

A client's bad debt put my firm in the red

Trevor Wood was left frustrated after his website design business made a loss a few years ago. Nothing unusual there, you may say, thousands of small firms struggle to make ends meet on an annual basis.

However, his business would have made a profit if it wasn't for the £2,000 of bad debt from a client which had gone bust.

What was particularly galling was this client then set up again using a different business and doing exactly the same activity.

This was because that client had completed a pre-pack administration, a controversial aspect of the insolvency process that effectively allows companies to bounce back after their collapse, leaving creditors, including the taxpayer, counting the cost.

Mr Wood, owner of website design firm Network Midlands, of Stoneygate, Leicester, said: "Over the years, I've known a number of companies this has happened to.

"You can see a situation where a domino effect of pre-packs could be created, with someone eventually being left with a lot of debt they won't get back.

"I think the system needs looking at. Is there some way the debt can become attached to the director or directors which follows them when they move on?

"In a way, it's similar to tax avoidance."

The common comeback from insolvency professionals is that such deals save jobs and well-established companies which would have otherwise been lost.

Pre-packs are said to have been made easier by the Enterprise Act 2002, which sought to reduce the stigma of insolvency and encourage a culture of entrepreneurship.

Last month, the business and assets of 68-year-old Invicta Plastics, of Braunstone Frith, Leicester, the company behind the world-famous Mastermind puzzle game, was sold to a company known as Making A Material Difference, run by people who had been directors at Invicta up until its administration a few days before.

Making a Material Difference had been set up a few weeks earlier. The deal saved 11 of the company's 35 jobs. No details of the debts left behind by Invicta have yet been

Phoenix from the flames-style revivals of stricken firms may save jobs, but it rankles with those left with unpaid debts.

Business Editor *Ian Griffin* takes a look at this controversial area

disclosed by administrator Grant Thornton.

Last week, it was announced 10 of the 21 staff at Structured Technology Services (STS), of Grove Park, Enderby, were safeguarded after a pre-pack administration overseen by Chris Stirland, partner at FRP Advisory, also in Grove Park.

Quatrix bought the hardware maintenance and software arm of the business and will continue to trade at the Grove Park premises. Cable and infrastructure installation rights were sold to Scenariio.

Both businesses were set up by STS's previous management. STS has been left with a debt of about £500,000.

Mr Stirland said: "I'm not 100 per cent for pre-packs. It's an option, but it shouldn't be the first option. It needs to be used in a sensible manner.

"The pre-packs that really annoy people are the ones where there has been no real restructure of the business and it has seemingly been done just to reduce debts."

Such debts include payment due to suppliers, rent, PAYE and VAT and employees' wages.

The other thing that irks critics is the fact such deals allow firms to get round the Transfer of Undertakings (Protection of Employment) – or TUPE – regulations.

Administrators have to write a report to the Business Secretary detailing the reasons behind each pre-pack deal.

So, ultimately, they have an interest in ensuring everything is above board.

Another area of insolvency which can cause controversy is where the assets of



BAD LUCK: Trevor Wood's business was hit by a client's £2,000 debt

businesses are bought, sometimes out of liquidation, and continue to trade.

This is a slightly different process to pre-packs because it relies on carrying out the transition with as little fuss as possible.

The future of Syston-based Taylors Estate Agents was secured using such a process five years ago.

Neil Money is a director of insolvency practitioner CBA, of Leicester, and argues, like pre-pack administrators, that such deals may reduce debt liabilities but secure jobs and businesses.

He said it's a way of preserving a business once the "wheels had come off".

He said: "It's perfectly legal and it's nothing new.

"What you are trying to do is create a seamless transition, but what you're not allowed to do is have the same or a similar name.

"It may not be particularly savoury, I accept that. But people work within the legal framework."

It may be the only way to encourage entrepreneurship is to make failure acceptable, but how much of the financial fallout directors should accept when things go wrong seems open to question.

WHAT ARE YOUR VIEWS ABOUT THE PRE-PACK ADMINISTRATION PROCESS?
Tell us: leicestermercury.co.uk/business

Leicester's St George's Cultural Quarter is continuing to grow as a city centre destination, with new businesses moving in and thousands of people visiting for the recent Light the Night festival. City centre director *Sarah Harrison* reports on the setting up of a Creative Industries Business Investment Area centred on St George's and how the local community is shaping plans for its future

Community spirit drives the Cultural Quarter forward

Investing in creativity

With the award-winning Curve Theatre, bars, restaurants and workspaces for artists, designers and creative businesses, Leicester's Cultural Quarter is fast becoming a vibrant area of the city centre.

It fuses together elements of the city's more traditional architecture with a modern twist to create a cosmopolitan cultural environment.

Leicester is an enterprising city. It has a long-standing reputation for innovation, creativity and entrepreneurialism.

A priority in the city mayor's Economic Action Plan is to accelerate business development in sectors with strong potential for growth.

To do this, we are establishing four Business Investment Areas (BIAs) that focus on our priority sectors.

