



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

FINANCE AND PERFORMANCE SCRUTINY      30 JANUARY 2017

WARDS AFFECTED: 'ALL WARDS'

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## COMMERCIAL ESTATES SUNDRY DEBTS – Q2 2016/2017

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### Report of Head of Finance (Section 151 Officer)

#### 1. PURPOSE OF REPORT

- 1.1 To inform members of the position of and actions to reduce sundry debts held by Estates.

#### 2. RECOMMENDATION

- 2.1 That the committee notes:

- the current aged debt position for Estates sundry debts.
- The proposed write-off of debt £41,652.80, not considered practically recoverable (Appendix A).

#### 3. BACKGROUND TO THE REPORT

- 3.1 The Estates Team is responsible for commercial property with a current annual revenue of £1,880,000.
- 3.2 The revenue includes rent collection and service charge and sundry cost recovery.
- 3.3 The commercial property portfolio includes Block C of The Crescent, The former Co-op site, The Atkins Building, industrial premises, land, small retail and offices.
- 3.4 HBBC's approach to debt recovery in relation to the commercial estate has historically been based on a supportive approach, with easy-in easy-out lease terms and discretionary flexibility to tenants experiencing cash-flow difficulties. This has led some tenants to fall 3-4 months in arrears before catching up, as we have worked with them to maintain the business and rental income. Unfortunately this has led to some tenants building up arrears before realising they will not be able to pay. This is not a significant element, considering that the proposed write off is 2.8% of total income and has been built up over many years.

## Sundry Debt

- 3.5 At the time of writing there are aged sundry debts (older than 90 days) with a value of £144,092.46 held by Estates. The table below shows the breakdown of sundry debt annually since 2008 with further detail in Appendix A:

Year of Invoice	Value Outstanding
2008/09	£2,369.41
2009/10	Nil
2010/11	£865.72
2011/12	£7,746.17
2012/13	£2,456.39
2013/14	£12,321.36
2014/15	£24,982.03
2015/16	£38,960.21
2016/17	£54,391.17

- 3.6 Of the above debt it is considered that £41,652.80, all of which is associated with former tenants, is not practically recoverable because of the age of the debt or the insolvency status of the tenant.
- 3.7 In order to ensure that the council adopts a prudent approach to accounting for debt that might not be due, a “provision for doubtful debts” is made against the year end balance. The value of this provision at the end of October 2016 was £139,000.

## 4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

- 4.1 Report to be taken in open session.

## 5. FINANCIAL IMPLICATIONS (AW)

- 5.1 The proposed write off is covered by the level of provision in provided for doubtful debts, therefore there is no further impact on the general fund.

## 6. LEGAL IMPLICATIONS (AR)

- 6.1 As set out within the body of the report there are legal difficulties in recovering historic debts due to their age and the insolvency status of the tenants.
- 6.2 Under the Limitation Act 1980 the Council must bring action to recover such debts within six years of the date payment became due. The date on which payment is deemed to be due will vary from debt to debt.
- 6.3 The Council is also not able to recover debts from those tenants that have been dissolved in accordance with the Insolvency Act 1986.

## 7. CORPORATE PLAN IMPLICATIONS

- 7.1 Sundry Debts contributes to delivery of all Corporate Plan objectives.

## 8. CONSULTATION

- 8.1 None

9. RISK IMPLICATIONS

9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Failure to recover debts owed to the Council	Robust recovery methods and monitoring	Julie Kenny

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

10.1 Any future reviews of the Debt Recovery Strategy will be impact assessed to understand any impacts on our community (ie ability for those on lower incomes to pay)

11. CORPORATE IMPLICATIONS

11.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

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Background papers: Civica Reports

Contact Officer: Matt Burns, Commercial Estates Surveyor – Ex. 5686

Executive Member: Councillor M. Surtees

## Appendix A

### Proposed Write-Offs

Debtor	Invoice Dates	Debt	Comments
A	02/14	£75.15	Invoicing anomaly
B	07/10 – 07/11	£1,865.72	These debts have each been chased, historically. Their age reduces the likelihood of recovery and they are therefore proposed for write-off. Records of each would be maintained for credit search purposes.
C	06/08 – 11/08	£2,306.91	
D	09/11 – 01/12	£5,676.00	
E	10/13 – 01/14	£3,996.99	
F	03/12 – 03/13	£2,146.61	
G	03/12 – 04/13	£97.07	
H	04/13 – 05/13	£1,141.66	
I	05/13 – 03/14	£1,529.53	
J	09/13 – 03/14	£1,695.51	
K	09/13 – 10/13	£708.34	
L	06/13 – 02/14	£400.00	
M	12/13	£1,599.32	
N	04/14 – 08-14	£2,812.50	
O	10/15 – 01/16	£2,028.34	Tenant's company dissolved
P	08/14 – 10/15	£13,573.15	Tenant's company dissolved
<b>Total</b>		<b>£41,652.80</b>	