

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2304

Title: To Approve Funding for a Project to Reduce Business Rates Arrears in the London Borough of Haringey

Executive Summary:

The London Borough of Haringey has approached the GLA seeking a contribution to continue its project to reduce business rates arrears in the borough in 2018-19. In 2017-18 the GLA contributed £55,000 to a project to tackle business rates related arrears which resulted in the collection of an additional £1.5 million in business rates revenues of which the GLA's notional share was over £0.55 million

This decision seeks approval for the GLA to contribute £57,000 towards the overall cost of the project of £159,000 in 2018-19 so that it can continue. The GLA's contribution is equivalent to 36 per cent of the project cost, in line with the GLA's share of locally retained business rates income. The cost will be charged to the GLA's business rates reserve.

Decision:

That the Executive Director of Resources approves a contribution from the Greater London Authority to the London Borough of Haringey of up to £57,000 in 2018-19, to fund the continuation of a project to reduce business rates arrears in the borough. This cost 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:

M. D. Clarke

Date:

3.12.18

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. In 2018-19 the GLA will receive a 36 per cent share of the total business rates income collected by billing authorities from non-domestic properties on the local valuation list (rating list) in London. This includes £25.6 million from business ratepayers in the London Borough of Haringey with a further £1.6 million receivable through the Crossrail business rate supplement. If there is net growth in the rates base each year in real terms, this accrues to the GLA on broadly the same percentage basis.
- 1.2. In Mayoral Decision 1553 Mayoral approval was given to the principle of supporting projects by billing authorities which maximise business rates income. MD1553 delegated authority to the Executive Director Resources to enter into contractual agreement with boroughs to support such projects, on the condition that they should be self-financing and result in additional rates income.
- 1.3. The London Borough of Haringey has approached the GLA to seek a contribution towards its ongoing project for 2018-19 to reduce business rates arrears. The project commenced in 2017-18 and GLA funding of £55,000 was approved in DD2163.
- 1.4. In order to focus on reducing business rates arrears, the level of which stood at £8.5 million as at 31 March 2017, the project funded a team of three staff – a service manager and two recovery officers. The Council also uses a third-party supplier in the seeking of contact information and in prompting contact to secure payment of arrears balances.
- 1.5. As at 2 April 2018, the project had secured the collection of an additional £933,000 of previously uncollected business rates. In addition, the team had instigated insolvency proceedings in relation to £3 million of uncollected arrears and begun a process of cleansing bad debt and identifying £1 million of write-offs. As a result of these actions, the project has reduced outstanding business rates debt by £1.5 million in 2017-18.
- 1.6. Due to the success of the project to date, the Council is seeking to continue funding the team for 2018-19. The estimated cost of continuing the project in 2018-19 is £159,000, of which the GLA is requested to contribute £57,000 in line with its 36 per cent share of locally retained business rates, with the Council contributing the remaining £102,000 from its internal 'Transformation Fund'.
- 1.7. The extension of this project for a further year is expected to continue to realise substantial benefits to the GLA, significantly in excess of the level of contribution provided to fund the team. Additional rates income recovered will be transferred to the GLA in cash terms on the basis of the collection fund surplus or deficit forecast made each January via an adjustment to the instalments by the Council during the 2019-20 and 2020-21 financial years. This will include any backdated sums due for prior years in addition to sums collectable for 2018-19.
- 1.8. This is a legitimate request as billing authorities do not explicitly receive additional funding from central government to fund the costs of business rates maximisation and any investment they make which increases revenues. The proposed funding will not be used to resource the borough council's normal collection and enforcement work in respect of business rates. Without this funding the GLA would make no contribution directly towards collecting and enforcing the £25.6 million it is forecast to receive in business rates income and £1.6 million in BRS income from Haringey in 2018-19.

2. Objectives and expected outcomes

- 2.1. The Council recognises the importance of driving improvements in the collection of both current and arrears debt. The additional resources provided by the project enable specific issues to be targeted with the aim of improving arrears collection. In particular, the project focusses 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.
- 2.2. In terms of the resource-intensive activities, consideration will continue to be given in 2018-19 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).
- 2.3. 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.
- 2.4. The service will also utilise a third-party supplier to seek contact information and prompt contact. The Council has recently began working with an external third party provider in this area for council tax collection, utilising technology in customer contact by SMS messaging and tele-messaging, by gaining up-to-date contact information. It is proposed that similar activity be used to increase business rates arrears recovery. Proposals include SMS messaging and proactive dialling in order to seek settlement or part payment of arrears. The Council will initially focus on cases of closed arrears balances for sole traders. In addition, this technology will be used for current in- year collection (which is not part of this project) and, where this is effective, the Council will also address any outstanding arrears at the same time.
- 2.5. The Council aims to further reduce business rates arrears by £0.7 million in 2018-19, utilising the methods outlined above of which around £0.25 million would notionally accrue to the GLA under the business rates retention scheme in 2018-19 based on its 36 per cent retention share. This sum will be achieved through a combination of revenue collection and reduction via write offs, cleansing the bad debt and improving efficiency.

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; staff employed on the project are recruited by the Council 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, including the public sector equality duty under section 149 of the Equality Act 2010.

4. Other considerations

- 4.1. The project is intended to be self-financing with the upfront costs being offset by additional business rates 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 performance in this area.

5. Financial comments

- 5.1. The GLA receives non-domestic rates and business rate supplement income collected by LB Haringey in respect of its relevant share (36%) in 2018-19. The Council collects these revenues on behalf of the GLA and through the cost of collection allowance it retains a small proportion of business rates income to fund billing and enforcement duties, however the Council does not receive discrete additional funding to support arrears recovery work.
- 5.2. Funding will be provided to LB Haringey via a grant agreement to be signed by the GLA and the Borough. The upfront cost of £57,000 will be funded from the business rates reserve. However, in effect, the project is expected to be self-financing over time and result in additional revenues on an ongoing basis.
- 5.3. The cost of £57,000 will be funded from the GLA's business rates reserve.

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. 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 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. 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 business rates payment for the GLA, through improvement of the collection rates in a billing authority, is therefore within the power of the GLA.
- 6.3. The formal agreement with the London Borough of Haringey should be consistent with the GLA's standard format.

7. Planned delivery approach and next steps

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
Evaluation of progress and consideration of funding claim for 2019-20	Spring 2019
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 3 December 2018

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Allie

Date

3.12.18

