

REQUEST FOR DIRECTOR DECISION – DD2401

Title: To Approve the Extension of Funding for Projects to Reduce the Level of Business Rates and Council Tax Arrears in the London Borough of Haringey for 2019-20

Executive Summary:

The London Borough of Haringey has approached the GLA seeking a contribution to continue its funding for projects to reduce council tax and business rates arrears in the borough in 2019-20. This funding has been in place since April 2015 for council tax and April 2017 for business rates.

In 2018-19 the GLA contributed £116,000 towards this work which resulted in the collection of an additional £1.7 million of previously uncollected business rates and £2 million of council tax revenues of which the GLA's notional share was £610,000 (based on its 36% share of retained business rates) and £390,000 (based on its 20% share of the local council tax). This represents an estimated surplus of just around £900,000 compared to the GLA's investment. Since 2015 the GLA has made an estimated surplus of around £1.7 million on these projects.

This decision seeks approval for the GLA to contribute £119,000 towards this work in 2019-20 (£59,000 for business rates and £60,000 for council tax) with a target to reduce council tax arrears by at least £1.5 million and business rates arrears by at least £1 million of which the GLA's combined estimated share is just under £0.7 million in total. The upfront cost will be charged to the GLA's business rates reserve.

Decision:

That the Executive Director, Resources approves:

A contribution from the Greater London Authority to the London Borough of Haringey of £119,000 in 2019-20 to support the continuation of work to reduce the level of business rates and council tax arrears in that borough. The upfront costs will be charged to the GLA's business rates reserve. It is anticipated that this upfront contribution will be recovered through higher council tax and business rates collection fund surpluses for the current and future years.

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:

M. J. Clarke

Date:

9.9.19

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. In Mayoral Decision 1553 it was agreed that the GLA should support borough business rates maximisation and council tax 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 revenues on an ongoing basis.
- 1.2. In 2019-20 the GLA is forecast to receive £24.8 million in council tax revenues through the Mayor's precept from council taxpayers in the London Borough of Haringey, £19.6 million in locally retained business rates and £1.5 million through the Crossrail business rate supplement – a combined total of £46 million. The latter two elements are expected to increase during 2019-20 as a result of the recently completed Tottenham Hotspur stadium being re-rated for business rates purposes. As a result of the significant increase in its taxbase in recent years arising from new developments, population growth and a larger proportion than average of its taxbase being SMEs the council has faced increasing challenges in maximising council tax and business rates revenues and collection rates.
- 1.3. The London Borough of Haringey established a dedicated team in 2015-16 to focus on reducing the level of council tax arrears and created a separate team in 2017-18 to tackle business rates arrears. In line with the principle agreed in MD1553, the GLA approved and has paid funding contributions of around £188,000 to fund council tax arrears work and £111,000 to fund business rates arrears work up to 31 March 2019. The balance – equivalent to around 80 per cent of council tax and an average of around 60 per cent of business rates arrears work has been funded by the London borough of Haringey.
- 1.4. Haringey's council tax arrears stood at £28.2 million at the beginning of 2015-16 – equivalent to lost revenue to the GLA of £5.6 million taking into account its local share of council tax. The team had achieved a £6.2 million reduction in arrears up to 31 March 2019, of which the GLA share was around £1.2 million – a net surplus to the GLA of around £1 million compared to its contribution up to that point. The GLA has also contributed £113,000 towards the work of the business rates arrears team since it commenced work in 2017-18. Since its creation that team has collected nearly £2 million in business rates arrears – equivalent to a financial benefit to the GLA of around £700,000 and a net surplus to the GLA of around £600,000 compared to its contribution to date. Therefore, the overall combined net financial benefit to the GLA of supporting these projects has been around £1.7 million so far. These figures do not reflect the incremental benefit of reducing in year arrears and improving cashflow so in practice understate the true monetary benefit.
- 1.5. The Council has approached the GLA to secure funding for both projects so that they can be extended for a further financial year. It is proposed that the GLA provide funding of up to £60,000, towards the total expected project cost of £304,000 for council tax arrears in 2019-20 in line with its current 20 per cent share of the local Band D council tax. It is also proposed that the GLA provide funding of up to £59,000, towards the total expected project cost of £165,000 for business rates in 2019-20 in line with its 36 per cent share of locally retained business rates under the London pilot. The project teams will have a target to reduce council tax arrears by £1.5 million – with a notional GLA share of £0.3 million – and business rates arrears by a net £1 million – with a notional GLA share of £0.36 million. The GLA has an agreement with the borough as to how the funding (including the extension proposed by this Form) will be used.
- 1.6. This is a legitimate request as billing authorities do not explicitly receive additional funding from central government to fund the costs of council tax collection and any investment they make to improve collection rates or reduce arrears benefits their preceptors on a proportional basis. Limited support only via the collection allowance set by Government formulae is made available to fund business rates collection. The ability of billing authorities to meet the costs of such investment has of

