

Committee: Finance Committee	Date: 16 February 2016
Subject: Irrecoverable Non-Domestic Rates and Council Tax	Public
Report of: Chamberlain	For Decision
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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 of irrecoverable non-domestic rates in the sum of £2,205,822 noting that £631,204 will be met by the City Corporation and £18,336 from the premium; and.
- b) Approve the write off of irrecoverable council tax in the sum of £16,509.

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.

Current Position

National 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. 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 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.

Council Tax

4. For this year the level of irrecoverable Council Tax is £16,509. 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.

Options

5. As stated above these debts have proved to be irrecoverable after exhaustive checks have been made. The companies are dissolved or in liquidation, the ratepayer is bankrupt or absconded, the only course of action is to write them off. If the debts are not written off there is a risk of non-compliance with the financial orders.

Proposals

National Non Domestic Rates

6. The table below 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.

Reason for write off	Amount written off 2013/14 (£)	Amount written off 2014/15 (£)	Amount submitted for write off 2015/16 (£)
Dissolved companies	565,889	434,218	790,341
Companies in liquidation	320,257	481,390	1,223,574
Companies in administration	104,880	55,241	0.00
LPA Receiver appointed	20,342	0.00	0.00
Bankrupt individuals	8,959	16,184	0.00
Absconded individuals	53,355	26,165	70,621
Otherwise irrecoverable/uneconomic	71,278	0.00	121,286
Total	1,144,960	1,013,198	2,205,822

7. The total annual debit for each of these years is in excess of £800 million. The total this year is higher than in the previous 2 years as nearly £1m of the irrecoverable amount is attributable to companies that went into liquidation over a period of time and where the liquidators have now advised that there is no prospect of a dividend to any class of creditor. One single company is responsible for about £400,000 of the debt. The amounts written off, including amounts written off under delegated powers, as a percentage of the annual non-domestic rates debit is less than 0.5% in each year.

Council Tax

8. 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 2013/14 (£)	Amount written off 2014/15 (£)	Amount submitted for write off 2015/16 £
Absconded tax payers	3,111	2,394	12,477
Bankruptcy	0.00	1,298	0.00
Deceased tax payers	0.00	0.00	4,032
Total	3,111	3,692	16,509

9. The annual debit for 2015-16 is approximately £7.1 million. The amounts in relation to council tax are low and although there is variation in amounts from year to year the amount written off, including amounts written off under delegated powers, as a percentage of the annual council tax debit is less than 0.42% in each year. Whilst this is an increase from the previous two financial years it should be noted that this is comparable with a previous financial year 2009/10 when £17,000 was written off by this Committee. The write offs include a repossession and a deceased case where there were substantial arrears. In these cases there are no further options to enforce the debts.

Implications

National Non Domestic Rates

10. 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).

11. 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%).
12. 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.
13. 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	1,052,006
City Corporation	631,204
GLA	420,803
Crossrail Supplement	83,473
Premium	18,336
Total	2,205,822

Council Tax

14. 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

Appendices

None

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