



## **Report to Cabinet**

**Subject**      **National Non-Domestic Rates Write Off**

**Date**         **2<sup>nd</sup> February 2012**

**Author**       **Corporate Director – Chief Financial Officer**

### **1. Purpose of Report**

- Mr W, Business Rates customer of in the Borough of Gedling, has entered into an Individual Voluntary Arrangement (IVA) and therefore this report requests the write off of £42,797.55 in respect of outstanding National Non-Domestic Rates (NNDR) for his property.

### **2. Background**

- Mr W's liability in the Borough of Gedling started on 31<sup>st</sup> October 2007 and is ongoing although, the property has not been occupied at any time during this period.
- As Mr W is currently subject to an IVA, no recovery action has been taken by Gedling Borough Council on the amounts owing as stated in this report.
- A proposal for an IVA was received on 17<sup>th</sup> August 2009 from Begbies Traynor (Central) LLP. This proposal forecasted a dividend to un-secured creditors of 31.3 pence in the pound after five years. This proposal was later withdrawn as it was clear to the debtor that he could not get 75% of his creditors to agree to the IVA.
- Mr W was made bankrupt in August 2009 in the Leicester County Court, case number \*\*\* of 2009.
- On 18<sup>th</sup> December 2009, the bankruptcy order was annulled on the basis that creditors accepted a second IVA proposal.

- The New IVA is currently being supervised by RSM Tenon LLP who predict a dividend of 30 pence in the pound to un-secured creditors over a period of 2<sup>1</sup>/<sub>2</sub> years. This would mean a dividend payment to Gedling Borough Council of approximately £12,839.27.
- Gedling Borough Council seek to write the full outstanding amount off and then write the total dividend back onto the account as and when it is paid. This is done because of the time taken to pay a dividend and the uncertainty over the exact amount that will be paid.

### **3. Financial Processes**

- Council procedures allow NNDR debts up to £5,000 to be authorised for write off by the Head of Corporate Services and for debts up to £25,000 to be authorised for write off by the Chief Executive. Any debts over £25,000 must be passed to Cabinet for authorisation for write off. These provisions are detailed in the Council's Financial Regulations at 4.23e.
- The Council holds a provision for write offs as part of its financial management processes, which is reviewed annually. The current bad debt provision balance is £227,039.00 as at 1<sup>st</sup> April 2011.
- So far during the 2010 and 2011 financial periods, no payments have been received and no monies have been written off.
- The Council collects NNDR on behalf of the Central Government and therefore any write off amounts and other un-recoverable monies are offset against Gedling Borough Council's contribution to the NNDR pool. This means that any balance written off in respect of NNDR has no impact on the General Fund.

### **4. Amounts Outstanding**

- Balance outstanding for 2010/11 financial year is £14,163.91
- Balance outstanding for 2011/12 financial year is £28,633.64

### **5. Recommendations**

- Recommend that Cabinet write off the full balance of £42,797.55 owed by Mr W.