

**REPORT TO:** Finance - Lead Cabinet Member

26<sup>th</sup> May 2021

**LEAD OFFICER:** Peter Maddock – Head of Finance

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## **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 £110,950.94 in respect of Bom Dia 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 £110,950.94 in respect of Bom Dia Ltd is considered to be irrecoverable, and it is considered good accounting practice to write off.
6. The balance relates to Unit 9c, Cambridge Services, A14 Boxworth, Cambridge, and covers the period 20<sup>th</sup> September 2019 – 29<sup>th</sup> November 2020.
7. On 20<sup>th</sup> November 2019, we received an email from Extra Motorway Service Area Group, the landlord, advising that they had signed a new lease for unit 9, with Bom Dia Ltd and Samba Brazil Ltd, with effect from 20<sup>th</sup> September 2019. The front sheet of the lease was provided to us, and a bill was issued for the rates

charge. No payments or contact was received, and the recovery action progressed, with a court summons being issued on 18<sup>th</sup> February 2020.

8. We visited the premises in March 2020 to review if the unit was occupied. During the visit, the site manager confirmed that the company had not traded in the unit, and it was still in the same condition as it was prior to the lease being signed eg fitted out as an American-style diner. The site manager also advised that Bom Dia Ltd had another unit at a service station in Peterborough.
9. A few days later we spoke to the landlord, who confirmed that the company had taken the lease on both sites. He also provided us with a full copy of the lease that showed that whilst Bom Dia Ltd had taken the lease, Samba Brazil Ltd were just the surety to the lease, rather than the occupiers themselves. We therefore had to rebill the business rates in the sole name of Bom Dia Ltd.
10. We received an email from the company that confirmed that the business was not trading from the unit and advised that due to the pandemic they were unsure of future plans.
11. We received no further contact nor payment, but due to the pandemic and restrictions on recovery action, it was not until October 2020 that the Enforcement Agent visited the premises. During the visit the enforcement agent was unable to identify and goods or assets belonging to the company for removal. The premises had never been occupied by Bom Dia Ltd. They contacted the company director who advised that a “get out” clause in the lease had been activated, bringing the lease to an end in November 2020. The director advised that the company would then be dissolved.
12. The liability came to an end on 29<sup>th</sup> November 2020, following confirmation from the landlord that the lease had ended. The enforcement agents returned the case as they were unable to pursue any further as the business was no longer trading.
13. We continued to take advice on options for recovering the debt, including the option of pursuing Samba Brazil Ltd, the surety, for the unpaid rates. However, this company acted as a guarantor for the lease only, so was not liable for the business rates.
14. Bom Dia Ltd entered Creditors Voluntary Liquidation on 8<sup>th</sup> April 2021. Proof of debt has been lodged with the insolvency practitioners, Greenfield Recovery in Birmingham.
15. The company has no assets and will be liquidated in due course.

## **Options**

16. 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**

17. 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**

18. 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 £44,400.

### **Legal**

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

### **Consultation responses**

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

## **Report Author:**

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