

CABINET

15 June 2011

NON-DOMESTIC RATES - WRITE OFF OF IRRECOVERABLE DEBTS

REPORT OF HEAD OF REVENUES

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RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

This report seeks approval to write off three Non-Domestic Rates debts, amounting to £121,597.42.

Two cases relate to debtors which have become insolvent. The debts amount to £61,329.18 and £30,473.18 respectively.

The third case relates to an individual who accrued a debt of £29,795.06 from 1991 to 1993. Write off is recommended due to the age of the debt and the fact that the whereabouts of the debtor are unknown.

RECOMMENDATIONS:

That Cabinet approval be given to write off debts as detailed in this report amounting to £121,597.42.

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REPORT OF HEAD OF REVENUES

1. Introduction

- 1.1 This report provides details of three outstanding Non-Domestic Rates (NDR) debts that are recommended for write off.
- 1.2 All NDR income recovered is paid to Central Government and then redistributed to local authorities based upon a prescribed formula. For example, in 2009/10 the Council paid £44.8m to Central Government and received a redistribution of £5.7m. The £44.8m is net of any bad debts which have been written off and a provision for any doubtful debts which are estimated to be irrecoverable.

2 Details

- 2.1 The first debt relates to a public house that was being run by a manager under licence. The liability covers the period 1 April 2005 to 29 September 2010 and amounts to £61,329.18. A number of payment arrangements were made with the debtor over the years following recovery action by the Council in the Magistrates' Court where a liability order was obtained. The arrangements were maintained for limited periods and on default the debt was sent to the bailiffs for recovery. Some payments were made to the bailiff, however, when payments ceased the bailiff was unable to distrain on items in the pub as they were the property of the owner. Following an Individual Voluntary Arrangement order in 2009, which the debtor failed to comply with, a bankruptcy order was made on 10 January 2011. There is no likelihood of any further payments.
- 2.2 The second debt relates to a company occupying a workshop & premises. The liability covers the period 27 November 2008 to 19 August 2010 and amounts to £30,473.18. The ratepayer did not contact the Council to confirm occupation of the property until August 2009. Despite contact from the ratepayer on at least four occasions during 2009 and 2010 when arrangements were made to pay the outstanding debts, no payments were received. The company went in to liquidation on 20 August 2010.
- 2.3 The third debt relates to retail premises on the Winchester High Street. The liability covers the period 1 April 1991 to 18 July 1993 and amounts to £29,795.06. Although the period of occupation is relatively short the debt is large due to the high rateable value of the property. The debtor did not inform the Council that he had taken on the lease. This information was supplied by

the previous leaseholders in January 1992 which left the debtor with a substantial backdated bill. Despite making an arrangement to clear the outstanding debts whilst trading and making payments totalling £22,036, a number of cheques bounced, indicating the debtor did not earn sufficient income to fulfil his business obligations. After the debtor vacated the premises he was not in a position to clear the outstanding debt as he was then living on Income Support. However, a minimum payment arrangement of £16 per fortnight was agreed and was maintained until 2001. When payment ceased the debt was passed to the bailiffs for further recovery action but the case was eventually returned as the debtor had left the contact address. Further investigation has failed to establish the whereabouts of the debtor.

- 2.4 Under Financial Procedure Rules 11.7 approval is sought to write off the debts listed in paragraphs 2.1 to 2.4 above.

OTHER CONSIDERATIONS:

3 SUSTAINABLE COMMUNITY STRATEGY & CHANGE PLANS (RELEVANCE TO):

- 3.1 As a billing authority the Council has a statutory duty to carry out the billing, collection and enforcement functions of Non-Domestic Rates.

4 RESOURCE IMPLICATION

- 4.1 These write offs will have the effect of increasing the amount owed to the Council by the Government in the financial year they are written off, by the amount of the difference between the amount written off and the bad debt provisions previously made.

5 RISK MANAGEMENT ISSUES

- 5.1 None

BACKGROUND DOCUMENTS:

Ratepayer account details held on Revenues systems (excluding exempt personal information).