

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT  
GENERAL COMMITTEES

## Public Bill Committee

# LOCAL GOVERNMENT FINANCE BILL

*Seventh Sitting*

*Thursday 9 February 2017*

*(Morning)*

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CLAUSE 6 under consideration when the Committee adjourned till this day  
at Two o'clock.

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**Monday 13 February 2017**

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**The Committee consisted of the following Members:**

*Chairs:* † SIR DAVID AMESS, MIKE GAPES

Aldous, Peter ( <i>Waveney</i> ) (Con)	† Mackintosh, David ( <i>Northampton South</i> ) (Con)
† Double, Steve ( <i>St Austell and Newquay</i> ) (Con)	† Marris, Rob ( <i>Wolverhampton South West</i> ) (Lab)
† Doyle-Price, Jackie ( <i>Thurrock</i> ) (Con)	Pow, Rebecca ( <i>Taunton Deane</i> ) (Con)
† Efford, Clive ( <i>Eltham</i> ) (Lab)	† Thomas, Mr Gareth ( <i>Harrow West</i> ) (Lab/Co-op)
† Foster, Kevin ( <i>Torbay</i> ) (Con)	† Tomlinson, Justin ( <i>North Swindon</i> ) (Con)
† Foxcroft, Vicky ( <i>Lewisham, Deptford</i> ) (Lab)	Turley, Anna ( <i>Redcar</i> ) (Lab/Co-op)
† Hollinrake, Kevin ( <i>Thirsk and Malton</i> ) (Con)	† Warburton, David ( <i>Somerton and Frome</i> ) (Con)
† Jones, Mr Marcus ( <i>Parliamentary Under-Secretary of State for Communities and Local Government</i> )	Colin Lee, Katy Stout, <i>Committee Clerks</i>
† McMahon, Jim ( <i>Oldham West and Royton</i> ) (Lab)	† <b>attended the Committee</b>

## Public Bill Committee

Thursday 9 February 2017

(Morning)

[SIR DAVID AMESS *in the Chair*]

### Local Government Finance Bill

11.30 am

**Mr Gareth Thomas** (Harrow West) (Lab/Co-op): On a point of order, Sir David. On Tuesday afternoon, when I asked the Minister whether he had been privy to conversations in the Department or across Whitehall more generally about Surrey County Council's proposed referendum on a 15% council tax increase, and what the Government might have said to the leader of the county council, he said:

"I think that the hon. Gentleman is presupposing the discussions that happened and the outcome of the situation."—[*Official Report, Local Government Finance Public Bill Committee, 7 February 2017; c. 208-09.*]

In the light of the sweetheart deal agreed with Surrey County Council, I wonder whether the Minister would like to take the opportunity to correct the record.

**The Chair:** I have listened very carefully to the point of order. No doubt the Minister and the Government Whip have, too, but I sense that they are not very keen to comment on it. It is there for the record.

**The Parliamentary Under-Secretary of State for Communities and Local Government (Mr Marcus Jones):** Further to that point of order, Sir David. The hon. Member for Harrow West knows that a sweetheart deal has not been done with Surrey. I refer him to today's written ministerial statement, and indeed to the statement made by Surrey County Council.

**The Chair:** The Minister took me by surprise: he did want to respond.

**Mr Thomas:** On a point of order, Sir David. You may not be aware that there has been some discussion in Committee about the fact that the Government have not yet published their summary, let alone the full details, of the 400-plus responses to their consultation document, which is pertinent to consideration of the Bill. Have you had any indication that the Minister might finally have got around to releasing the consultation responses, so as to better inform our scrutiny of the Bill?

**The Chair:** Neither I nor the Clerk has had notification. Does the Minister wish to share the position with the Committee?

**Mr Jones:** Further to that point of order, Sir David. It has almost become a custom for the hon. Member for Harrow West to ask that question in our sittings. I reassure him, as I have done a number of times, that we

intend to publish the responses to the initial consultation. We are also looking to publish a further consultation, and we expect it to be released next week.

