

# Local Government Association briefing

## Local Government Finance Bill, Committee Stage

Tuesday 7 February 2017



### Key Messages

- **We support Amendment 46 to Clause 6, tabled by Gareth Thomas MP**, which would require the Secretary of State to bring forward a provision to enable billing authorities and major precepting authorities in England to increase business rate multipliers on empty properties under certain circumstances. We support this amendment as it would provide additional flexibilities for councils and incentivise occupation of empty properties.
- **We support Amendment 47 to Schedule 1, tabled by Gareth Thomas MP**, which seeks to remove the proposed power of the Secretary of State to force an authority to join a pool of local authorities. Authorities should be given the option of voluntarily pooling risk and rewards as long as it does not reduce income going to authorities outside of the pool area.
- **We support Amendments 48 and 49 to Schedule 2, tabled by Gareth Thomas MP, which would allow councils the flexibility to reduce the business rate multiplier and target this within specific areas.** This could be above or below a particular rateable value threshold or for particular geographic areas or industries.
- **We support New Clause 11, tabled by Gareth Thomas MP**, which seeks to enable billing authorities to have powers to treat mandatory reliefs as discretionary relief, if they have reasonable grounds to suspect that liability was being reduced through business rates avoidance.
- **We support Amendment 50 to Clause 4, tabled by Gareth Thomas MP, which seeks to remove Chapter 4ZA of the 1992 Local Government Finance Act, inserted by Schedule 5 to the 2011 Localism Act, which provides for council tax referendums.** The LGA does not support council tax referendums as democratically-elected local authorities should be able to set council tax at appropriate levels without the cost and bureaucracy of a referendum process.

### Amendment Statements

#### ***Amendment 32, 33 and 34 to Schedule 1, tabled by Gareth Thomas MP and Jim McMahon MP***

Amendments 32-34 would ensure that the threshold at which an authority receives safety funds is a fall in income of not more than 5 per cent. We support the principle of safety nets but this level should not be set in primary legislation. The Bill, as drafted, provides local authorities with more flexibility than this amendment proposes and therefore we do not support it.

# Briefing

For more information, please contact:  
Rachel Phelps, Public Affairs and Campaigns Adviser  
[Rachel.Phelps@local.gov.uk](mailto:Rachel.Phelps@local.gov.uk) /0207 664 3119

***Amendment 44 to Clause 17, tabled by Gareth Thomas MP and Jim McMahon MP***

This amendment would enable funds raised through the infrastructure supplement to be spent on housing. The Bill currently lists housing as a spending priority on which the supplement could not be spent. In our response to the Summer Consultation we recommended that 'infrastructure' should be given as wide a definition as possible, and that this could include housing. We therefore support this amendment.

***Amendment 45 to Clause 17, tabled by Gareth Thomas MP and Jim McMahon MP***

This amendment would require the Secretary of State to bring forward provisions that enable billing authorities and major precepting authorities in England to increase business rate multipliers under certain circumstances. Local authorities would welcome maximum flexibility on multipliers, including the power to raise it. We therefore support Amendment 45.

***Amendments 46 to Clause 6, tabled by Gareth Thomas MP***

This amendment would require the Secretary of State to bring forward provision that enable billing authorities and major precepting authorities in England to increase business rate multipliers on empty properties under certain circumstances. We support this amendment, as it would provide additional flexibilities for councils and incentivise the occupation of empty properties.

***Amendment 47 to Schedule 1, tabled by Gareth Thomas MP***

We support Amendment 47 as it seeks to remove the proposed power of the Secretary of State to force an authority to join a pool of local authorities. Provisions in Schedule 1 allow pools of authorities to designate areas where growth in business rates could be retained for a specified number of years, along the lines of enterprise zones or new development deals. The power of the Secretary of State to intervene in designating pools against the wishes of some individual councils is an unnecessary intervention and should be withdrawn. Authorities should be given the option of voluntarily pooling risk and rewards as long as it does not reduce income going to authorities outside of the pool area.

