

SPECIAL CABINET – 15TH JANUARY 2013

SUBJECT: BAD DEBT IN RESPECT OF COMMERCIAL RENT – PEDAGOG LTD

REPORT BY: DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To inform Members of a bad debt of £33,923.61 in respect of commercial rent arrears following the above tenant entering into Liquidation.

2. SUMMARY

- 2.1 Pedagog Ltd was a tenant occupying a large office space at Tredomen Business and Technology Centre since July 2002. The annual licence fee was £27,786. The company is involved in the research and development and sales of products and solutions in connection with wireless multimedia solutions through licences. In its prime, the company employed 12 staff.
- 2.2 This report sets out a timeline of events leading to the company's Liquidation in June 2011.

3. LINKS TO STRATEGY

- 3.1 Recovery of debt provides income that is used towards service provision. The writing off of debt is required as part of the review of outstanding sundry debts.

4. THE REPORT

- 4.1 Pedagog Ltd occupied two office suite spaces at Tredomen Business & Technology Centre under licence. The annual licence fee was £24,165. In May 2009, the annual fee was increased under the terms of the licence to £27,786 per annum.
- 4.2 The HR & Finance Manager at Pedagog disputed the increase in licence fee and immediately cancelled the Direct Debit mandate that was in place, before submitting an appeal against the increase.
- 4.3 Numerous meetings, emails and telephone discussions with the Directors of the company ensued. During which time, the company also raised enquiries regarding the use and costs of the telephony system at Tredomen Park. Several Freedom of Information requests were made and a protracted dispute developed, during which time the company withheld rental payments.
- 4.4 The normal debt recovery procedures were in place, with numerous reminder letters being issued, telephone calls to the company and meetings were held over a period of 12 months.
- 4.5 The company's claims regarding the unfair charges for the telephony system were unfounded and their claims were subsequently dismissed. A repayment plan was agreed for the missed rental payments to be paid via instalments over 12 months.

- 4.6 Unfortunately, the company experienced cash flow problems and sought to secure several avenues of external private investment in order to alleviate this. The company notified Economic Development that without such investment, the company would have to be put into Administration.
- 4.7 Several promises were made to the Authority's Industrial Property Manager assuring that a sum of £2 million was about to be invested which would allow the company to clear all arrears. Dates were even provided when this investment was expected.
- 4.8 Unfortunately in February 2011 notification was received from the Company Director, Dr Ta'eed that HMRC bailiffs had entered the premises and distrained on all the company's goods and chattels to cover unpaid taxes.
- 4.9 As the contents of the premises were already subject to walking possession under the HMRC action, Officers obtained a County Court Judgement against the company. Pedagog managed to pay the HMRC debts and part-pay the rent arrears. In the meantime, the company downsized its office space in order to alleviate the short term cash flow problems. Despite downsizing, the company soon defaulted on the rental instalment plan.
- 4.10 In April 2011, it became apparent that the investment funding had not materialised and the company had been put into Administration. The Administration effectively placed a moratorium over all further recovery action.
- 4.11 The Administrators, R S M Tenon, subsequently placed Pedagog into Liquidation on 7th June 2011. The Administrator was hopeful that the company's intellectual property was of value and any sales proceeds could be distributed amongst creditors.
- 4.12 On 17th April 2012, notification was received from R S M Tenon that despite initial hopes, they had not been successful in selling the intellectual property. Efforts would continue but it was unlikely that there would now be any dividend to unsecured creditors.

5. EQUALITIES IMPLICATIONS

- 5.1 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in Section 6 of the Council's Strategic Equality Plan, therefore no Equalities Impact Assessment has been carried out.

6. FINANCIAL IMPLICATIONS

- 6.1 These are dealt with in the body of the report. There is no provision in the Accounts.

7. PERSONNEL IMPLICATIONS

- 7.1 There are none.

8. CONSULTATIONS

- 8.1 There are no consultation responses, which have not been reflected in this report.

9. RECOMMENDATIONS

- 9.1 Members authorise Officers to write off the rent arrears of £33,923.61 following the Liquidation of the company.

10. REASONS FOR THE RECOMMENDATIONS

10.1 To resolve an outstanding issue in relation to a significant bad debt to the Authority.

11. STATUTORY POWER

11.1 Local Government Act 1972.

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Background Papers:
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