

Written response to: BUSINESS AND TRANSFORMATION SCRUTINY PANEL

Resolution: That the Corporate Director of Finance and Resources provide the Panel with written information regarding CVAs.

Written response from: Corporate Director of Finance and Resources

Response:

Under UK insolvency law an insolvent company can enter into a **company voluntary arrangement** (CVA). The CVA is a form of composition where an insolvency procedure allows a company with debt problems or that is insolvent to reach a voluntary agreement with its business creditors regarding repayment of all, or part of its corporate debts over an agreed period of time.

For the City Council, the effects of a CVA is that companies have a 'business rates holiday' for the remainder of the financial year in which the CVA is approved. In 2018/19 business rates accounts were identified for 2 businesses where CVA's were established. This equated to a loss of business rates income of approximately £120,000.

In Quarter 1 2019/20 we have already received confirmation of CVA's being implemented for 3 businesses to enable them to continue trading. Subject to the provisions of the respective arrangements, a proportion of the rate liability is proposed to be paid and the remainder is written-off as it is not recoverable, once the Creditors have voted and approved the CVA.

The British Retail Consortium have warned that CVA's will be used more by retailers in the UK. Therefore, there is a likelihood that the number of CVA's will increase during the current year, whilst retail businesses respond to their current trading challenges.

Date: 24th July 2019