

North Tyneside Council

Report to Cabinet

Date: 12 December 2016

ITEM 6(c)

Title: Business Rate
Write Offs

Portfolio(s): Elected Mayor

Finance and Resources

Cabinet Member(s): Norma Redfearn

Councillor Ray
Glindon

Report from Service Area: Finance

Responsible Officer: Janice Gillespie, Head of Finance Tel: (0191) 643 5701

Wards affected: All

PART 1

1.1 Executive Summary:

When an individual or company is the subject of insolvency proceedings, be it individual bankruptcy, or the company going into administration or receivership then the debt accrued up until that date can no longer be pursued by any of the enforcement options available within the Non Domestic Rating (Collection & Enforcement) Regulations 1989.

In these circumstances the Authority provides proof of the debts owed to it to the insolvency practitioners or official receiver who is appointed to oversee the distribution of any remaining funds of the failed business to its creditors. On most occasions once priority creditors, such as former employees, and insolvency practitioner fees are paid there is little if anything left for other creditors, including the Authority.

This report seeks Cabinet approval to write off Business Rate debts where the companies have ceased trading and have been subject to insolvency proceedings, where no dividend has been available to the Authority and there are no other avenues available to recover the debt.

Cabinet is being asked for approval to write off Business Rate debts because the amount owed by each business is in excess of £50,000. The Authority's Scheme of Delegation states that any debt over the value of £50,000 can only be written off following Cabinet approval. Debts below that level can be written off with signed approval from the Cabinet Member for Finance and Resources and the Head of Finance.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (a) Approve the write offs set out within appendix 1 of this report and
- (b) Instruct the Head of Finance to carry out this action.

1.3 Forward plan:

- 1.3.1 Twenty eight days notice of this report has been given and it first appeared on the forward plan that was published on 24 October 2016.

1.4 Council plan and policy framework

- 1.4.1 This report does not relate directly to any priorities identified in the 'Our North Tyneside Plan 2016 -2019'.

1.5 Information

- 1.5.1 We have 5,563 commercial assessments in North Tyneside and each assessment is issued with a Business Rates demand on an annual basis. Some of these businesses will qualify for reductions in their Business Rate liability through Small Business Rate Relief, Empty Rate Relief, Mandatory or Discretionary Charitable Rate Relief.
- 1.5.2 The current net debit of Business Rates for the financial year 2016/2017 is £61.95 million. Collection performance is strong in North Tyneside with last year's in year collection rate achieving 98.5% and longer term collection rates in excess of 99% each year. Collection continues for many years after the financial year in which the debt became due. Our collection performance is in the top quartile of metropolitan authorities.
- 1.5.3 The total outstanding arrears for all years up to 31 March 2016 currently stands at £4.84 million. The Authority has set aside a bad debt provision for Business Rates within its accounts to cover up to £3.32 million of these arrears. The total amount being requested for write off in appendix 1 to this report is £1.275 million which is within the bad debt provision available. It should be noted that within the period the proposed write offs have occurred, that over £300 million business rates debit has been collected.
- 1.5.4 Businesses are offered support and advice if they are struggling to pay by the Business Rate Team working with colleagues in the Business and Economic Development Team. Flexible payment arrangements are offered where appropriate to support businesses through short term financial issues.
- 1.5.5 The full recovery process is used to ensure payment is made in accordance with the legislation. However, on occasion some businesses inevitably cease trading, whether this is on a voluntary basis or by way of insolvency proceedings being instigated by one of its creditors.

1.6 Decision Options

- 1.6.1 The following options are available to Cabinet:

Option 1 – Approve the Business Rate write offs set out in appendix 1 to this report and instruct the Head of Finance to carry out this action.

Option 2 – Reject the request for approval of the write offs and refer back to officers for provision of additional information.

Option 1 is the recommended option

1.7 Reasons for recommended option:

1.7.1 Option 1 is recommended for the following reasons:

- 1.7.2 a) The businesses have ceased trading and there are no other options available to the Authority to recover the outstanding amounts.
- b) The Authority's accounts contain a bad debt provision for the occasions when no recovery options are available to them to collect the debt. The amounts being requested to be written off are well within the bad debt provision available.

1.8 Appendices:

Appendix 1 – Schedule of write offs.

1.9 Contact officers:

Janice Gillespie – Head of Finance, Tel. (0191) 6435701
Andrew Scott – Senior Client Manager Revenues, Benefits and Customer Services,
Tel. (0191) 643 7150

1.10 Background information:

The following background papers/information has been used in the compilation of this report and are available at the office of the author

- [Non Domestic Rating \(Administration & Enforcement\) Regulations 1989](#)
- [Officer Scheme of Delegation](#)
- Write off check / information verification for each business (exempt information)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1. Finance and Other Resources

- 2.1.1 The write offs are being requested as no options remain available to the Authority to collect the outstanding amounts. The £1.275 million being requested for write off approval can be contained within the bad debt provision of £3.32 million held in the Authority's balance sheet.

2.2 Legal

Approval is sought from Cabinet for the write off of Business Rate debts for the reasons set out in the report. The Officer Delegation Scheme at F18 is clear that the write off of bad debt in excess of £50,000 requires a Cabinet decision and is not a decision that can be taken by Officers. All available recovery options available under the Non Domestic Rating(Administration & Enforcement) Regulations1989 were pursued at the appropriate time.

In accordance with the Local Government Act 2000 and the Regulation under that Act the determination of this matter is the responsibility of Cabinet.

2.3 Consultation/community engagement

2.3.1 No consultation was required or appropriate for this report

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

2.5.1 There are no Equality & Diversity impacts with writing off Business Rate debts.

2.6 Risk management

2.6.1 There is no risk to the Authority as write offs of this nature have been fully provided for in the Authorities accounts through appropriate bad debt provision.

2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

2.8 Environment and sustainability

There are no environmental and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Deputy Chief Executive ☒
- Head(s) of Service ☒
- Mayor/Cabinet Member(s) ☒
- Chief Finance Officer ☒
- Monitoring Officer ☒
- Head of Corporate Strategy ☒