

<b>Committee(s):</b>	<b>Date:</b>
Finance Committee – For decision	18 <sup>th</sup> February 2020
<b>Subject:</b> Irrecoverable Non-Domestic Rates	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Decision</b>
<b>Report author:</b> Phil Black – City Revenues	

## Summary

The Finance Committee has delegated authority to the Head of Revenues to write off Council Tax and Non-Domestic Rates debts of up to £20,000 without seeking the approval of the Committee. This report seeks approval to write off irrecoverable amounts in excess of that level.

Under the London Business Rates pooling arrangements from 1 April 2019 any losses attributable to irrecoverable amounts are wholly distributed between the Governments central share at 25%, the GLA at 27% and the City Corporation share at 48%. The element attributable to the additional amounts levied by the City of London as a premium and the Crossrail business rate supplement for the Greater London Authority are borne wholly from the proceeds of the premium and supplement.

All the amounts submitted for write off have previously been provided for as uncollectable in accordance with guidelines agreed with the City Corporation's external auditors and instructions issued by central government for the accounting of Non-Domestic Rates. The amounts submitted have been included in a previous year's provision for bad debts in the annual outturn contribution form (NNDR3). The total amount collected annually for each of the last three years is in excess of £1.2 billion. The amounts written off, including amounts written off under delegated powers, as a percentage of the amount collected annually, is less than 0.5% in each year.

## Recommendation

Members are asked to:

- Approve the write off of irrecoverable non-domestic rates in the sum of £1,793,299.67 noting that £570,550.81 will be met by the City Corporation and £16,017.44 borne from the proceeds of the City Premium. The debt relates to 11 companies dating back to 2011.

## **Main Report**

### **National Non-Domestic Rates**

1. The level of irrecoverable National Non-Domestic Rates in this report is £1,793,299.67. The total amount submitted for write off comprises debts that have arisen over several financial years. All available recovery procedures have been taken to recover these sums, but without success.
2. The debts are uncollectable primarily because the companies concerned have become the subject of insolvency proceedings or have ceased to trade and subsequently been struck off the Register of Companies and dissolved. The proposed write offs take account of any dividend payments received after the realisation of any assets.

### **Options**

3. These debts have proved to be irrecoverable after exhaustive checks have been made. The City follows a statutory recovery process and where payment is not made a Liability Order is obtained at Magistrate's Court and enforcement action instigated. If recovery remains unsuccessful a further check is then made with a third-party debt specialist who assess the likelihood of future recovery. As these companies are dissolved, in liquidation or administration the only course of action now available is to write the debts off. If the debts are not written off there is a risk of non-compliance with the financial orders.

### **Proposals**

4. The table in Appendix 1 sets out the amounts recommended for write off and for comparison purposes the amounts that were written off by Committee in the previous two financial years. There has been a slight increase in debts classified as irrecoverable/uneconomic and this is due to an increase in Company Voluntary Arrangements (CVA). A CVA is a legally binding agreement with the company's creditors to allow a proportion of its debts to be paid back over time.
5. The amount collected annually for each of the years shown in the table is in excess of £1.2 billion. The amounts written off, including amounts written off under delegated powers, as a percentage of the amount collected annually, is less than 0.5% in each year.

### **Implications**

6. All the amounts submitted for write off have previously been provided for as uncollectable in accordance with guidelines agreed with the City Corporation's external auditors and instructions issued by central government for the accounting of non-domestic rate. The amounts submitted have been included in a previous year's provision for bad debts in the annual outturn contribution form (NNDR3).

7. The elements attributable to additional amounts levied by the City of London as a Premium and under the Crossrail Business Rate Supplement are borne wholly from the proceeds of the Premium and Supplement.
8. The attribution of the cost of the amounts submitted for write off is detailed below.

<b>Attribution of amounts of non-domestic rates to be written off as irrecoverable</b>	<b>Amount £</b>
Government's Central Share	753,176.66
City Corporation	570,550.82
GLA	384,973.78
Crossrail Supplement	68,580.97
City Premium	16,017.44
Total	<b>1,793,299.67</b>

## **Appendices**

- Appendix 1 – Write-Off Comparisons for 2017-18 to 2019-20

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