



**REPORT TITLE – AGED DEBT IN COMMERCIAL PROPERTY**

**REPORT OF SANJIV KOHLI (DEPUTY CHIEF EXECUTIVE –  
CORPORATE DIRECTION)**

**WARDS AFFECTED: ALL WARDS**

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1. PURPOSE OF REPORT

- 1.1 To inform Members of the current Aged Debt being managed by Estates and Asset Management in relation to Commercial Property

2. RECOMMENDATION

- 2.1 To note the contents of the report

3. BACKGROUND TO THE REPORT

- 3.1 The Estates & Asset Management Team manage a commercial portfolio with an annual Revenue Income Budget (Rent) of £947,620. This is broken down into Commercial Property (Industrial Estates) £656,220; Miscellaneous Property (Retail and Offices) £68,000 and The Atkins Building £223,400. In addition to this the estates team manage the Licences, fees and service charges, of the Council's Partners within the Hub (Licence fees £157,060; £293,116 Service Charges).

- 3.2 The Commercial, Miscellaneous Property and the Hub Licences are managed by the Commercial Estates Surveyor. The Atkins Building is managed by Business Centre Principal Officer.

- 3.3 The current Aged Debt, as at July 2015, for the service area is £87,589. Of this, debt with current Tenants is £51,779 and with former Tenants £35,810.

- 3.4 The spreadsheet attached shows the reported aged debt of £87,589 further categorised in terms of red, amber and green risk for the Council.

Low (Green Risk)	£48,505.75
Medium Risk (Amber Risk)	£35,077.35
High Risk (Red Risk)	£4,207.51.

The spreadsheet also contains the current status of each debt and indicated action being taken

- 3.5 Current Debt Management Arrangements

Reports on debtors are generated by the Debtors team in Accounts and circulated as follows:

*Industrial Arrears Report*

Produced monthly and circulated to the Commercial Estates Surveyor.

This report is produced using 'Business Objects' based on user defined criteria. It does not automatically identify new debtors falling in to arrears – this has to be applied manually.

The reports are discussed at a monthly review meeting between the Commercial Estates Surveyor and the Income Officer. Appropriate actions in relation to debts are

agreed and actioned. Legal support is sought where a debtor fails to respond to initial contacts by the Commercial Estates Surveyor.

#### *Atkins Arrears Report*

Produced Monthly and circulated to the Business Centre Principal Officer with monthly reviews and follow-up as above.

#### *Debtor Arrears Over 120 Days*

Produced monthly and circulated to Service Heads

- 3.6 Priority for debt recovery is given to managing current tenant debt whilst historic debt is monitored periodically to update on recovery action in progress. The rationale for this is that current debt is likely to increase where the former tenant's debt is fixed at a point in time and will not increase month by month.
- 3.7 Many Tenants of Commercial property have historically maintained arrears of around 3 - 4 months and require constant chasing. In most instances the Tenant will catch up on their arrears when chased informally. These Tenants may appear on the Debtor Arrears Over 120 Days reports periodically. This level of debt is considered acceptable as this gives the small business tenant the ability to manage their own cash flow.
- 3.8 Historically Tenants have not been required to enter Leases with a Direct Debit mandate for payment of Rents. All new Lease grants are now encouraged to put a Direct Debit in place in order to manage debt risk more effectively for both parties.
- 3.9 Debtor invoices do not include details of outstanding debt – only the current item being invoiced. HBBC has not historically sent out statements of account to debtors. The Commercial Estates Surveyor now issues Statements as part of the Debt Management process.
- 3.10 A summary of the current debtors is attached along with commentary on actions. The summary has been anonymised to comply with Data Protection legislation.

#### 4. FINANCIAL IMPLICATIONS [KP]

- 4.1 Contained within the body of the report.

#### 5. LEGAL IMPLICATIONS [MM]

- 5.1 Legal services will be working with the Estates team to see how the debts can be recovered and where enforcement action could be taken once judgment has been entered against the debtor, in line with recently approved council Corporate Debt Policy and Court process for Debtors.

#### 6. CORPORATE PLAN IMPLICATIONS

- 6.1 Sustain Economic Growth by providing small business units at affordable rents with support from the Council in developing and managing business objectives. Efficient, effective and proactive services by managing the commercial estate for small business and business start-ups.

#### 7. CONSULTATION

- 7.1 No further groups, or organisations have been consulted in the process of this report.

## 8. RISK IMPLICATIONS

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

8.2 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.

8.3 Financial debt risk management is defined within the appendix of this report

## 9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 Commercial premises provide support to the rural economy and town centre locations. Provision for further expanding the commercial estate and providing managed office space / commercial accommodation is reviewed and rural locations identified where possible demand is identified.

## 10. CORPORATE IMPLICATIONS

10.1 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: Aged Debtors Report Jan - July 2015

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