

CABINET

Date of Meeting	Tuesday, 17 th December 2024
Report Subject	Business Rates – Write Off
Cabinet Member	Cabinet Member for Corporate Services
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) stipulates for Cabinet to approve recommendations to write off debts.

A Business Rates debt for Cineworld Cinemas Limited, at Broughton Shopping Park, totalling £30,427.45 is deemed to be irrecoverable as the company has been subject to a Part 26a Restructuring Plan agreement which has been sanctioned by a High Court decision – this includes a period of the business rate liability to which this debt refers. This amount is therefore deemed as non-recoverable and is required to be written off.

RECOMMENDATIONS

1	Approve the Business Rates write off totalling £30,427.45 for Cineworld Cinemas Limited.
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REPORT DETAILS

1.00	EXPLAINING THE BACKGROUND TO THE WRITE OFF
1.01	Cineworld Cinemas Limited is a multiplex cinema chain and which trades from many sites across the UK, including the site at Unit 23 Broughton Shopping Park, Chester Road, Broughton.
1.02	The company have traded from Broughton Retail Park since May 2015 and have paid more than £1.3m in business rates during this period.
1.03	Cineworld Cinemas Limited, one of the companies within the Cineworld Group, has incurred financial challenges for several years, which were intensified by the global pandemic. The group was subject to a reorganisation under Chapter 11 of the U.S. Bankruptcy Code in 2022 and 2023, however, the UK part of the group faced ongoing continued financial issues, which were magnified by the 2023 writers' and actors' strikes which limited film releases and footfall into cinemas.
1.04	Despite the company facing unprecedented financial challenges Cineworld have paid their business rates liability in Flintshire in full and on time throughout their period of occupation until 18 th June 2024.
1.05	<p>The company proposed a Part 26a Corporate Restructuring Plan in the High Court of Justice in September 2024 as it faced significant quarterly rent and insurance obligations. If it had not taken this course of action, it may have filed for insolvency.</p> <p>The High Court accepted evidence from Cineworld that under the relevant alternative, unsecured creditors (including landlords under the leases, general property creditors and business creditors) would either receive a nil or de minimis amount.</p>
1.06	The terms of the Restructuring Plan included all Business Rates arrears from 1 July to 30 September 2024 owed by the company being irrevocably and unconditionally compromised, released, and discharged in full. To summarise, this deems business rate arrears equating to £30.4k as non-recoverable.
1.07	It is reassuring to note that Cineworld Cinemas Ltd have subsequently contacted the Council confirming plans to recommence payments for the business rates liability from 1 st October 2024 to 31 st March 2025 and the company have commenced these payments.
1.08	The Council have submitted a proof of debt form for £30,427.45 for the period of business rates liability 1 st July to 30 th September 2024 that has been compromised.
1.09	The Restructuring Plan agreed by the High Court is an alternative tool to insolvency and will hopefully provide the company opportunity to continue trading, including from the site in Broughton.

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 business rates debt, amounting to a £30.4K loss of income to the National Collection Pool, is being recommended as a last resort as there is no prospect of recovering this debt.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	<p>For those businesses who fail to pay, recovery action is usually taken at the earliest opportunity to secure payment. Measures include taking legal action to secure a Liability Order at the Magistrates Court.</p> <p>On this occasion, these recovery measures have not been taken to recover this balance in this case, nor would they have been appropriate to be so. This is due to the restructuring of the business and the subsequent decision of the High Court that the liability for Business Rates for the period 1st July 2024 to 30th September 2024 have been compromised and cannot be pursued or recovered.</p>

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 – Cineworld Cinemas Limited – Company Number 01915767 • High Court of Justice, Business and Property Courts of England and Wales (EWHC 2475 of 2024) https://www.judiciary.uk/wp-content/uploads/2024/09/UK-Commercial-Property-Finance-v-Cine-UK-and-Cineworld.pdf

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: David Barnes, Revenues & Procurement Manager</p> <p>Telephone: 01352 703652</p> <p>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> <p>Part 26A Restructuring Plan: are available only to companies that have encountered or are likely to encounter financial difficulties to affect their ability to carry on business as a going concern. They are different from other processes under the Insolvency Act 1986 in that there is no need for the company to be insolvent to propose a Part 26A plan, and a company can indeed propose a Part 26A plan in order to avoid becoming insolvent.</p>