

REPORT TO: Finance - Lead Cabinet Member

3rd February 2020

LEAD OFFICER: Peter Maddock – Head of Finance

Request for Authorisation to Write Off Debts in Excess of £25,000

Executive Summary

1. To seek authorisation to write off a debt in excess of £25,000

Key Decision

2. This is not a key decision, but the Council's Constitution requires that any debts in excess of Level 2 (currently £25,000) must only be written off with agreement from the Lead Cabinet Member for Finance.

Recommendations

3. It is recommended that the Lead Cabinet Member agrees to write off the debt of £40,383.18 in respect of Sven Investments Ltd

Reasons for Recommendations

4. All reasonable efforts to recover the debts have been tried and have proved unsuccessful. There is no likelihood of the debts being recovered and it is appropriate to write it off at this time to ensure good accounting practice.

Details

5. The total debt of £40,383.18 in respect of Sven Investments Ltd is considered to be irrecoverable, and it is considered good accounting practice to write off.
6. The balance relates to two separate properties as follows:

Liability Address	Liability Period	Debt Amount
4 Trust Court, Chivers Way, Histon, Cambridge, CB24 9ZR	28/02/2008 – 12/11/2013	£23,806.13
4 Trust Court, Chivers Way, Histon, Cambridge, CB24 9ZR	28/02/2008 – 30/09/2013	£16,577.05

7. In both cases, Liability Orders were obtained from the Magistrates' Court on 15th September 2011, 21st June 2012 and 20th June 2013. The Orders were passed to our enforcement agents for collection, but attempts to recover the debt proved unsuccessful due the fact that the properties were empty, and the company itself was based in Jersey, and the cases were later returned.
8. We received advice from another company that Sven Investments Ltd had gone into receivership, but despite extensive searches which included seeking advice from independent insolvency firms, we were unable to corroborate this claim.
9. In 2015, assistance was sought from a legal firm that works closely with many Local Authorities in such matters, and as a result it was found that the company still owned two areas of land, car parking spaces at Trust Court, Histon, and a plot of land in Hartburn, Stockton-on-Tees.
10. The case was passed to our legal team to commence winding up proceedings, but due to the complexity of dealing with a company registered off shore, there was a delay in the commencement of action. It was later established that the company had been dissolved.
11. As the company had been dissolved yet still owned these two plots of land, further advice was sought. The option to pay to reinstate the company was suggested by the Jersey Financial Services Commission, with the option then of winding-up in order to realise any assets. An initial quote obtained for carrying out such work was suggested to be in the region of £6,000, although this had the potential to increase if the action was disputed.
12. In order to determine if the action would likely yield success, valuations were sought in respect of the two plots of land.
13. It was determined that as the right to park was included in the transfer of leases at Trust Court, with no rent or fee payable, the car park itself would be of no value.
14. The land off Darlington Road, Hartburn, Stockton-on-Tees, was purchased by Sven Investments Ltd in 2005 for the sum of £100,000. However, a charge has been registered against the land, which had an original value of £85,714.28 and includes a contingent consideration which increases the value of this charge in line with any increase in the value of the land. The affect of this is that there is likely to be very little value in the land after this charge is settled.

Options

15. There are two options for consideration in this matter:
 - A) Proceed to reinstate the company, with a view to then winding up the company to realise the assets. Given the very limited value of the assets, and

the costs involved in such action, there is very little prospect that the debt would be recovered by such action

- B) Write off the debt. The debt is deemed to be irrecoverable and it is considered good accounting practice to write it off so as not to distort the representation of the Council's debtors.

Implications

16. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

Financial

17. The write off of debts represents a loss of income to the Council's Collection Fund. An allowance for bad debt is made within the accounts, and the amounts written off fall within this provision. Any adjustment for debt written off occurs within the Collection Fund prior to the apportionment of any surplus or deficit, and so the impact is shared. The proportionate share for South Cambridgeshire District Council equates to approximately 40%, or around £16,153.00

Legal

18. The Council has fulfilled its legal obligations to collect the charge by exhausting all reasonable options.

Consultation responses

19. No consultation has taken place as it is considered good accounting practice to write off debts that are deemed irrecoverable.

Report Author:

Katie Kelly – Revenues Manager
Telephone: (01954) 713335