

# LOCAL GOVERNMENT FINANCE BILL

## EXPLANATORY NOTES

### What these notes do

These Explanatory Notes relate to the Local Government Finance Bill as introduced in the House of Commons on 13 January 2017 (Bill 122).

- These Explanatory Notes have been prepared by the Department for Communities and Local Government in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Bill will mean in practice; provide background information on the development of policy; and, provide additional information on how the Bill will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Bill. They are not, and are not intended to be, a comprehensive description of the Bill.

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## Overview of the Bill

1. In October 2015 the Government announced that, by the end of the Parliament, local government would retain 100% of locally raised taxes. These reforms to the local government finance system will move local authorities away from dependency on central government grant and towards greater self-sufficiency. The reformed system will also provide local authorities with strengthened incentives for growing their business rates income. The Bill will provide the framework for the reformed system, building on the current system of 50% business rates retention as set out in the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 2012).
2. The Bill will also provide flexibilities to local authorities to shape the operation of business rates in their areas, in particular to reduce the national business rates multiplier. In addition, the Greater London Authority and mayoral combined authorities will be able to raise a levy on business rates to help deliver infrastructure. These measures will provide local authorities with further incentive to boost local growth.
3. The Bill also includes additional local government finance measures that support local businesses and premises owners. These measures enable HM Treasury to specify the measure of inflation to be used in determining the multiplier (currently it is the retail prices index) and change rural rate relief to ensure small businesses in rural areas access the same level of business rate reliefs as those in urban areas. The Government is also legislating to provide a new relief for five years for the installation of new optical fibre – as announced in the Autumn Statement 2016. The Bill provides the framework for the relief with further conditions for eligibility to be provided in regulations. There is a new discretionary relief for local authority public toilets to reduce the costs on local authorities of maintaining these facilities.
4. The Bill contains measures to enable the Greater London Authority and mayoral combined authorities to impose a levy to fund infrastructure expenditure on projects that will promote economic development. The Bill contains measures to allow billing authorities in England to make property owner arrangements and impose levies in Business Improvement Districts, regardless of whether a business rate supplement is in force in that district. This will enable more businesses to support regeneration in their areas. The Bill includes a measure giving HMRC power to incur expenditure on digital services with the purpose of facilitating the administration or payment of business rates in England; a power to enable regulations to require billing authorities to provide online billing services where a ratepayer requests that; and, for the Secretary of State to issue guidance about the form and content of business rates bills.
5. The Bill is made up of four parts. A summary of these parts and their contents is provided below:

### Part 1: Local Government Finance Settlement

- Local retention of non-domestic rates – provides a framework to allow local government to retain 100% of non-domestic rates.
- Local government finance settlement – replaces the yearly local government finance settlement with a multi-year settlement.
- Council tax referendum principles – replaces the yearly council tax referendum principles with multi-year principles.

### Part 2: Non-domestic rating in England

- Indexation rate for non-domestic rating multipliers – enables HM Treasury to specify the indexation rate for calculating the non-domestic rating multiplier.

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- Multiplier discounts – provides local authorities with the power to reduce the non-domestic rating multipliers in their areas.
- Rural rate relief – ensures small businesses in rural areas access the same level of business rate reliefs as those in urban areas.
- Telecommunications infrastructure relief – provides a new relief for telecommunications infrastructure for hereditaments<sup>1</sup> on both the central list and local lists.
- Public toilet relief – enables local authorities to grant discretionary relief for local authority public toilets.
- Central rating: other reliefs – enables hereditaments on the central list to benefit from charitable and unoccupied hereditament reliefs.
- Central rating lists administration – provides the Secretary of State with a power to direct the central valuation officer to alter the central list.
- Electronic billing – provides the Secretary of State with a power to require billing authorities to offer electronic billing.
- Rating notices – provides power to issue guidance about notices (bills) relating to non-domestic rates.
- Provision of digital services by HMRC – allows HMRC to incur preparatory expenditure in connection with providing digital services in England.

#### Part 3: Infrastructure Supplements

- Infrastructure supplements – enables the Greater London Authority and mayoral combined authorities to impose a levy to fund expenditure on projects that will promote economic development.

#### Part 4: Other business rate supplements

- Business improvement districts – provides for property owner arrangements and the imposition of property owner levies.
- Business rate supplements – adds mayoral combined authorities to the list of levying authorities able to impose business rate supplements.

## Policy background

### Local government finance reforms

6. In October 2015 the Government announced that, by the end of the Parliament, local government

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<sup>1</sup> A hereditament is any item of property, for example land or a building, that can be inherited.

would retain 100% of locally raised taxes. These reforms to the local government finance system will move local authorities away from dependency on central government grant and towards greater self-sufficiency. The reformed system will also provide local authorities with strengthened incentives for growing their business rates income. The Bill will provide the framework for the reformed system, building on the current system of 50% business rates retention as set out in the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 2012).

7. These reforms will mean that local government will retain around an additional £12.5 billion in revenue (based on current estimates). To ensure that the reforms to business rates are fiscally neutral, some existing central government grants will be phased out. Local government will continue to deliver these existing responsibilities through retained business rates or they will take on new responsibilities to reflect additional tax income. This devolution of responsibilities is subject to consultation and engagement with local government, but does not require primary legislation.
8. To ensure that authorities that currently raise less in business rates do not lose out, there will continue to be a mechanism for redistribution between authorities, similar to the current system of tariffs and top ups. The Bill will also provide the framework to help authorities manage risk and ensure that they continue to be insulated from undue shocks or significant reductions in their income.
9. As a result of the move towards greater self-sufficiency and the phasing out of the majority of central government grant, the Bill will amend the current local government finance settlement process and the related approach to the setting of council tax referendum principles.
10. The reforms will also provide local government with strengthened incentives for growing their business rates income. The Bill removes the levy on growth which is a feature of the current system - this will enable authorities to keep 100% of growth in business rate income between reset periods. The Bill also includes a provision that would allow pools of authorities to designate areas where growth in business rates could be retained for a specified number of years and beyond periodic resets.
11. In October 2015, the Government also announced that it would provide local authorities with increased flexibilities to shape the operation of business rates in their areas. This includes a new flexibility to reduce the national business rate multiplier to help attract business to invest in their area. In addition, the Greater London Authority and mayoral combined authorities will be able to impose a levy on business rates to fund infrastructure expenditure on projects that will promote economic development. These measures will provide local authorities with further incentive to boost local growth.
12. Over the last year, the Government has been working closely with local authorities, their representatives and representatives of business to shape the design of the reforms. In addition, the Government undertook an open consultation on the key issues across the reforms, which closed at the end of September 2016. A summary of responses to that consultation and the Government response will be published shortly.

