

Report to	Cabinet	Item 8
	06 February 2019	
Report of	Director of business services	
Subject	Write off of irrecoverable national non domestic rate debt	

KEY DECISION

Purpose

To provide an update on the position as at 14 January 2019 with regard to the write off of non- recoverable national non domestic rate (NNDR) debt and request approval for the write-off of debts totalling £579,628.90 which are deemed irrecoverable.

Recommendation

To approve the proposed write off of £579,628.90 of NNDR debt which is now believed to be irrecoverable.

Corporate and service priorities

The report helps to meet the corporate priority value for money services and the service plan priority to provide accurate, relevant and timely financial information.

Financial implications

The cost to the collection fund of write offs is shared as follows: Central Government 50%, Norwich City Council 40% and Norfolk County Council 10%. However, each year an assessment of debt is undertaken to set a Bad Debt provision within the Collection Fund.

These write-offs of £579,628.90 will mean that there will be £459,698.38 left in the bad debt provision for 2018/19.

Ward/s: All wards

Cabinet member: Councillor Kendrick - resources

Contact officers

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National Non Domestic Rates

1. National Non Domestic Rate income for 2018/19 is forecast to total £75m. Significant work is undertaken by the Revenues and Benefits team to pursue all outstanding debt. However, there are debts where despite this work, the debt is believed to be irrecoverable often because the company owing the money has become insolvent. In the year to 14/01/2019 £526,971.21 of NNDR debt has been written off which is the equivalent of 0.71% NNDR annual income.
2. Four further amounts totalling £579,628.90 require cabinet approval for write-off because of their value and these debts relate to four companies. The first is for Homebase Ltd as they have a CVA (Company Voluntary Arrangement) in place as of 31/08/2018. The Norwich store falls under the Category 5 compromised leases and rating authorities. The full charge is payable for 275 days up to and including 31/12/2018. For the remaining period of 90 days the CVA terms state they will only pay 10% of the balance. The company will then resume payments as per normal with effect from April 2019. To ensure this happens seamlessly, the residual 90% which amounts to £99,092.54 needs to be written off.
3. The second company is Genus UK Ltd T/A Select (Retail), again there is a CVA in place as of 12/04/2018. The terms being, distribution is 5p/£, the completion date is 13/10/2018 and dividend November 2018, therefore the balance has to be written off across the 3 accounts they have with us and this totals £80,818.67.
4. The third company is Game Station Ltd, the company owes rates account 9354854 with a balance of £157,842.39 and BID2 account 5215248 which has a balance of £713.04. The liability on these accounts is to 30/10/2018 because the lease was disclaimed as of 31/10/2018. To explain the history, this company (company number 03547594) went into Administration over 3 years ago and this ended on 25/09/2015, the company was then dissolved on 21/01/2016. There was an overriding lease with the landlord holding guarantor JD Sports Fashion Plc liable for rent on basis of counterpart lease from 22/10/2013. A 25 year lease granted from 14/11/1995 was assigned to Games Station Ltd in 2005. In summary this meant that the company was therefore still liable / responsible for rates and BID levy on 3/4 Castle Mall despite its status and no exemption could be granted from 26/09/2015 following the end of its Administration period.
5. The final company is Flexi Office Solutions Ltd and the total debt is £241,875.30 which covers 40 accounts for various assessments at 51/59 Rose Lane –known as the Union Building. The company (company number 09514945) was dissolved on 29/08/2017 meaning that we are unable to pursue collection any further. The occupation periods for these accounts were confirmed by the freehold owner Harold & Sons Limited (director Mr Christophi). Flexi Office Solutions Ltd managed The Union Building (6 floors multiple assessments) on behalf of the freehold owner Harold & Sons Limited between April 2015 and August 2017. During this period we

became aware of numerous changes of use being made throughout the building to the various assessments and, these had to be reported to the Valuation Office Agency (VOA) for them to make any amendments as they saw fit. Unfortunately, our powers when collecting this sort of information are limited and attempts to visit the premises to ascertain the necessary information were hindered by either Flexi Office or Harold & Sons . We then experienced delays to the billing process due to the time taken by the VOA to respond with a decision. A summary of changes made can be found on pages 4-7 of this report.

6. The cost to the collection fund of write offs is shared as follows: central government 50%, Norwich City Council 40% and Norfolk County Council 10%. The Norwich City Council share of write-off's to date including the ones proposed in this report is £442,640.04.
7. Each year an assessment of debt is undertaken to set the bad debt provision within the collection fund. These write offs will be charged in full against the provision.

Flexi Office Solutions Ltd summary of changes

Account 9426751, w/o £15537.54 liability 20/4/15-28/8/17 for Car Park Level 1 East Wing. This was originally assessed as a restaurant and was queried as from 20/4/15 Flexi took over this space as a covered car park. This was reported BA report 4646 uploaded 11/11/16. This was amended in the 2010 List u/d 28/2/17 reducing the 2010 List RV from £25500-14250 from 1/4/10 and changing the description from Restaurant and Premises to Car Park and Premises.

