

Business Rates Risks



Business Rates



Business rates is charged on non-domestic properties. It is collected by Tower Hamlets.

30% of all business rates collected are retained by the Council (37% GLA, 33% Government).

The more business rates the Council collects the more money it has and visa versa.



Business Rates Income



The Council's budget for business rates related income is £173m.

We are in a business rates pool with 7 other Councils. The pool provides Tower Hamlets with £2m of savings that would otherwise be paid to central government.

Other Members of the Pool are:

Barnet, Brent, City of London, Enfield, Hackney, Haringey, Waltham Forest



Business Rates Appeals



Business rates are based on the value of a property as calculated by the Valuation Office Agency (VOA).

Businesses can appeal against their valuation, and they may do this years after the valuation.

If successful the business rates will be reduced and prior year payments refunded.



Ratings List



A new valuation list was introduced on 1st April 2023, with 2 year revaluations planned.

The last revaluation was in 2017 so a period of 6 years between valuations.

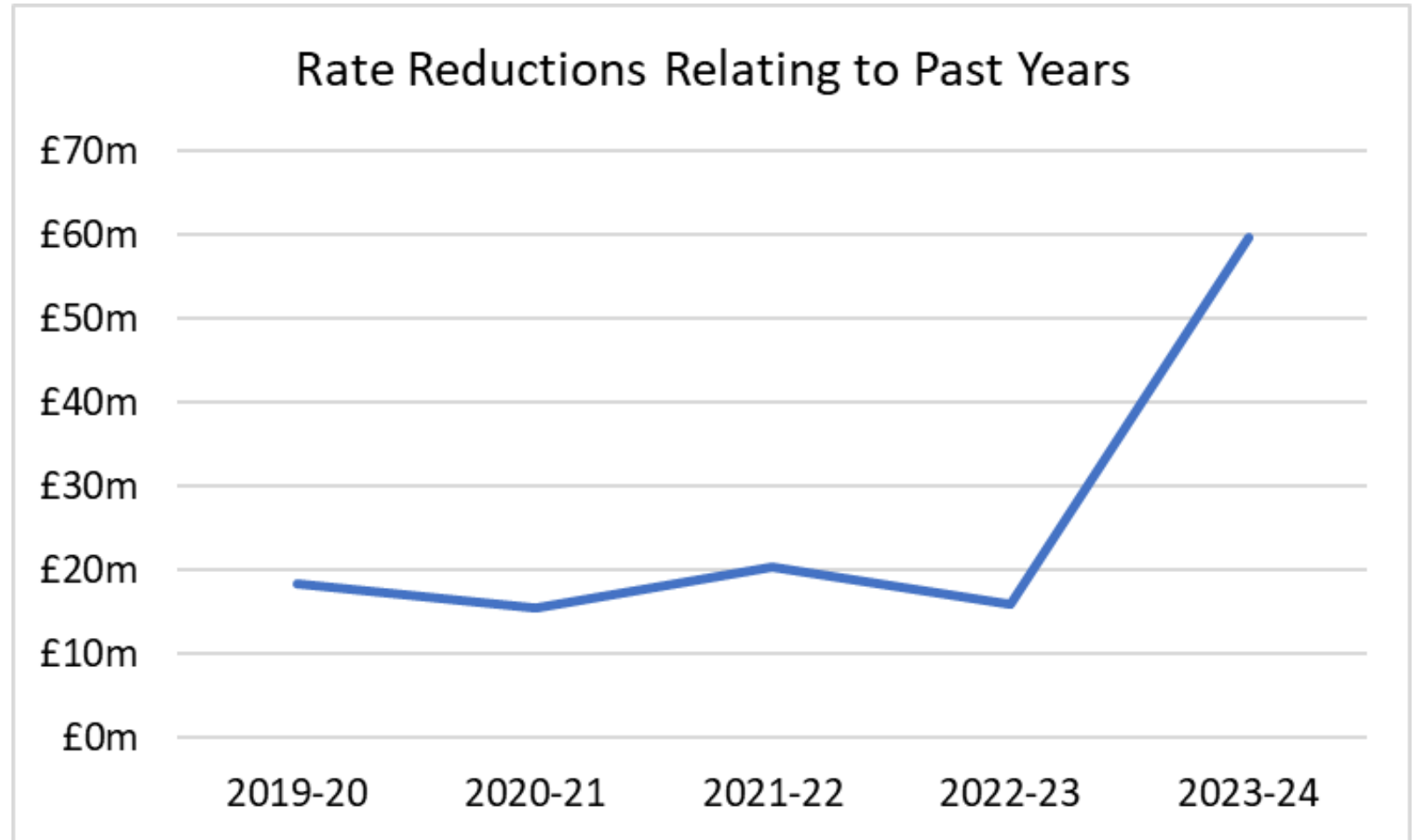
New appeals relating to 2017 are now closed, although existing appeals are still being processed.