## Fair Funding Review

13. As part of the 2016/17 Local Government Finance Settlement, the Government announced a Fair Funding Review of councils' relative needs and resources. The Review is being undertaken alongside these reforms and will establish the funding baselines for the introduction of 100% business rates retention.
14. As part of the Fair Funding Review, the Government has been working closely with local authorities and their representatives on a new funding formula. Alongside the recent consultation on the approach to the business rates retention reforms, the Government also published a call for

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evidence on the Fair Funding Review. A summary of responses to the call for evidence will be published shortly.

15. The Government will continue to engage and consult with local government on the Fair Funding Review and the development of a new funding formula. Delivering a new funding formula does not need primary legislation.

## Other business rates and billing measures

16. The Bill includes four additional business rate measures that support local businesses and premises owners, to provide:
  - A power to set the indexation rate for business rate multiplier thereby allowing the Government to meet the commitment made at the Budget 2016 to index business rates to CPI;
  - A change to rural rate relief to ensure small businesses in rural areas access the same level of business rate reliefs as those in urban areas following the announcement at the Budget 2016;
  - A new relief for five years for the installation of new optical fibre following the announcement at the Autumn Statement 2016; and,
  - A new discretionary relief for public toilets to reduce the costs on local authorities of maintaining these facilities following the announcement at the Budget 2016.
17. To deliver the manifesto commitment to support Business Improvement Districts, the Bill includes a measure to allow billing authorities to make property owner arrangements and impose levies in Business Improvement Districts (BIDs) regardless of whether a Business Rates Supplement is in force in that area. This measure will enable a levy to be raised on those with a property interest, if a majority of property owners in the proposed area have voted to do so. The levy will be used to finance projects that support local regeneration. In addition, the Greater London Authority and mayoral combined authorities will be able to impose a levy on business rates to fund infrastructure expenditure on projects that will promote economic development.
18. The Bill includes a paving provision to allow HMRC to incur preparatory expenditure in connection with the development of digital services to link local authority business rate systems to HMRC digital tax accounts. The measure relates to a service that would be delivered in England only and would help to meet the Budget 2016 commitment to transform business rates billing and collection and link digital accounts by 2022.
19. Finally, the Bill includes a measure which will enable regulations having the effect that billing authorities must offer electronic billing to business ratepayers, and for the authorities to be required to have regard to guidance from the Secretary of State on the form of bills (to assist businesses by making bills more consistent across England).
20. Background information for some additional reforms is provided against the explanation for specific clauses below.

## Legal background

21. The legislation which the Bill amends is set out in a number of Acts of Parliament.
22. Part 1 of the Bill covers changes to the local government finance settlement. The principal Acts that deals with the settlement are the Local Government Finance Act 1988 and the Local Government Finance Act 1992, which provide for the non-domestic rating and council tax aspects

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of the settlement respectively.

23. This Part of the Bill makes amendments to the 1988 Act, in particular to Schedule 7B (local retention of non-domestic rates) and to remove Chapter 2 of Part 5 (which provides for the payment of revenue support grant in England). This Part of the Bill also makes amendments to Part 1 of the 1992 Act (council tax: England and Wales)
24. Part 2 of the Bill covers non-domestic rating in England. The principal non-domestic rating Act is the Local Government Finance Act 1988. This Bill makes a number of amendments to the 1988 Act, in particular Part 3: Schedule 7 in relation to non-domestic rating multipliers and Schedule 9 about the administration of non-domestic rating.
25. Part 3 makes free-standing provision for infrastructure supplements to be imposed by the Greater London Authority or mayoral combined authorities.
26. Part 4 of this Bill amends Part 4 of the Local Government Act 2003, which deals with business improvement districts, and the Business Rates Supplement Act 2009.

## **Territorial extent and application**

27. Clause 41 sets out the territorial extent of the Bill – the jurisdictions which the Bill forms part of the law of. The extent of the Bill can be different from its application. Application is about where a Bill produces a practical effect. The provisions of the Bill extend to England and Wales but apply to England only.
28. More detailed information about the extent and application of the individual provisions of the Bill can be found in Annex A.

# Commentary on provisions of Bill

## Part 1: Local Government Finance Settlement: England

### Chapter 1: Local retention of non-domestic rates

#### Clause 1: Local retention of 100% of non-domestic rates

29. Clause 1 amends Schedule 7B to the Local Government Finance Act 1988 (the “1988 Act”) to make provision for local government to retain 100% of locally collected non-domestic rates.
30. Subsection (2) removes Part 3 from Schedule 7B to the 1988 Act, which requires a billing authority to make payments of a proportion of the non-domestic rating income they collect to the Secretary of State (known as the “central share”). The removal of the “central share” provisions will ensure that, in accordance with the Government’s stated policy, local government as a whole will retain 100% of the business rates authorities collect locally.
31. Subsection (3) removes Chapter 2 from Part 5 of the 1988 Act which provides for the payment of revenue support grant in England. The removal of revenue support grant, together with provisions ensuring that local government will keep 100% of locally collected business rates, will increase the self-sufficiency of local government by making them less reliant on grant and more reliant on locally raised taxes.
32. Subsection (4) introduces Schedule 1 to the Bill containing further amendments of Schedule 7B to the 1988 Act and consequential amendments. Schedule 7B, as amended, will provide for the framework under which local government retains 100% of locally collected business rates.

#### Schedule 1: Local retention of non-domestic rates

##### Part 1 – Amendments of the 1988 Act

33. Part 1 of Schedule 1 to the Bill makes amendments to Schedule 7B to the 1988 Act to provide for the local retention of locally collected non-domestic rates.
34. Paragraphs 3 to 6 require the Secretary of State to keep an account of non-domestic rates income, in every year.
35. Paragraph 7 removes Part 2 from Schedule 7B, which provides for the determination of central and local shares (i.e. the shares of locally raised business rates that are respectively paid over to central government and retained by local government). This provision is consistent with the removal of the central share in clause 1(2) and ensures that 100% of locally collected business rates will be retained by local government.
36. Paragraphs 8 to 9 make amendments to Part 4 of Schedule 7B so that regulations about the payments to be made by billing authorities to major precepting authorities will no longer be subject to the approval of the local government finance report.
37. Paragraph 10 removes the ability of the Secretary of State to make regulations providing for deductions to the central share.
38. Paragraphs 11 and 12 amend Part 5 of Schedule 7B. These provisions remove the annual local government finance report setting out the basis of calculation used to determine principal payments in connection with local retention of non-domestic rates. The amendments make provision for principles of allocation to be specified by the Secretary of State. The general nature of the principles of allocation must be consulted on. As soon as is reasonably practicable after making a principles of allocation statement, the Secretary of State must send a copy of the

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statement to each relevant authority.

