

## **NOTICE OF INDIVIDUAL EXECUTIVE MEMBER DECISION**

<b>ITEM NO.</b>	IMD 2015 – 13
<b>TITLE</b>	Write off of Non-Collectable Debt
<b>DECISION TO BE MADE BY</b>	Anthony Pollock, Executive Member for Economic Development and Finance
<b>DATE AND TIME OF DECISION</b>	Friday 27 March 2015 at 10.45am
<b>VENUE</b>	David Hicks Room, Council Offices, Shute End, Wokingham
<b>REPORT TO BE PUBLISHED ON</b>	Thursday 19 March 2015

**INDIVIDUAL EXECUTIVE MEMBER DECISION**  
**REFERENCE IMD: 2015 - 13**

<b>TITLE</b>	Write off of Non-Collectable Debt
<b>FOR CONSIDERATION BY</b>	Executive Member for Economic Development and Finance
<b>ON</b>	Friday 27 March 2015
<b>TIME</b>	10.45am
<b>WARD</b>	None Specific
<b>DIRECTOR</b>	Graham Ebers, Finance and Resources

**OUTCOME / BENEFITS TO THE COMMUNITY**

The write off of a non-collectable debt ensures that Council ledgers are accurate and up to date.

The debt to be written off is in respect of business rates liabilities for the years 2012/13 and 2013/14. Due to changes in the Business Rates funding any debt that is written off has a financial impact on the Council in that 49% of the loss is incurred by the Council.

**RECOMMENDATION**

Agree to write off business rates liabilities in the sums of £32,731.53 and £25,653.96, totalling £58,385.49 as unrecoverable.

**SUMMARY OF REPORT**

**Ray Hudson Limited** was a company that had been in operation for a few years at a business unit in Earley. They had struggled to pay business rates on this assessment over recent years and recovery action had been taken on older debt which had resulted in payment.

Roy Hudson entered into a Company Voluntary Arrangement (CVA) and the Insolvency Practitioners dealing with the CVA contested that any future payments or obligations were bound by the CVA and were appealing that Wokingham Borough Council (WBC) were trying to make claims that were outside of the CVA. We were referred to the legal case Cazaly Irving Holdings Ltd vs Cancel Ltd. The Supervisor of the CVA was then instructed by his Solicitor to issue an application to Court for a direction that the business rates liability is bound by the terms of the CVA. WBC were summonsed to attend Reading County Court for the direction hearing on the 17<sup>th</sup> March 2014.

WBC took advice initially from Chartered Institute of Public Finance Accountants who

concluded that the insolvency practitioners' interpretation of the Cancel Ltd case was incorrect. The case was referred to Shared Legal Services on 10<sup>th</sup> January 2014 to represent WBC at a hearing in March 2014. At this point WBC ceased any further collection activity on the account pending the outcome of the hearing.

On 30<sup>th</sup> January 2014 a letter was received from the Insolvency Practitioners advising that after they had considered Ray Hudson Ltd.'s financial situation and had resolved that they should put the company into voluntary liquidation. On 13<sup>th</sup> Feb 2014 the voluntary liquidation was confirmed and in October 2014 a letter was received from KRE (insolvency practitioners) advising that substantial preferential creditor (HMRC) will receive any potential dividend following Ray Hudson's liquidation. As a result WBC have no option but to write off the debt totaling £32,731.53.

**Antix Labs Limited** occupied a unit at the University of Reading. The Valuation Office made a decision to assess each of these units individually and the occupiers would become liable for the business rates. The work to rate each unit individually was undertaken in June 2014, and Antix Labs were liable for business rates from April 2012. Antix Labs were already in administration and had vacated the property in March 2014, and the Company was dissolved on 23 January 2015. As a result WBC have no option but to write off the debt totaling £25,653.96.

## Background

Ray Hudson Limited (In liquidation) was registered for business rates at an industrial unit from December 2008. They paid their business rates until the first recovery taken in November 2010. We were advised in May 2011 that the company was entering into a CVA. Due to the correspondence with the company dealing with the CVA and the involvement of Shared Legal Services on an impending hearing we could not take any further recovery action.

Just before the hearing Ray Hudson Limited went into voluntary liquidation and we were advised that there was a substantial preferential creditor and that no dividends would be payable to any other creditors.

Antrix Labs Limited had occupied a unit at Reading University for a number of years. The rates were paid by Reading University as the units were not individually assessed. The Valuation Office made a decision to rate each unit separately and the individual occupiers would be liable for the business rates. The valuation Office individually rated the assessments in June 2014, after Antix Labs have vacated and filed for administration. The debt for the outstanding business rates was therefore uncollectable.

## Analysis of Issues

We have exhausted all possible steps to enforce payment of the outstanding business rates liabilities. If the debt is not written off it will remain as a bad outstanding debt on our records. 49% of the total amount outstanding, £28,608.89, is a loss to the Council,

the remainder is funded by central Government. We will exceed our target for collection on business rates this financial year, and therefore this loss can be covered from the excess income.

## **FINANCIAL IMPLICATIONS OF THE RECOMMENDATION**

***The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.***

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	28,608.89	Yes	Revenue
Next Financial Year (Year 2)	None	None	
Following Financial Year (Year 3)	None	None	

### **Other financial information relevant to the Recommendation/Decision**

None

### **SUMMARY OF CONSULTATION RESPONSES**

<b>Director - Resources</b>	None received
<b>Monitoring Officer</b>	None received
<b>Leader of the Council</b>	None received

### **List of Background Papers**

None

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