



Corporate Services & Partnerships Policy Overview Committee

Review Scoping Report 2015/16

Rates Retention and the Rating of Heathrow Airport

Aim and background to review

The London Borough of Hillingdon has the fifth largest Billing Authority Rating List in London with an overall Rateable Value of almost £800m and with responsibility for the majority of Heathrow Airport.

The Borough's Rates risk with the Airport is huge. Over £340m in Rateable Value is contained within just four 'assessments' at the core of the Airport complex, of which the overall "cumulo" assessment is on its own around £243m.

The main Airport complex represents 42% of the Council's Business Rates Local List. However, there is little independent visibility to the Council of the

Heathrow Airport, as a secure facility is subject to the usual security restrictions for such premises. Therefore, the Council has no rights of inspection under current provisions, so all property inspections must be left to the Valuation Office.

From the 1st April 2013, significant changes to local authority finance were implemented under the Government's Localism strategy. Local Authorities now have more interest in their business rates revenue as they are now able to retain a percentage of these rates. Councils now have a greater incentive to increase yield within the Authority and to understand potential effects within

the Billing Authority on rate losses through rate appeals, demolition of properties and material changes which may also affect their business rates.

Agents for the Airport have robustly defended the current assessments, arguing that if the Agent and the Valuation Office are content, then the Authority should accept the current values. Requests to visit the Airport have been made to the Agent but these have been declined.

The aim of the review will be to investigate means of enabling Council officers to assess fully the rateable value of Heathrow by engaging with the Agents for Heathrow Airport and the Valuation Office.

In order to achieve this aim the following objectives/ Terms of Reference are proposed:

- To understand the legislative context of the rating system as it applies to Heathrow Airport and in the context of the Localism agenda;
- To examine the scale of the matters at hand in relation to the rating of Heathrow;
- To examine the procedural problems which the Council faces with regard to the rating of Heathrow;
- To look at the role of the Valuation Office and their relationships with other stakeholders to the Rates process which includes the Council and the Agents that act on behalf of the Ratepayer;
- To consider the options which could be available to the Council in terms of requesting that an up to date assessment of the rateable value of Heathrow Airport be carried out;
- To look at the Billing Authority's rights of access to the premises to enable a comprehensive assessment to be carried out.
- To look at the rules relating to the inspection of premises and whether there could be a delegation to another party to carry out inspections;
- To assess from Rates Plus analysis data, the scale of the possible business rates which the Council may be missing out on.
- To examine any other examples which this Council could learn from in terms of best practice in relation to business rating;
- To develop recommendations to Cabinet, where appropriate.

Recent Developments - Councils to keep Business Rates

The review would be taking place within the context of the recent Government announcement which proposes that Councils are to retain all locally raised Business Rates by the end of the decade.

Rates Plus

For the review, the Committee will be able to call upon the expertise of an organisation, Rates Plus. Rates Plus have been providing advice to Local Authorities since the introduction of the Localism Agenda in April 2013. They are a leading, independent commercial supplier of specialist, professional Rates Retention services, and the only service which is partnered with the Chartered Institute of Public Finance and Accountancy.

INFORMATION & ANALYSIS

It is proposed that this review follows the structure of first setting the context, looking at the research from Rates Plus on their Heathrow assessments, and investigating the options which are available to the Council.

WITNESS, EVIDENCE & ASSESSMENT

The table below sets out the possible witnesses that could be invited to present evidence to the Committee. Members are reminded that this is not an exhaustive list and that additional witnesses can be requested at any point throughout this review.

Session Theme	Information /	Suggested Witnesses
Witness Session and Briefing from Rates Plus <i>(13 October 2015)</i>	/	Simon Horsington and Roger Messenger from Rates Plus will present their analysis. Rob Smith (Head of Revenues and Benefits) and Iain Watters (Financial Planning Manager). Members will have the opportunity to agree or propose alternative witnesses.
Legislative context and rights of the Council Role of the Valuation Office and relationship with their Rating Agents and Heathrow Airport <i>(10 November 2015)</i>	/	Raj Alagh (Borough Solicitor) Michael Dunlevey (Valuation Office)
Options for the Council as Billing Authority <i>(7 January 2016)</i>	/	Witness from Greater London Authority Witnesses from Rating Agents (Gerald Eve) and/or Heathrow Airport
Consideration of Draft Final Report <i>(2 February 2016)</i>	/	The draft final report will be presented by Chairman of the Committee.

Assessment

As is standard practice for a Policy Overview Committee review, once a report's recommendations have been agreed by the Cabinet, officers will be

asked to begin delivering the necessary changes. The monitoring of officers' work is a fundamentally important aspect of the Committee's work and, as such, regular reports on progress can be requested by Members and a full update report will be added to the future work programme of the Committee.

Resource requirements

This review will be undertaken within current resources. The plan set out above will be co-ordinated and delivered by Democratic Services. The additional resource of staff time required to present, collect and format evidence for witness sessions will also need to be considered.