

NOTTINGHAM CITY HOMES**PERFORMANCE & REGULATORY
COMMITTEE****REPORT OF DIRECTOR OF HOUSING
OPERATIONS****30 OCTOBER 2007****WRITE OFF OF FORMER TENANT ARREARS****1 SUMMARY**

- 1.1 This report provides an update of the value of former tenant debt that has been written off in the financial year to 30th September 2007.

2 RECOMMENDATIONS

- 2.1 That the report be noted.

3 FORMER TENANT WRITE OFF PROCEDURE

- 3.1 When a tenant terminates their tenancy leaving an outstanding debt, efforts are made to secure payment. If this fails, or the debtor is not traced, the debt is considered for write off.
- 3.2 Currently, debtors owing former tenancy arrears over £20.00 are sent a letter where their forwarding address is known. This is followed up by a telephone call where possible. If a payment is not forthcoming, the debt is passed to external debt collection partners, Moorcroft Collections Limited, on a No win, No Fee basis. Debts of less than £20.00 are prepared for write off.
- 3.3 Where the debtors forwarding address is not known and the debt exceeds £75.00, the account is forwarded direct to Moorcroft for tracing and collection. Again, this is on a No win, No Fee basis. Debts less than £75.00 are prepared for write off.
- 3.4 Where cases are returned uncollected or untraced from Moorcroft, the debt is considered for write off. For the purposes of reporting, where Moorcroft's have been unable to trace the debtor the reason for write off has been coded as 'Process Exhausted'.
- 3.5 It is accepted that the Company's approach to the collection of former tenant debt needs to be strengthened now that there is a specialised Income structure. The new team will now be working to ensure that staff at Area Housing Offices, who end tenancies, accurately advise outgoing tenants of the total amount outstanding and obtain details of forwarding addresses and next of kin, so as to aid our ability to trace ex tenants ourselves. Details of the success of this approach will be provided to the Committee after the third quarter of 2007/8.

4 WRITE OFFS

- 4.1 In the financial year to 30th September 2007, the sum of £201,690.77 has been written off as irrecoverable. Debts written back onto accounts (that were previously written off) during the same period amounted to

£41,539.13. Appendix 1 provides detailed analysis by account type, write off type, age of debt and by value of the debt for Quarters 1 and 2 of 2007/8.

- 4.2 The Rents Manager has delegated authority to write off debts not exceeding £5,000.00. Debts over £5,000.00 must be authorised by the Director of Housing Operations. This year to date, no individual write offs exceeded £5,000.00.

5 OBSERVATION OF THE DIRECTOR OF RESOURCES

- 5.1 Only when the steps described above have been completed will arrears be submitted for write off. An amount of 95% of the value of former tenancy arrears is set aside as a bad debt provision to meet the arrears written off. The Housing Revenue Account then bears the cost of maintaining that provision at the appropriate level. Minimising arrears levels is essential to ensuring that more resources are available for front line services.

6 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

- 6.1 NCH must maximise rental and associated income to fund services, but it also recognises the need to write off bad debt where the prospect of payment is very unlikely. When debtors resurface, outstanding sums are written back on and payment sought.
- 6.2 The Rents Service Improvement Plan has targets for increasing the collection of former tenant arrears by 10% on current collection levels at March 2008 and by 20% at March 2009.

7 VALUE FOR MONEY & EFFICIENCY ISSUES

- 7.1 Current outsourcing arrangements are purely on a No Win, No Fee basis for trace and collect. The Rents Service restructure now has the resources to undertake more internal processing of former tenant debts before outsourcing, including tracing of absconded debtors. New arrangements will improve collection rates & reduce the commission paid to outsourcing partners.
- 7.2 The current contract with Moorcroft Collections Limited and procured with the City Council is due to expire in August 2008. A Tendering process will be undertaken prior to the contract expiring to ensure that value for money is being achieved. It is proposed that joint procurement of a Collection Agency be explored with other ALMOs and alternatively that two external partners are procured from August 2008 to enable performance to be compared.

8 EQUALITY & DIVERSITY IMPLICATIONS

- 8.1 None.

**9 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS
REFERRED TO IN COMPILING THIS REPORT**

9.1 Former Tenant Arrears Policy (appendix 2).

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