

**WEST DUNBARTONSHIRE COUNCIL****Report by Chief Officer - Resources****Corporate Services Committee: 1 February 2023**

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**Subject: Write-off of National Non Domestic Rates 2022/2023****1. Purpose**

- 1.1** The purpose of this report is to recommend for approval the write-off of debts in respect of National Non-Domestic Rates (NNDR), which have been deemed as irrecoverable during the financial year 2022/2023.

**2. Recommendations**

- 2.1** It is recommended that the Committee approve the write-off of NNDR accounts totalling £47,823.69.

**3. Background**

- 3.1** The NNDR is a national rate of non-domestic properties and is determined each year by the Scottish Parliament. All local authorities collect the rates and the monies collected are pooled into a national central fund. The Scottish Government allocates a grant to each authority from this fund through the Local Government Finance settlement. The Council's annual billing amount for NNDR in 2022/23 is £87.8M (including utility charges). In 2021/22 the Council collected 98.06%
- 3.2** The grant distribution formula used by the Scottish Government has regard to the amount of NNDR collectable by each local authority. The Council makes an annual return to the Scottish Government detailing the amounts collected for each year. Included in this return is a note of any amounts written off as uncollectable. As such, NNDR collected by a local authority represents a receipt of grant income. Specific debts deemed uncollectable are written off and the reduction in NNDR collected locally is compensated for in future grant settlements.
- 3.3** Financial Regulation D4 gives the Chief Officer - Resources authority to write-off individual debts up to £5,000. The Chief Officer - Resources is required to seek the approval of Members prior to writing off any debt in excess of £5,000.
- 3.4** A report is submitted annually to Committee seeking approval for write-off of irrecoverable debts. The write-offs are not specific to any one year but instead are the debts which have been deemed irrecoverable during 2022/23.

- 3.5** The table below shows the distribution of the recommended write off over the years from which the debts were originally raised. Write off can be due to a number of reasons, for example, a company has ceased trading or a review of outstanding cases has now deemed that the debt is irrecoverable.

<b>Financial Year Debt Created</b>	<b>Value of write-off</b>
2019/2020	£30,432.88
2020/2021	£7,797.56
2021/2022	£9,593.25
<b>Total</b>	<b>£47,823.69</b>

- 3.6** Where a company has ceased trading through liquidation or administration the Council formally submits a claim to the trustee up to and including the date of liquidation/administration. At this stage the Council would propose this amount for write off. In such cases the Council is classed as an unsecured creditor (i.e. secured creditors are organisations such as HMRC and Banks) and in these cases it is extremely unlikely that any recovery of the outstanding monies will be received in full: generally low or nil recovery is the outcome. If such a recovery was received this would be credited to the rates account and the write off to this value reversed or reduced.

#### **4. Main Issues**

- 4.1** Debts totalling £47,823.69 are submitted for write off. Non-collection of debts and request for write off is predominately due to the businesses being liquidated, dissolved or administration. The following table identifies the reasons for NNDR write off in more detail.

<b>Reason</b>	<b>Alexandria</b>	<b>Clydebank</b>	<b>Dumbarton</b>	<b>Grand Total</b>
Administration				
Dissolved		£30,432.88		<b>£30,432.88</b>
Liquidation	£9,593.25	£7,797.56		<b>£17,390.81</b>
Sheriff Officers <sup>1</sup>				
<b>Total</b>				<b>£47,823.69</b>

The attached appendix provides details of the individual debts involved. Since all these are limited companies details and corresponding addresses have been provided.

- 4.2** Although the debts are treated as written off, should any circumstances change whereby debts can be collected, the Council will pursue them.

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<sup>1</sup> Sheriff Officer advising all avenues have been exhausted and irrecoverable in collecting the rates and recommending write-off along with a brief background

## **5. People Implications**

**5.1** There are no people implications.

## **6. Financial and Procurement Implications**

**6.1** The NNDR debts written off totalling £47,823.69 will be notified to the Scottish Government NNDR pool for reimbursement. There are no Procurement implications.

## **7. Risk Analysis**

**7.1** The grant distribution formula adopted by the Scottish Government assumes the Council will collect NNDR liabilities. If sums deemed uncollectable are not notified to the Scottish Government, this will have an adverse effect on the Council's cash flow. Prudent financial accounting practice also requires that uncollectable debt should be written-off in a timely manner.

## **8. Equalities Impact Assessment**

**8.1** No significant issues were identified in a screening for potential equality impact of this measure.

## **9. Consultation**

**9.1** Consultation has taken place with Legal Services and there are neither any issues nor concerns with the proposal.

## **10. Strategic Assessment**

**10.1** The write off of uncollectable NNDR debts forms part of the financial governance of the Council. Sound financial practice and budgetary control are imperative to assist with the governance of the Council and support officers of the Council in achieving the five strategic priorities.

**Chief Officer - Resources**

**Date: 18/01/2023**

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**Appendices:** Appendix 1 - Details of debts for write-off

**Background Papers:** None

**Wards Affected:** All Council Wards.

## **Notes:**

### **Administration**

Going into Administration under insolvency legislation effectively means a company is being taken under the management of a court appointed administrator – who must be a licensed insolvency practitioner - appointed by the courts, creditors, or company directors, where they are required to act in the best interest of the insolvent company.

### **Dissolved**

Where a limited company has been dissolved or struck off it legally closes and is removed from the Register at Companies House where there are reasonable grounds to believe that no business is being carried on. Dissolution officially ends a business owner's continued responsibility for taxes, debts and other commitments.

### **Liquidation**

The process of Liquidation is when a company is either at or near to the end of its life and the remaining assets need to be liquidated for distribution to creditors and shareholders. The role of the liquidator is to maximise the realisation of assets of the company. Once the assets have been realised and if sufficient cash has accumulated then the job of the Liquidator is agree all creditors' claims and to pay dividends accordingly.

### **Sheriff Officers**

When the Council has exhausted our in-house arrears procedures the debt is passed to our Sheriff Officers for collection. The Sheriff Officers will attempt to collect the debt using a variety of approaches and solutions which are appropriate to each individual case. In certain cases the Sheriff Officer will submit to WDC a write-off pro forma, advising all avenues have been exhausted and irrecoverable in collecting the rates and recommending write-off along with a brief background.