

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION - DD2046

### Title: Maximising Business Rates Income In the London Borough of Waltham Forest

#### Executive Summary:

From 1 April 2017 the GLA will receive 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 £23.3 million from the London Borough of Waltham Forest under the business rates retention scheme and a further £1.6 million through the separate Crossrail Business Rate Supplement (BRS).

The Borough Council has approached the GLA to extend the business rates income maximisation project approved in 2015-16. The 2015-16 project has generated an estimated £85,000 of ongoing additional rates income in 2016-17 for the GLA for a one off contribution of just under £36,000. This annual gain is expected to increase to around £157,000 from 2017-18 onwards as a result of the GLA's increased share from April 2017.

In Mayoral Decision 1553 the Mayor agreed that the GLA should support borough business rates 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 decision seeks approval for the GLA to contribute up to a further £50,000 costs incurred between April 2016 and March 2018 with the objective of generating additional rateable value of up to £1 million and ongoing annual rates income for the GLA of up to £180,000. The sum payable is proportional to the rateable value generated. The costs will be charged initially to the Business Rates Reserve with the additional revenues generated from the project being paid over to the GLA through collection fund surpluses in future years as well as forming part of the business rates baseline.

#### Decision:

That the Executive Director of Resources approves GLA expenditure of £50,000 as a contribution towards a project by the London Borough of Waltham Forest to maximise business rates income 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 of Resources

Signature: 

Date: 12.4.17

## **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 £23.3 million of income through the business rates retention scheme in respect of non domestic ratepayers in the London Borough of Waltham Forest. This is in line with the revised 37 per cent share of total business rates income – or 55 per cent of the 67 per cent locally retained share – from 1 April 2017 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 also receives around £1.6 million in Crossrail BRS revenues annually from the Waltham Forest Borough.
- 1.2 In 2015-16 the GLA financed 40% of a business rates maximisation project commissioned by the Borough Council which identified hereditaments which were either omitted from or undervalued on the rating list. This was approved in Directors Decision 1393. 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 contributed £35,867 to the project with Waltham Forest financing the balance of £53,800. This project identified approximately £0.9 million of rateable value which was added to the borough's local rating list generating just under £430,000 of ongoing annual rates income. Of this approximately £86,000 will have accrued to the GLA in 2016-17. This sum would be expected to increase to £157,000 from April 2017 discounting the impact of revaluation growth which is not retained locally in line with the GLA's increased share. So for a one off investment of less than £36,000 the GLA will secure approximately £715,000 of additional rates income over the next five years in real terms – nearly 19 times the original investment.
- 1.3 The London Borough of Waltham Forest has asked the Greater London to make a contribution towards a further project which will again seek to maximise business rates income covering the period from 1 April 2016 to 31 March 2018 by identifying additional hereditaments which are either not currently included on the Valuation Office's rating list or alternatively have an allocated rateable value which is understated.
- 1.4 The GLA's contribution will be used to finance the rateable value finder project work undertaken with the support of the contractors. The finder's fee payable to the contractor is again in proportion to the additional rateable value added to the Valuation Office's rating list which would result in additional business rates being payable on the assessments affected.
- 1.5 In respect of items added to the rating list before 1 April 2017 the GLA will contribute 40% of the project costs with the proportion after that date being 55% in line with the relative revised local shares from that date. The 10 per cent charge payable to the contractor would be capped at £100,000 and therefore the maximum the GLA is expected to pay toward the project is estimated at £50,000 (i.e. 50 per cent of the cap based on the expected profiling of the additions to the rating list). It is anticipated that the GLA will pay this contribution during 2017-18 but it could be later than this depending on when the related adjustments are made by the Valuation Office Agency to the non domestic rating list.

