

REPORT TO: Finance - Lead Cabinet Member

15th March 202

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 £25,060.53 in respect of Fairstore

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 £25,060.53 in respect of Fairstore is considered to be irrecoverable, and it is considered good accounting practice to write off.
6. The balance relates to a property known as Gocold, Station Yard, High Street, Meldreth, Royston, and covers the period 1st July 2017 – 30th April 2018. The property in question had been empty for some time when we were advised that a charitable organisation, called St Benedicts Land Trust (SBLT), had taken occupation and wanted to claim charitable relief.

7. After various e-mails and two visits to the property, it was ascertained that the occupier was in fact Fairstore, a company linked to SBLT with mutual directors. As Fairstore was not a registered charity, the business was ineligible for charitable rate relief, and this decision was communicated to the business.
8. On the 16th April 2018, a court summons was issued due to non-payment of the business rates, for a hearing on 17th May 2018. At the hearing, the business disputed by Fairstore, and so the matter was adjourned to 22nd November 2018. This hearing was also adjourned by the court, this time until 10th April 2019.
9. On the 10th April, Fairstore advised that their key witness was unable to attend due to a family emergency, and requested a further adjournment. The Court obliged, and the matter adjourned to 11th July 2019.
10. We then took the decision to appoint specialist counsel to represent us in this matter, and so the July hearing was adjourned to give them sufficient time to gather information to present the case. The next hearing was listed for 6th November 2019.
11. At the November hearing, Fairstore did not attend, but instead sent counsel to seek an adjournment. Despite contacting Fairstore by telephone, no suitable reason for a further adjournment was offered, and so the District Judge proceeded to grant the liability order.
12. Fairstore submitted an application for the liability order to be set aside, and as hearing was listed for 23rd January 2020. The matter was then adjourned to the 19th February 2020, to give the appellant time to gather evidence to prove that the District Judge had made an error in law in granting the liability order. However, Fairstore did not attend the hearing on 19th February, and so their application was dismissed.
13. However, even though we have now obtained a liability order, we were aware that the business had no assets, and so recovery of the debt would prove difficult. Indeed, on 28th April 2020, it was noted that the first gazette notice to voluntarily strike off the business was issued, and the company was dissolved on 6th October 2020.

Options

14. The options available are:

A) Write off the debt.

The debt is deemed to be irrecoverable and it is considered good accounting practice to write it off at this time

B) Retain the debt on the Council's accounts

The debt is considered irrecoverable and to retain the debt as due in the Council's accounts may distort the representation of the Council's debtors.

Implications

15. 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

16. 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 £10,024.

Legal

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

Consultation responses

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

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