Across the city and county, more than 5,000 people work in the creative industries sector.

According to a report called the Leicester and Leicestershire Structure and Investment Funds, it is the largest creative business cluster outside of London.

The Creative Industries BIA will be centred on the St George's Cultural Quarter at the heart of the city, which has been transformed from a former textile and shoe hub into a thriving area for creative industries, artists, designers and craftspeople. It has already benefited from significant public investment.

More than 100 creative businesses are located in the Cultural Quarter.

Creative business growth has been supported by new cultural facilities and venues, the city's two world-class universities, quality residential housing schemes and targeted investment in the public realm.

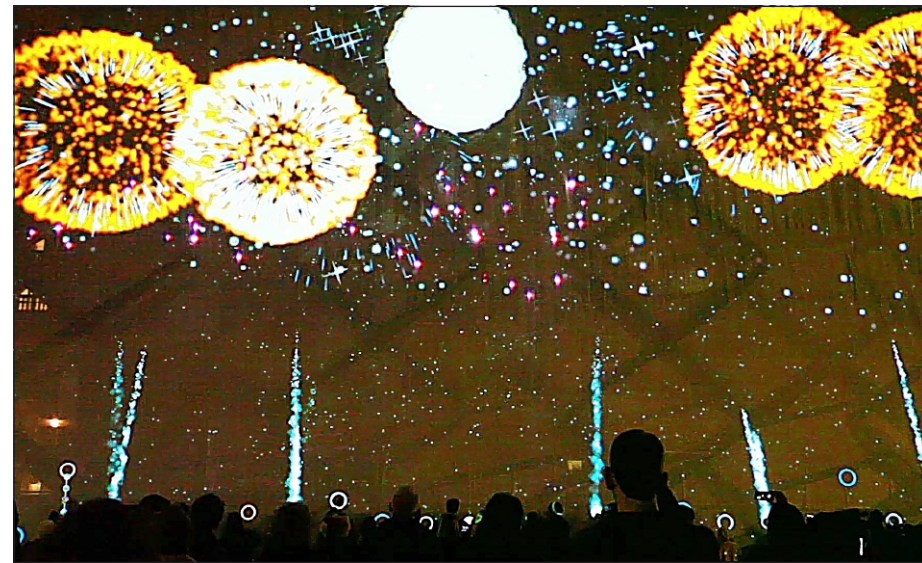
Working alongside the Cultural Quarter Business Association, the city council is planning a further rapid expansion of the Cultural Quarter as a great place to work, play, learn and live.

The Creative Industries BIA is helping to deliver that ambition.

Sharing ideas

More than 200 people attended an event where they could share their opinions of the Cultural Quarter.

The Cultural Quarter community plan-



ning event was held over two afternoons last month, and was hailed a great success.

The event was aimed at local people who live and work in the area as well as visitors to the Cultural Quarter.

Don Munro, of the Cultural Quarter Business Association, which organised the event, said: "We wanted to get everyone's opinions on the area – what is great, what problems need solving now and what ideas they have for the future, so we can influence the city council's proposals for the quarter."

The event was based around a lifelike model of the Cultural Quarter, which allowed those who attended to understand the neighbourhood and to stick flags into the places that they had commented on.

The model was covered with flags by the end of the event. More than 400 comments were received, covering a range of topics including outdoor spaces, buildings, events and facilities.

Some of the ideas were fantastic: a new music hub for young performers, art galleries, street art and the need for specialist shops.

Other ideas suggested a new green space around the church of Saint George, and proposed new squares with mixed developments to link Curve and Orton Square to the Phoenix. The improvement of the roads in the quarter was also suggested.

Don said: "The response was fantastic and we are now in earnest talks with Leicester City Council to get some of the quick fixes done now.

"We will include some of the larger, more ambitious ideas in future plans for the Cul-



Left, the PixelPyros digital fireworks display and, above, the community planning event's model of the Cultural Quarter

Light the Night

The Light the Night festival – organised as part of Leicester's Christmas lights switch-on – was a huge success, with more than 10,000 people filling the streets of Leicester's Cultural Quarter.

PixelPyros was the city's first truly digital festival of light.

It amazed visitors with a huge digital fireworks display using state-of-the-art projectors and lasers beamed onto a massive 60ft-wide screen.

Hundreds of people queued to touch the screen and trigger multi-coloured rockets.

Buildings along Halford Street became a giant canvas for artists using projectors to bring to life a toy factory and beautiful Christmas animations.

The festival was put together by Phoenix, Leicester's Cultural Quarter Business Association (CQBA) and artists' collective Creative Manifesto.

Generous support for the festival was received from Curve, design agency Un.titled, volunteers and many other businesses in the cultural quarter.

You can view the PixelPyros display online by typing this shortlink into your web browser:

<http://goo.gl/F8VhKR>

Find out more information on the Cultural Quarter at:

<http://www.visitleicester.info/things-to-see-and-do/cultural-quarter/>

You can also find out more by e-mailing Sarah Harrison at:

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