39. Paragraph 13 amends the arrangements for payments to be made by or to relevant authorities following a 'principles of allocation' statement. It requires calculations to be made before the beginning of a relevant year.
40. Paragraph 15 provides for the Secretary of State to make an amending statement for any relevant year following a principles of allocation statement. Only one amending statement may be made in relation to a relevant year and it must be consulted on with representatives of local government and a copy sent to each relevant authority.
41. Paragraph 18 removes Part 6 from Schedule 7B, which requires the Secretary of State to keep a "levy account" for each year. It also amends Part 7 of Schedule 7B to remove the Secretary of State's ability to make regulations requiring authorities to make levy payments and make provision about the distribution of any remaining balance on the levy account.
42. Paragraphs 19 to 22 provide for amendments to Part 7 of Schedule 7B to correct an anomaly in local government accounting regarding the timing of safety net calculations. It provides that the Secretary of State may by regulations provide for the timing of calculations.
43. Paragraph 23 inserts a new paragraph 27A into Part 7 of Schedule 7B. Paragraph 27A allows the Secretary of State by regulations to provide for safety net reconciliation payments, where a safety net payment under paragraph 27 had been made on the basis of an estimated amount and that amount is subsequently found to be more or less than that estimate.
44. Paragraph 24 removes paragraph 28 from Schedule 7B to remove the ability to make regulations about safety net payments on account.
45. Paragraph 26 makes amendments to paragraph 34 of Schedule 7B to include a requirement for the Secretary of State to consult all relevant authorities and other persons before designating a pool of authorities. Subsection (3) removes the requirement for all authorities covered by a pool designation to agree to the designation. Subsection (4) amends the ability of the Secretary of State to revoke a pool designation by removing the requirement that all authorities covered by the designation must agree to the revocation. This paragraph also amends when the Secretary of State must provide notification to authorities about a pool being designated or revoked.
46. Paragraph 27 inserts a new paragraph 34A into Part 9 of Schedule 7B. Paragraph 34A requires the Secretary of State to specify a lead authority for the pool. It also allows the Secretary of State to vary a designation, provided that the Secretary of State consults those authorities covered by the designation.
47. Paragraph 28 amends paragraph 35 of Schedule 7B to reflect new paragraph 34A.
48. Paragraph 30 makes amendments to paragraph 37 of Schedule 7B relating to safety net payments to pools that reflect amendments to Part 7 of Schedule 7B.
49. Paragraph 31 makes amendments to paragraph 38 of Schedule 7B to reflect amendments made regarding the requirement to designate a lead authority, which is now made in new paragraph 34A.

#### Other consequential amendments

50. Paragraphs 33 and 34 make amendments to paragraph 39 and 40 of Part 10 to reflect amendments made earlier in the Bill regarding the central share and calculations of payments to be made, including levy payments and safety net payments.
51. Paragraph 35 makes amendments to paragraph 45 of Schedule 7B (interpretation)
52. Paragraphs 36 to 38 makes amendments to sections 76 (interpretation of Part 5), 90 (payments to

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and from collection funds), 141 (payments to and from authorities) and 143 (order and regulations) of the 1988 Act.

### Clause 2: Loss payments

53. Clause 2 inserts Part 8A into Schedule 7B to the 1988 Act. Part 8A gives the Secretary of State power to make regulations about the calculation and payment of “loss payments” to relevant authorities.
54. Paragraph 33A(2) defines a loss payment as a payment that can be made to a billing authority or major precepting authority in connection with losses of income incurred by that authority as a result of alterations to rating lists.

### Clause 3: Designation of areas by pools of authorities

55. Clause 3 amends Part 9 of Schedule 7B to the 1988 Act by inserting section 38A.
56. New section 38A provides a power for the Secretary of State to make regulations enabling two or more authorities that have been designated as a “pool” under paragraph 34 of Schedule 7B, to designate an area, or areas. It further provides that the business rates income in the designated area(s), or such proportion as may be specified in the regulations, is to be disregarded for the purposes of calculations under paragraphs 13, 16, 26 and 27A of Schedule 7B.
57. Paragraph 38A provides that, in the regulations, the Secretary of State can make provisions about the exercise of a pool’s power to make, or revoke designations, including restrictions on what areas can be designated by the pool. It also allows the regulations to provide for the supply of information to the Secretary of State by pools.

## Chapter 2: Council tax increases

### Clause 4: Determination of principles for determining whether council tax excessive

58. Clause 4 makes amendments to Part 1 of Chapter 4ZA of the Local Government Finance Act 1992 to allow the Secretary of State to make a statement of principles for determining whether council tax is excessive covering a number of years, rather than just one. Before making a report the Secretary of State will be required to consult such representatives of local government as he considers appropriate. He must also send a copy to each billing and major precepting authority and publish it in a format which he deems appropriate as soon as reasonably practicable after making it. Local authorities will be placed under a duty to determine whether their council tax is excessive as soon as reasonably practicable after the statement of principles for the year is made and in a year in which new referendum principles are made; and as soon as reasonably practicable after the authorities have made relevant calculations of their relevant basic amount of council tax (or council tax requirements for local precepting authorities) in other years.

## Part 2: Non-domestic rating in England

### Chapter 1: Non-domestic rating multipliers

#### Clause 5: Power to specify indexation rate for non-domestic rating multipliers

59. Clause 5 amends Schedule 7 to the 1988 Act to introduce a power to allow HM Treasury, by regulations, to amend the measure of inflation that applies to calculations of the non-domestic rating multiplier and small business non-domestic rating multiplier for England.

#### Clause 6: Power to reduce non-domestic rating multipliers

60. Clause 6 introduces Schedule 2 to the Bill which contains amendments to make changes to Part 3

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of the 1988 Act to enable billing authorities and major precepting authorities in England to reduce the non-domestic rating multiplier in their areas.

## Schedule 2: Power to reduce non-domestic rating multipliers

61. Schedule 2 amends Part 3 of, and Schedule 7 to, the 1988 Act.
62. Paragraphs 2 and 3 amend sections 44 and 46 of the 1988 Act to make clear that, where a multiplier discount is in place, then calculations of the business rates bill should use the multipliers for the area, as opposed to the national multipliers.
63. Paragraphs 4 to 10 make amendments to Schedule 7 to ensure that calculations of the business rates multiplier and small business rates multiplier reflect in full any discount applied in the area. Where more than one discount is in place (for example where two tiers of authority have introduced a discount), the discount applied to the calculation will be the sum of all discounts in place in that area.
64. Paragraph 11 inserts new paragraph 6A to 6C into Schedule 7. Paragraph 6A provides the power for a relevant authority to specify a multiplier discount for the year to be applied across the whole of its area. Paragraph 6B sets out how the multiplier discount can be expressed, and confirms that the discount in any year cannot be greater than the maximum discount calculated in accordance with provision made in regulations by the Secretary of State for that year. Paragraph 6C requires an authority introducing a discount to inform the Secretary of State, and specified types of authorities, of its intention to do so by 31 December in the preceding financial year.
65. Paragraph 12 makes amendments to Part 2 of Schedule 7 to ensure that the calculation of a special authority's multipliers correctly reflect the nationally-set business rate multipliers.
66. Paragraphs 13 to 15 contain consequential amendments to the 1988 Act.