**The Chair:** I am very grateful to the Minister; that is helpful.

#### Clause 6

##### POWER TO REDUCE NON-DOMESTIC RATING MULTIPLIERS

**Jim McMahon** (Oldham West and Royton) (Lab): I beg to move amendment 30, in clause 6, page 9, line 40, at end insert—

'(2) Before an authority reduces non-domestic rating multipliers in its area it must consult with any neighbouring authority.'

*This amendment would require an authority that intends to reduce its non-domestic rating multiplier to consult any neighbouring authority before doing so.*

**The Chair:** With this it will be convenient to discuss the following:

Amendment 48, in schedule 2, page 44, line 7, at end insert—

'(1A) A relevant authority shall determine that the multiplier discount shall apply—

- (a) to all hereditaments in its area, or
- (b) only to some hereditaments in its area (defined by reference to their location, rateable value, class of hereditament or such other factors that the relevant authority determines when specifying the multiplier discount).'

*See explanatory statement for amendment 49.*

Amendment 49, in schedule 2, page 44, line 17, after 'area' insert—

', in accordance with that relevant authority's determination under subsection (1A).'

*This amendment, together with amendment 48, would mean that a billing authority, a county council or the Greater London Authority could apply a discount to the whole of its area or could apply to particular areas, above or below a particular rateable value threshold or to particular categories or sub-categories of hereditament.*

**Jim McMahon:** It is a pleasure to serve under your chairmanship, Sir David. The amendment would require a local authority to consult neighbouring authorities when it wished to change its business rate base. The principle behind that has to do with not only being a good neighbour, but ensuring that local authorities cannot be played off against each other. For example, an investor or developer might come to an area with a significant end user, and set one local authority off against another to get a preferential deal; preferential deals, done in the background, are all the rage at the moment.

**Mr Jones:** I hear the school of thought that the hon. Gentleman is adopting, but does he not accept that the Bill proposes reducing the multiplier across a local authority area, not in one particular place in the area, or for one particular industry? Is not the line he is pursuing therefore pretty flawed?

**Jim McMahon:** Amendment 30 is linked to amendments 48 and 49, which would allow local authorities to set the multiplier at different levels in all or part of the area, so potentially that could happen. I will come

to the reasons why those amendments were tabled, but if all the amendments were accepted—the Government may well choose to do that; we would be happy with that—there would be that provision.

A local authority could reduce the multiplier in an area. Take the example of a large warehousing, distribution, office-type business relocated to an area; say Google did not want to relocate to London, but thought Oldham was the place to be. That £1 billion of investment could make Oldham Council consider whether it was worth reducing the multiplier across the whole borough—unless, of course, Google said, “We have this agreement in Oldham, but let’s see what Rochdale, Tameside or Manchester can do for us.” It would not make sense to have that artificial competition in local areas.

**Mr Thomas:** My hon. Friend gives a number of examples, and we now know that Surrey has a sweetheart deal to be a business rates pilot in 2018-19. One could imagine a scenario in which Surrey County Council wanted to reduce business rates; amendment 30 not having been made, it would not have to talk to neighbouring areas, which might be a bit put out by that.

**Jim McMahon:** I take that point completely, but we may need to take Surrey out of the equation, because there are rules for everybody and then there are separate rules for Surrey; we will need to account for that in future legislation. Obviously, if an elderly relative needs social care, Surrey is the place to be, but we must make laws for the whole country. This is about restricting artificial competition, where possible. One area may not be aware of discussions in the area next door because they may be covered by commercial sensitivity considerations. The risk of that information being released as a result of a random text message being mis-sent is very unlikely—I am sure it almost never happens—but local authorities could be set up artificially against each another.

**Kevin Foster (Torbay) (Con):** I hear what the shadow Minister is saying, but his amendment 30 refers to consulting, not securing agreement. By his own logic, if an authority is not aware of something and then gets a letter, it may decide to do the very thing he is talking about.

**Jim McMahon:** Local authorities are independent units of government. They cannot be at the beck and call of their neighbour. Their working together constructively is important for local relationships and the local economy, and that is exactly what the amendment would provide for. “Consultation” includes an assumption that local authorities will reach out, be inclusive and share in a constructive and mature way with their neighbouring authorities. I cannot see why this small change would be contentious. Surely it is in the interests of all local government, as a family, and as a unit, that people work together to the same end. Of course we welcome investment from the private sector when it moves to an area, but that should not be used to create an artificial divide between neighbouring authorities. That is the point of the amendment.

