

Item No. 12.	Classification: Open	Date: 25 January 2011	Meeting Name: Cabinet
Report title:		Authorisation of a debt write-off of more than £50,000 in Environment and Housing	
Ward(s) or groups affected:		Riverside	
Cabinet Member:		Councillor Veronica Ward, Culture, Leisure, Sports and the Olympics	

FOREWORD – COUNCILLOR VERONICA WARD, CABINET MEMBER FOR CULTURE, LEISURE, SPORTS AND THE OLYMPICS

1. This debt was incurred as a result of a major event contractor going into liquidation and the Council being responsible for clearing the site. The debt has been pursued through the normal channels but the Council is only one of a number of creditors. A sum of £1,000 has been awarded to the Council by the liquidators and this report now requests that the debt be written off, as there is no prospect of any further recovery.

RECOMMENDATION

2. That approval is given to write-off a debt of £69,077.88 within Environment and Housing (Events Unit).

BACKGROUND INFORMATION

3. Under the Council's constitution the write-off of any debt over £50,000 must be referred to Cabinet for authorisation.
4. There are a number of key reasons why the Council may wish to write-off a debt, one of them being insolvency, where the organisation has gone into bankruptcy and there are no assets to claim against and no likelihood of settlement.
5. It is Council procedure that the debt of an organisation that is in the process of being liquidated, be kept within the accounts until the liquidation process has been completed. This debt has thus remained within the accounts since 2006.

KEY ISSUES FOR CONSIDERATION

6. During March and May 2006 the Council invoiced a company for the use of Potter's Field Coach Park in hosting an event. The event was planned as a major cultural attraction that was to draw a significant numbers of visitors and create positive national press coverage. As the event was scheduled to run for a total of 3 months, the amount was substantial, equalling £95,140.00. It was agreed that payment would take place in three instalments. The first instalment of £25,000.00 was received in April 2006, subsequent payments of a further £25,000.00 and a final £45,140.00 were never received. The company went into liquidation on 5 June 2006 by way of a voluntary creditor's liquidation, owing the Council a total of £70,140.00.

7. The event was scheduled to run from 27 March to 30 June 2006, which means that the company went into liquidation during the period that the event was scheduled to run. Thereafter the Council's only remedy was to submit its claim to the liquidators and await the outcome of the process.
8. A proof of debt form was formally submitted by the Council to the Insolvency Practitioner on 30 October 2006. In August 2010 the liquidators announced that a first and final dividend of 1.51p in the pound would be paid to unsecured creditors during that month. A cheque for £1,062.12 was subsequently received by the Council.
9. Subsequent to this incident the events team implemented a procedure to prevent or at the worst reduce future bad debts arising. Invoices are now issued as early as possible and as a rule the full amount is demanded before the event takes place for invoices greater than £5,000.00. This new procedure was implemented in mid-2007; since then no bad debt incidents greater than £2,000.00 have occurred.

Policy implications

10. This write-off has been considered in accordance with the Council's agreed write-off policies and procedures.

Community impact statement

11. All write-offs are considered with due regard to any potential community impact and on their own merits. This decision has been judged to have no or a very small impact on local people and communities

Resource implications

12. The amount to be written off is £69 077.88, as £1 062.12 of the £70,140.00 original debt has been received from the liquidators as a final dividend. A bad debt provision for the full amount of £70,140.00 was created in 2007/08, which means that this write-off will have no impact on the Council's outturn for 2010/11.

Legal Implications

13. As a final liquidation payment has been received, and the liquidation process has been completed, the Council is now in a position to write-off the debt.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance (FR/1210)

14. The strategic director of communities, law & governance notes the contents of this report and agrees that this debt can be now written off in accordance with the Council's write-off policy. As this debt is above £50,000 authorisation for the write-off is needed from the Cabinet.

Finance Director (ET/1210)

15. The proposed write-off as set out in the Appendix to this report have been compiled in accordance with the Council's agreed policy and procedures.
16. The total recommended write-off of £69,077.88 will be charged against the provision set aside for this purpose. Therefore it will not have any impact on current year (2010-11) revenue accounts.

17. The debts are recommended for write-off because they are deemed as irrecoverable due to bankruptcy of the company.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Liquidator's final report to the creditors	CLLL, 3 rd Floor, 160 Tooley Street, London SE1 2TZ	Deon Kritzinger (0207 525 3754)

AUDIT TRAIL

Cabinet Member	Veronica Ward, Culture, Leisure, Sports and the Olympics	
Lead Officer	Gill Davies, Strategic Director of Environment & Housing	
Report Author	Adrian Whittle, Head of Culture Libraries Learning and Leisure (E&H)	
Version	Final	
Dated	13 January 2011	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Support Services		14 January 2011