## Chapter 2: Reliefs

### Clause 7: Relief for rural shops, etc.

67. Clause 7 amends the section 43 of the 1988 Act to provide that the chargeable amount for hereditaments eligible for rural rate relief is zero.

### Clause 8: Relief for telecommunications infrastructure

68. Clause 8 introduces Schedule 3 which contains provision for relief from non-domestic rates in respect of hereditaments used for the purposes of telecommunications.

### Schedule 3: Relief for telecommunications infrastructure

69. Schedule 3 amends Part 3 of the 1988 Act to introduce a new relief for hereditaments used as telecommunications infrastructure which are shown on non-domestic rating lists.
70. Paragraphs (2) to (6) amend Part 3 of the 1988 Act to provide a new formula for calculating chargeable amounts for hereditaments shown on local non-domestic rating lists wholly or mainly used for the purpose of facilitating the transmission of communication by any means involving the use of electrical or electromagnetic energy. The Schedule gives the Secretary of State powers to prescribe further conditions that must be met for the relief to apply.
71. The Schedule provides the Secretary of State with powers to set the level of the relief by prescribing the amount of relief in regulations. Regulations may also impose duties or confer powers on valuation officers.
72. Paragraphs 7 to 10 provide the same provisions in respect of the central rating list.

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73. Paragraph 11 makes consequential amendments to the Business Rates Supplements Act 2009.
74. Paragraph 12 provides that the amendments made by Schedule 3 have effect from 1 April 2017.

#### Clause 9: Discretionary relief for public toilets

75. Clause 9 provides billing authorities in England with a power to grant business rates relief on hereditaments which are themselves 'wholly or mainly' public toilets occupied by local authorities.

#### Clause 10: Central non-domestic rating: other reliefs

76. Clause 10 inserts section 54ZB (charitable relief), section 54ZC (unoccupied hereditaments) and section 54ZD (cases where more than one relief applies) to Part 3 of the 1988 Act.
77. On local rating lists, hereditaments occupied by a charity and used wholly or mainly for charitable purposes receive 80% mandatory relief on the face of the Act, and unoccupied hereditaments on local rating lists may, in some circumstances through regulations, pay no business rates. No similar provisions exist on the central rating list. To remedy this, clause 10 introduces into the LGFA 1988 provisions for chargeable amounts providing 80% mandatory relief for charities on the central rating list and powers through regulation to provide a zero chargeable amount for a prescribed class of unoccupied hereditaments on the central rating list.

### Chapter 3: Administration

#### Clause 11: Central non-domestic rating lists

78. Currently, section 53 of the 1988 Act allows the Secretary of State to, by regulation, designate persons and descriptions of hereditaments which are shown to be on the central rating list. The system was devised to accommodate the national utility networks. But since the introduction of the central rating list in 1990, changes in the utilities sectors have given rise to more frequent but minor administrative regulations having to be made merely to maintain the accuracy and integrity of the central rating list. Under the current regulation making powers, the Government believes that operating and maintaining the central list would give rise to an increasingly heavy process and regulatory burden for what is an administrative task. To address this, Clause 11 introduces new powers of direction allowing the Secretary of State to direct the valuation officer to show, add, alter or remove the names of persons and descriptions of hereditaments which should appear on the central rating list. These powers of direction will be used in place of the existing regulatory powers.
79. New section 52A(7) requires the central valuation officer to comply with any direction given under this section. New section 52A(8) makes further provision relating to directions under this section. New section 52A(9) provides that a direction under this section has effect from the day specified in the direction.
80. Subsections (2) to (6) make consequential amendments to the 1988 Act.

#### Clause 12: Power to require billing authorities to offer electronic billing, etc.

81. Clause 12 amends Schedule 9 to the 1988 Act to enable the Secretary of State to make regulations that require billing authorities to offer ratepayers the option to receive their business rate bills electronically. In practice, this is likely to mean either receipt of their bill through an email, or the provision of an online account where bills can be viewed online. The new paragraph 2ZA will also enable regulations to require that, where a ratepayer has more than one property in a single billing authority, the billing authority must, if requested by the ratepayer, ensure that they receive their bills via a single electronic communication or by accessing a single account on a website.

#### Clause 13: Power to issue guidance about notices relating to non-domestic rates

82. Clause 13 amends Schedule 9 to the 1988 Act to enable the Secretary of State to issue guidance to *These Explanatory Notes relate to the Local Government Finance Bill as introduced in the House of Commons on 13 January 2017 (Bill 122)*

billing authorities on the form and content of non-domestic rate demand notices. It inserts paragraph 2A into Schedule 9 of the 1988 Act. This will enable the Secretary of State to issue guidance, and require billing authorities to have due regard to that guidance. This will supplement any regulations made under Schedule 9 on the form and content of bills, allowing guidance to deal with more detailed matters around the appearance and layout of bills.

#### **Clause 14: Provision of digital etc services by HMRC: preparatory expenditure**

83. This clause provides HMRC with the ability to incur expenditure in order to work on the design of a new digital service that will link local authority business rates systems with HMRC's digital tax accounts. HMRC's functions describe the activities that HMRC can undertake, and define what it can expend its resources on. HMRC is a statutory body and its functions are set out in legislation within the Commissioners for Revenue and Customs Act 2005 and other enactments, and provision of a link between its digital tax accounts and local authority systems for business rates would exceed HMRC's statutory remit.
84. Subsection (1) will allow HMRC to expend resources in preparing for the digital service, including but not limited to: stakeholder engagement; user research; product design and development; testing services. Legislation will be brought at a later date to provide the framework for the digital service itself, and enable HMRC to operate it.
85. Subsection (2) and (3) define digital services and business rates respectively.

### **Part 3: Infrastructure Supplements**

86. The Bill will give the Greater London Authority and mayoral combined authorities power to impose a levy.

#### **Chapter 1: Power to impose infrastructure supplements**

##### **Clause 15: Power to impose infrastructure supplements**

87. Clause 15 provides for a new levy, called an "infrastructure supplement", to be imposed by either the Greater London Authority or a mayoral combined authority. The purpose of the levy is to raise funds for infrastructure projects that will promote economic development. A person will be liable to the levy if he is subject to a non-domestic rate in respect of a property.

