

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

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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. A strict recovery procedure is followed for all debts, however, it is necessary to annually transfer former tenant arrears together with sundry debtor accounts, considered irrecoverable, into a debtors account. This entails setting off an amount against the bad debts provision held in the Housing Revenue Account.
3. There are currently 122 former tenants accounts with arrears amounting to £212,677 where all possible recovery action has been taken and the amounts remain unpaid and debt transfer is now proposed.
4. In addition, there are 421 former tenant accounts with arrears balances of up to £500, totalling £53,998 that have been transferred under delegated powers in accordance with Schedule 5 PART 1 (3.5) of the Council's Constitution.
5. There are 273 accounts with credit balances amounting to £6,469 where traces on tenants have been unsuccessful or the balance is uneconomical to refund. The credits will in part offset the proposed transfers.
6. 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.
7. There are currently 66 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 £104,954, of which 31 cases totalling £70,292 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.

8. There are currently 2,208 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 £433,862 of which 166 debts exceed £500 amounting to £230,432 the remaining 2,042 debts amounting to £203,430 have been transferred under delegated powers in accordance with Schedule 5 PART 1 (3.5) of the Council's Constitution.

### **Proposal**

9. It is proposed to transfer out of the Council's accounts £212,677 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.
10. It is proposed to transfer £230,432 of sundry account debts.

### **Recommendations**

11. It is recommended that Cabinet:
- (i) Agrees to the transfer of balances on 122 former tenant accounts, amounting to £212,677 and 166 sundry account debts totalling £230,432.
  - (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 122 accounts with outstanding balances amounting to £212,677 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 2016 (over 6 years old and therefore statute barred)	3	2,415
Debts created after 1 January 2016 but No forwarding address known or Not at forwarding address	41	85,644
Debts created after 1 January 2016 but former tenant deceased	54	82,248
Debts created after 1 January 2016 but case of a sensitive nature	2	3,899
Debts created after 1 January 2016 but unable to collect after all methods have been exhausted	22	38,471
<b>TOTAL</b>	<b>122</b>	<b>212,677</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 (2021/22), the recovery work has resulted in £217,710 of former tenant debt being recovered, including £16,468 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, former tenants with statute barred debt will sometimes decide to reapply for housing and agree to repay debt. Gateshead Council's lettings policy has trigger levels for tenancy related debt which can demote or exclude an applicant. The statement of flexibility that accompanies the policy states that tenancy related debts that are no longer legally enforceable are still taken into consideration when assessing a housing application. however, checks are made for any outstanding debts and where possible, agreements are made with former tenants to repay the debts. Of the £43,123 reinstated to date this financial year, £40,233 relates to arrears greater than 6 years old.
6. Since April 2008, former tenant rent arrears cases considered uncollectable through the internal recovery team have been passed to Rossendales Collect Ltd and Network Credit Services for those companies to pursue the debts. 3,423 cases (totalling £4,801,338) have been transferred, with £389,682 being collected. Two agencies are used in order to maximise the potential of gaining new contact information for former tenants. Cases regarded uncollectable or uneconomical to

pursue are passed internally as a last resort prior to requesting a transfer to the debtors account. The ongoing use of external agencies may be reviewed as part of the further re-integration of housing services into the Council and the development of joint approaches to arrears recovery.

### **Consultation**

7. Consultation has taken place with the Cabinet Members for Housing.

### **Alternative Options**

8. The Council could continue to actively pursue the debts, 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 of £4.8m is sufficient to meet the transfer of £212,677 former tenant rent arrears and £230,432 sundry debtor debts. The total value of transfers contained in this report including the amounts above, those transferred under delegation, bankruptcy orders and credits is £764,360.

**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** – Services such as the Debt Advice Team can assist tenants and former tenants to address their arrears. 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 Councils 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.