

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2278

Title: To Approve Funding for a Project to Maximise Business Rates Income in the London Borough of Harrow

Executive Summary:

The London Borough of Harrow has approached the GLA to seek a contribution towards its business rates income maximisation project work for 2018-19. The project will focus on identifying specific types of properties which may be missing or undervalued on the Valuation Office Agency's rating list for the borough focusing on specific categories of hereditament. The results of this work may have transferable benefits to other London billing authorities.

This decision seeks approval for the GLA to contribute £7,200 to the overall cost of the project of £20,000 – equivalent to 36 per cent of the project cost, in line with the GLA's share of retained business rates income in 2018-19. The cost will be charged to the GLA's business rates reserve.

Decision:

That the Assistant Director of Group Finance approves:

A contribution from the Greater London Authority of £7,200 to a business rates maximisation project for the London Borough of Harrow for the 2018-19 financial year. The costs will be charged to the GLA's Business Rates Reserve.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT

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: David Gallie

Position: Assistant Director, Group Finance

Signature:



Date:

2 / 10 / 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 £19.4 million from business ratepayers in the London Borough of Harrow with a further £1.1 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 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 Harrow has approached the GLA to seek a contribution towards a project for 2018-19 to maximise business rates income, by identifying properties which are missing from, or have been incorrectly valued in, the local valuation list. The council has undertaken similar projects in recent years, which have resulted in an estimated £1 million ongoing increase in the rateable value on Harrow's local list. This has resulted in an estimated *ongoing* benefit of up to £180,000 per annum in rates income for the GLA based on its current 36 per cent share for a one off investment of £40,000.
- 1.4. The total cost of the 2018-19 project is £20,000, with the GLA asked to contribute £7,200, in line with its 36 per cent share of retained business rates this year, with the remaining £12,800 funded by the Council itself. LB Harrow has commissioned a supplier on a 'fixed fee' basis; the supplier is a recognised contractor in this field and has been working with the borough since 2014. It is expected that the 2018-19 project will build on the work already carried out by the contractor in previous years. Any requests for funding for similar projects in future years will be considered separately and in light of the performance of the 2018-19 project. Consideration of any future project is therefore not part of this decision.

2. Objectives and expected outcomes

- 2.1. The project will focus on identifying non-domestic properties (hereditaments) which have either been omitted from the local rating list or incorrectly valued by the Valuation Office Agency (VOA). In particular, the contractor delivering the project will concentrate on the following areas where valuation list errors or omissions are most likely:

Cash machine (ATM) units	Additional works at major premises
Missing floor areas at larger offices	'Let-outs' and concessions at supermarkets;
Errors at retail parks	'Let outs' and common areas at shopping malls;
Garden centres	Errors on completion notices, and properties failing to reach the valuation list
Rateable railways capable of rating within the local list	Missing units by comparison with commercial datasets

- 2.2. The areas of focus are based on a previously designed research methodology, which has been developed over the past two years. As part of the project, errors and omissions identified within the above areas of work will be submitted to the VOA for amendment, or correction, on the valuation list. If these changes are accepted by the VOA, the GLA (and LB Harrow) will receive additional ongoing rates income from the date the rating list is amended and potentially a one-off sum for prior years. The results of this work will have transferability to other billing authorities.
- 2.3. It is not possible, at this stage to quantify the effect of this work on generating an increase in the value of the current rating list. As such, the Council has determined that a fixed fee for the project will provide better value for money than use of a 'contingent fee' payment mechanism.
- 2.4. Previous projects undertaken by LB Harrow - which the GLA has provided £40,000 of funding towards - have generated up to an additional £1 million of rateable value in the local list for the borough. As a result of these projects, under the 2018-19 business rates retention arrangements, up to £180,000 additional income could be receivable by the GLA this year. In addition, Crossrail business rates supplement income could also be generated on an ongoing basis where assessments identified are above the £70,000 threshold equivalent to 2 per cent of the uplift
- 2.5. It is anticipated that the work undertaken from the funding for this project could identify categories of properties where list errors and omissions are widespread across London. Consequently, there could be potential benefits for the whole Greater London area if amendments are accepted by the Valuation Office Agency and applied to other local lists. This transferability in its own right justifies the GLA's investment even in the unlikely event no additional business rates income was identified in the Harrow borough. The contractor will model the impact on the borough of potential changes and extrapolate this information to demonstrate the possible impact on London as a whole.

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 Harrow; the contract it has entered into is 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 expected to be self-financing, with the modest upfront costs in effect offset by the likely additional non-domestic rating income generated. There is a risk that income might not increase in net terms as a result of the project. However, previous projects have resulted in substantial additional rates income for the borough, as outlined above.

5. Financial comments

- 5.1. The GLA receives non-domestic rates and business rate supplement income collected by LB Harrow in respect of its relevant share (36% and 100% respectively) in 2018-19. The Council collects these revenues on behalf of the GLA; through the cost of collection allowance it retains a small proportion of business rates income to fund billing and enforcement duties.
- 5.2. The London Borough of Harrow does not receive discrete additional funding to support work which maximises the size of the rating list. It is therefore reasonable for the GLA to be asked to contribute

towards efforts to maximise the size of the rating list and address under valuations of particular assessments relative to their correct market value.

- 5.3. Funding will be provided to LB Harrow via a grant agreement to be signed by the GLA and the Borough. The upfront contribution of £7,200 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 so the effective cost is nil.
- 5.4. The GLA has previously paid £40,000 in one off contributions towards business rates maximisation projects in Harrow which it estimated have generated over £180,000 of additional ongoing business rates revenues for the GLA Group as well as contributing to wider research work on high risk assessments in terms of potential valuation errors which offer benefits beyond the borough's own boundaries. This demonstrates the financial and wider benefits of this investment for the GLA. In common with 31 other London billing authorities the GLA is also contributing to the costs of additional property inspection staff and related activities in order to ensure the accuracy of the council tax and business rates valuation lists as well as seeking to identify fraudulent and erroneous claims being made for reliefs and exemptions.

6. Planned delivery approach and next steps

- 6.1. The planned delivery of the project is outlined in the timetable below.

Activity	Timeline
Procurement of contract for the project by LB Harrow	Completed
Confirmation of funding from GLA for the project	October 2018
Contractor completes and submits draft modelling report	December 2018
Collection fund surplus/deficit forecasts submitted by LB Harrow via 2019-20 NNDR 1 return	January 2019
Assessments/amendments added to rating list, in line with forecasts	From January 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. The proposal originates from Finance and the legal comments are consistent with the wording approved for borough council tax and business rates income maximisation projects.

✓


Corporate Investment Board

This decision was agreed by the Corporate Investment Board on the 1 October 2018.

HEAD OF FINANCE AND GOVERNANCE:

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

Signature



Date

01-10-18

