

Committee:	Date:
Finance Committee	17 February 2015
Subject: Irrecoverable Non-Domestic Rates and Council Tax	Public
Report of: Chamberlain	For Decision

Summary

The Finance Committee has delegated authority to the Chamberlain to write off non-domestic rates debts of up to £5,000 and council tax debts of up to £1,000 without seeking the approval of the Committee. This annual report seeks approval to write off irrecoverable amounts in excess of those levels.

Under the arrangements in place from 1 April 2013 when the business rates retention scheme was introduced, 50% of income and therefore any losses attributable to irrecoverable amounts is met from the government's central share. The remaining 50% is funded from the local share. The local share is divided between the City Corporation (30%) and the Greater London Authority (20%). 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 rate. The amounts submitted have been included in a previous year's provision for bad debts in the annual outturn contribution form (NNDR3).

The loss in council tax collection will be met from the provision for bad debts.

Recommendations

Members are asked to:

- a) approve the write off irrecoverable non-domestic rates in the sum of £1,013,198 noting that £290,645 will be met by the City Corporation and £8,675 from the premium; and
- b) approve the write off irrecoverable council tax in the sum of £3,692.

Main Report

Background

1. The Finance Committee has delegated authority to the Chamberlain to write off non-domestic rates debts of up to £5,000 and council tax debts of up to £1,000 without seeking the approval of the Committee. This report seeks approval to write off irrecoverable amounts in excess of those levels.

Non-Domestic Rates

2. The total amount submitted for write off comprises debts that have arisen over a number of financial years. All available recovery procedures have been taken to recover these sums, but without success.
3. These 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 or the ratepayers concerned are bankrupt or have absconded. The proposed write offs take account of any dividend payments received after the realisation of any assets.
4. The table below sets out the amounts recommended for write and for comparison purposes the amounts that were written off by Committee in the previous two financial years.

Reason for write off	Amount written off 2012/13	Amount written off 2013/14	Amount submitted for write off 2014/15
	£	£	£
Dissolved companies	576,325	565,889	434,218
Companies in liquidation	1,470,943	320,257	481,390
Companies in administration	1,673,437	104,880	55,241
LPA Receiver appointed	110,790	20,342	0.00
Bankrupt individuals	27,881	8,959	16,184
Absconded individuals	189,754	53,355	26,165
Otherwise irrecoverable/uneconomic	144,576	71,278	0.00
Total	4,193,706	1,144,960	1,013,198

5. The total annual debit for each of these years is in excess of £700 million. The total in 2012/13 was exceptional as nearly £2m of the irrecoverable amount was attributable to the insolvency of three single asset companies and consisted of liability for unoccupied property rates incurred on the buildings which represented the companies' only asset. The total submitted for write off this year is broadly in line with amounts submitted in previous years. The amounts written off, including amounts written off under delegated powers, as a percentage of the annual non-domestic rates debit is less than 0.7% in each year.

Financial Implications of Non-Domestic Rates write offs

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. Under the arrangements in place from 1 April 2013 when the business rates retention scheme was introduced, 50% of income and therefore any losses attributable to irrecoverable amounts are met from the government's central share. The remaining 50% is funded from the local share. The local share is divided between the City Corporation (30%) and the Greater London Authority (20%).
8. The element 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.
9. The attribution of the cost of the amounts submitted for write off is detailed below:

Attribution of amounts of non-domestic rates to be written off as irrecoverable	Amount £
Government's Central Share	484,408
City Corporation	290,645
GLA	193,763
Crossrail Supplement	35,707
Premium	8,675
Total	1,013,198

Council Tax

10. For this year the level of irrecoverable Council Tax is £3,692. The total amount submitted for write off comprises debts that have arisen over a number of financial years. All recovery procedures have been taken to recover these sums, but without success.
11. The table below sets out for comparison purposes both the amounts of council tax submitted today for the Committee's approval to write off and the amounts that were written off by Committee in the previous two financial years.

Reason for write off	Amount written off 2012/13 £	Amount written off 2013/14 £	Amount submitted for write off 2014/15 £
Absconded tax payers	7,922	3,111	2,394
Bankruptcy	0.00	0.00	1,298
Total	7,922	3,111	3,692

12. The annual debit for 2014-15 is approximately £6.9 million. The amounts in relation to council tax are low and although there is variation in amounts from year to year the amounts written off, including amounts written off under delegated powers, as a percentage of the annual council tax debit is less than 0.25% in each year.

Financial Implications of Council Tax write offs

13. All the amounts submitted for write off have previously been provided for as uncollectable in the City's accounts in accordance with guidelines agreed with the City Corporation's external auditors. The proposed write offs in this report can be met from the annual bad debt provision held within the City's accounts

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