

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2273

### **Title: Maximising Business Rates and Council Tax Income – funding enhanced property inspection work**

#### **Executive Summary:**

In Mayoral Decision 2177 the Mayor approved a proposal to award funding to the 33 London billing authorities to support additional property inspection work and related activities in order to improve the accuracy of the domestic and non-domestic valuation lists and ensure reliefs and discounts were being claimed correctly and thus maximise council tax and business rates revenues to the GLA. This Decision approved a potential maximum funding envelope of up to £6.6 million on the basis of an allocation of up to £200,000 per authority over the three financial years from 2017-18 to 2019-20.

Following approval of this Decision bids for this funding were sought from the 33 local authorities. In light of the subsequent approval of the London 100 per cent retention pilot, the Government's proposals to reverse the so called 'Staircase tax', legal judgements and the ongoing uncertainty around the impact of rating appeals following the 2017 revaluation several authorities have identified a need for additional investment in property inspection work which would result in a higher contribution from the GLA.

This Decision seeks approval for the Executive Director Resources to agree variations to the distribution methodology approved in Mayoral Decision 2177 to allow him to award more than £200,000 to authorities which have requested additional support providing that the additional GLA support is matched by an equivalent or greater contribution from that authority and the overall £6.6 million overall funding envelope is not exceeded. This additional resource would be prioritised for authorities which had seen the largest increases in rateable values following the 2017 revaluation and thus faced a higher level of appeals risk, had historically made significantly higher investment in inspectors and/or were likely to have a large number of cases affected by the reversal of the Staircase tax and other recent legal decisions affecting business rates income.

#### **Decision:**

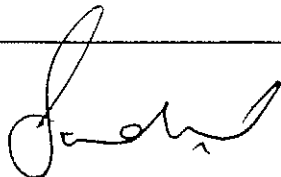
The Mayor delegates authority to the Executive Director Resources to award individual authorities more than the proposed £200,000 individual funding envelope including the annual amounts set out in MD2177 to ensure resources are targeted to maximise potential business rates and council tax income and mitigate risks relating to appeals and changes in rating legislation and policy providing that the maximum total £6.6 million allocation approved in the original Decision is not exceeded.

#### **Mayor of London**

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

**Signature:**



**Date:**

29/3/18

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 The GLA will receive approximately £4.3 billion in council tax, business rates and business rate supplement revenues in 2018-19 and therefore has a direct interest in maximising revenues from these sources in order to support investment in front line services and in strategic and local infrastructure and investment projects which support London's economy.
- 1.2 Since the Enterprise and Regulatory Reform Act 2013 and the related reforms to the business rates appeals system were introduced from 1 April 2017 local authorities are now expected to play an even more active role in reporting changes to the layout or usage of existing properties and the construction of new properties to the Valuation Office Agency so that the non-domestic rating and council tax valuation list is accurate and kept up to date. This burden on local authorities is likely to increase due to resource pressures at the Valuation Office Agency which is expected to lose nearly one third of its staff by 2021 – equivalent to around 1,000 full time posts - as a result of a reduction in its funding from HM Treasury. This risk is particularly pronounced in several inner London boroughs which have seen very large increases in rateable values following the 2017 revaluation.
- 1.3 Additional risk and uncertainty has also arisen because of the Government's decision in the November 2017 budget to reverse the so called 'Staircase tax' on business premises in multiple occupation but not compensate local authorities for the lost revenues and other legal judgements such as the Newbiggin vs Monk Supreme Court judgement relating to the valuation of properties undergoing redevelopment and refurbishment. The Valuation Office Agency will be making corrections to the rating list to address these issues and it will be necessary for local authorities to ensure that these amendments have been made correctly and reflect the current circumstances of the properties affected on the ground. The risks to revenues are particularly pronounced in authorities with significant levels of office space – most particularly central and inner London boroughs.
- 1.4 In Mayoral Decision 2177 (Annex A) the Mayor approved funding of up to £200,000 comprising up to £50,000 in 2017-18 and up to £75,000 in both 2018-19 and 2019-20 for each of the 33 London local authorities over three years – or up to £6.6 million in total - to support additional property inspection and related work in order to:
- ensure properties are accurately included and valued on the local valuation list;
  - identify assessments such as telecommunications networks, advertising rights and mobile phone masts which have been omitted from the valuation list;
  - confirm properties are being used for the purpose stated e.g. for commercial or residential purposes and in respect of the former the type of use;
  - ensure the redevelopment, refurbishment, extension and/or reconstitution of properties is correctly recorded and reported to the Valuation Office Agency;
  - provide an initial point of contact and advice for council taxpayers on low incomes who may be eligible for council tax support or other exemptions and discounts to promote take up;
  - advise business ratepayers of their eligibility for any reliefs they may be entitled to – for example small business rate relief;
  - confirm that the property and/or taxpayer is eligible for any discounts, reliefs and exemptions being claimed in order to reduce fraud and tackle avoidance; and
  - interview business ratepayers or council taxpayers in arrears or in default with a view to making payment arrangements, offering advice and collecting payments.