Historic Levels

Rate reductions in 2023/24 were over 3 times higher than previous years.

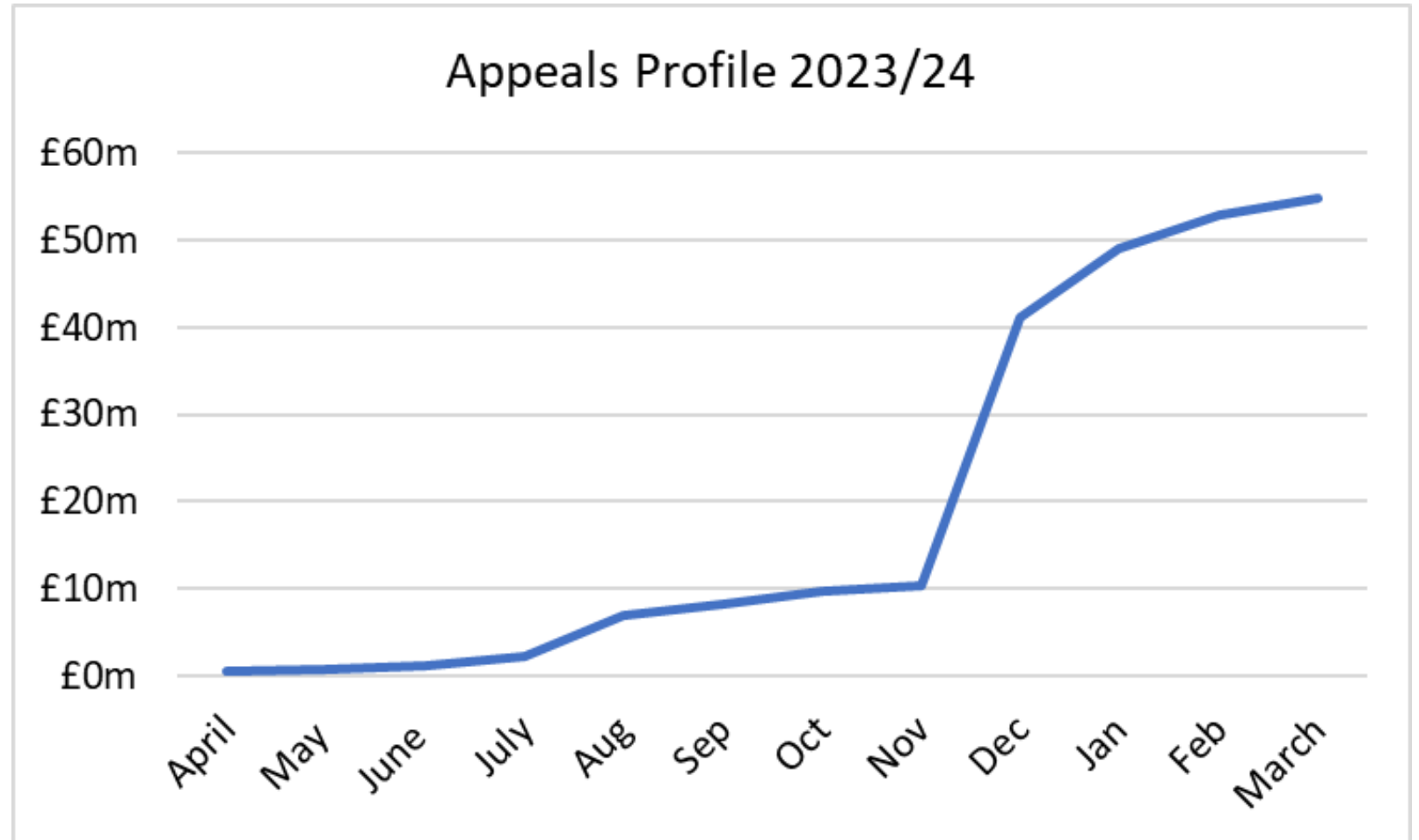
30% of this additional £40m is £12m.



