
REPORT TO:	Housing and Community Services	AGENDA ITEM:	19
DATE OF MEETING:	Thursday 17 th November, 2005	CATEGORY:	DELEGATED
REPORT FROM:	Director of Community Services	OPEN	
MEMBERS' CONTACT POINT	Vicki Taylor-Stokes, Housing Performance Manager (ext 5940)	DOC:	
SUBJECT:	Former Tenant Arrears	REF:	
WARD(S) AFFECTED:	All wards	TERMS OF REFERENCE:	HCS01

1. Recommendations

- 1.1 To contract Wescot Credit solutions to collect the outstanding former tenants debt for one year.
- 1.2 To note that collection parameters would be set by the Council in accordance with appendix 1 of this report.
- 1.3 To review in one year the effectiveness in this change in practise.

2. Purpose of Report

- 2.1 To examine the financial implications and the value for money in outsourcing this work along with any potential impact on debtors.

3. Detail

- 3.1 Housing Services wish to improve performance in relation to the debt left owing by former tenants of the Council.
- 3.2 Currently South Derbyshire District Council has outstanding Former Tenant Arrears of £145,549 (inc garages and service charges). These debts are dated from April 2000 through to March 2004. The context of the debt is a current rent turnover of £8.5m and over £32m in the last four years of which the outstanding FTA debt represents 0.45% i.e. a very small percentage. However the debt represents lost income and although it will never be possible to fully recoup this debt if we change our processes it should be possible to improve on our collection rate.
- 3.3 To further place this level debt in context a comparison with those authorities in our family group (the group as being used in the current Audit Commission value for money process) would place us xth out of 7 in terms of the percentage of FTA debt to current rent roll.
- 3.4 The FTA recovery process is currently undertaken by a Housing Assistant at a scale 3 grade within the Business Support team of the Service. Actions are primarily

focused on correspondence given that a number of those involved no longer live in the district and that Tenant Liaison Officers are already fully focused on current debt and estate management issues. If the correspondence proves unsuccessful in generating communication, and thereby the possibility of a repayment arrangement, the facility exists to pass the case to the legal section for court action. However there is scope to significantly improve the collection rate and maximize income into the Housing Revenue Account (HRA) by changing our current practices.

- 3.5 To improve our collection rate will entail committing additional resource into this activity. There is limited scope to do this from existing resources given that we are, in national comparisons, a low cost housing service. The Business Support team have also absorbed additional tasks with the move to the Orchard computer system as we 'support' our software in-service and direct through Orchard rather than through the IT service. This change resulted in a £23,000 reduction to the HRA of internal recharges.
- 3.6 The options therefore are to either employ an additional member of staff dedicated to chasing the debt or to employ a debt collection agency to undertake the work. The employment of an additional officer at Scale 5 (commensurate with the current Tenant Liaison Officer grade) would cost in the region of £25,000 including on-costs. It is assessed that this level of investment would contain some risk in that the officer would need to generate at least an additional £25,000 before the Council realised additional income. The level of the FTA debt and the difficulty in collecting this debt mean that the officer may not achieve that £25,000 target particularly in the second and subsequent years when the debts being chased relate to those with unknown addresses and/or are no longer in the region.
- 3.7 External collection assistance agencies are currently used for both housing benefit over payments and for outstanding council tax. It is proposed this service be extended into use in the Housing Service and be used for Former Tenant Arrears only.
- 3.8 Wescot Solutions is a debt collection agency with a 30 year history that specialises in social housing and has a portfolio of agencies such as:
 - Derby Homes
 - Orbit Housing
 - Sanctuary Housing
 - Touchstone housing
 - Derby City Council
 - Hull City council
 - Etc
- 3.9 In the collection of any debt the cost of collecting the debt needs to be taken into account.
- 3.10 Wescot have different collection criteria for different agencies. In our case it is proposed that Wescot would use the process documented in Appendix A. Initially this would entail contact made by letter and phone calls only. Where the initial process proves unsuccessful, door collection would be employed. It is proposed that such door collection would only take place within certain parameters. In our instance this would be for debts in excess of £100.00 and only where the debtor is between 18 and 65 years old. This completes the process unless the debt is in excess of

£150.00. For people over 65, we will chase the debts through the letter system and then progress straight to court where applicable.

- 3.11 If a debt is in excess of £150.00 and the person is working, where the initial process and a further stage of door collection have been unsuccessful, a court order would then be requested. The Council would not be liable for these court costs as with current rent arrears they are added directly to the debt.
- 3.12 Wescot's charges are solely related to the amount of debt collected i.e. the Council would not have any additional outlay. Wescot's standard charge for FTA collection is that they take a 25% commission on all monies received once the debt has been passed to them.
- 3.13 Although the debts would be passed to Wescot there would still be a role for the Housing Assistant in coordinating the debts passed across, keeping track of Wescot progress and reporting back to Council managers with recommendations for alternative collection routes or debt write off.

4. Financial Implications

- 4.1 An additional full time member of staff to work in this area would cost in the region of £25,000 per annum and given a higher rate of activity would also increase the amount of Legal Services time and therefore cost spent on this issue. Although these costs would have a reasonable chance of being recouped in year 1 that would become more difficult in subsequent years as the harder to reach residual debt becomes the main focus of activity. Only once the £25,000 had been recouped would additional income begin to be generated.
- 4.2 It is therefore proposed that the Wescot solution is progressed. If the collection rate is in the region of £15,000 to £25,000 in year 1 that would result in additional income back into the Housing Revenue Account (HRA) of £11,250 to £18,750 in the first year.

5. Corporate Implications

- 5.1 The proposal to use Wescot will maximize the income to the HRA.

6. Community Implications

- 6.1 The proposal to use Wescot ensures monies owed are collected and re invested to the benefit of our customers.

7. TACT comments.

- 7.1 The contents of the attached report have not yet been discussed with TACT.

