

Item No. 22.	Classification: Open	Date: 19 January 2021	Meeting Name: Cabinet
Report title:		Authorisation of Debt Write-offs over £50,000 for National Non Domestic Rates – Exchequer	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Rebecca Lury, Finance and Resources	

FOREWORD - COUNCILLOR REBECCA LURY, CABINET MEMBER FOR FINANCE AND RESOURCES

National Non-Domestic Rates (NNDR) – sometimes known as business rates – are a form of local property tax. NNDR levels are set by the Government - not the council - but NNDR paid represents the contribution by businesses with premises in the borough to the cost of providing local services and broadly reflect the rental values of properties that businesses occupy.

The Government has policy responsibility for NNDR and the council is responsible for collecting NNDR in Southwark. Historically, collection rates in Southwark have been very high with a performance in 2019-20 reaching 99.7%. Last year's performance was among the very best in London further demonstrating the council's diligence and effectiveness in collecting business rates.

However, as with all forms of taxation, there will be exceptional cases where NNDR due cannot be recovered, and the council has well established and robust policies for dealing with such situations including writing off debts where all other options have been exhausted.

The cost of business rates write offs is shared by the council, the Greater London Authority and the Government and are contained within the council's bad debt provisions

RECOMMENDATIONS

1. That approval is given to write off a debt of £92,397.63 deemed irrecoverable under the council's policy.

BACKGROUND INFORMATION

2. Under the councils constitution a decision to write off debts with a value of more than £5,000 and less than £50,000 is delegated to individual Members within their own service area. Debt write-off under £5,000 can be authorised by Chief Officers. Recommendations to write off any debt over £50,000 must be referred to cabinet for authorisation.

3. There are a number of key reasons why the council may decide to write-off a debt.

These are:

- i. The debt cannot be substantiated i.e. there is no documentary evidence that the debtor accepted the goods or services with the knowledge that a charge would be made.
- ii. The debt is uneconomic to collect i.e. the cost of collection, including substantiation, is greater than the value of the debt.
- iii. The debt is time barred, where the statute of limitation applies. Generally this means that if a period of six years has elapsed since the debt was last demanded, the debt cannot be enforced by legal action.
- iv. The debtor cannot be found or communicated with despite all reasonable attempts to trace the debtor.
- v. The debtor is deceased and there is no likely settlement from the estate or next of kin.
- vi. Hardship, where permitted, (not hardship relief) on the grounds that recovery of the debt is likely to cause the debtor serious financial difficulty.
- vii. Insolvency where the organisation or person has gone into bankruptcy and there are no assets to claim against.

KEY ISSUES FOR CONSIDERATION

Policy implications

4. The debt set out in this report is recommended for write off in accordance with the council's agreed write off policies and procedures. The reason for recommending is that the organization or business has gone into bankruptcy and there are no assets to claim against.
5. All reasonable efforts have been made to trace the account holder/debtor using standard procedures including:
 - Interrogation of the NNDR database
 - Interrogation of the Document Imaging System
 - Tracing letters issued to other local authorities & solicitors
 - Inspection of the domestic or business premises
 - Land Registry searches
 - Companies House searches
 - Tracing letter to landlords or letting/managing agents & directors
 - Letter sent to the Official Receiver for confirmation of any dividends to be paid and
 - Checks made with other council departments.

6. Additionally, any debt recommended for write off is always subject to further internal scrutiny commensurate with the value of the debt. That scrutiny takes place before any recommendation is submitted to the cabinet member or cabinet. The council's NNDR officers use a minimum of three tracing methods and conduct a 10% audit review of cases under £5,000, a 50% audit review of cases £5,000 to £50,000 and 100% on cases over £50,000 to check that the correct procedures have been followed and to provide further assurance.

Resource implications

7. The total Non Domestic Rates debt recommended for write off is £92,397.63; the value of one debt, from one business that is no longer trading, and now deemed irrecoverable.
8. As per paragraph 3 the schedule of write-offs has been compiled in accordance with the council's agreed policy and procedures.
9. The recommended write-off of £92,397.63 for National Non Domestic Rates will be contained within the councils relevant bad debt provisions.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

10. The report recommends that the debts set out in Appendix 1 to the closed report are written off in accordance with the council's policies and procedures on debt write-off.
11. The approval of debt write-offs for sums over £50,000 is reserved to the cabinet for decision making. These particular debts have arisen as a result of non payment of national non domestic rates (NNDR).
12. The report sets out the circumstances whereby debts can lawfully be written off by the council and this includes cases where a ratepayer has been declared bankrupt and there are no assets to claim against. The ratepayer in Appendix 1 (of the closed report) had been declared bankrupt and has no assets. In such circumstances, there are no means available to successfully pursue the debt.
13. The director of law and governance considers the proposed write-offs to be in accordance with the council's procedures and lawful.

Strategic Director of Finance and Governance

14. The strategic director of finance and governance agree with the recommendation that this debt should be written off in accordance with procedure and is lawful.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Rebecca Lury, Finance and Resources	
Lead Officer	Dominic Cain, Director of Exchequer	
Report Author	Norman Lockie, Head of Income Operations	
Version	Final	
Dated	5 January 2021	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
	Officer Title	Comments Sought
		Comments Included
	Director of Law and Governance	Yes
	Strategic Director of Finance and Governance	Yes
	Cabinet Member	Yes
	Date final report sent to Constitutional Team	5 January 2021