

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2163

Title: Project to Reduce Business Rates Arrears In Haringey

Executive Summary:

Under the current business rates retention scheme the GLA receives 37% of all business rates income – 55% of the locally retained share – collectable by the 33 London billing authorities and benefits proportionately from any real terms incremental growth in the taxbase. In 2017-18 the GLA is forecast to receive an estimated £26.7 million from the London Borough of Haringey under the business rates retention scheme and a further £1.6 million through the separate Crossrail Business Rate Supplement.

The level of the Council's business rates related arrears at 1 April 2017 was around £8.5 million of which the GLA's notional share is £3.2 million. The Borough Council has approached the GLA to seek a contribution towards a project covering the period from 1 October 2017 to 31 March 2018 costing up to £100,000 which will seek to reduce the existing level of business rates arrears in the borough.

In Mayoral Decision 1553 the Mayor agreed that the GLA should support projects which maximise business rates income and delegated authority to the Executive Director Resources to approve these on the condition that they should be self financing and result in additional rates income. This decision seeks approval for the GLA to contribute 55 per cent towards the cost of a project to reduce arrears reflecting its approximate share of business rates for the period of the project – up to £55,000 – with the borough council contributing £45,000. The project team will have a target to reduce the level of arrears by £700,000 by 31 March 2018 of which just under £260,000 would accrue to the GLA. This project would be expected to continue in 2018-19 subject to Haringey securing approval internally for its extension.

Decision:

That the Executive Director of Resources approves up to £55,000 as a contribution towards a project by the London Borough of Haringey to be undertaken between October 2017 and March 2018 to reduce the £8.5 million of outstanding business rates arrears owed by non domestic ratepayers in the borough.

AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities. It has my approval.

Name: MARTIN CLARKE

Position: EXECUTIVE DIRECTOR RESOURCES

Signature:



Date:

16.01.18

TOM MIDDLETON ON BEHALF OF MARTIN CLARKE

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 In 2017-18 the GLA is forecast to receive £26.7 million of income through the business rates retention scheme from non domestic ratepayers in the London Borough of Haringey. This is in line with the 37 per cent share of total business rates income – or 55 per cent of the locally retained share – which accrues to the GLA under the scheme. If there is net growth in the rates base each year in real terms this accrues to the GLA on the same percentage basis. The GLA is also expected to receive around £1.6 million in Crossrail BRS revenues in 2017-18 from the Haringey borough.
- 1.2 In March 2016 the GLA agreed to finance 40% of a business rates maximisation project – in line with its locally retained share at that time – which identified hereditaments which were either omitted from or undervalued on the rating list. This was approved in Directors Decision DD1414. The finder fee payable to the contractor employed by the Borough Council to undertake this work was in proportion to the additional rateable value added to the Valuation Office's rating list and thus the additional business rates which would be payable. The GLA to date has contributed around £25,000 to the project with Haringey financing the balance of £38,000. The project has identified £837,000 million of additional rateable value which has been added to the rating list generating around £390,000 of ongoing annual rates income. Of this approximately £145,000 has accrued to the GLA based on its current 37% share. So for a £25,000 one off investment the GLA will secure approximately £725,000 of additional rates income over the next five years – nearly 30 times the original investment.
- 1.3 Following the success of the existing project the London Borough of Haringey has asked the Greater London Authority to make a contribution towards a second project which will seek to reduce the £8.5 million of outstanding business rates arrears in the borough as well as ensuring in year arrears are kept to a minimum. Of this sum £3.2 million is notionally owing to the GLA in line with its 2017-18 share of business rates. A team of three staff will be funded through the project funding – a service manager and two recovery officers. The Council will also use a third party supplier in the seeking of contact information and in prompting contact to secure payment of arrears balances.
- 1.4 The project will operate from 1 October 2017 – with the GLA's funding being backdated to that date – to 31 March 2018 with the option for both parties to extend the project depending on the performance achieved during 2017-18. The estimated project cost over the period is £100,000 of which around £80,000 will fund staffing costs and around £20,000 will be paid to the externally appointed third party supplier.
- 1.5 It has been agreed that the GLA and Haringey will share the project by a 55-45% ratio reflecting the 2017-18 respective shares of locally retained business rates. The GLA's contribution would therefore be up to £55,000 in line with this 55 per cent share with Haringey contributing the balance of up to £45,000.
- 1.6 The targeted reduction in arrears in the six months of the project is £700,000 of which an estimated £260,000 would accrue to the GLA in line with its 37% share of total business rates income in 2017-18 (i.e. allowing for the 33 per cent which would be paid to central government through the centrally retained share). Subject to the success of the project and Haringey being willing to fund the project after 31 March 2018 the GLA will consider extending it for a further 12 months for the 2018-19 financial year. It is anticipated that the benefits to both parties will be greater and as the team becomes more experienced the project gains should increase relative to the level of investment.

