

CABINET

Date of Meeting	Tuesday, 19 th September 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

Individual bad debts more than £25,000, requires Cabinet to approve recommendations to write off debts.

A Business Rates debt totalling £36,798.60 for Outsourced Fulfilment Services Limited has been deemed to be irrecoverable, especially as the ratepayer is registered as an overseas company.

The company is not a UK listed company on Companies House and is registered in Hong Kong. The business rate liability ended from 23rd April 2023.

RECOMMENDATIONS

1	That Cabinet approve the Business Rate write off totalling £36,798.60 for Outsourced Fulfilment Services Limited.
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REPORT DETAILS

1.00	EXPLAINING THE BACKGROUND TO THE WRITE OFF REQUEST
1.01	Outsourced Fulfilment Services Limited is a company registered in Hong Kong and was determined to be liable to pay empty business rates from March 2022 to April 2023 for the premises listed as 'The Original Factory Shop', Brunswick Road, Buckley.
1.02	The property has been vacant since September 2018. However, the unit has had two different previous short-term tenants liable to pay business rates for the period 19 th September 2018 to 28 th February 2022. These previous tenants were incorporated shortly before their lease commenced and entered insolvency quickly after taking over the lease. This can sometimes be used by occupiers to evade Non-Domestic Rates.
1.03	Outsourced Fulfilment Services Limited were made liable for business rates at the unit following an email dated 27 th May 2022 from the existing tenant Pollco Trading Limited that confirmed that the premises had been sublet to Outsourced Fulfilment Services Limited with effect from 1 st March 2022 - a company registered as a limited company in the Hong Kong Registry.
1.04	The company was incorporated in Hong Kong under Company Registration 2773227 on 4th December 2018 and is still listed as trading.
1.05	No business rate payments were received, nor was any contact received from the registered directors of Outsourced Fulfilment Services Limited.
1.06	The Council commenced legal action for non-payment of business rates and secured Liability Orders at Mold Magistrates Court in September 2022 and October 2022 for the unpaid balances.
1.07	The case was also referred to our external Debt Enforcement Agents in October 2022. Despite their further investigations including visits to the premises in Buckley, no contact was able to be made with the company or the registered directors. No monies or goods were identified or secured to repay the balance.
1.08	A full review of the liability on the account has also been undertaken to ensure that the liability should indeed fall with Outsourced Fulfilment Services Limited. A lease has been supplied to the Council confirming the position that they are liable at the unit from 1 st March 2022.
1.09	Further to these investigations into liability, the managing agent of the premises has now confirmed the tenant's responsibility ended on 23 rd April 2023. Outsourced Fulfilment Services Limited have no other ongoing business rate liabilities in Flintshire currently.
1.10	The use of an overseas business which fails to make payment and does not engage with the Council, despite all available recovery methods being exhausted, has resulted in there is very little prospect of the Council

	receiving any further payment. There are outstanding Business Rates of £36,798 and a write off is necessary.
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2.00	RESOURCE IMPLICATIONS
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2.01	There are no direct financial implications for the Council or local taxpayers by writing off these debts 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.
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2.02	Writing off the debt amounting to a £36.8k loss of income to the National Collection Pool, is being recommended as a last resort and only on the basis that there is no prospect of successfully recovering the debt from the overseas company.
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3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
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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.
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4.00	CONSULTATIONS REQUIRED/CARRIED OUT
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4.01	All write offs must be approved by the Corporate Finance Manager. In the case of write offs over £25,000, Cabinet must make the decision.
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5.00	APPENDICES
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5.01	None.
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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6.01	<ul style="list-style-type: none"> Local Government Finance Act 1988 Financial Procedure Rules (section 5.2)
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7.00	CONTACT OFFICER DETAILS
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7.01	Contact Officer: David Barnes, Revenues & Procurement Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk
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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>