2023/24 Appeals Profile



Appeals decided from December onwards caused the increase.



Top Appeals

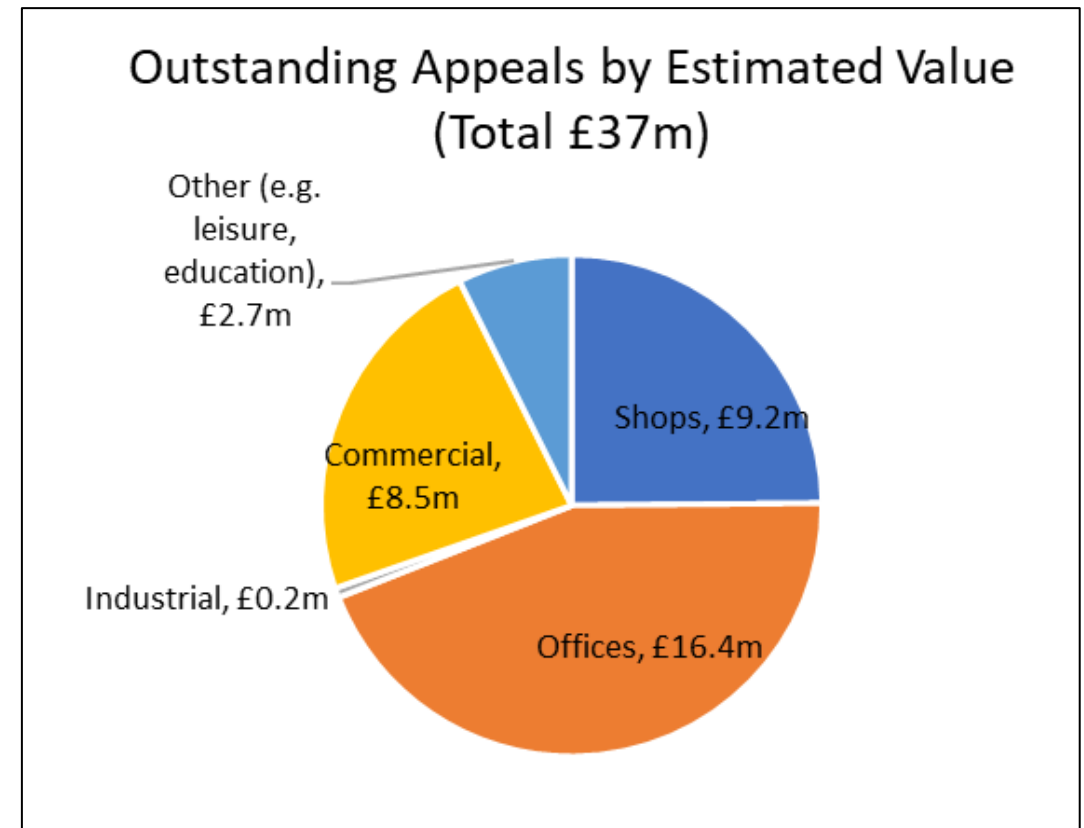
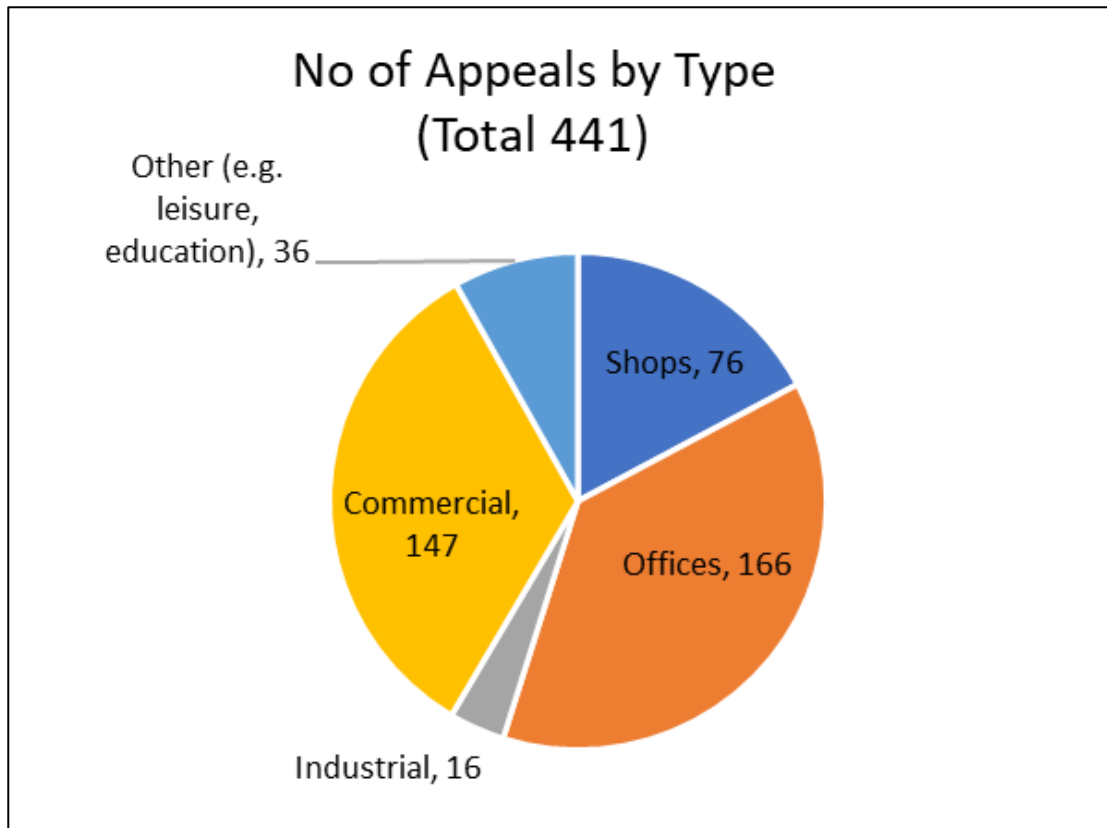