- 1.7 This is a legitimate request as billing authorities have not explicitly received additional funding from central government to fund the costs of business rates income maximisation and any related investment they make which since the introduction of the business rates retention scheme in April 2013. The GLA secures 37% of an additional business rates income which will be secured by the project – which in 2017-18 exceeds Haringey's 30 per cent share.
- 1.8 Any additional rates income recovered will be transferred to the GLA in cash terms through the collection fund surplus or deficit forecast prepared in January 2018 and January 2019 through an adjustment to the instalments by the Council during the 2018-19 and 2019-20 financial years. This will include any backdated sums paid in respect of prior years in addition sums collected in respect of 2017-18.
- 2. Objectives and expected outcomes**
- 2.1 The proposed project focuses on reducing Haringey's current level of business rates arrears which exceeded £8.5 million at 1 April 2017.
- 2.2 The team created will use appropriate tracing tools to contact debtors and maximise collection through telephone and SMS contact including:
- selecting cases for insolvency: this will include the Council's third party supplier enforcing such action as appropriate;
 - Identifying debts outstanding through software system reports targeting on closed accounts and persistent debtors, absconders, those who had failed to make payments for a period of time and property owners/landlords who would have sufficient assets to repay any sums owed;
 - Pursuing debtors through a variety of contact methods including using a third party supplier in seeking contact information and prompting contact. This will include SMS messaging and proactive dialling in order to seek settlement or part payment of arrears;
 - Negotiating arrangements for payments or settlement with debtors in compliance with council procedures; and
 - Ongoing monitoring of payments agreed including and recontacting those who default on agreed payment plans
- 2.3 The cost of the project team and related costs is estimated at up to £100,000 – with the project funding being provided for the period 1 October 2017 to 31 March 2018. As the majority of the costs are staffing related the project costs can be predicted with relative certainty. Subject to Haringey demonstrating that it has made significant progress towards delivering a reduction in arrears – with an interim review following the end of the 2018-19 financial year – and it being willing to continue to contribute its share of the costs the GLA would have the option to continue funding the project for a second year (i.e. April 2018 to March 2019).
- 2.4 Billing authorities do not receive discrete funding from government grant to assist in addressing business rates arrears. Without the GLA's support the borough would be required to pay 100% of the cost of this project but only receive 30 per cent of the additional income which results in 2017-18. It is therefore perfectly legitimate that the GLA makes a contribution towards the project in proportion to the benefits it will receive.

2.5 In summary therefore

- The GLA will contribute up to £55,000 of the proposed £100,000 cost of the project team with Haringey contributing the remaining £45,000 and
- The team will be set a target to collect £700,000 of outstanding arrears and ensure that in year arrears are minimised. Of this an estimated £260,000 would accrue to the GLA based on its 2017-18 share of business rates income.

3. Equality comments

- 3.1 There are no direct equality implications for the GLA as the project will be managed by the London Borough of Haringey and any staff employed on the project will be recruited by it under its terms and conditions and any contract it enters into will be under the terms of its procurement code. The Council should have regard to appropriate equality considerations in its role as a public authority under relevant legislation.

4 Other considerations

- 4.1 The project is intended to self financing with any up front costs being offset by additional non domestic rating income generated. There is a marginal risk that the Council will fail to deliver a reduction in arrears due to the project but the payment of the GLA's funding will be conditional on the Council demonstrating improved performance in this area.

5. Financial comments

- 5.1 In 2017-18 the GLA is forecast to receive an estimated £26.7 million from the London Borough of Haringey under the business rates retention scheme and a further £1.6 million through the Crossrail Business Rate Supplement.
- 5.2 The Council collects non domestic rates and Crossrail Business Rate supplement revenues on behalf of the GLA in respect of its relevant share (37 per cent in 2017-18 in respect of the former and 100% in respect of the latter) but has not received additional resources from central government to recognise its additional responsibilities in maximising business rates income under the local business rates retention system introduced in April 2013. It is therefore reasonable for the GLA to be asked to contribute towards efforts to reduce the level of business rates arrears in the borough in proportion to the relative benefit it secures from any additional revenues generated.
- 5.3 The GLA has been asked to contribute 55 per cent of the costs of a project to tackle business rates arrears in line with its average share of locally retained business rates over the project's life. The estimated total cost of the arrears reduction project would be approximately £100,000 with payments made in arrears. The GLA would contribute up to £55,000 over the project lifetime. The GLA has agreed a target with Haringey to reduce arrears by at least £700,000 during the six month period of the project. These costs would be charged initially to the Business Rates Reserve with the gains recovered through collection fund surpluses paid over to the GLA in future years.
- 5.4 In Mayoral Decision 1553 the Mayor agreed that the GLA should support borough business rates income maximisation projects in principle and delegated authority to the Executive Director Resources to approve these on the condition that they should be self financing and result in additional rates income on an ongoing basis. This project meets these criteria and therefore this decision may be approved by the Executive Director Resources under the powers delegated to him.

6. Legal comments

- 6.1 The London Borough of Haringey is the billing authority for non-domestic rates in its area under the Local Government Finance Act 1988.
- 6.2 The GLA has an interest in maximising business rates income in each London billing authority as it will receive 37 per cent of any additional revenues collected – equating to 55% of the locally retained share – in 2018-19. On that basis it is legitimate for GLA resources to be used to support business rates maximisation projects in proportion to its local share under rates retention.
- 6.3 Under section 34 of the GLA Act the GLA has the power to do anything calculated to facilitate the exercise of the GLA's functions. Taking steps to increase revenue is so calculated. This power is subject to the limitation that the GLA may not raise money by virtue of it, except in accordance with relevant legislation; in the present case any money to be raised is to be raised in accordance with the relevant legislation. Reasonable expenditure designed to achieve a better level of business rates income for the GLA, through improvement of the non-domestic rating income of a Borough, is therefore within the power of the GLA.
- 6.4 The formal agreement with the London Borough of Haringey is consistent with the GLA's standard format which has been approved by the Commercial law team.

7. Planned delivery approach and next steps

- 7.1 The planned project delivery is set out below:

Activity	Timeline
Recruitment of project team	October/November 17 (Completed)
Delivery Start Date	October 2017
Project Closure – albeit GLA and LB Haringey would have the ability to extend it for a further 12 months by mutual agreement.	March 2018
Submission of final claim	May 2018

Appendices and supporting papers:

None

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Note: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Martin Mitchell, GLA Group Finance Manager has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

David Gallie has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments. The proposal originates from the Group Finance team.

✓

Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 15 January 2018.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Date

M. Mitchell
16.01.18
Tom Middleton on behalf of Martin Clack