

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2292

Title: To Approve Funding for a Project to Reduce the Level of Council Tax and Business Rates Arrears in the London Borough of Ealing for 2018-19

Executive Summary:

The London Borough of Ealing has faced significant challenges in relation to council tax and business rates collection in recent years due to the ongoing growth in its taxbase and the significant level of turnover in its population.

The Council had £18.4 million of council tax arrears and £18 million of business rates arrears at 1 April 2018 with the GLA's notional combined share of this being over £10.3 million. Ealing has approached the GLA to seek funding to enable it to undertake a project, delivered by a dedicated team, to reduce the level of arrears.

The GLA would contribute towards the project costs in proportion to its 21 per cent share of the Ealing Band D council tax and its 36 per cent share of locally retained business rates in 2018-19. This reflects the benefit it would receive from any incremental revenues which it would receive through sharing of future year's collection fund surpluses. The apportionment of costs assumes that the team will spend an equal proportion of its time on council tax and business rates work.

Decision:

That the Executive Director, Resources approves:

A contribution from the Greater London Authority to the London Borough of Ealing of £52,000 in 2018-19 to fund a project to reduce the level of council tax and business rates arrears in the borough. The up-front costs will be charged to the GLA's business rates reserve.

AUTHORISING DIRECTOR

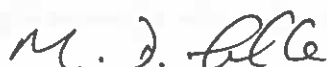
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Martin Clarke

Position: Executive Director, Resources

Signature:



Date:

23.10.18

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. In Mayoral Decision 1553 (MD1553) it was agreed that the GLA should support borough business rates maximisation and council tax projects in principle and the Mayor delegated authority to the Executive Director Resources to approve these on the condition that they should be self-financing and result in additional revenues on an ongoing basis.
- 1.2. In 2018-19 the GLA is forecast to receive £33.3 million in council tax revenues through the Mayor's precept from council taxpayers and £55.4 million from business rates payers in the London Borough of Ealing. The GLA also receives £4.2 million in Crossrail business rate supplement revenues which is collected as part of the same billing process as general business rates. This represents a combined total revenue of £93 million. As in other London boroughs, significant increases in its taxbase in recent years, arising from new developments and population growth, have resulted in the council has facing increasing challenges in maximising council tax and business rates revenues and collection rates.
- 1.3. The London Borough of Ealing has established a dedicated team for the 2018-19 financial year, to focus on reducing the level of business rates council tax arrears. The team is made up of five temporary full-time equivalent (FTE) debt collection officers and one FTE team leader. The total costs for a full year of the project, including staff salaries, as well as recruitment and accommodation costs, are estimated at £183,000. The Council has approached the GLA requesting funding for the project in line with the principles set out in MD1553.
- 1.4. The time of the team is proposed to be split equally between council tax and business rates arrears collection. Based on the principles agreed for similar projects, the GLA would base its proportionate contribution to the costs of the project on its current share of council tax and business rates income; 20.6 per cent and 36 per cent respectively. Based on these shares, the GLA would contribute up to £52,000, with the remaining £131,000 funded by the Council itself.
- 1.5. As the staff are recruited on temporary one-year contracts, there would be an opportunity to consider the effectiveness of the team's work, before considering whether the project should be continued for a future year. Subject to Ealing demonstrating that it has made significant progress towards delivering a reduction in arrears, the GLA would have the option to continue funding for 2019-20, although this would be subject to a new Director's Decision and confirmation that the Council intended to continue this through its budget planning process.
- 1.6. This is a legitimate request for funding as billing authorities do not receive additional funding from central government to fund the costs of council tax collection or the costs of business rates maximisation. Any investment they make to improve collection rates or reduce arrears benefits their preceptors and in the case of business rates – central government – on a proportional basis. The ability of billing authorities to meet the costs of such investment has become more challenging in recent years, due to the impact of reductions in core grant funding from central government. The funding will not be used to resource the borough council's normal collection and enforcement work for council tax or business rates.
- 1.7. The funding requested equates to less than 0.1 per cent of the GLA's share of the outstanding arrears and only 0.06 per cent of the total revenues it will receive from the council in 2018-19 through business rates, council tax and the Crossrail BRS. It is anticipated that the contribution will be recovered in full through an increase in the collection fund surplus for council tax and business rates declared in future years each January, which is available to support the Mayor's budget in the following financial year.

