

Report of: Commercial Asset Management

Report to: Chief Officer Property & Contracts

Date: 4th September 2014

Subject: Environment & Housing Directorate Write Off Over £5,000.00

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number::	<input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. Approval for the write off of rent arrears over £5,000, as covered by Financial Procedure Rules 7.9 in respect of a former tenant to the sum of £7,255.02
2. To give a detailed explanation as to how the debt arose, the steps taken to try and recover the debt and the reasons as to why the recovery of this debt has failed.
3. The steps taken to minimise the risk of a further write off of rental income in such circumstances in the future.

Recommendations

4. To seek the approval of the Chief Officer Property & Contracts to this write off of rent and to note the steps taken within the Commercial Asset Management Service to reduce the risk of future loss of revenue.

1 Purpose of this report

- 1.1 Financial Procedure Rule 7.9 requires that where a recovery of a debt has failed and the individual or cumulative debts due from a single debtor is over £5,000 then this may be written off by the Director of Strategy & Resources.
- 1.2 To seek the approval of the Chief Officer Property & Contracts for the write off under the above rule and for this recommendation to be put as required before the stated director for their agreement.

2 Background information

- 2.1 The Tenant took occupation of Leeds City Council owned commercial premises at 183 Haslewood Drive Leeds LS9 7RE under a Tenancy Agreement on 15th April 2008 at an annual rent of £5,500
- 2.2 The Tenant paid £2,050 rent in advance and began to fully refurbish the interior of the premises for use as a Hot Food Takeaway.
- 2.3 During the refurbishment the Tenant's business partner withdrew his financial support, leaving the Tenant with insufficient capital to finish the works. As a result the business did not commence trading.

3 Main issues

- 3.1 The Tenant did not trade from the premises and consequently did not honour his rent obligations.
- 3.2 During the course of 2009 several attempts were made by Commercial Asset Management to contact the Tenant to discuss the tenancy but the tenant never responded.
- 3.3 On 14th May 2010 the Tenancy was forfeited with outstanding rent arrears of £7,255.02.
- 3.4 A meeting was held with the Tenant in June 2010 to discuss repayment of the arrears. He claimed to be on benefits and unable to pay.
- 3.5 The case was transferred to Leeds Revenue Services to pursue. Land Registry and Experian checks were undertaken before the file was transferred to Legal Services with instructions to apply for a Court Order.
- 3.6 The Letter before Claim sent by Legal Services to the last known home address of the Tenant was returned by the Post Office marked "addressee gone away." Despite this it was felt that the Court Order should be pursued, and Judgment was granted in August 2013. Every possible effort was made to find the whereabouts of the Tenant but to no avail.
- 3.7 Reluctantly it is felt that it would not be cost effective to pursue the case any further so write off is requested.

3.8 Operational practices have now been changed within Commercial Asset Management through closer monitoring of rent accounts to minimise the risk of a loss of revenue of this size occurring in the future.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 An Administrative decision is being sought regarding a confidential financial matter therefore no consultation is required.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 Administrative decision sought, Screening form submitted, no EDCI Assessment required.

4.3 Council policies and City Priorities

4.3.1 Administrative decision sought relating to an individual financial issue, not impacting on wider Council policies and City priorities

4.4 Resources and value for money

4.4.1 Based on past actions, operational decisions and the evidence detailed in this report, the write off of this sum is unfortunate but unavoidable. It should be noted that a provision to cover this debt will be made in the 2014/15 accounts.

4.4.2 As a result of this case, as stated in 3.8 above, internal measures have been put in place to minimise the risk of this type of incident reoccurring. Closer liaison between CAM, Finance and LRS to monitor rent accounts has been implemented, and forfeiture action is taken sooner to limit arrears.

4.5 Legal Implications, Access to Information and Call In

4.5.1 Not applicable, administrative decision sought.

4.6 Risk Management

4.6.1 As covered in 4.4.2 of the report

5 Conclusions

5.1 Leeds City Council's Litigation Dept advised that the debt is irrecoverable due to the whereabouts of the former tenant being unknown . The costs of attempting to find the individual would not be in proportion to the likelihood of them being traced and the debt being recovered

6 Recommendations

6.1 It is recommended that the Chief Officer Property & Contracts approves the write off of the above account in the sum of £7,255.02

7 Background documents¹

7.1 7.1 Not applicable, documents are deemed exempt and confidential

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.