

CABINET

Date of Meeting	Tuesday, 19 th December 2023
Report Subject	Business Rates – Write Offs
Cabinet Member	Cabinet member for Governance and Corporate Services including Health and Safety and Human Resources
Report Author	Chief Officer (Governance)
Type of Report	Operational

EXECUTIVE SUMMARY

Bad debts above £25,000 require Cabinet to approve recommendations to write off debts.

Two Business Rates debts, totalling £118,266.44, are deemed to be irrecoverable and the writing off the debts is now a necessary step. The debts relate to:

- PPA Engineering Group Ltd £92,489.86
- Gibbs (Steel Fabricators) Ltd £25,776.58

RECOMMENDATIONS

1	That Cabinet approves the write off of these business rate debts, amounting to £92,489 for PPA Engineering Group Ltd and £25,776 for Gibbs (Steel Fabricators) Ltd.
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REPORT DETAILS

1.00	EXPLAINING THE BACKGROUND TO THE WRITE OFF REQUESTS
1.01	PPA Engineering Group Limited is registered on Companies House (12223464) and liable to pay ongoing business rates from October 2019 for commercial premises listed at Unit 1, Links Commerce Park, Factory Road, Pentre.
1.02	The company initially made business rates payment in full for their 2019/20 liability. However, from 2020/21 to date, payments had been sporadic, and it was necessary for the Council to take legal action in the Magistrates Court on multiple occasions to secure payment. Liability Orders were awarded in July 2021, February 2022, August 2022, and October 2023.
1.03	Throughout 2021, officers from the Council were in dialogue with one of the directors of PPA and a payment plan was agreed whilst the company directors were trying to recover business, attract new investors and introduce additional working capital into the business. Working with the business closely ensured a further £11.6k was recovered towards the outstanding 2021/22 liability.
1.04	The directors stopped engaging with the Council and the last payment was received in November 2021. Further attempts to engage with the company directors to secure payment were unsuccessful and court orders were referred to the in-house Debt Enforcement/Bailiff Agents in March 2022.
1.05	<p>Despite repeated visits to the premises in Pentre to take control of goods, no contact was able to be made with the company or the registered directors and only one further payment of £289.25 was received against the increasing business rates debt.</p> <p>On all visits, there were no signs of the business actively trading from the premises and the unit has always been locked up with no employees on site.</p>
1.06	<p>A Companies House search confirms the PPA is still registered as an active company, but the last filed accounts are dated 30th September 2021 and show fixed assets at the time of £82k and a net worth of -£9k.</p> <p>All company directors have resigned, however one director, aged 18, and whose place of residence is the United States, was appointed to the company in August 2023.</p>
1.07	Specialist external lawyers acting on behalf of the Council have looked at the prospect of recovering the unpaid business rates from PPA, including the 'winding-up' of the company. However, with no sign of any trading activity, overdue company accounts and a negative net worth, there is no prospect of recovering the unpaid business rates, which includes the 2023/24 ongoing liability.

	<p>Measures to 'wind-up' the company would be a pointless and expensive exercise for the Council to undertake and on this occasion, it is not in the public interest to take any further action.</p> <p>The unpaid business rates are therefore deemed irrecoverable and necessary for write off.</p>
1.08	<p>Gibbs (Steel Fabricators) Ltd were a limited company registered with Companies House (06759085) and determined to be responsible to pay business rates from December 2020 to September 2023 for the premises at Llanerch-Y-Mor, Mostyn.</p> <p>Companies House documents that Winding up proceedings commenced against the company on 25th September 2023.</p>
1.09	<p>The company had been liable at a previous unit in Flintshire for over 10 years and paid their business rates liability in full. During 2021, payments were irregular, and this resulted in the Council obtaining Liability Orders in the Magistrates Court.</p>
1.10	<p>Council officers were in dialogue with the company and a payment plan was agreed to recover the unpaid rates. Whenever the payment arrangements were broken, frequent contact was maintained with the company to ensure payments continued and when the business failed to engage or make payment, referrals were made to Enforcement Agents to collect the debts.</p>
1.11	<p>This blend of careful case management, dialogue with the business and referral to Enforcement Agents where necessary, ensured the council received some payments from the business until February 2023. These payments resulted in the liability for 2021/22 being paid in full and £21.8k being paid towards their liability of £31.8k for 2022/23.</p>
1.12	<p>Following the cessation of payments in February 2023, further contact was attempted with the company, but no additional engagement was achieved.</p> <p>The remaining balance for 2022/23 and the new liability for 2023/24 were referred to Enforcement Agents in May 2023. Despite several visits to the premises, enforcement action was unsuccessful, and no payments received, and there were insufficient goods for the Council to take control of.</p>
1.13	<p>Following action taken by creditors, Gibbs (Steel Fabricators) Ltd was placed into liquidation in September 2023 and the voluntary winding up of the company commenced has now commenced.</p> <p>Therefore, there is no prospect of recovering the £25.8k that remains outstanding for business rates.</p>

2.00	RESOURCE IMPLICATIONS
2.01	There are no direct financial implications for the Council or local taxpayers by writing off these debts as business rates losses are picked up by the National Collection Pool for Wales. As the Collection Pool is supported by Welsh Government, non-payment of rates does though have a wider impact on the Welsh taxpayer.
2.02	Writing off the two debts amounting to a total loss of £118.2k income to the National Collection Pool, is being recommended as a last resort and only on the basis that there is no realistic chance of successfully recovering the debt from either business.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	For those businesses who fail to pay, recovery action is always taken to secure payment. Measures include taking legal action to secure a Liability Order at the Magistrates Court, and in certain circumstances, the use of enforcement agents/bailiffs to take control of goods.
3.02	On some occasions, the cost of taking legal action, such as 'winding-up' a company in the High Court, is not appropriate on the grounds of the cost to the public purse, especially if there is still no prospect of recovering the outstanding debt.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	All write offs must be approved by the Corporate Finance Manager, but in the case of write offs over £25k, Cabinet must be consulted before a decision is taken.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Local Government Finance Act 1988 • Financial Procedure Rules (section 5.2) • Companies House Registration - PPA Engineering Group Ltd (12223464) • Companies House Registration - Gibbs (Steel Fabricators) Ltd (06759085)

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: David Barnes, Revenues & Procurement Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
	<p>Business Rates: are a property based local tax on businesses calculated on the rateable value of the property. Although the rate of tax is set by Welsh Government, rates are administered and collected locally by each local authority and paid into a national collection pool for Wales.</p> <p>National Collection Pool for Wales: all business rates are collected and paid into the Welsh Government's Non-Domestic Rates Collection Pool. Councils in Wales receive a redistributed share based on a formula set by Welsh Government called the Local Government Funding Formula. The formula makes a theoretical comparative judgement on what each council needs according to its population size, its wealth and poverty, and its rurality.</p>