

Business Support & Digital Overview and Scrutiny Committee

BRIEFING NOTE – No. 03/2024-25

Date: July 2024

Briefing paper to: All Members of the Business Support and Digital Overview & Scrutiny Committee

Medway Council Housing Revenue Accounts debt compared with the national position.

1. The Committee requested a briefing note for members on the position relating to the Housing Revenue Accounts debt compared with the national position which has shown increases.
 - 1.1. The Housing Revenue Account (HRA) is a ring-fenced account which accounts for the provision of social housing by the Council. The costs of this provision including management and day to day maintenance costs are funded through the collection of rents and service charges.
 - 1.2. The outturn for rents and service charges in 2023/24 compared with that budgeted was as follows:

	2023/24 Actuals	2023/24 Budget	2023/24 Variance
	£'000	£'000	£'000
Awarded Court Costs	(5)	(5)	(0)
Rents	(14,770)	(14,711)	(59)
Service Charges	(1,193)	(1,182)	(11)
Rents Refunds	4	0	4
Recharged Expenditure	(127)	(15)	(112)
Non Dwelling Rents	(276)	(244)	(32)
Total	(16,367)	(16,157)	(210)

- 1.3. It should be noted that the amount of rents shown as actuals relates to the total rents due to be collected (known as the rent debit) rather than the actual rents paid. This is higher than the budget set and is likely due to a combination of factors such as void rates, new rents coming on stream as properties are built/purchased etc.

2. HRA Rent Debt

2.1. HRA rent debt is calculated looking at the rents paid compared against those due. At each financial year end there will be those rent accounts that are fully paid, those that have been paid in advance (are in credit) and those that are in arrears. We then make allowances for those rent accounts in arrears based upon factors such as whether they relate to current or former tenancies, and how old those debts are, with the principle being that the older the debt, the more difficult it will be to collect it.

2.2. The rent arrears figures for the previous 5 years are as follows;

Type of Debt	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
General Stock	184	166	180	180	245
Garages	1	0	0	0	0
Former Tenancies – General Stock	232	177	217	217	266
Former Tenancies - Garages	0	0	0	0	1
Housing Benefit Overpayments – General Stock	0	0	0	0	13
Court Costs – General Stock	48	36	29	29	16
Former Tenancy Arrears of Current Tenants – General	33	30	24	24	19
Rechargeable Repairs	53	47	68	68	35
Total Arrears	551	456	520	520	596
Percentage of Gross Rents (HRA)	4.09%	3.24%	3.63%	3.63%	3.64%

2.3. The main contributor to the arrears position is former tenancies, which accounted for 42% of the overall arrears in 2019/20 and has increased to 45% in 2023/24. Current tenancies accounted for 33% of the total arrears in 2019/20 and has increased to 41% by 2023/24. Other types of arrears have either remained steady or reduced over the past 5 years.

2.4. Whilst the value of arrears has fluctuated over the past five years, the value as a percentage of the gross rent has remained steady over the past three years, meaning that although values will have changed due to annual rent increases, the overall proportion has remained unchanged. This is due to the Council investing in support services to assist tenants whom find themselves in financial difficulty.

2.5. The HRA retains a bad debt provision, the purpose of which is to provide for rents that are not recoverable. Each year this is used to write off those that are deemed no longer collectable, and the provision is added to by calculating the likely risk of those outstanding debts becoming non-collectable. This is done by type of debt such as whether it relates to a current tenancy or a former tenancy (the latter is deemed much harder to collect) and the age of the debt (the older the debt is, the more likely it is to become non-collectable).

2.6. Collection of outstanding debts are actively undertaken by officers, but if all avenues for collection are exhausted or it is deemed financially unviable to

continue the collection process, then those outstanding debts are written off in line with Council approved procedures.

2.7. The position of the bad debt provision over the previous 5 years is shown below:

HRA Arrears Bad Debt Provision	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Opening Balance	473	447	362	393	376
Additional Provision made during year	88	36	80	86	233
Add Credit write-offs	4	10	2	0	0
Less amounts written off	(118)	(131)	(51)	(103)	(47)
Closing Balance	447	362	393	376	562

2.8. Bad debt provision in 2019/20 was 81% of the value of arrears and has increased to 94% by 2023/24. The service is aware that the provision for 2023/24 may be over provided for and will review this at the end of the current financial year, and where necessary make appropriate adjustments.

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