- 1.5 Following the approval of the Decision the Government has also now formally approved the London 100 per cent retention pilot which increases the benefit to London local authorities in 2018-19 and potentially beyond from investing resources in measures which maximise the business rates tax take alongside the ongoing need to monitor the council tax list. This includes monitoring the valuation of new developments and the impact of the refurbishment and redevelopment of existing properties, assessing the use of properties in multiple occupation and more generally ensuring that the Valuation Office Agency is proactively keeping the rating list up to date.
- 1.6 All 33 local authorities were invited to submit a bid for funding on the basis of the resource they would wish to invest in property inspection reflecting local circumstances and the share of the costs the GLA would potentially support. In light of the above additional challenges and factors several local authorities have requested that the GLA provide additional funding over and above the £200,000 envelope in order to support further enhancement of their property inspection function and/or related investment in technology to facilitate this. This Decision seeks authority for the Executive Director Resources to be able to award additional funding for inspection work where there was a case for doing so on the grounds of maximising the GLA's revenue.
- 1.7 It is intended that such additional funding over and above the £200,000 total envelope and individual annual envelopes would only be approved by the Executive Director Resources where an authority:
- had historically invested in property inspection work at a greater level than the average across London as a whole or
  - had seen larger than average increases in rateable values following the 2017 revaluation and thus faced a greater level of potential risk due to losses on appeal or
  - contained a higher than average number of properties likely to be affected by the reversal of the Staircase tax by the Government and other legal judgements such as the Newbiggin vs Monk Supreme Court judgement which are likely to impact on business rates revenues and in each case
  - the authority would more than match fund the GLA's additional contribution from its own resources.
- 1.8 Based on the bids submitted and reflecting the fact that the GLA's contribution in respect of business rates work will be lower as a result of the 100 per cent retention pilot – and boroughs share higher - it is estimated the proposed variation would result in a total GLA allocation over the three years of around £5 million. This is £1.6 million lower than the maximum envelope envisaged in the original MD21776 decision. No additional expenditure would therefore arise from this variation than that previously planned but the revised targeting of resources is expected to deliver additional ongoing business rates and business rate supplement revenues.

## **2. Objectives and expected outcomes**

- 2.1 As set out in Mayoral Decision 2177.

## **3. Equality comments**

- 3.1 As set out in Mayoral Decision 2177.

## **4. Other considerations**

Links to Mayoral Strategies and Priorities

Key Risks

- 4.1 As set out in the original decision.

## 5 Financial comments

- 5.1 The proposed variation sought in this Decision would not result in the overall funding envelope of up to £6.6 million originally approved being exceeded. Based on the bids submitted by billing authorities and taking into account the applications for additional support over and above the £200,000 sum per authority originally envisaged it is anticipated that around £5 million would be allocated – around £1.6 million lower than the overall funding envelope. This reflects in part the fact that the GLA will be contributing a lower proportion of the costs of business rates related inspection work following the approval of the London 100% retention pilot which reduces the GLA's share of locally retained business rates from 55 per cent to 36 per cent as there will be no central government share.

## 6. Legal comments

- 6.1 The 32 London Boroughs and the Corporation of London are the billing authorities for non-domestic rates in the GLA 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.
- 6.2 The GLA is also a major precepting authority under section 39 of the Local Government Finance Act 1992, as amended by section 82 of the Greater London Authority Act 1999 (the GLA Act), and issues precepts to billing authorities in Greater London, in respect of council tax. It was noted in the original decision that billing authorities incur costs of around £50 million in respect of their statutory council tax collection and enforcement responsibilities, and that the GLA makes no direct contribution towards these costs at present. It is further noted that the GLA has an interest in maximising income from council tax, business rates and business rates supplement, because it stands to recover substantial proportions of each.
- 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, business rates supplement and council tax income for the GLA is therefore within the power of the GLA.
- 6.4 This variation is consistent with these statutory duties and responsibilities.

## 7. Planned delivery approach and next steps

Final Agreements entered into with London boroughs	March 2018
Review of delivery for first 18 months of the project and subject to this confirmation of funding 2020-21	March 2019
Project Closure should it be decided not to extend funding into 2020-21	March 2020
Delivery End Date and submission of final claims	July 2020

### Appendices and supporting papers:

Mayoral Decision 2177

<https://www.london.gov.uk/decisions/md2177-funding-maximise-business-rates-and-council-tax-income>

**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 the following:

✓

**Sponsoring Director:**

Martin Clarke, Executive Director Resources has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

David Bellamy, Chief of Staff has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal. The proposal originates from Finance.

✓

**Corporate Investment Board**

This decision was agreed by the Corporate Investment Board on 26 March 2018

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. D. Bellamy*

Date

26.3.18

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

*D. Bellamy*

Date

26/3/2018.

