

CABINET

Date of Meeting	Tuesday, 21 st January 2020
Report Subject	Business Rates – Write Offs
Cabinet Member	Cabinet Member for Corporate Management and Assets
Report Author	Chief Officer (Governance)
Type of Report	Operational

EXECUTIVE SUMMARY

Individual bad debts in excess of £25,000 require Cabinet to approve recommendations to write off debts in line with the Financial Procedure Rules of the Council.

Two Business Rate debts are considered to be irrecoverable as the ratepayers have either entered into liquidation or are no longer trading. Consequently, there are no assets and successful recovery of the debts is no longer possible and a write off is necessary, totalling £60,260. The organisations are:

- Richmond Investment Properties Ltd - £25,882
- Mr Ryan Corbett (Trading as 'Jump 2 It') - £34,378

RECOMMENDATIONS

1	Approve the write off for the Business Rate debts as set out in the report.
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REPORT DETAILS

1.00	EXPLAINING THE BUSINESS RATE WRITE OFF REQUESTS
	Background to Richmond Investment Properties Ltd
1.01	Richmond Investment Properties Ltd was a limited liability company liable for Business Rates on the former Bryn Awel Hotel, Denbigh Road, Mold from July 2012 until July 2014.
1.02	The company did not make payment as demanded and the Council successfully obtained Liability Orders at Mold Magistrates Court in April 2014 and in August 2014. The company directors did not attend the hearings.
1.03	Enforcement agents/Bailiffs were subsequently engaged to enforce the Liability Orders and to secure payment, if necessary, by removing goods belonging to the company. The Enforcement agents carried out a number of visits at both the former Bryn Awel Hotel address and the companies registered office address but the visits did not result in securing payment or the identification of assets that could be taken and sold to secure payment.
1.04	Richard Investment Properties Ltd ceased to be liable for Business Rates from 8 th July 2014, following repossession of the property by the owners.
1.05	Companies House issued a notice in January 2015 for compulsory strike-off and in April 2015, the company was dissolved.
1.06	There is no prospect of recovering the unpaid business rate liability of £25,882 since the company is now dissolved.
	Background to Mr Ryan Corbett (Trading as Jump To It Deeside)
1.07	Mr Ryan Corbett was liable for Business Rates on Unit 37, Deeside Industrial Estate from June 2016 until March 2018.
1.08	The ratepayer failed to meet his Business Rate payment obligations and liability orders were granted against him in April and November 2017, subsequently Enforcement agents/Bailiffs were instructed to secure payment of the outstanding balances.
1.09	The Councils in-house enforcement agents secured a payment agreement with the ratepayer and a total of £11,000 was successfully recovered.
1.10	The ratepayer then defaulted with his payment agreement and the Business Rate liability was ended from 31 st March 2018 as the ratepayer subsequently became liable for Business Rates as a separate legal entity of a limited liability company.
1.11	In an effort to secure payment of Business Rates from the ratepayer, the Council referred the matter to an external Solicitors and Insolvency Practitioners, at no cost to the Council, with a view of undertaking bankruptcy proceedings against the ratepayer.

1.12	Following a review of the case, it was concluded there was no prospect of recovering the outstanding Business Rates of £34,378 as the ratepayer had insufficient personal assets to discharge the debt and it is therefore not in the public interest to undertake bankruptcy against the ratepayer.
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2.00	RESOURCE IMPLICATIONS
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2.01	There are no direct revenue implications for the Council or local Council Tax payers, as the cost of writing off these debts are borne by the National Collection Pool. But as the Collection Pool is supported by Welsh Government, non-payment of Business Rates does however have a wider impact of the Welsh taxpayer.
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3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
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3.01	Legal action is always taken quickly to secure payment from those businesses who fail to pay their Business Rates. Measures include securing a Liability Order at the local Magistrates Court and then enforcing payment. Sometimes, the use of enforcement agents/bailiffs to take control of goods, and on occasion, sell those goods, is deemed necessary to secure payment. On occasion, the Council also considers taking liquidation and bankruptcy proceedings.
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3.02	Writing off the debts contained in this report, amounting to a total loss of income to the National Collection Pool for Wales of £60,260, is being recommended as a last resort and only on the basis there is no prospect of successfully recovering these debts.
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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, but in the case of individual write offs in excess of £25,000, Cabinet must be consulted as part of the decision making process to write off those debts.
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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
6.01	<ul style="list-style-type: none"> Local Government Finance Act 1988 Financial Procedure Rules (section 5.2) http://infonet.flintshire.gov.uk/en/Document-Repository/People-and-Resources/Finance/Procedures/FPRs-March-2018.pdf

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: David Barnes, Revenues 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 Business Rate system and 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>Companies House: is the UK's registrar of listed companies and is an executive agency of Her Majesty's Government.</p> <p>Debt Enforcement agents/Bailiffs: are sometimes used as a way of enforcing Liability Orders for non-payment of Business Rates by either collecting payment in full or taking control of goods to secure payment or sale.</p> <p>Company 'winding-up': is the legal process submitted by an interested party to liquidate a company. This process may be done by a third party such as a creditor who is owed money by the company.</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 look into 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>

<p>Bankruptcy: is a legal status for people who are unable to repay the money they owe to creditors. People can only be made bankrupt if they have debts over £5,000, and it's generally seen as a last resort for creditors to take. When someone is declared bankrupt, the value of their possessions and assets is usually shared out among those creditors who are owed money.</p>
