

Committee(s):	Date:
Finance Committee – For decision	19 February 2019
Subject: Irrecoverable Non-Domestic Rates	Public
Report of: Chamberlain	For Decision
Report author: Phil Black – City Revenues	

Summary

The Finance Committee has delegated authority to the Chamberlain 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 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 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 annual debit for each of the last three years is in excess of £900 million. 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.

Recommendation

Members are asked to:

- Approve the write off of irrecoverable non-domestic rates in the sum of £753,551 noting that £216,513 will be met by the City Corporation and £6,277

borne from the proceeds of the City Premium. The debt relates to 12 companies dating back to 2009.

Main Report

National Non-Domestic Rates

1. The level of irrecoverable National Non-Domestic Rates in this report is £753,551. 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. 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. The reason for the increase in write-offs in 2018/19 is due to a specific case written off in 2018/19 for £1.76m. This case was brought to the attention of this Committee in September 2018.
5. The total annual debit for each of the years shown in the table is in excess of £900 million. 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.

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 overleaf

Attribution of amounts of non-domestic rates to be written off as irrecoverable	Amount £
Government's Central Share	354,691
City Corporation	216,513
GLA	149,312
Crossrail Supplement	26,758
City Premium	6,277
Total	753,551

9. A review of the debt recovery process was carried out earlier this year and reported to this committee in November 2018. The review found that generally processes were robust and were carried out to a high standard. However, in order to provide additional reassurance that debts are uncollectable a third-party debt review will be introduced in the next financial year.

Appendices

- Appendix 1 – Write-Off Comparisons for 2016-17 to 2018-19

Background Papers

- Report to Finance Committee 13 November 2018

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