

CABINET

Date of Meeting	Tuesday, 18 th July 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

For individual bad debts more than £25,000, Financial Procedure Rules (section 5.2) asks Cabinet to approve recommendations to write off debts.

A Business Rates debt for PPA Ltd, totalling £38,563.06, is deemed to be irrecoverable as the company is now in compulsory liquidation. Business Rates are always classed as non-preferential debts and since there are no assets available for non-preferential creditors successful recovery of this Business Rates debt is no longer possible.

RECOMMENDATIONS

1	That Cabinet approve the Business Rates write off totalling £38,563.06 for PPA Ltd.
---	---

REPORT DETAILS

1.00	EXPLAINING THE BACKGROUND TO THE WRITE OFF
1.01	PPA Limited was a company involved in the aerospace manufacturing sector and trading from Unit 42 First Avenue Zone 2, Deeside Industrial Park, Deeside CH5 2NY
1.02	The company had always paid their Business Rates liabilities in full since 2003. In total they paid more than £591k in Business Rates up to 31 st March 2018.
1.03	During 2018/19 the company started to default with their Business Rate payments, but following contact with the directors of the company, a non-statutory payment arrangement was set up to support the business.
1.04	When the non-statutory payment arrangement was not maintained by the company, a summons for non-payment of Business Rates was issued against the company to appear before Mold Magistrates Court on 20 th February 2019 as part of the Councils application for a Liability Order. A further payment arrangement was then put in place at the rate of £6k per month for the company to clear the arrears and meet their ongoing Business Rate payments for 2019/20.
1.05	The company failed to keep to the payment agreement and eventually the Council needed to enforce the Liability Order to secure repayment of the arrears.
1.06	The financial position of the company did not improve throughout the Covid pandemic, and their liability to pay Business Rates for Unit 42 ended in July 2020, although a newly formed company (PPA Engineering Group Ltd) then took up occupation of a separate industrial unit.
1.07	Several enforcement visits were undertaken and discussions between the Council and the PPA Ltd resulted in successfully securing payments of £58.2k towards the arrears for 2018-19 but repayments then stopped in November 2021.
1.08	In August 2022, on the petition from His Majesty's Revenue and Customs (HMRC), the company was placed into compulsory liquidation and steps to wind-up the company were finalised in November 2022 and resulted in an order of the High Court of Justice.
1.09	The Council have submitted a proof of debt form to The Official Receivers Office in Liverpool to register the outstanding Business Rates. However, with no recorded assets and total debts of £421k, there is no prospect of the Council receiving any further payment in respect of the outstanding Business Rates of £38.6k and a write off is necessary.

2.00	RESOURCE IMPLICATIONS
2.01	There are no direct financial implications for the Council or local taxpayers by writing off this debt as Business Rates losses are borne 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 debt, amounting to a £38.6K loss of income to the National Collection Pool, is being recommended as a last resort and only on the basis there is no prospect of recovering the remaining debt.

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.

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 £25,000, 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 – PPA Ltd – Company Number 03474304 • Order for Winding Up – High Court of Justice – CR 2022-002725

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
8.01	<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> <p>Liquidation: is the legal process that occurs when a company becomes insolvent, meaning it cannot meet its payments obligations as and when they become due. The purpose of liquidation is for an appointed liquidator to investigate the financial affairs of a company, realise all the assets and then pay a return to creditors so they receive some or all of their money back. However, not all liquidations result in creditors getting money back in the form of a dividend.</p>