

Committee(s):	Date:
Finance Committee – For decision	13 th April 2021
Subject: Irrecoverable Non-Domestic Rates and Council Tax	Public
Report of: Chamberlain	For Information
Report author: Phil Black – City Revenues	

Summary

The Finance Committee has delegated authority to the Chamberlain to write off individual non-domestic rates and council tax debts of up to £500,000 each without seeking the approval of the Committee. This annual report provides information of the total amount of non-domestic rates and council tax written off as irrecoverable during 2020/2021.

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 33%, the GLA at 37% and the City Corporation share at 30%. 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 written 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 note:

- the write off of irrecoverable non-domestic rates in the sum of £1,323,343.17 noting that £584,926.39 will be met by the City Corporation and £13,452.40 from the premium; and.
- the write-off of irrecoverable council tax in the sum of £21,100.23

Main Report

Background

1. The Finance Committee has delegated authority to the Chamberlain to write off non-domestic rates and council tax debts of up to £500,000 per individual account without seeking the approval of the Committee.
2. Earlier this year, in an effort to streamline and accelerate the decision-making process as part of the Corporation's response to the Covid-19 pandemic, amendments were made to the Scheme of Delegations affecting irrecoverable debt write-off limits. The Head of Revenues was given delegation to write-off debts of up to £100,000 per account, and the Chamberlain was given delegation to write-off debts of up to £500,000 per account (the pre-Covid delegated limit was £20,000). Individual debts over £500,000 still require approval by your Finance Committee. These temporary measures will expire on 31st March 2021.

Current Position

National Non-Domestic Rates

3. For this year the level of irrecoverable National Non-Domestic Rates is £1,323,343.17. The total amount written off comprises debts that have arisen over a number of financial years. All appropriate recovery action had been taken to recover these sums, but without success.
4. 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 write offs take account of any dividend payments received after the realisation of any assets.

Council Tax

5. For this year the level of irrecoverable Council Tax is £21,100.23. The total amount written off comprises debts that have arisen over a number of financial years. All appropriate recovery action had been taken to recover these sums, but without success.

Options

6. 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 was to write them off. If the debts were not written off there is a risk of non-compliance with the financial orders.

Previous Year Comparison

National Non-Domestic Rates

7. The table below sets out the amounts that have been written off and for comparison purposes the amounts that were written off in the previous two financial years.

Reason for write off	Amount written off 2018/19 £	Amount written off 2019/20 £	Amount submitted for write off 2020/21 £
Dissolved companies	2,610,082	1,275,414	913,134.02
Companies in liquidation	717,415	313,172	89,285.08
Companies in administration	30,360	00	143,240.01
LPA Receiver appointed	00	00	0
Bankrupt individuals	19381	00	13,379.33
Absconded individuals	00		27,302.49
Otherwise irrecoverable/uneconomic	12,256	204,714	137002.24
Total	3,389,494	1,793,300	1,323,343.17

8. The total annual collectable debit for each of these years is in excess of £1.2 billion. The total write off amount this year is comparable to previous years. The 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

9. The table below sets out for comparison purposes both the amounts of council tax submitted for write off during 2020/21 and the amounts that were written off in the previous two financial years.

Reason for write off	Amount written off 2018/19 £	Amount written off 2019/20 £	Amount for write off in 2020/21 £
Bankruptcy	161	2,358	731
Absconded tax payers	15,050	3,591	17,350
Deceased tax payers	153	12	629
Liquidation and dissolved companies	3,573	3,841	2,390
Otherwise irrecoverable/uneconomic	37	67	0
Total	18,974	9,869	21,100

10. The annual debit for 2020/21 is approximately £8.7 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 0.3% in each year.

Implications

National Non-Domestic Rates

11. All the amounts written 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 written off have been included in a previous year's provision for bad debts in the annual outturn contribution form (NNDR3).
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 written off is detailed below:

Attribution of amounts of non-domestic rates to be written off as irrecoverable	Amount £
Government's Central Share	268,830.58
City Corporation	584,926.39
GLA	406,319.28

Crossrail Supplement	49,816.52
Premium	13,452.40
Total	1,323,343.17

Council Tax

14. All the amounts written 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 write offs in this report can be met from the annual bad debt provision held within the City's accounts

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