- 1.6 The maximum £50,000 contribution would be triggered by amendments to the rating list which would deliver an uplift of at least £1m in rateable value which potentially would deliver up to an estimated £480,000 of ongoing additional income based on the 2017-18 NNDR multiplier of which up to £180,000 would accrue to the GLA in line with its 37 per cent share. Over five years therefore for a one off £50,000 investment the GLA would potentially secure additional rates income of around £900,000 i.e. a net surplus of around £850,000 or seventeen times the initial investment. If any changes to the rating list are backdated then potentially there could also be an additional one off benefit. As the sum payable by the GLA is conditional on and proportionate to the rateable value added to the rating list there should be no net cost to it should the project not deliver additional rates income.
- 1.7 Waltham Forest's contractors have in fact already identified £565,000 of additional rateable value and billed the Council for 10 per cent of that in respect of 2016-17 i.e. £56,500. The GLA would therefore contribute £22,580 towards these costs already incurred from the £50,000 proposed allocation with this sum being payable in 2017-18 reflecting the financial year in which the GLA will benefit from the additional revenues. Based on its current 37 per cent share the GLA would expect to receive estimated additional ongoing business rates income of around £100,000 in respect of the work already undertaken.
- 1.8 Overall this is a legitimate request by the Council 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 the size of the rating list benefits the GLA financially on a proportionate basis. The funding will not be used to resource the borough council's normal collection and enforcement work in respect of business rates.
- 1.9 The rates income arising from any additional rateable value added to the rating list would be transferred to the GLA in cash terms through the collection fund surplus or deficit forecast for 2017-18 prepared in January 2018. The aggregate additional rateable value identified and secured will then form part of the baseline rating list in 2017-18 and future years and any benefit will accrue to the GLA in line with its post April 2017 37 per cent share on an ongoing basis – or whatever percentage share may apply after April 2018 as a result of the move towards 100% local retention of business rates income.

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

- 2.1 Waltham Forest has contracted a recognised rating expert to review its rating list in order to identify hereditaments which have been omitted from the local rating list or were incorrectly valued through its tailored software and project management tools.
- 2.2 The Council procured the licence for the interrogation software required which was required to undertake the previous project funded in 2015-16. The project tools within the software bring together a wide range of commercial property data into a flexible and sophisticated case management system and provide key calculation and estimation of potential increases in yield. The project interrogation tool used by the contractor seeks to identify assessments either omitted from the non domestic rating list entirely or undervalued.
- 2.3 Under the terms of the agreement between Waltham Forest and its contractor the latter would receive 10% of the additional rateable value identified as a one off payment after it is confirmed that these assessments/amendments have been adjusted on the Valuation List subject to a maximum cap of £100,000. This maximum £100,000 payment would be triggered by a £1,000,000 (or higher) uplift in rateable value based on the 10 per cent fee.

- 2.4 In light of the shared benefits Waltham Forest has requested that the GLA contribute 40% of the cost of the one off payment to the contractor in respect of items added to the rating list before 1 April 2017 and 55% for those added after 1 April 2017 in line with the relative local shares of business rates applying for each financial year. The GLA contribution would therefore average at an estimated 50 per cent over the period of the project. Any contribution payable will vary depending on the additional rateable value identified by the project and added to the rating list by the Valuation Office.
- 2.5 In summary therefore
- The contractors will identify additional rateable value which could be added to the rating list in Waltham Forest – for which they would receive a total payment equating to 10% of the rateable value identified and secured subject to a maximum payment of £100,000. Of this the GLA would contribute up to £50,000 if the VOA amended the list to reflect these assessments. If the sums added to the rating list were subsequently lower the GLA payment would be reduced accordingly on a pro rata basis;
  - Based on the maximum one off £50,000 contribution estimated additional rates income of up to £178,000 per annum in 2017-18 prices is expected to be generated for the GLA based on its 37 per cent share – assuming a minimum increase in rateable value of £1,000,000. Additional backdated sums for prior years may also be payable;
  - Potentially additional Crossrail BRS income could also be generated annually of up to £20,000 – if the assessments affected have rateable values above the qualifying threshold of £70,000.

### **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 Waltham Forest 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 will be self financing with any up front costs being offset by additional non domestic rating income generated – due to the fact that the GLA receives 37% of any rateable value growth but is only required to make a one off contribution to the contractor via LB Waltham Forest equivalent to 5% of any rateable uplift made to the rating list. If no net additional non domestic rating is generated through additions or uplifts to the local rating list made by the Valuation Office no payment are due from the GLA.
- 4.2 There is a marginal risk that part of the expected uplift may be lost due to potential challenges by ratepayers but it would require 90 per cent of the identified revenue to be lost for the GLA to incur a deficit on the project over two years and 97 per cent over 5 years which is highly unlikely. Overall however these risks are considered marginal compared to the potential gains.