##### **Clause 16: Relevant authorities**

88. Clause 16(1) defines relevant authority.
89. Clause 16(2) provides that the functions of a mayoral combined authority are exercisable only by the mayor acting on behalf of the authority.
90. Clause 16(3) and (4) provide for relevant authorities acting jointly.

##### **Clause 17: Use of money raised by infrastructure supplements**

91. Subsection (1) provides that sums raised by the infrastructure supplement can only be spent on the project to which the supplement relates, and also, that the expenditure would not have been incurred had the supplement not been imposed.
92. Subsection (2) provides that funds received in respect of an infrastructure supplement can be used to pay off loans made for the project.
93. Subsection (3) sets out a range of services on which relevant authorities cannot use an

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infrastructure supplement. Subsection (4) enables the Secretary of State to amend the matters to which infrastructure supplement funds can be applied.

94. Subsections (5) and (10) to (13) also provide for the Greater London Authority to make arrangements with its functional bodies to make use of the funding from the infrastructure supplement on the project to which the supplement relates.
95. Subsections (6) and (7) provide that the infrastructure supplement funds include financial contributions made to the billing authority for the purpose of the project to which the supplement relates.
96. Subsections (8) and (9) define a lower tier authority in relation to a mayoral combined authority and the Greater London Authority.

## Chapter 2: Conditions for imposing infrastructure supplements

### Clause 18: Conditions for imposing infrastructure supplements

97. Clause 18 imposes conditions that must be fulfilled by a relevant authority before it may impose an infrastructure supplement, in particular that the relevant authority must consult with affected businesses through a prospectus (containing the information described in Schedule 4 of this Act).

### Clause 19: Prospectus

98. Clause 19 introduces Schedule 4 which specifies the information to be included in an initial and final prospectus. The initial prospectus will be the basis for the relevant authority's consultation on its proposal to introduce the infrastructure supplement. The information required is intended to assist consultees to understand the practical arrangements for the infrastructure supplement – in particular its level and duration – and the arrangements for the project it will fund. The final prospectus will be produced after consultation and will contain the details of the infrastructure supplement which will be imposed and the project it will fund.
99. Subsection (3) requires a relevant authority to provide an electronic copy of an initial or final prospectus on its website and make copies available for inspection at its principal office.

### Schedule 4: Infrastructure supplement: information to be included in a prospectus

100. Schedule 4 sets out the information that must be included within a prospectus for an infrastructure supplement. Paragraphs 1-6 set out the requirement for a description of the project, including an estimate of the total costs, and confirmation that any expenditure will be additional, and would not otherwise have been incurred. They also require the authority to set out an assessment of the likely impacts and benefits on businesses in the authority's area.
101. Paragraphs 7-10 require the prospectus to set out how much the authority anticipates raising from the supplement, broken down into individual financial years. The prospectus must also set out the multiplier amount for each year of the supplement, the threshold above which businesses will be liable, and details of any proposed reliefs that might be available from the supplement.
102. Paragraph 17 requires the prospectus to set out the date on which the chargeable period for the supplement is to begin, and its duration.

### Clause 20: Consultation

103. Subsection (1) sets out who relevant authorities must consult about their proposals to impose an infrastructure supplement including, in particular, those persons who will be liable to pay the infrastructure supplement.
104. Subsections (2) to (4) will assist relevant authorities in determining how to meet that requirement by providing that, for the purposes of consultation, the persons liable to an infrastructure supplement are:

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- those the authority thinks will be liable to pay the infrastructure supplement on its first day;
- those the authority thinks would be liable to pay the infrastructure supplement on its first day if they were not receiving relief from the infrastructure levy.

105. Subsection (5) requires the relevant authority to consider whether to consult persons who they think might become liable to pay the infrastructure supplement before it comes to an end. This could include, for example, those who may be brought into liability in the future because they occupy a non-domestic property with a rateable value just under the threshold for liability to an infrastructure supplement.

## Chapter 3: Liability to infrastructure supplements

### Clause 21: Liability to infrastructure supplements

106. Subsections (1) and (2) provide that any person who is liable to pay national non-domestic rates under section 43 or 45 of the 1988 Act for a property is liable to pay an infrastructure supplement levied by the relevant authority in whose area that person's property is situated. However:

- a person liable to national non-domestic rates under section 45 of the 1988 Act as the owner of an empty property is not liable for an infrastructure supplement if their liability to rates is zero as a consequence of section 45A of that Act or if the final prospectus on the infrastructure supplement provides that there should be an exemption on the property from the infrastructure supplement (subsection (3b)). These persons are referred to as "section 45 ratepayers".
- a person is not subject to an infrastructure supplement if the rateable value condition is not met; that is if the property in respect of which the person pays rates has a rateable value on the day in question which does not exceed the amount prescribed in regulations.

107. Under subsection (4), a person is subject to a daily charge for an infrastructure supplement. Infrastructure supplement liability for a financial year is then determined by calculating the liability for each "chargeable day" and by adding up the total of the daily liabilities. Subsection (5) defines a "chargeable day". This is one falling within the financial year and the period for which the supplement is imposed ("the chargeable period"), and where the rateable value condition is met.

108. Subsection (6) defines "chargeable period" and provides that this cannot start before the supplement has been imposed. The practical effect of this is that infrastructure supplement liability cannot accrue in respect of any day prior to the day the infrastructure supplement is introduced. Subsection (7) limits the length of a chargeable period; unless the period is extended through a variation to a supplement (under clause 26), the chargeable period must be no longer than that specified in the final prospectus.

### Clause 22: Rateable value condition

109. Subsection (1) provides that the rateable value condition is met where the rateable value of a hereditament exceeds the rateable threshold. This is subject to the exception provided for in subsections (4) and (5).

110. Subsections (2) and (3) provide that the threshold will be an amount as set out in the prospectus or, if the prospectus does not specify an amount, an amount set out in regulations. Any threshold set out in a prospectus must not be lower than the amount set out in regulations.

111. Subsections (4) to (6) apply in relation to partially occupied non-domestic properties in situations where the owner of the property would not be liable to an infrastructure supplement if it was completely empty. In these circumstances, the rateable value condition is only satisfied if the rateable value of the occupied portion of the property exceeds the amount prescribed under subsection (2). For that purpose, subsection (6) enables the rateable value of a partially occupied property to be apportioned by a valuation officer between the occupied and unoccupied parts.
112. Subsection (7) enables relevant authorities to rely on apportionments previously made for the purposes of calculating the occupier's liability to national non-domestic rates. Subsections (8) to (10) allow the Secretary of State to make regulations that provide for a right to challenge apportionments for the purposes of an infrastructure supplement and for corrections to apportionments to have retrospective effect.

