

Factsheet: Power to reduce non-domestic ratings multipliers (Clause 6 and Schedule 2)

What is the effect of a power to reduce non-domestic ratings (more commonly referred to as business rates) multipliers?

Business rates are calculated by multiplying a property's rateable value (set by the Valuation Office Agency) with the national business rates multiplier set by the Secretary of State. The new power enables local authorities to reduce the national business rates multiplier in their areas.

What is the policy hoping to achieve and where are we now?

Giving local authorities greater control over their finances is central to the Government's reforms to local government finance. In October 2015, the Government announced that it would provide local authorities increased flexibility to shape business rates. The Bill meets these commitments by providing local authorities the strategic power to reduce the national business rates multiplier in their area to help attract inward business investment.

The Government considers that local authorities are best placed to determine whether to reduce business rates in their areas. This power adds to the tools that local authorities already have, helping them create the financial conditions to incentivise local economic growth and move to greater financial self sufficiency.

Why is legislation needed?

Primary legislation is needed to amend Schedule 7 to the Local Government Finance Act 1988, which determines how the business rates multiplier is calculated.

Why are delegated powers required?

Schedule 2 provides two delegated powers. The first enables the Secretary of State, in relation to those authorities have the power to reduce the multiplier, to add, vary or amend any description of local authority to the definition of a "relevant authority" to respond to changes in the organisation of local government. The second provides a power for the Secretary of State to set a maximum multiplier discount which an authority can apply. In a two tier area, this power will ensure that the maximum discount applied is calculated only in relation to the share of business rates to which the relevant authority is entitled.

How do we see this working in practice?

The relevant local authority is required to inform the Secretary of State and the affected authorities of its intention to introduce a discount by the 31st December in the preceding financial year to enable it to reduce the multiplier. The authority will then be able use the discounted multiplier as the basis for calculating the business rates liability.

How can I find out more?

The Bill and Explanatory Notes have been published on the Parliament website, these will be updated regularly: <http://services.parliament.uk/bills/2016-17/localgovernmentfinance.html>. The Government's response to the consultation will be published in due course.

Key questions & answers:**Which local authorities will be able to use these powers?**

- These powers will apply to all relevant local authorities (billing authorities, county councils in two tier areas and the GLA). Local authorities can use these powers along with the suite of other tools they already have - for example locally determined business rate relief schemes to help drive local economic growth and encourage local investment.

Why are you granting local authorities these powers?

- Local authorities have asked for greater flexibility and independence from Government. This power will help them shape the way business rates operate for their whole area.

Local Authorities already have the power to offer relief from business rates, what will these powers do additionally?

- Local authorities can already provide discretionary local discounts to targeted sectors or areas through reliefs. However, for the first time this new power will allow all local authorities to make across the board reductions to the multiplier, to help all local ratepayers, not just specific types of business.

How frequently can a local authority reduce the national multiplier?

- Local authorities will be able to use this power on an annual basis, allowing them to reflect changes in local economic circumstances.

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