Pooling was established under the 2012 Local Government Finance Act. It provides a process for neighbouring authorities (typically a county, its districts and, if relevant, its fire and rescue authority) to come together and be treated as one for business rates retention purposes. That means that the top-ups and tariffs will be aggregated. It also means that any growth in business rates under the scheme goes to the pool as a whole and not to individual local authorities.

The Bill would retain pooling but would remove (through Schedule 1 paragraph 26 sub-paragraph (3)) the provision contained in Paragraph 34(2) of Schedule 7B of the 1988 Local Government Finance Act (Schedule 1 of the 2012 Act) which states that 'the Secretary of State may make a designation only if each authority covered by the designation has agreed to it.'

The Secretary of State would therefore be able to force authorities which did want to pool to enter into a pool arrangement. This might mean that an individual district council which had taken a democratic decision not to join a pool with other districts and the county council could be forced to join a pool. If the individual district council had attracted new businesses through its own efforts, this would mean that any reward growth would be aggregated in the pool.

### ***Amendments 48 and 49 to Schedule 2, tabled by Gareth Thomas MP***

Schedule 2 proposes a new flexibility to allow local authorities to reduce the national business rate multiplier. We support Amendments 48 and 49 as they would allow councils the flexibility to reduce the multiplier and target this within specific areas. This could be above or below a particular rateable value threshold or for particular geographic areas or industries.

Schedule 2 which gives the power to districts, counties and the Greater London Authority to reduce the business rates multiplier must, as it stands, be applied to all qualifying properties which pay business rates ('hereditaments') in its area. Authorities would welcome having more flexibility. For example a council may wish to reduce business rates in a particular area, or above or below a particular rateable value threshold, or in particular industries. This would cost less than a multiplier reduction which applies to all properties as it would be more targeted.

Examples:

- A council decides to apply a multiplier discount to all businesses in a particular area to aid regeneration but might not wish to grant a discount in the neighbouring town which is less in need of regeneration.
- A council might decide to offer a multiplier discount to a particular industry in order to make the area more attractive.

There are current powers, (under s.47 (5A) of the 1988 Local Government Finance Act as amended by the 2011 Localism Act) to grant discretionary relief to any ratepayer. However these only apply to billing authorities (and so not counties or the Greater London Authority) and are determined on a case by case basis as the authority may grant a discount only if it is satisfied that it would be reasonable for it to do so, having regard to the interests of persons liable to pay council tax.

### ***New Clause 11, tabled by Gareth Thomas MP***

We support New Clause 11 because it would give billing authorities the power they need to tackle business rates avoidance. It would do this by allowing them to treat a mandatory relief (such as that for charities or empty properties) as discretionary if they had reasonable grounds to suspect that the occupier is taking 'inappropriate steps to reduce liability for business rates'.

Councils need more flexibility on reliefs and there needs to be improvements to the system to help local authorities reduce avoidance of business rates. On the basis of a survey of authorities in 2015, the LGA estimated that business rates avoidance was costing around £230 million a year (around 1 per cent of total business rates collected).<sup>1</sup> This new power would enable authorities to tackle examples of avoidance such as the following.

Please see our [LGA submission](#) to the 2015 government discussion paper on business rates avoidance for further information.

### ***Amendment 50 to Clause 4, tabled by Gareth Thomas MP***

We support Amendment 50 as it would repeal the provision for council tax referendums which was inserted by the 2011 Localism Act. Decisions on council tax increases are for democratically elected councillors to take. They should be

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<sup>1</sup> <http://www.local.gov.uk/documents/10180/6869714/Business+rates+avoidance+--+discussion+paper+-+LGA+response.pdf/89897cc8-7bba-4257-a97b-243bf6d22ece>

responsible for these decisions to the electorate at the ballot box at the time of elections.

Referendums are costly and unnecessary. According to a [House of Commons Library briefing paper](#) from 2016, the one referendum held so far, in 2015, by the Police and Crime Commissioner for Bedford, is estimated to have cost £600,000. Rebilling costs for authorities if the referendum is not approved are estimated at around £1.22 - £1.29 per household.

***All amendments tabled by Marcus Jones MP as of 6 February 2017***

We welcome these amendments which seek to tidy up minor drafting errors in the current wording of the legislation.