Top 5 successful appeals in 2023/24 totalled £22.4m. This includes repayment of prior years' rates.

Name of Payee	Address	Amount (£)
HSBC Bank Plc	HSBC, 8 Canada Square, London, E14 5AA	£5,147,933
JP Morgan Markets Ltd	25 Bank Street, London, E14 5LE	£4,792,733
Citibank NA	(Various floors at) 33 Canada Square, London, E14 5AX	£4,598,615
Scarpetta Limited	Unit 10 Grd Floor, 20 Canada Square, London, E14 5NN	£4,389,891
KPMG LLP	10-13th 30Nth Colonnade & 15 ExPtBstL3, Canada Square, London, E14 5AA	£3,439,976



Outstanding Appeals



Risks



Although the outstanding appeals have been included going forward there are a number of risks:

- The actual reductions in rates could be higher than estimated.
- Value of appeals not yet submitted (Analyse Local now used).
- Properties could be removed from the ratings list completely.
- Conversions of offices to residential.
- Continual declines in office values.
- Collection Fund Smoothing reserve is depleted (c£20m impact).

For example, the old Barclays Building in Cabot Square will potentially be removed from the ratings for 1 year for refurbishment (£7m in rates).



Planned Actions



- External expertise have been commissioned (Analyse Local)
- Understand the ongoing impact of the appeals on the base.
- Increase intelligence around potential appeals.
 - Know the biggest rate payers
 - Projections for the sector
 - Relevant appeals that could inform future ones
- Improved forecasting
- More frequent estimates and appeals reporting