course become more challenging in recent years due to the impact of reductions in core grant funding from central government.

- 1.7. The funding requested equates to 0.25 per cent of the sum the GLA is forecast to receive in council tax from Haringey's council taxpayers in 2019-20 and just under 0.3 per cent of its combined business rates and BRS income. It is anticipated – as in previous years – that the contribution will be recovered in full through an increase in the collection fund surplus for council tax 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 proposed council project focuses on reducing Haringey's current level of council tax arrears which was approximately £20 million at the start of 2019-20 of which the GLA's notional share is around £4 million. The existing team will continue to focus on its remit of tracing debtors and maximising collection. In particular the team will focus on homeowners and landlords where the debt exceeds £5,000 and a history of non-payment is evident rather than on low income or vulnerable groups using the following approaches:
 - The identification of arrears cases where insolvency or charging orders are an appropriate means of recovery;
 - Proactive contacting of debtors rather than a reactive approach which is expected to result in more arrangements to pay;
 - The referral to secondary enforcement agencies where limited opportunities are available to secure debt recovery by alternative means; and
 - The use of telephone recovery methods for smaller arrears balances where there is history of propensity to pay. This will also be used to identify forwarding addresses and revised contact details.
- 2.2. The team will also pilot identifying arrears cases where there is evidence of low income or vulnerable groups to support them by:
 - Arranging welfare check appointments in line with the Council's Customer Services team to ensure that individuals are receiving the right support and assistance at the earliest opportunity;
 - Identifying those debtors who owe the council money as a whole and endeavour to liaise and support them to pay as much as possible towards arrears in the fastest timescales;
 - Contacting debtors with historical debt who under the local council tax support scheme will have nothing or less to pay, to ensure that these debts are monitored and the use of enforcement agents is limited; and
 - Making arrangements for these individuals where appropriate to pay their outstanding arrears in line with attachment of benefit amounts of £3.70 per week and encouraging the use of standing orders to encourage payments and change mindsets.
- 2.3. The 'lessons learnt' from the successes of the project are also being applied to the Council's 'business as usual' activities to improve in-year council tax collection rates, although these activities are not funded by this project.
- 2.4. The council tax arrears team, made up of six full-time equivalent (FTE) recovery officers and one FTE manager, expects to collect an additional £1.5 million in council tax arrears in 2019-20. The total annual cost of the project team and related costs is expected to be £304,000, as stated above. As the majority of the costs are staffing related, the project costs can be predicted with relative certainty. Subject to Haringey demonstrating that it had made significant progress towards delivering a reduction in arrears, the GLA would have the option to continue funding for 2020-21, although this

would be subject to a new Director's Decision and consideration in the Council's budget planning process.

