

## NOTTINGHAM CITY HOMES

PERFORMANCE &  
REGULATORY COMMITTEE  
12 AUGUST 2008

### REPORT OF RENTS MANAGER

### FORMER TENANT ARREARS COLLECTION AND WRITE OFFS

#### 1 SUMMARY

- 1.1 This report provides details of former tenant arrears collection performance and the value of former tenant debt that has been written off as irrecoverable in the financial year to 5<sup>th</sup> April 2008.

#### 2 RECOMMENDATIONS

- 2.1 That the report be noted.

#### 3 COLLECTION PERFORMANCE & WRITE OFFS

- 3.1 At 5<sup>th</sup> April 2008, the value of former tenant debt owed was £2,287,225.05. This relates to all account types; residential rent, garage rent, court costs and HB overpayment and represents a reduction of £146,359.95 on March 2007.
- 3.2 The value of former tenant debt created in 2007/8 following termination of tenancies was £984,617.26.
- 3.3 £239,126.01 of former tenant debt was collected in 2007/8, representing 7.0% of the debt portfolio being recovered.
- 3.4 The sum of £1,370,247.55 was written off as irrecoverable in 2007/8. This is £426,156.95 less than the 2006/7 total of, £1,796,404.50. Appendix 1 provides detailed analysis by account type, write off type, age of debt and by individual value of the debt.
- 3.5 Debts written back onto accounts (that were previously written off) during the same period amounted to £67,737.56.

#### 4.0 FORMER TENANT PROCEDURE

- 4.1 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.
- 4.2 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.
- 4.3 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.

4.4 Where cases are returned uncollected or untraced from Moorcroft, the debt is considered for write off. For the purposes of reporting, where Moorcroft have been unable to trace the debtor the reason for write off has been coded as 'Process Exhausted'.

4.5 The Central Rents Team 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. In 2007/8, no individual write offs exceeded £5,000.00.

The Write Off policy is to be reviewed by 31<sup>st</sup> August 2008 and amended in line with the Company's new Standing Orders. The new policy will be brought to this committee for approval.

4.6 Debts that have previously been written off as irrecoverable are raised for collection if a debtor is subsequently traced or applies to the waiting list.

4.7 The Company's approach to the collection of former tenant debt has been reviewed and is being strengthened. Statement of accounts are being sent to tenants who have given notice to quit before their tenancy ends. An invoice is being raised where a forwarding address is known, followed by two further letters, telephone calls where possible and a decision on further action based on debt owed, including external collection partners or Court action. Where no forwarding address has been supplied, tracing will be undertaken in-house prior to forwarding to collection partners if no trace has been made. These improvements are being phased in during the first half of 2008/9.

## **5 FINANCIAL & RISK IMPLICATIONS**

5.1 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 bears the cost of maintaining that provision at an 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.

## **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 new procedures provide 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.

## **8 EQUALITY & DIVERSITY IMPLICATIONS**

8.1 None.

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

9.1 None.

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**FORMER TENANT ARREARS COLLECTION AND WRITE OFFS APPENDIX 1****Analysis of Former Tenancy arrears Write Offs: 2007/8 to 05-Apr-2008****By Account Type**

<b>Account Type</b>	<b>No. Accounts</b>	<b>Value</b>
Rent Accounts	1,639	£1,219,719.87
Court Costs Account	453	£115,566.62
Pre-2001 Former Tenant Account	36	£23,674.63
Housing Benefit Overpayment	65	£10,926.49
Insurance Account	17	£359.94
<b>Total</b>	<b>2,210</b>	<b>£1,370,247.55</b>

**By Write Off Type**

<b>Write Off Type</b>	<b>No. Accounts</b>	<b>Value</b>
Uneconomical to Pursue	51	£414.18
Write Out (Hardship Panel)		
Write Out (Bankrupt)	1	£166.88
Write Out (Full & Final Settlement)	5	£811.60
Write Out (No Trace)	2	£1,202.28
Write Out (Period of Notice)	1	£60.29
Write Out (Recovery Exhausted)	2,084	£1,361,730.25
Write Out (Tenant Deceased)	66	£5,862.07
<b>Total</b>	<b>2,210</b>	<b>£1,370,247.55</b>

**By Age of Debt**

<b>Age Band</b>	<b>No. Accounts</b>	<b>Value</b>
Over 6 Years Old	15	£10,662.85
2001/2002	12	£11,582.05
2002/2003	33	£18,850.05
2003/2004	132	£52,659.64
2004/2005	175	£71,575.79
2005/2006	978	£622,025.51
2006/2007	834	£579,344.53
2007/2008	29	£3,547.13
	2	
<b>Total</b>	<b>2,210</b>	<b>£1,370,247.55</b>

**By Value of Debt**

<b>Debt Band</b>	<b>No. Accounts</b>	<b>Value</b>
Under £20	50	£379.62
£20 to £74.99	71	£3,392.11
£75 to £199.99	562	£76,470.66
£200 to £499.99	754	£221,709.88
£500 to £999.99	294	£212,257.69
£1000 to £1499.99	178	£217,554.84
£1500 to £1999.99	160	£276,293.61
£2000 to £2999.99	116	£275,469.64
£3000 to £3999.99	20	£65,937.62
£4000 to £4999.99	5	£20,781.88
Over £5000		
<b>Total</b>	<b>2,210</b>	<b>£1,370,247.55</b>

**Write On (raising of previously written off debts) By Age of Debt**

<b>Age Band</b>	<b>No. Accounts</b>	<b>Value</b>
Over 6 Years Old	8	£6,619.55
2001/2002	10	£7,822.93
2002/2003	15	£5,576.61
2003/2004	18	£19,708.07
2004/2005	22	£15,613.78
2005/2006	17	£12,389.60
2006/2007	1	£2.90
2007/2008	1	£4.12
<b>Total</b>	<b>92</b>	<b>£67,737.56</b>