2. Objectives and expected outcomes

- 2.1. The project focuses on reducing Ealing's current level of council tax and business rates arrears, which was over £36 million combined at the start of 2018-19. In designing the proposal for the project, Ealing has based its plan on feedback from similar projects in other London boroughs.
- 2.2. The Council, by establishing an internal team to act as debt collection officers, can ensure that costs are more easily fixed and controlled and use staff sourced locally, compared to an external approach. Initial brief discussions with local Jobcentre Plus staff suggested skills were available locally, providing an opportunity to promote local employment.
- 2.3. The team is able to make use of appropriate tracing tools to contact debtors and maximise collection through telephone and SMS contact, as well as tracing software, liaising closely with other teams within the Council's local tax and accounts receivable function. Officers focus solely on debt collection of the arrears; any queries related to council tax and business rates liability are referred to the existing teams established in the Council.
- 2.4. A target for collection of 1.6 per cent of the total council tax and business rates arrears has been agreed for the team in the 2018-19 financial year. This figure has been determined by benchmarking against other authorities who have undertaken a similar targeted debt collection approach. The figure reflects that a considerable level of recovery action has already been undertaken relating to these arrears. Data on arrears is currently collected on a monthly basis and monitored internally within the Council, as well as being reported annually to the Ministry of Housing, Communities and Local Government.
- 2.5. If the target of 1.6 per cent were met, this would generate income from reducing council tax arrears of around £294,000 and around £290,000 from business rates arrears. From these amounts, a total of around £165,000 would be expected to accrue to the GLA. On this basis, the project would represent a net surplus of at least £113,000 on the GLA's investment. The aspiration would be to secure a higher level of reduction as the team becomes more experienced.

3. Equality comments

- 3.1. The GLA must have due regard to the equalities considerations, including the impact on those who share protected characteristics under the Equality Act 2010, when deciding whether or not to contribute financially to this project. There are not considered to be any direct equality implications for the GLA as the project will be managed by the London Borough of Ealing; staff employed on the project are recruited by it under its own recruitment process. The Council should have regard to appropriate equality considerations arising out of the project in its role as a public authority under relevant legislation including the public sector equality duty under section 149 of the Equality Act 2010.

4. Other considerations

- 4.1. The project is expected to be self-financing over time with any costs being more than offset by additional council tax and business rates revenues collected. There is a risk that council tax and business rates arrears might not be reduced in net terms as a result of the project, but it is expected that the project will result in arrears levels being lower than they otherwise would have been. The rewards compared to the planned investment, however, are significant given that the GLA's share of outstanding arrears is around £3.8 million for council tax and £6.5 million for business rates (based on the council tax and business rates shares outlined above) – and this in effect represents foregone revenue.

5. Financial comments

- 5.1. The Mayor's precept for the London Borough of Ealing will generate over £33.3 million of revenue for the GLA group this year. With the exception of this proposed project, the GLA makes no direct contribution towards the enforcement or collection of these revenues. The London Borough of Ealing also receives limited support for its collection and enforcement costs for the nearly £60 million of revenues it is forecast to collect this year for the GLA in relation to business rates and the Crossrail BRS.
- 5.2. In light of the additional spending pressures on the council, Ealing has invited the GLA to contribute to the costs of a project team with a remit to reduce existing council tax and business rates arrears levels.
- 5.3. The GLA's proposed contribution of up to £52,000 towards the project is also in direct proportion to its financial benefit from the scheme reflecting its share of the local Band D council tax and its 36 per cent share of locally retained business rates in 2018-19. The project also meets the objective as agreed in MD1553 as it will in effect be self-financing over time and result in additional revenues on an ongoing basis. Subject to the successful delivery of the project in 2018-19 the aspiration would be to continue funding this work in 2019-20.

6. Legal comments

- 6.1. The GLA is a major precepting authority under section 39 of the Local Government Finance Act 1992 (the LGFA) as amended by section 82 of the Greater London Authority Act 1999 (the GLA Act), and issues precepts to billing authorities in Greater London, including the London Borough of Ealing. The London Borough of Ealing is, within its area, the responsible local billing authority for council tax - including the collection and enforcement of council tax debt - under the LGFA.
- 6.2. The London Borough of Ealing is also the billing authority for non-domestic rates in its area under the Local Government Finance Act 1988. Under section 41 of that Act, it is the responsibility of the valuation officer for a billing authority to compile, and then maintain, its local non-domestic rating lists.
- 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. An increase in 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 council tax and business rates payment for the GLA, through the reduction of arrears in a billing authority, is therefore within the power of the GLA.
- 6.4. The formal agreement with the London Borough of Ealing should be consistent with the GLA's standard format.

7. Planned delivery approach and next steps

7.1. The planned project delivery is set out below.

Activity	Timeline
Procurement of contract	Not applicable
Announcement [if applicable]	Not applicable
Delivery Start Date	April 2018
Evaluation of progress and submission of funding claim for 2018-19	Spring 2019
Consideration of approval to extend funding for a further year to March 2020	Mid 2019
Final claim for funding under this approval	Autumn 2019

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) 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 it has been approved 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 - Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included 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 has drafted this report in accordance with GLA procedures and confirms the following:

✓

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.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 22 October 2018.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Gallie

Date

23.10.18