- 2.5. In relation to business rates arrears the Council will seek to continue driving improvements in the collection of both current and arrears debt. The additional resources provided for the business rates arrears project enable specific issues to be targeted with the aim of improving arrears collection. In particular, the project focuses on two specific aspects: resource-intensive activities which are likely to offer a 'return on investment' and closed account balances where previous recovery action has failed. The team will continue to have three members – a service manager and two recovery officers at a total annual cost of £163,000.
- 2.6. In terms of the resource-intensive activities, consideration will continue to be given to accounts for insolvency, working with the Council's supplier for insolvency services. Where such action is inappropriate, the Council will consider inviting ratepayers to a pre-committal interview. Failure to attend or respond will result in a committal hearing being scheduled where appropriate (assuming enforcement agent action has not been successful). The second area of focus relates to closed account balances with arrears outstanding, where previously recovery action has failed. Whilst some of these accounts have resulted in being proposed for write-off, this eliminates bad debt, providing additional resource to focus on other areas of work. The service will also use a third party supplier to seek ratepayer information and facilitate contact including using SMS messaging and proactive dialling in order to seek settlement or part payment of arrears.
- 2.7. Billing authorities do not receive discrete funding from government grant to assist in maximising the levels of council tax and business rates income and collection rates. Without the GLA's support, the London borough of Haringey would be required to pay 100% of the cost of these projects but only receive 80 per cent of the additional income which results from council tax arrears and 48 per cent of the reduction in business rates arrears in 2019-20. It is therefore perfectly legitimate that the GLA makes a contribution towards both projects in proportion to the benefits it will receive relative to the London Borough of Haringey.

3. Equality comments

- 3.1. There are no direct equality implications for the GLA as the projects will be managed by the London Borough of Haringey; staff employed on the project are recruited by it under its terms and conditions. The Council should have regard to appropriate equality considerations 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. Both projects are in effect 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 aggregate business rates and council tax arrears might not be reduced in net terms as a result of the projects, but it is expected that they 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 total outstanding arrears is around £7 million (£4 million for council tax and £3 million for business rates and BRS) – and this in effect represents foregone revenue.

5. Financial comments

- 5.1. The Mayor's council precept for the London Borough of Haringey will generate over £24.8 million of revenue for the GLA group in 2019-20 and the GLA will receive over £21 million combined through retained business rates and the Crossrail BRS from ratepayers in the borough.

- 5.2. The Council collects council tax, non-domestic rates and Crossrail Business Rate supplement revenues on behalf of the GLA but in respect of the former does not receive discrete additional funding to support its billing and enforcement responsibilities. The central government allowance for business rates collection is also limited. In light of the additional spending pressures on the council, it has invited the GLA to continue to contribute to the costs of both project teams with a remit to continue to reduce council tax and business rates arrears levels.
- 5.3. The GLA's proposed total contribution of up to £119,000 is also in direct proportion to its financial benefit from both projects. They also meet the objective as agreed in MD1553 as they will in effect be self-financing over time and result in additional revenues on an ongoing basis. The GLA has already derived an estimated £1.7 million net surplus from the work of the existing project teams since they were created.

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 Haringey. The London Borough of Haringey is, within its area, the responsible local billing authority for council tax – including the collection and enforcement of council tax debt – under the LGFA. The GLA has an interest in maximising council tax collection in the borough on the basis that, as noted above, it currently receives 20 per cent of any additional revenues collected through reduced arrears and improved council tax collection rates.
- 6.2. The London Borough of Haringey is also the billing authority for non-domestic rates and the Crossrail BRS 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. The GLA therefore has an interest in maximising business rates collection in the borough on the basis that, as noted above, it currently receives 36 per cent of any additional revenues collected through reduced arrears and improved collection rates.
- 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, including those under the LGFA. An increase in anticipated revenue is so calculated which will also facilitate the GLA's general powers under section 30. The section 34 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. The proposed funding extension is designed to achieve a better level of council tax, business rates payment and BRS for the GLA, through improvement of the collection rates in a billing authority, is therefore within the power of the GLA.

7. Planned delivery approach and next steps

- 7.1. The planned delivery of the projects is set out below.

Activity	Timeline
Delivery Start Date	April 2019
Evaluation of progress and submission of funding claim for 2019-20	Spring 2020
Consideration of approval to extend funding for a further year to March 2021	Spring 2020
Final claim for funding under this approval	Summer 2020

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. The proposal originates from Finance

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 9 September 2019

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Gallie

Date

9.9.19