

CABINET - 9TH JULY 2009

Report of the Deputy Chief Executive

ITEM 11 WRITE OFF REPORT FOR RENT AND SERVICE CHARGES

Purpose of Report

To seek Cabinet approval to write off an irrecoverable debt in line with Financial Procedure Rules.

Recommendation

To write off the £16,498 debt listed below.

Reason

The normal enforcement/recovery of the debt is not possible due to the company having been wound up. The Council's Financial Procedure Rules require that any debt write off over £10k be approved by Cabinet

Policy Context

This links to the Council's strategic aim to be an excellent Council.

Background

Unit 15 at the Oak Business Centre was let to Porchester Finance Limited on 29 July 2003 for use in the provision of financial services. The company last made payment to the Council in respect of services charges on 23 November 2007. Despite numerous reminders no payments were made and a final demand was sent to the company on 9 January 2008. The account was referred for legal debt recovery action due to the non payment of the invoices.

In April 2008 the arrears of the unit rent, service and monthly charges were £2,385 and a claim, (claim number LE02127), was issued at Leicester County Court.

Further invoices were issued as the Company remained a tenant. The company failed to make payment of these invoices and a further claim for £3,204, (claim number LE02294) was issued at Leicester County Court on 6th May 2008.

Following issue of both claims further invoices for unit rent, service and monthly charges became due for payment and an application to consolidate the debts was issued. The consolidated debt was in the sum of £9,257 on 21 July 2008.

Judgment was granted at the Leicester County Court for the principal sum of £9,257 interest of £724 and legal costs of £1,000.00, totalling £10,981 on 28th January 2009. Additional invoices were issued up to March 2009 bringing the total principal debt outstanding to £16,497.

Property Services issued an instruction to Legal Services to forfeit the lease. On 25th February 2009 the company voluntarily vacated the unit and closed down their website and could not be contacted via telephone. Checks on Equifax on 30th March 2009 showed that a further three County Court Judgments were registered against the company between March 2008 and March 2009.

In April 2009 the Council became aware that C W Publishing Limited, (a debtor of Porchester Finance) had commenced winding up proceedings against the company. A letter was sent to C W Publishing requesting that the Council's debt be included in the winding up proceedings. Porchester Finance Limited was wound up at Leicester County Court on 28th May 2009.

In light of this information it is highly unlikely that the debt can be recovered. Further it is no longer necessary to forfeit the lease as the company has vacated the unit. The debt has been registered and the Council may receive a nominal payment should there be sufficient assets of the company. This however is unlikely given the number of outstanding debts/county court judgements.

Financial Implications

This debt was fully provided against in the 2008/09 accounts and this write off will now be taken off the income of the Oak Business Centre.

Risk Management

There are no risks associated with this decision.

Key Decision: No

Background Papers: Invoices and court orders held by Finance and Legal Services

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