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CORPORATE PROPERTY ACCOUNT - OUTSTANDING DEBT

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1. Purpose

- 1.1 To report on performance in terms of collecting rent and service charge income from properties held by the Corporate Property Account.
- 1.2 This report will be submitted to Committee on a quarterly basis. The objective is to monitor trends.

2. Summary

- 2.1 The percentage of outstanding debt based on interrogation of the Recurring Charges System as at 21 June 1999 was 16.46%. When the debt on New Bradwell Workshops is cleared the percentage of outstanding debt will reduce to 4.04%. This compares to 19.77% and 5.33% respectively for the preceding quarter. A detailed summary and analysis of outstanding debt **annexed** to the report.

3. Action by Property Service

- 3.1 The approach outlined in previous reports will continue. This means being more proactive and tackling debts firmly and sensitively at the 21 day stage. Tenants are being encouraged to discuss real payment difficulties with the Management Surveyors.
- 3.2 Tenants will be charged interest on late rent and service charge payments where these are permitted under the lease.
- 3.3 Bailiffs will be used to levy distress or the Legal Section instructed to start court proceedings.

4. **Background**

- 4.1 This is the fourth report on outstanding debt for Corporate properties.
- 4.2 Similar reports on the profile of debt for non-corporate rented properties are being produced for the appropriate committees.
- 4.3 The total debt has increased from £135,800.31 to £136,107.23. Total rental income appears to have increased from £615,381.20 to £755,018.20 but this is because properties previously missed from the reports have been included this time.
- 4.4 With regard to the debt in relation to New Bradwell Workshops, this is to be cleared as a condition of granting the new lease the terms of which have now been agreed. The engrossed lease has been sent to the solicitors acting for New Bradwell Workspace Limited and Title deduced to them. It is hoped that this lease will have been completed by the time the Committee meets.
- 4.5 The debt for 1 Dodkin Beanhill has reduced and is due to be paid off by 16 July. Interest is being charged on the debt.
- 4.6 Regarding 4 Dodkin, Beanhill, this shop is leased by a Co-operative who are effectively a charitable organisation. Agreement has been reached following a meeting with them for paying off the debt in relation to the rent and charging interest on the outstanding service charge.
- 4.7 The debt procedure was following in respect of the outstanding debt on 105 Chepstow Drive following the tenant's failure to keep to previous agreements for payment of the debt. Bailiffs were instructed and levied distress on 7 June when a Walking Possession Order was made. Date for settlement has been extended by agreement but the debt should be cleared by 12 July 1999.
- 4.8 The debt on 2 Harrier Court is continuing to decrease.
- 4.9 Despite contact being made with the tenant of 13 Blackmoor Gate by telephone and a request for a meeting being made to discuss the debt on this property, the tenant did not take up the offer and therefore the debt procedure was invoked. The next step will be for the Bailiff's to levy distress on this tenant.
- 4.10 In relation to Office 11 MK Waste Services, Property Services are in contact with the receivers with regard to outstanding rent.
- 4.11 Secklow Gate has been added to the Debt report having previously been omitted, possibly because the unit is in the Food Centre which has been sold, the debt however, has not been sold and remains with Milton Keynes Council.
- 4.12 Management Surveyors within the Property Division are now monitoring debt more effectively as part of their duties. They are in a position to have discussions with the tenants to ascertain whether they have genuine difficulties and, if so, to work out the best way of dealing with these so that payment of rent and service charge can be kept up to date.

5. **Implications**

5.1 Environmental

The proposals for New Bradwell Workshops have continued and a programme of works to be carried out has been incorporated into the new lease which should shortly be completed. These works will be completed over a period of 10 years with further works being undertaken over the following 5 years if deemed necessary.

5.2 Equalities

The Council's Equal Opportunities Policy is taken into consideration when dealing with debt recovery matters.

5.3 Financial

Improvement in debt recovery will assist the Council's cash position.

5.4 Legal

The terms of leases for the commercial properties in local centres will be taken into account when debt recovery procedures are implemented and where permitted, interest will be charged on late payments.

5.5 Staff and Accommodation

Although the Department is currently one surveyor short its commitment to debt recovery and implementation of the approved policy will continue.

6. **Conclusions**

With the new debt procedure in force tenants are paying rent and service charge more promptly. If tenants do have a genuine problem with paying the rent and/or service charge then the surveyors will discuss this with them at the earliest possible opportunity to try and resolve the problem, thus preventing the debt from increasing and hopefully reducing any debt outstanding.