### Clause 23: Chargeable amount

113. Clause 23 sets out the method for calculating the chargeable amount for a chargeable day. If the final prospectus provides that a relief is to be applied, the chargeable amount is worked out according to the rules in the prospectus.
114. Subsection (2) prescribes the formula for calculating the daily chargeable amount for properties in respect of which no rate reliefs are available. This basic liability is calculated by applying the infrastructure supplement multiplier to the rateable value of the property and dividing the result by the number of days in the financial year. Where the rateable value has been apportioned under clause 22, the multiplier is applied to the rateable value for the occupied portion of the property.
115. Clause 23(3) places an upper limit on the multiplier for any single infrastructure supplement imposed by a relevant authority in a financial year of 0.02, or 2p per pound of rateable value.
116. Clause 23(4) places the same overall upper limit on all infrastructure supplements imposed by a relevant authority in a financial year.
117. Clause 23(4) provides that, in addition to the limits imposed by subsections (6) and (7), an infrastructure supplement cannot increase above the amount specified in the final prospectus or in accordance with a variation under Clause 26.
118. Subsections (6) and (7) make provision for section 45 ratepayers.

### Clause 24: Infrastructure supplement relief

119. Subsection (1) enables relevant authorities to grant relief in respect of the payment of an infrastructure supplement.
120. Subsection (2) provides that, where relief applies in relation to an infrastructure supplement, the chargeable amount must be calculated in accordance with the rules set by the relevant authority for the application of the relief.
121. Subsection (3) provides that an authority may not apply a relief in relation to an infrastructure supplement unless the rules for the application of the relief are set out in the final prospectus.

### Clause 25: Regulations to deal with joint ownership, joint occupation or death

122. Subsections (1) and (2) provides the Secretary of State with the power to make provision through regulations in cases of joint ownership or occupation.
123. Subsections (3) and (4) provide the Secretary of State with the power to make provision through regulations in cases where a person subject to an infrastructure levy has died.

## Chapter 4: Variation of infrastructure supplements

## Clause 26: Variation of infrastructure supplements

124. Clause 27 allows a relevant authority to vary an infrastructure supplement provided that any such variations are consistent with provisions set out in the Prospectus for the supplement as set out in Schedule 4.

## Chapter 5: Administration of infrastructure supplements

### Clauses 27, 28 and 29: Notice to billing authorities before start of financial year, Notice to billing authorities during financial year and Calculations for financial year

125. Clause 29 sets out that the calculation of the chargeable amount will be the responsibility of the billing authority for the area in which the person's non-domestic property is situated. To enable the calculation to be made, subsection 27(1) requires relevant authorities intending to impose an infrastructure supplement to give written notice to each billing authority in their area containing the information specified in subsection (2). In particular, relevant authorities must notify billing authorities of the infrastructure supplement multiplier and their policy on reliefs.

126. If the infrastructure supplement is to be payable with effect from the beginning of a financial year, section 27(3) specifies that the notice must be given before 31st December in the preceding financial year. If notice is not given by that time, the infrastructure supplement is to commence in its first year other than on 1st April, or a variation is to take effect other than on 1st April, notice must instead be given under section 29.

127. If notice is not served on a billing authority under section 27 or section 28, it need not make any calculations under section 29. Where notice is given of a variation to the infrastructure supplement, new calculations are required only to the extent necessary to give effect to the variation (section 29(3)).

### Clauses 30 and 31: Collection and enforcement and Administrative expenses

128. Subsection 30(1) empowers the Secretary of State to make regulations dealing with the collection and enforcement of infrastructure supplements. These may be made as standalone regulations relating specifically to the collection and enforcement of infrastructure supplements or by way of applying or amending the existing regulations governing the collection and enforcement of non-domestic rates. These regulations will deal with the practicalities of collection and enforcement and the form and contents of infrastructure supplement bills.

129. Under subsection 31(1), the regulations may also contain provision allowing billing authorities to retain a prescribed proportion of infrastructure supplement revenues to cover their costs incurred in collecting and enforcing payment of an infrastructure supplement. However, if costs are incurred as a result of the relevant authority serving notice on the billing authority under clause 28, introducing a infrastructure supplement mid-way through a financial year or making a variation to the infrastructure supplement which takes effect mid-way through a financial year, they cannot be covered by the infrastructure supplement revenues. In those circumstances, they must be met by the relevant authority (subsections (3)-(6)).

130. Subsection 30(3) provides that collection and enforcement may continue after the infrastructure supplement has come to an end to the extent that sums fell due before that time. Subsection (4) provides that regulations may deal with when collection and enforcement must stop as a result of the project being funded by the infrastructure supplement being abandoned.

## Chapter 6: Supplementary

### Clause 32: Provision of information

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131. Subsection (1) enables relevant authorities to obtain certain information from billing authorities for the purposes of setting an infrastructure supplement and drawing up a prospectus, including the addresses and rateable values of non-domestic properties in its area. Subsection (4) limits the use of such information to that required for the purposes of the Bill and disclosure by the relevant authority of the information.

### Clause 33: Guidance

132. This clause requires a relevant authority to have regard to such guidance as the Secretary of State may give.

### Clause 34: Regulations

133. Clause 34 sets out the process for making regulations by statutory instrument under this Part of the Bill.

## Chapter 7: General

### Clause 35: Crown application

134. Clause 35 provides that Part 3 of the Bill binds the Crown

### Clause 36: Interpretation of Part 3

135. Clause 36 provides interpretation guidance for Part 3.

## Part 4: Other local levies

### Chapter 1: Property owner levy

#### Clause 37: Business improvement districts: property owner arrangements and levy

136. Clause 37 introduces Schedule 5, which amends the Local Government Act 2003, to allow billing authorities across England to make property owner arrangements and impose a property owner levy that will be imposed on property owners in a business improvement district ("BID").

### Schedule 5: Business improvement districts: property owner arrangements and levy

#### Part 1 Property owner arrangements and levy

137. Part 1 amends the Local Government Act 2003 to give more local authorities the power to make arrangements for a levy that can be imposed on property owners in a business improvement district, to be known as the 'property owner arrangements' and 'levy', and to bring legislation relating to BIDs into the same piece of legislation.

138. The Business Rate Supplements Act 2009 gave local authorities the power to make arrangements for property owners in a business improvement district (BRS-BID arrangements), but restricted the ability to do so to areas that have a BID established under the Local Government Act 2003 and a Business Rate Supplement in force, which is currently only Crossrail in London. Part 1 therefore moves the property owner legislation to the Local Government Act 2003, and allows a levy to be imposed on property owners without the requirement that a Business Rate Supplement be in force, and in the process providing parity of language and structure between the original provisions for BID arrangements and the new property owner arrangements.

139. Part 1 sets out the provisions for property owner arrangements, including that they cannot be established unless there is a successful ballot on the property owner proposal and that the proceeds from the levy will fund projects set out in the proposal.

