

**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 3 January 2021 (Prior to this proposed transfer) was £2,716,088.
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 204 former tenants accounts with arrears amounting to £232,350 where all possible recovery action has been taken and the amounts remain unpaid and debt transfer is now proposed.
5. In addition, there are 214 former tenant accounts with arrears balances of up to £500, totalling £28,011 that have been transferred under delegated powers in accordance with Schedule 5 PART 1 (3.5) of the Council's Constitution.
6. There are 86 accounts with credit balances amounting to £7,615 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 83 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 £122,611, of which 55 cases totalling £80,113 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.

## **Proposal**

9. It is proposed to transfer out of the Council's accounts £232,350 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.

## **Recommendations**

10. It is recommended that Cabinet:
  - (i) Agrees to the transfer of balances on 204 former tenant accounts, amounting to £232,350.
  - (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 204 accounts with outstanding balances amounting to £232,350 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 2015 (over 6 years old and therefore statute barred)	89	16,667
Debts created after 1 January 2015 but No forwarding address known or Not at forwarding address	28	63,068
Debts created after 1 January 2015 but former tenant deceased	4	3,770
Debts created after 1 January 2015 but former tenant in care	0	0
Debts created after 1 January 2015 but no evidence to support recovery	0	0
Debts created after 1 January 2015 but case of a sensitive nature	1	1,141
Debts created after 1 January 2015 but unable to collect after all methods have been exhausted	82	147,704
Debts created after 1 January 2015 but uneconomical to pursue	0	0
<b>TOTAL</b>	<b>204</b>	<b>232,350</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 (2020/21), the recovery work has resulted in £221,671 of former tenant debt being recovered, including £12,649 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 £20,107 reinstated to date this financial year, £16,116 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. 3,361 cases (totalling £4,730,625) have been transferred, with £389,053 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 £232,350 former tenant rent arrears. The total value of transfers contained in this report including the amounts above, those transferred under delegation, bankruptcy orders and credits is £332,859.

**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. **Climate Emergency and 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 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.

There are no climate emergency implications.

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.