London Councils briefing note on amendments that we support in The Local Government Finance Bill

House of Lords, Committee Stage, Day 1 – Business Rates amendments

Overview

London Councils represents all the London boroughs, the City of London, the Metropolitan Police Authority and the London Fire and Emergency Planning Authority. All of our member authorities will be directly affected by provisions in the Local Government Finance Bill (the Bill).

London Councils supports the principle of business rate retention, but has concerns about the proposed changes set out in the Bill regarding the way in which the system will function. We have been highlighting these issues ever since the Bill started its parliamentary progress and are concerned that, to date, sufficient time has not been allowed for a detailed and full scrutiny of this important Bill. The Bill makes fundamental changes which have to be implemented in a very short time-span.

We set out below a listing of amendments that we support. We hope that we can count on your support for our concerns as the Bill progresses through its Parliamentary stages. Please do contact us if you require any further detail or would like to meet with us to discuss our concerns in detail.

The order of amendments in this briefing follows the order for debate which has been set out by the Government.

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<u>Business rates retention - amendments we support</u>

AMENDMENT 46 ***WE SUPPORT THIS AMENDMENT***

Appeals to be fully compensation for by the safety net

LORD JENKIN OF RODING, LORD MCKENZIE OF LUTON, LORD TOPE, LORD PALMER OF CHILDS HILL

Page 33, line 34, at end insert—

"(4) The calculation must ensure that the relevant authority is fully compensated for any losses due to rating appeals caused by rating errors made by the Valuation Office Agency."

1. This amendment seeks to ensure that volatility in local authority income due to rating appeals is formally recognised, and fully compensated for, in the calculation of safety net payments. Under current proposals for business rate retention, local authorities will be unable to benefit from business rate yield growth which is due to rental increases at revaluation. Conversely local authorities will be expected to manage and absorb the funding volatility caused by rating appeals post revaluation subject to the provisions of the safety net.

2. **It is impossible for local authorities to directly manage the risk of rating appeals.** This is due to valuations being carried out by the Valuation Office Agency (VOA) and therefore outside of local control.

3. **London Councils would prefer that all volatility caused by rating appeals is taken into account <u>and fully compensated for</u> when calculating safety net payments**. This would remove the asymmetry in the current proposals.

AMENDMENT 47 ***WE SUPPORT THIS AMENDMENT***

Business rates – distribution of levy balance – requirement to consult

LORD JENKIN OF RODING, LORD MCKENZIE OF LUTON, LORD TOPE, LORD PALMER OF CHILDS HILL

Page 36, leave out lines 25 to 31 and insert—

"(2) Before making such a determination, the Secretary of State must consult such relevant authorities and bodies representing relevant authorities as the Secretary of State thinks appropriate about whether the Secretary of State should make such a determination.

(3) If, following consultation under sub-paragraph (1), the Secretary of State determines that the amount referred to in sub-paragraph (1) is to be distributed among one or more relevant authorities, the distribution may not be made unless—

(a) the basis on which the Secretary of State intends to make the distribution ("the basis of distribution") is specified in the local government finance report for the year in question, and

(b) the report is approved by a resolution of the House of Commons.

(3A) If a report is approved by resolution of the House of Commons under sub-paragraph (3)(b), the Secretary of State must calculate what amount (if any) fails to be paid to each relevant authority as its share of the amount referred to in sub-paragraph (1)."

4. The existing legislation gives the Secretary of State the ultimate power to decide whether the remaining levy account balance should be distributed, and to make ultimate determinations about this distribution using regulations rather than conducting a formal consultation via the Local Government Finance Report.

5. **This is essentially another form of central control over total local government spending**.

6. This amendment ensures that the Secretary of State must consult on whether a remaining balance on the levy account is redistributed to local government or whether it is rolled over to the following year. It also requires that, dependent on the outcome of the consultation, that the basis of any proposed redistribution must be specified, and formally consulted on, as part of the local government finance report.

AMENDMENT 59

AFTER CLAUSE 4 WE SUPPORT THIS NEW CLAUSE

National business rate policy changes: consultation

LORD JENKIN OF RODING, LORD MCKENZIE OF LUTON, LORD TOPE, LORD PALMER OF CHILDS HILL

Insert the following new Clause—

"Changes to national business rate policy

The Secretary of State may not make any changes to national business rate policy which impact on local business rate yields without first consulting all interested parties."

National non-domestic rate policy changes: consultation

7. The Secretary of State will retain the power to set and change national business rate policy. Once the local retention scheme is up and running, if the Government decides to change the rate or type of mandatory business rate reliefs (or allows the deferral of part of the change in business rate bills) – this will have a direct impact on

business rate yields and local business rate growth. As a result, local authority finances and budgets will be directly impacted by changes outside their control.

8. **We recognise the need for Government to protect and support businesses and business rate payers. However, the proposed model for business rates retention means that significant policy decisions will rest with central government while the risk, in terms of their impact on business rate yield, will fall entirely on local government**.

9. This new clause therefore requires the Secretary of State to consult with affected parties on any proposed changes to national business rate policy which will have a direct impact on local business rate yields and therefore local business rate growth.

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