61,636 have now been discharged and will be transferred out of the Council's Accounts. This includes those individual debts both over and under £500 as they are subject to a legal order and therefore included for information only.

9. There are currently 831 cases where sundry debts such as Housing Benefit Overpayments, Court Costs and Rechargeable Repairs are irrecoverable or the outstanding amounts are uneconomical to pursue, and where relevant former tenant debts have been proposed for transfer or have been previously transferred to a debtors account. The total outstanding on these accounts is £158,512 of which 31 debts exceed £500 amounting to £30,303 the remaining 800 debts amounting to £128,209 have been transferred under delegated powers in accordance with Schedule 5 Part 1 (3.5) of the Council's Constitution.

### **Proposal**

10. It is proposed to transfer out of the Council's accounts £215,063 of former tenant rent arrears. A record of the debt will be maintained, which will be checked against new applications for housing made to the Council.
11. It is proposed to transfer £30,303 of sundry account debts.

### **Recommendations**

12. It is recommended that Cabinet:
- (i) agrees to the transfer of balances on 133 former tenant accounts, amounting to £215,063 and 31 sundry account debts totalling £30,303; and
  - (ii) notes the action taken under delegated powers to transfer out of Council's accounts the amounts deemed uncollectable.

For the following reason:

To ensure effective management of the Council's resources as any further pursuit of these arrears is unlikely to result in significant sums being recovered and would be more effectively used to recover new debt.

## Policy Context

1. The proposals support the overall vision for Gateshead as set out in Making Gateshead a Place Where Everyone Thrives. The Council recognises there are huge financial pressures on not just council resources, but those of partners, local businesses and residents.

## Background

2. There are currently 133 accounts with outstanding balances amounting to £215,063 where recovery action has been exhausted. The following table details the number of cases, reasons and amounts to be transferred.

Criteria	No of cases	Value £
Debts created before 1 January 2014 (over 6 years old and therefore statute barred)	2	8,674
Debts created after 1 January 2014 but No forwarding address known or Not at forwarding address	41	81,957
Debts created after 1 January 2014 but former tenant deceased	28	25,880
Debts created after 1 January 2014 but former tenant in care	0	0
Debts created after 1 January 2014 but no evidence to support recovery	0	0
Debts created after 1 January 2014 but case of a sensitive nature	0	0
Debts created after 1 January 2014 but unable to collect after all methods have been exhausted	62	98,552
Debts created after 1 January 2014 but uneconomical to pursue	0	0
<b>TOTAL</b>	<b>133</b>	<b>215,063</b>

3. A procedure has been followed for recovery of all debts, which includes letters and visits to former tenants, and the use of tracing agencies where the tenants forwarding address is unknown.
4. During this financial year to date (2019/20), the recovery work has resulted in £226,193 of former tenant debt being recovered, including £13,850 from previously transferred accounts which have been reinstated for recovery purposes.
5. Former Tenant arrears cannot be legally pursued after 6 years, i.e. they are statute barred, however, TGHC check for any outstanding debts and where possible, make agreements with former tenants to repay the debts. Of the £56,423 reinstated to date this financial year, £43,426 relates to arrears greater than 6 years old.
6. Since April 2008, TGHC have passed former tenant rent arrears cases considered uncollectable through their internal recovery team, to Rossendales Collect Ltd and

Network Credit Services, for those companies to pursue the debts. 3,247 cases (totalling £4,573,090) have been transferred, with £387,077 being collected. Two agencies are used in order to maximise the potential of gaining new contact information for former tenants. TGHC only pass cases regarded uncollectable or uneconomical to pursue internally as a last resort prior to requesting a transfer to the debtors account.

### **Consultation**

7. The proposal follows a request from TGHC. Consultation has taken place with the Cabinet Members for Housing.

### **Alternative Options**

8. The Council could ask TGHC to continue to actively pursue the debt, however, this option is not considered viable in economic terms and is unlikely to result in significant sums being recovered.

### **Implications of Recommended Option**

#### **9. Resources**

**a. Financial Implications** – The Strategic Director, Resources and Digital confirms that the existing provision held for bad debts is sufficient to meet the transfer of £215,063 former tenant rent arrears and £30,303 of sundry account debts. The total value of transfers contained in this report including the amounts above, those transferred under delegation, bankruptcy orders and credits is £427,998.

**b. Human Resources Implications** – Nil

**c. Property Implications** – Nil

10. **Risk Management Implications** – It is likely that continued pursuance of these debts will be more costly than the amount of debt that will be recovered.

11. **Equality and Diversity Implications** – There are no immediate equality and diversity implications arising from the recommendation as the arrears recovery procedure ensures all tenants are treated equally.

12. **Crime and Disorder Implications** – Nil

13. **Health Implications** – Nil

14. **Sustainability Implications** – TGHC have services available, such as the Debt Advice Team, that can assist tenants and former tenants to address their arrears, aiming to bring income to the Council that may otherwise not be provided. This prevents homelessness, improves access to housing solutions and can assist those who may have otherwise fallen into greater poverty, to thrive in their home. Where it is no longer possible, or in the Council's interest to address former tenant arrears, enabling the write off of former tenant arrears, as a last resort, will also assist with

the same social outcomes. At this stage and in the applicable circumstances, it is also unlikely that the Council would see any further financial return from pursuing these.

15. **Human Rights Implications** – Nil
16. **Ward Implications** – All wards will be affected by the proposals in this report.

#### **Background Information**

17. Letter from the Managing Director of TGHC.