

<b>Committee(s):</b>	<b>Date:</b>
Finance Committee – For decision	18 September 2018
<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 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%). Under the London Business Rates pooling arrangements from 1 April 2018 the shares are revised and are wholly distributed between the GLA at 36% and the City Corporation share at 64%. 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).

## Recommendation

Members are asked to:

- Approve the write off of irrecoverable non-domestic rates in the sum of £2,635,943 noting that £754,978 will be met by the City Corporation and £22,965 from the premium. The debt relates to 33 companies and two individuals dating back to 2012.

## **Main Report**

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

1. The level of irrecoverable National Non-Domestic Rates in this report is £2,635,943. 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 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.

### **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. These companies are dissolved or in liquidation, the ratepayer is bankrupt or absconded and the only course of action now available is to write them off. If the debts are not written off there is a risk of non-compliance with the financial orders.

### **Proposals**

4. 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.
5. The total annual debit for each of these years is in excess of £900 million. The total write off amount is higher on this occasion when compared to the previous two years. This can be attributed to a single case. One ratepayer was in LPA (1925) receivership at the time they took the building back from tenants. The City Solicitor and Comptroller engaged early with the mortgagee's agents, but no positive outcome was achieved. The mortgagee held a floating charge over the assets, their agents disposed of the building as the borrower(ratepayer) were unable to fulfil their mortgage commitments. The ratepayer subsequently went into liquidation and was dissolved. This organisation accrued over £1,761,000 in unpaid empty property rates during this period. There was no action that could have been taken to recover the business rates and in the circumstances there is no alternative but to write the debt off.
6. 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.

<b>Reason for write off</b>	<b>Amount submitted for write off 2016/17</b> £	<b>Amount submitted for write off 2017/18</b> £	<b>Amount submitted for write off 2018/19</b> £
Dissolved companies	649,332	727,313	2,370,521
Companies in liquidation	281,411	264,782	233,785
Companies in administration	43,593	249,620	0.00
LPA Receiver appointed	0.00	0.00	0.00
Bankrupt individuals	15,416	0.00	19,381
Absconded individuals	117,318	20,992	0.00
Otherwise irrecoverable/uneconomic	14,075	96,771	12,256
<b>Total</b>	<b>1,121,145</b>	<b>1,359,478</b>	<b>2,635,943</b>

### Implications

- 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 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	1,191,413
City Corporation	754,978
GLA	566,968
Crossrail Supplement	99,619

City Premium	22,965
Total	<b>2,635,943</b>

9. 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.

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