### **5. Financial comments**

- 5.1 In 2017-18 the GLA is forecast to receive an estimated £23.3 m from the London Borough of Waltham Forest 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% and 100% respectively in 2017-18) but does not receive discrete additional funding to support work which maximises the size of the rating list – and therefore the level of rating income. Its funding – via the respective cost of collection allowances – is purely for its billing and enforcement duties. It is therefore reasonable for the GLA to be asked to contribute towards efforts to maximise the size of the rating list and address undervaluations of particular assessments relative to their correct market rateable value.
- 5.3 The GLA has been asked therefore to contribute towards the costs of the business rates maximisation project which has been incurred in line with its average locally retained share over the period of the project. Its contribution is conditional on the omitted/undervalued hereditaments being amended on the rating list by the Valuation Office Agency.
- 5.4 In Mayoral Decision 1553 the Mayor agreed that the GLA should support borough business rates 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 Waltham Forest is the billing authority for non-domestic rates in its area under the Local Government Finance Act 1988. It is noted at 1.8 above that billing authorities do not receive discrete funding from government grant to assist in maximising the size of the rating list.
- 6.2 The GLA has an interest in maximising business rates income in each London billing authority as from April 2017 it receives 37 per cent of any additional revenues collected – equating to 55% of the locally retained share. On that basis it is legitimate for GLA resources to be used to support business rates maximisation project 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 list of a Borough, is therefore within the power of the GLA.
- 6.4 The formal agreement with LB Waltham Forest 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:**

<b>Activity</b>	<b>Timeline</b>
Procurement of contract with LB Waltham Forest contractor	In place from previous project for which funding was approved in DD 1393
Confirmation of assessments omitted from or undervalued in rating list	By March 2018
Negotiations to add assessments to rating list with Valuation Office	By March 2018 as target date but this could be earlier.
Payment made by LB Waltham Forest to contractor and by GLA to LB Waltham Forest based on its agreed share	Expected by April 2018 but could be earlier – no payment is triggered until rating list uplift/amendments are made
Amendments made by Valuation Office to non domestic rating list – resulting in adjustments to ratepayer bills	Expected by March 2018 but could be earlier
Earliest date by which revenues would start to be received by GLA as a result of uplift in cash terms to 2018-19 instalments through the estimated collection fund surplus/deficit for LB Waltham Forest in respect of 2017-18 calculated in January 2018	1 April 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 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 10 April 2017.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. J. Allie*

Date

*12.4.17*





**Diane Lydia Arter**

---

**From:** Martin Clarke  
**Sent:** 04 April 2017 15:38  
**To:** Martin Mitchell  
**Cc:** David Gallie  
**Subject:** RE: DD2046 - Pre Approval of Funding for Business rates maximisation project LB Waltham Forest

Martin

I'm fine with this.

Can you give me an up to date list of the various projects you have (business rates maximisation, business rates and council tax arrears, etc) and an assessment of any boroughs not participating in something where it would really be worthwhile (eg are there any other boroughs with significant arrears which we should be trying to get some work done?).

Thanks  
Martin

---

**From:** Martin Mitchell  
**Sent:** 03 April 2017 20:16  
**To:** Martin Clarke  
**Cc:** David Gallie  
**Subject:** DD2046 - Pre Approval of Funding for Business rates maximisation project LB Waltham Forest

Martin

I would be grateful if you could pre approve the attached Directors Decision seeking approval of £50,000 for a project to maximise business rates income in Waltham Forest. This will cover work commenced in 2016-17 with a project end date of 31 March 2018.

The maximum £50,000 contribution would be triggered by amendments to the rating list which would deliver an uplift of at least £1m in rateable value which potentially would deliver up to an estimated £480,000 of ongoing additional income based on the 2017-18 NNDR multiplier of which up to £180,000 would accrue to the GLA in line with its new 37 per cent share. Part of the work for this has already been completed by LB Waltham Forest.

The project extends the 2015-16 project for Waltham Forest agreed in DD1393.

Regards

Martin

Martin Mitchell  
GLA Group Finance Manager  
Resources Directorate  
Greater London Authority  
Tel: 020 7983 4145  
Fax: 020 7983 4241  
Email: [martin.mitchell@london.gov.uk](mailto:martin.mitchell@london.gov.uk)

