

Local Government Association briefing

Local Government Finance Bill, Committee Stage

Thursday 9 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 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 New Clause 12, tabled by Gareth Thomas MP**, as it would repeal the provision for council tax referendums which were inserted by the 2011 Localism Act. Decisions on council tax increases are for democratically elected councillors to take. They are held accountable for these decisions to the electorate at the ballot box, during elections.

Amendment Statements

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 6, 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.

Briefing

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.

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).¹ This new power would enable authorities to tackle examples of avoidance such as the following.

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

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

New Clause 12, tabled by Gareth Thomas MP

We support New Clause 12 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 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.