

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

THURSDAY, 7 APRIL 2022

Report Title	Debt Write Off – Rush Skatepark			
Purpose of Report	To consider the write off of sums owed by Rush Skatepark Ltd in line with the procedures in the Constitution			
Decision(s)	The Committee RESOLVES to: a. Write off the Sums Owed by Rush Skatepark Ltd as shown in Table 1 b. Authorise the Strategic Director of Resources to make minor amendments to the sums written off as required			
Consultation and Feedback	Alliance Leadership			
Report Author	Andrew Cummings, Strategic Director of Resources Tel: Email: andrew.cummings@stroud.gov.uk			
Options	The Committee can choose to not write off the sums owed, and the Council can then pursue the sums through the liquidator			
Background Papers	None			
Appendices	None			
Implications (Further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	No	No	No

1. INTRODUCTION / BACKGROUND

- 1.1 Rush Skatepark were a community interest company based in Unit 3 on the Industrial Estate at Brimscombe Port.
- 1.2 The lease for the Skatepark expired on 17th January 2021 and the skatepark closed in August 2021. The site was vacated on 30th September 2021.
- 1.3 The Council has supported Rush Skatepark through a variety of different financial measures including rent holidays. There are a number of sums owing to the Stroud District Council (SDC) from Rush Skatepark and, as the company has recently entered liquidation, the position on these debts should now be considered by the Committee.
- 1.4 The Committee was advised in its report of June 2021 that future consideration of the write off of debts owed by Rush was likely.

2. POSITION ON ARREARS AND FINANCIAL SUPPORT

- 2.1 The rental arrears for Rush pre-date the Covid pandemic with the earliest unpaid rent invoice dating from March 2018. The majority of rental invoices were unpaid after that

point. For most of their time in Brimscombe Port the rent paid by Rush was payable to Stroud Valleys Canal Company (SVCC) as the landowners of the site. The site transferred into the ownership of SDC on April 1st 2020. At the point of transfer the arrears of rent were £81,441.52, service charge £3,197.73 and insurance was £4,481.31.

- 2.2 At the point of transfer of the site at Brimscombe Port all arrears became owed to SDC and therefore an asset of the Council. SDC's financial processes assessed that it was unlikely these arrears would be collected and a full provision was made in SDC's accounts. In summary there was no assumption of collection of this money by SDC.
- 2.3 During the Covid pandemic a process was agreed, in consultation with the leaders of all four political groups, for Officers to be able to grant rent relief for those businesses who were adversely impacted by the pandemic. Under that process no rent was charged to Rush from 25th March 2020 (the date of the first National Lockdown) until the expiry of their lease in January 2021. This represents a total rent waived by the Council of £45,938.73.
- 2.4 During this time Service Charge and Insurance invoices were still raised to Rush by the Council, as this represented real costs to the Council of providing the facilities at Rush. The overwhelming majority of sums were settled with only £812.59 of invoices remaining outstanding.
- 2.5 Once the lease on the building had expired, and Rush remained on site, no invoices were raised for rent, service charges, utilities, or insurances. This is because there was no lease setting out the mechanism by which such items could be charged and to do so would have prejudiced the council's position.
- 2.6 It would have been possible for SDC to make a legal claim for sums owed for the period of occupation after the end of the lease. However, an officer decision was made by the Strategic Director of Resources, in consultation with all Group Leaders and the Brimscombe Port Project Board, on 5th October 2021 to waive all charges for Rush Skatepark for that period. The sums involved were rent £40,177, and service charge and other costs totalling £14,170. This was part of the process of implementing the unanimous decision of the Strategy and Resources Committee to support Rush as they vacated the site at Brimscombe Port.
- 2.7 There is a small sum of non-domestic (business) rates currently in arrears on the Rush Account. This totals £710.02. The company had been in receipts of rates relief and a number of business grants during the pandemic.
- 2.8 The full position of financial support provided to Rush is shown in Table 1 below. Sums are shown separately between those requiring a committee write off and those charges which were waived as a result of officer decision.

Category of Support/Arrears	£
Arrears 31.03.2018 to 31.03.2020 (Originally SVCC)	89,120.56
Arrears 01.04.2020 onwards (Service and other charges)	812.89
Business Rates Arrears	710.02
Sub Total – Sums Considered for Committee Write Off	90,643.47
Rental Sums waived through rent relief – Mar 2020 to 16.01.2021	45,938.73
Charges waived after lease end	54,347.00
Sub Total – Charges waived through officer decision (in consultation with members)	100,285.73
Total – Financial Support for Rush Skatepark Ltd	190,929.20

3. POSITION RELATING TO WRITE OFFS

- 3.1 On 3rd February 2022 the Directors of Rush Skatepark held a general meeting and agreed that the company be wound up voluntarily. Smart Insolvency Solutions of Worcester were appointed as liquidators. In spite of the sums in the table above the Council was not notified by Rush of this resolution.
- 3.2 As part of the liquidation process the Company had produced a Statement of Affairs detailing their financial position. The creditors of the Company were listed to a total of £76k. Stroud District Council were not listed as a creditor.
- 3.3 Although the Committee is making a decision on writing off the debt, the Strategic Director of Resources has informed the Liquidator as to the extent of debt owed to SDC. This is to ensure transparency in the use of Public Money.
- 3.4 The Company is listed as having net liabilities after preferential creditors and debts secured by floating charges are deducted from assets. It is apparent therefore that there is unlikely to be any significant payment of arrears owed to the Council and a write off is deemed appropriate. If the Committee chooses not to write off the debt the Strategic Director of Resources will submit evidence of sums owed to the liquidator for their consideration in the liquidation process.

4. CONCLUSION

- 4.1 Before ownership of the site passed to SDC considerable rent arrears were built up by Rush, in spite of a rent payment plan. These were not actively pursued by SDC in order to support the Skatepark during the pandemic.
- 4.2 As the Company is no longer trading and is in liquidation a write off is required. This is in line with the Council's constitution which requires debts of above £20,000 to be considered by the Strategy and Resources Committee.

4.3 There will be no adverse financial impact on SDC of making the write off. There was full provision included within the accounts of SDC at the point that the debt transferred from SVCC.

4. IMPLICATIONS

4.1 Financial Implications

The whole decision is of a financial nature and the report sets out the key elements.

Rental sums owed have been fully provided for in the Council's accounts and the write off creates no adverse financial impact.

The Business Rates Sum is not material and will be shared between Central Government, SDC and the County Council in the proportions of 50%, 40% and 10% respectively.

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4.2 Legal Implications

There are no significant implications within this category.

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4.3 Equality Implications

An EIA is not required because there are not any specific changes to service delivery proposed within this decision.

4.4 Environmental Implications

There are no significant implications within this category