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140. Sections 59A to 59D allow billing authorities in England to make property owner arrangements. They also set out arrangements for one or more billing authorities who wish to make joint arrangements, allow persons to make voluntary financial contributions for the purpose of enabling the project specified in the property owner arrangements to be carried out and state that the billing authority is bound by the property owner arrangements.
141. Sections 59E and 59F set out detail on the levy that will be raised on property owners, including the conditions under which it can be charged. They also allow for the property owner arrangements to specify the way the levy will be calculated and who is to be liable to pay it, so property owners in a business improvement district have maximum flexibility to shape how their BID works.
142. Section 59G sets out detail on the revenue account used by the billing authority, stipulating that the billing authority must credit property owner levy income to the overall BID revenue account, to ensure it is ring fenced. Section 59H allows the Secretary of State to set out in secondary legislation details of the administration of the property owner levy.
143. Sections 59I and 59J ensure that property owner arrangements cannot come into force in relation to a business improvement district unless those who will be liable to pay the levy have approved by ballot the proposals, and allows the Secretary of State the power to decide in regulations what those proposals must contain. They also set out that for a ballot to be successful, it must pass a majority of people voting and a majority of rateable value.
144. Section 59K allows the Secretary of State to provide in secondary legislation for joint ballots to be held for proposals for property owner arrangements and BID arrangements.
145. Sections 59L and 59M allow billing authorities to veto property owner proposals after a successful ballot, under prescribed circumstances, and gives those who were entitled to vote on the proposals the right to appeal to the Secretary of State against this veto.
146. Section 59N sets out when property owner arrangements can commence, following a ballot.
147. Section 59O provides that property owner arrangements can specify the duration of the arrangements, but they must not be any longer than five years, after which it must go to re-ballot in order to renew the arrangements. It also allows the Secretary of State to provide in regulations for circumstances when property owner arrangements may need to be altered or terminated early.
148. Section 59P allows for the Secretary of State to make regulations for information to be disclosed to a billing authority, to allow it to identify persons who have a relevant property interest in a hereditament in the business improvement district.
149. Section 59Q allows the Secretary of State to make provision in secondary legislation for the ballot process.
150. Section 59R allows the Secretary of State to make provisions by regulations that he thinks are necessary or expedient as a result of provisions in the rest of this Chapter.
151. Section 59S states that this Chapter applies to the Crown.
152. Section 59T provides interpretations.

#### Part 2 Amendments relating to property owner arrangements and levy

153. Part 2 makes the necessary amendments to other legislation to ensure that Part 1 will interact properly with existing legislation.

#### Part 3 Transitional and saving provisions

154. Part 3 outlines the conditions that apply to [arrangements](#) established under the existing Business
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Rate Supplements Act 2009 in respect of property owners in a business improvement district, known as 'BRS-BID arrangements', including that they continue until the end of their term unaffected by the amendments to the 2009 Act, but if they successfully re-ballot for another term, the renewed arrangements must be made under the provisions of this Chapter.

## **Chapter 2: Business rate supplement**

### **Clause 38: Power of mayoral combined authorities to impose business rate supplements**

155. Clause 38 amends the Business Rate Supplements Act 2009 to add mayoral combined authorities to the list of levying authorities.

## **Part 5: Final Provisions**

### **Clause 39: Power to make consequential amendments**

156. Clause 39 gives the Secretary of State power to make regulations to make such provision as the Secretary of State considers appropriate in consequence of this Act, including by amending legislation.

### **Clause 40: Financial provisions**

157. Clause 40 is self-explanatory.

### **Clause 41: Extent**

158. Clause 41 sets out the territorial extent of the Act.

### **Clause 42: Commencement and short title**

159. Subsection (1) states that certain provisions of the Act come into force on Royal Assent.

160. Subsection (2) makes provision for the remaining provisions of the Act to come into force in accordance with regulations made by the Secretary of State.

161. Subsection (3) enables commencement regulations to include transitory or transitional provision or savings necessary or expedient in connection with the coming into force of provisions of the Bill.

## Commencement

162. The provisions about extent, commencement and short title of this Bill, together with the powers conferred by the Bill to make secondary legislation to make saving, transitory or transitional provision in connection with the coming into force of any provision of the Act or to make further consequential amendments, come into force on the day on which the Bill is passed.
163. Clauses 8, 13 and 14 and Schedule 3 of the Bill come into force on the day on which the Bill is passed.
164. Any power to make regulations under or by virtue of this Bill also comes into force on the day on which the Bill is passed.
165. Other provisions of this Bill come into force on such days as the Secretary of State may be regulations appoint.

## Financial implications of the Bill

166. The Bill contains provisions that may lead to changes both in the payments to be made by the Secretary of State to authorities and those to be made by billing authorities and major precepting authorities to the Secretary of State.

## Parliamentary approval for financial costs or for charges imposed

167. Money and Ways and Means Resolutions will be put before the Parliament to reflect possible payments from the Secretary of State and billing authorities and major precepting authorities.

## Compatibility with the European Convention on Human Rights

168. Section 19 of the Human Rights Act 1998 requires a Minister in charge of a Bill in either House of Parliament to make a statement about the compatibility of the Bill with the Convention Rights (as defined by section 1 of that Act). The Rt Hon Sajid Javid MP, Secretary of State for the Department for Communities and Local Government, has stated in his view that the provisions of the Local Government Finance Bill are compatible with Convention rights.

## Related documents

169. The following documents are relevant to the Bill and can be read at the stated locations:

- The Queen's Speech 2016:  
<https://www.gov.uk/government/speeches/queens-speech-2016>
- The Local Government Finance Act 1988  
<http://www.legislation.gov.uk/ukpga/1988/41/contents>

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- Local Government Finance Act 1992  
<http://www.legislation.gov.uk/ukpga/1992/14/contents>
- Local Government Act 2003  
<http://www.legislation.gov.uk/ukpga/2003/26/section/95>
- The Business Rates Supplements Act 2009  
<http://www.legislation.gov.uk/ukpga/2009/7/contents>
- The Local Government Finance Act 2012  
<http://www.legislation.gov.uk/ukpga/1992/14/contents>
- Delegated powers memorandum:  
<https://www.gov.uk/government/organisations/department-for-communities-and-local-government>

## Annex A - Territorial extent and application in the United Kingdom

The territorial extent and application of the Bill is summarised as follows:

- Part 1: Local Government Finance Settlement – these provisions form part of the law of England and Wales, but apply to England only.
- Part 2: Non-domestic rating in England – these provisions form part of the law of England and Wales, but apply to England only.
- Part 3: Infrastructure Supplement – these provisions form part of the law of England and Wales, but apply to England only.
- Part 4: Other local levies – these provisions form part of the law of England and Wales, but apply to England only.