Account 9426838 w/o £1605.68 20/4/15-30/11/15 for Room 2 Level 1

Account 9426773 w/o £1939.06 20/4/15-30/11/15 for Room 4 Level 1

Account 9426762 w/o £863.15 20/4/15-30/11/15 for Room 6 Level 1. These assessments which were in the List when Flexi Office Solutions took over the building from 20/4/15 and were reported for review BA report 4702 uploaded 23/2/17. These and other assessments which did not attract an empty charge were subject to a 6-7 Reconstitution with effect from 1/12/15 in the 2010 List and from 1/4/17 in the 2017 List on the 12/7/17 VOA update schedules.

The charges due from Flexi on some of the successor assessments created from 1/12/15 were as follows:

Account 9463556 w/o £2983.22 1/2/15-10/7/17 for Room 3 Level 1 West Wing. The office was empty prior to it being let from 11/7/17 to a tenant.

Account 9463545 w/o £611.04 1/12/15-28/6/16 for Room 2 Level 1 West Wing. The office was empty prior to it being let from 29/6/16 to a tenant.

Account 9463567 w/o £1464.81 1/12/15-28/2/17 for Room 4 Level 1 West Wing. The office was empty prior to it being let from 1/3/17 to a tenant.

Account 9463578 w/o £586.64 1/12/15-31/5/16 for Room 5 Level 1 West Wing. This office was empty prior to it being let from 1/6/16 to a tenant.

Account 9463589 w/o £2,792.32 1/12/15-30/7/17 for Room 6 Level 1 West Wing. The office was empty prior to it being let from 31/7/17 to a tenant.

Account 942673X w/o £41884.18 20/4/15-30/11/15 for Levels 2 and 3 Winterthur House. This was reported BA report 4449 uploaded 14/3/16. A 1-17 SPLIT with effect from 1/12/15 was done on 10/8/16 2010 List update – this also covered the separate part of Level 3 below.

Account 9426740 w/o £3398.81 20/4/15-30/11/15 for NWRE Level 3 Pt Winterthur House. This was reported BA report 4641 uploaded 11/11/16. It was removed from the Rate List with effect from 1/12/15 and from 1/4/17 on 28/2/17 2010 and 2017 List updates as it was deemed to be part of the area covered by the reconstitution of Levels 2 and 3.

The charges due from Flexi on some of the successor assessments created from 1/12/15 were as follows:

Account 9445797 w/o £32,783.80 1/12/15-28/8/17 for Level 2 East Wing. This office is empty and Flexi Office Solutions was dissolved. 29/8/17.

Account 944571X w/o £3318.23 1/12/15-31/10/16 for Rooms 1 & 2 Level 2 West Wing. The office was empty prior to it being let from 1/11/16 to a tenant.

Account 9445731 w/o £1317.79 1/12/15-30/4/16 for Room 5 Level 2 West Wing - The office was empty prior to it being let from 1/5/16 to a tenant.

Account 9445742 for Room 6 Level 2 West Wing - £140.82 1/12/15-6/3/16. The office was empty prior to it being let from 7/3/16 to a tenant.

Account 9445753 for Room 7 Level 2 West Wing - £948.33 1/12/15-30/6/16. The office was empty prior to it being let from 1/7/16 to a tenant.

Account 9445764 for Room 8 Level 2 West Wing - £1242.63 1/12/15-15/9/16. The office was empty prior to it being let from 16/9/16 to a tenant.

Account 9445775 for Room 9 Level 2 West Wing - £1124.66 1/12/15-17/5/16. The office was empty prior to it being let from 18/5/16 to a tenant

Account 944581 for Server Room Level 3 West Wing - £5262.16 1/12/15-28/8/17. This assessment is assessed as in use and Flexi Office Solutions was dissolved. 29/8/17

Account 9446593 for Room 2 Level 3 West Wing - £565.85 1/12/15-9/5/16. The office was empty prior to it being let from 18/5/16 to a tenant.

Account 9426827 w/o £15177.32 20/4/15-2/1/16 for Level 4 East Wing. This was reported BA report 4703 uploaded 23/2/17. A 1-10 split with effect from 3/1/16 and from 1/4/17 on 12/7/17 2010 and 2017 List updates.

The charges due from Flexi on the successor assessments created from 3/1/16 were as follows:

Account 9463621 w/o £6935.26 3/1/16-28/8/17 for Room 1 Level 4 East Wing. This office is empty and Flexi Office Solutions was dissolved. 29/8/17.

Account 946362 w/o £1309.83 3/1/16-28/8/17 for Room 2 Level 4 East Wing. This office is empty and Flexi Office Solutions was dissolved. 29/8/17.