In the view of the Government of the United Kingdom, all the provisions of the Bill relate exclusively to England. All the provisions in the Bill (except clause 14) would be within the legislative competence of the Scottish Parliament, the National Assembly for Wales or the Northern Ireland Assembly to make corresponding provision.<sup>2</sup>

Provision	Extends to E & W and applies to England ?	Extends to E & W and applies to Wales?	Extends and applies to Scotland ?	Extends and applies to Northern Ireland ?	Would corresponding provision be within the competence of the National Assembly for Wales?	Would corresponding provision be within the competence of the Scottish Parliament?	Would corresponding provision be within the competence of the Northern Ireland Assembly?	Legislative Consent Motion needed?
<i>Local Government finance Settlement</i>								
Clauses 1 to 4	Yes	No	No	No	Yes	Yes	Yes	No
Schedule 1	Yes	No	No	No	Yes	Yes	Yes	No
<i>Non-Domestic Rating in England</i>								
Clauses 5 to								

<sup>2</sup> References in this Annex to a provision being within the legislative competence of the Scottish Parliament, the National Assembly for Wales or the Northern Ireland Assembly are to the provision being within the legislative competence of the relevant devolved legislature for the purposes of Standing Order No. 83J of the Standing Orders of the House of Commons relating to Public Business.

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Provision	Extends to E & W and applies to England ?	Extends to E & W and applies to Wales?	Extends and applies to Scotland ?	Extends and applies to Northern Ireland ?	Would corresponding provision be within the competence of the National Assembly for Wales?	Would corresponding provision be within the competence of the Scottish Parliament?	Would corresponding provision be within the competence of the Northern Ireland Assembly?	Legislative Consent Motion needed?
13	Yes	No	No	No	Yes	Yes	Yes	No
Clause 14	Yes	No	No	No	No	No	No	No
Schedule 2	Yes	No	No	No	Yes	Yes	Yes	No
Schedule 3	Yes	No	No	No	Yes	Yes	Yes	No
<i>Infrastructure Supplement</i>								
Clauses 15 to 36	Yes	No	No	No	Yes	Yes	Yes	No
Schedule 4	Yes	No	No	No	Yes	Yes	Yes	No
<i>Other Local Levies</i>								
Clause 37	Yes	No	No	No	Yes	Yes	Yes	No
Clause 38	Yes	No	No	No	Yes	Yes	Yes	No
Schedule 5	Yes	No	No	No	Yes	Yes	Yes	No
<i>Final provisions</i>								
Clauses 39 to 42	Yes	No	No	No	Yes	Yes	Yes	No

## Minor or consequential effects<sup>3</sup>

The following provisions that apply to England have effects outside England, all of which are, in the view of the Government of the United Kingdom, minor or consequential:

### Clause 5: Power to specify indexation rate for non-domestic rating multiplier

Clause 5 amends paragraph 5 of Schedule 7 (non-domestic rating multipliers) to the 1988 Act; paragraph 5 applies to England and Wales. The principal amendment inserts a new sub-paragraph which has effect in relation to England only. As a consequence the amendments made by subsections (3) to (5) adjust existing sub-paragraphs so that they provide for the position in relation to Wales only.

<sup>3</sup> References in this Annex to an effect of a provision being minor or consequential are to its being minor or consequential for the purposes of Standing Order No. 83J of the Standing Orders of the House of Commons relating to Public Business.

The amendments made by subsection (8) adjust paragraph 6 of the Schedule to reflect the fact that separate provision is now made for England and Wales.

### Clause 7: Relief for rural shops, etc.

Clause 7 amends section 43(6A) of the 1988 Act, which applies in relation to England and Wales, to make different provision in relation to England. The amendment alters the format of the subsection to reflect that there is now separate provision for England and Wales.

### Clause 11: Central non-domestic rating lists

Clause 11(1) inserts new section 52A into the 1988 Act. The new section contains powers for the Secretary of State in relation to central non-domestic rating lists for England. As a consequence, subsection (2) amends section 53 of that Act so that it applies only in relation to Wales. Clause 11(6)(a) inserts subsection (8A) into section 67 of the 1988 Act (interpretation) which makes provision, in relation to England, about references to hereditaments on the central non-domestic rating list; as a consequence clause 11(6)(b) amends clause 67(9) so that it apply in relation to Wales only.

### Schedule 1: Local retention of non-domestic rates

Paragraph 36 amends section 76 of the 1988 Act. As a result of the repeal by the Bill of Chapter 2 of Part 5 of the 1988 Act (see clause 1(3)) there is no need for the Secretary of State to have the regulation-making power in subsection (4). In consequence, the amendments make adjustments to reflect that the power will continue in relation to Wales only.

### Schedule 3: Relief for telecommunications infrastructure

Paragraph 10 amends section 63A of the 1988 Act. Schedule 3 inserts new section 54ZA into the 1988 Act, providing for a relief from non-domestic rates for telecommunications infrastructure, in relation to England. Section 63A contains powers for HMRC information to be disclosed, amongst other things in connection with functions of the Secretary of State or Welsh Ministers under specific sections of the Act (subsection (4)(b)). As a consequence of the insertion of section 54ZA, section 63A(4)(b) is amended to add a reference to the new section.

### Schedule 5: Business improvement districts: property owner arrangements and levy

Part 4 of the Local Government Act 2003 applies in relation to England and Wales. As a result of amendments in paragraph 1(2) and (3) of Schedule 7 to the Bill, Part 4 will now consist of two Chapters. Paragraphs 3(3) and 5 of Schedule 5 make minor amendments, mainly as a consequence of the division of Part 4 into two Chapters, but also (paragraph 5(4)) to amend provisions in section 47 of the 2003 Act about the BID Revenue Account of billing authorities (as a consequence of section 59G in new Chapter 2 in Part 4).

## Subject matter and legislative competence of devolved legislatures

Part 1 (clauses 1 to 4), clauses 5 to 13 in Part 2, Part 3 (clauses 15 to 36) and Part 5 (clauses 37 and 38) of the Bill make provision in relation to local government finance. Local government finance is a

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devolved matter in Scotland, Wales and Northern Ireland. (Local government finance is a conferred matter by virtue of Schedule 7, Part 1, paragraph 12 of the Government of Wales Act 2006; local taxes to fund local authority expenditure are exceptions to the fiscal, economic and monetary policy reservation by virtue of Schedule 5, Part 2, paragraph 3, Section A1 of the Scotland Act 1998; local government finance is not an excepted or reserved matter in Schedule 2 or 3 of the Northern Ireland Act 1998.) The Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly could therefore make corresponding provision in respect of these measures.

# LOCAL GOVERNMENT FINANCE BILL EXPLANATORY NOTES

These Explanatory Notes relate to the Local Government Finance Bill as introduced in the House of Commons on 13 January 2017 (Bill 122).

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