Account 9463643 w/o 3104.37 3/1/16-28/8/17 for Room 3 Level 4 East Wing. This office is empty and Flexi Office Solutions was dissolved. 29/8/17

Account 9463665 w/o £6935.26 3/1/16-28/8/17 for Room 5 Level 4 East Wing. This office is empty and Flexi Office Solutions was dissolved. 29/8/17

Account 9463676 w/o £1631.11 3/1/16-28/8/17 for Room 6 Level 4 East Wing. This office is empty and Flexi Office Solutions was dissolved. 29/8/17

Account 9463687 w/o £6935.26 3/1/16-28/8/17 for Room 7 Level 4 East Wing. This office is empty and Flexi Office Solutions was dissolved. 29/8/17

Account 9463698 w/o £1606.40 3/1/16-28/8/17 for Room 8 Level 4 East Wing. This office is empty and Flexi Office Solutions was dissolved. 29/8/17

Account 9426729 w/o £9,971.19 period 20/4/15-27/1/16 for Level 4 Winterthur House. This assessment was billed based on the assessment as it was when Flexi took the property over. This was on BA report 4450 uploaded 14/3/16. A 1-4 SPLIT effective 28/1/16 was done on the 2010 List update 20/7/16

The charges due from Flexi on some of the successor assessments created from 28/1/16 were as follows:

Account 9445198 w/o £1250.97 28/1/16-28/8/17 for Server Room Level 4 West Wing. This assessment is assessed as in use and Flexi Office Solutions was dissolved. 29/8/17

Account 9445176 w/o £3984.57 28/1/16-28/8/17 for Communal Kitchen Level 4 West Wing. This assessment is assessed as in use and Flexi Office Solutions was dissolved. 29/8/17

Account 9445862 w/o £8798.09 1/7/16-28/8/17 for Room 1 Level 4 West Wing. The previous tenant moved out of the office from 1st July 2016 and Flexi Office Solutions was dissolved 29/8/17.

Account 9426816 w/o £10470.87 20/4/15-31/10/15 for Level 5. This was reported BA report 4448 uploaded 14/3/16. A 1-2 split with effect from 1/11/15 was done on 6/7/16 update to create separate assessments for the East and West Wing of Level 5

The East Wing assessment created from 1/11/15 was let to a tenant. This was on BA report 4736 uploaded 23/3/17. A 1-4 SPLIT with effect from 2/5/16 u/d 12/7/17 on 2010 and 2017 Lists.

The charges due from Flexi on some of the successor assessments created from 2/5/16 were as follows:

Account 9463796 w/o £6719.63 2/5/16-28/8/17 for Room 1 Level 5 East Wing. This office is empty and Flexi Office Solutions was dissolved. 29/8/17.

Account 9463828 w/o £4440.73 2/5/16-28/8/17 for Room 3 Level 5 East Wing. This office is empty and Flexi Office Solutions was dissolved. 29/8/17.

Account 9463839 w/o £1974.79 2/5/16-28/8/17 for Room 4 Level 5 East Wing. This office is empty and Flexi Office Solutions was dissolved. 29/8/17.

The West Wing assessment created from 1/11/15 was the responsibility of Flexi but was subject to an empty exemption from 1/11/15 and reported on BA report 4705 uploaded 23/2/17 and subject to a 1-4 SPLIT from 4/1/16 u/d 12/7/17.

The charges due from Flexi on some of the successor assessments created from 4/1/16 were as follows:

Account 9463752 w/o £9076.89 4/1/16-28/8/17 for Room 1 Level 5 West Wing.
This office is empty and Flexi Office Solutions was dissolved. 29/8/17.

Account 9463763 w/o £2990.06 4/1/16-28/8/17 for Room 2 Level 5 West Wing.
This office is empty and Flexi Office Solutions was dissolved. 29/8/17.

Account 9463785 w/o £5833.23 4/1/16-28/8/17 for Room 4 Level 5 West Wing.
This office is empty and Flexi Office Solutions was dissolved. 29/8/17

Account 9426784 w/o £11353.75 20/4/15-6/10/16 for Level 6. This assessment
was empty and assessed as offices to 6/10/16 and has been let from 7/10/16 and
assessed as a restaurant since this date.

I trust this is what you need and should give you some background on all the
assessments that have been charged to and were not paid by Flexi Office
Solutions Ltd prior to its dissolution on 29/8/17.

Integrated impact assessment



NORWICH
City Council

Report author to complete

Committee:	Cabinet
Committee date:	06/02/2019
Director / Head of service	Director of business services
Report subject:	Write-off of non-recoverable National Non Domestic Rate debt
Date assessed:	23/01/2019

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	X	<input type="checkbox"/>	The report shows that the council monitors its debt levels and pursues debt wherever there is a reasonable chance of recovery resulting in a low level of debt write off.
Other departments and services e.g. office facilities, customer contact	X	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	X	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	X	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	X	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	X	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	X	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	X	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	X	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	X	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	X	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	X	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	X	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	X	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	X	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	X	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	X	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	X	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments

	Impact			
Risk management	<input type="checkbox"/>	X	<input type="checkbox"/>	The report demonstrates that the council is aware and monitors risks to the collection of its income.

Recommendations from impact assessment	
Positive	
None	
Negative	
None	
Neutral	
None	
Issues	
The council should continue to monitor its levels of debt and take action to recover where possible and costs effective to do so.	