Amendments 48 and 49 are simply about expanding the power available to some bodies to change the multiplier, so that it is available to all billing authorities, the

Greater London Authority and county councils. Through these amendments, we are trying to say, “We respect every unit of local government, whether it is a combined authority with a Mayor, a metropolitan authority, a London authority, a district council or a county.” Every unit of government should have the right to affect the economy in its area.

Taken as a package, these amendments would expand the freedoms that the Government are trying to progress—freedoms that local government has largely welcomed—and make them available to all local government, in the way that it is proposed they be made available to some. The amendments would enable local authorities to act in a mature way, consult their near neighbours and, hopefully, get agreement on the best way to administer a scheme, in tune with neighbouring authorities, rather than acting against them.

I do not propose to spend any more time on this matter, although we could go on at length about it for the sake of it. These are quite minor amendments in the scheme of things. They are certainly not contentious; they are more about tidying up the offer, and expanding it to a wider group of people. The consultation required with neighbouring authorities would be similar in spirit to the way in which local plans under development involve consultation with neighbouring authorities, so it would bring the Bill into line with other legislation affecting local government.

**Mr Thomas:** I am grateful for this opportunity to comment on the amendments. Amendment 30 is sensible, and is made all the more so by the new context that Surrey County Council has created for our deliberations. The deal that David Hodge, the leader of Surrey County Council, has done with Nick seems to have been a particularly interesting piece of negotiation. I am told that Surrey County Council met on Tuesday to consider whether to go ahead with the referendum, and that at the beginning of the meeting, David Hodge was determined to go ahead with it. It appears that a message—perhaps a text message from Nick or somebody else—was sent to him, and the meeting was suspended. He rushed out, and there was a sudden change in approach—

**The Chair:** Order. This is a very interesting fleshing out of the details of the linked email, but I do not think it is entirely relevant to the amendment that the hon. Gentleman is supporting. I draw his attention to that. Not so much about Surrey.

**Mr Thomas:** Once again, Sir David, your timing in putting me straight is impeccable. Having given the context, I turn to why that is immediately relevant.

Let us assume that Surrey County Council wants to take advantage of the opportunity that it will have, as we now know, from 2018-19 to reduce business rates. Who might be affected by that decision? A number of neighbouring authorities close by, some within the Greater London Authority area. One thinks of Hillingdon and Hounslow. Surrey County Council might think, “We know that a third runway will be built at Heathrow. It’s a bit further away than Hillingdon, so businesses might not be immediately interested in moving to Surrey. They might be more interested in focusing on the attractions of Maidenhead or Hillingdon, which are much closer to that third runway. But if we were to reduce business rates a little, ahead of any other authority’s ability to do

[Mr Gareth Thomas]

so from 2020-21, we might be able to get in first and attract those businesses to Surrey, rather than to Hounslow, Hillingdon, Ealing, Maidenhead or beyond.”

We are all interested in the success of Surrey County Council’s leader in bypassing the Minister with responsibility for local government finance, who is here with us, finding the really powerful person in the Department—Nick—and doing the deal, but it seems to the Opposition that although it is perfectly reasonable for the leader of Surrey County Council to want to do the right thing for his residents, if it will have a potentially adverse impact on nearby local authorities, surely Surrey County Council should have to talk to them and at least warn them of its intention.

11.45 am

Let us take amendment 30 with amendments 48 and 49. If I may, I will indulge the Committee by taking it on a visit to an area in my constituency. It is a shopping district called Sudbury, half of which is in the best constituency in Britain, Harrow West, and half of which is in the next-door constituency of Ealing North. Clearly, if that district centre was suffering because it needed regeneration, Harrow Council, which is extremely well led by Labour, with a strong pro-business agenda, might consider taking advantage of the provisions in the Bill and reducing business rates, if amendments 48 and 49 were accepted, in its part of Sudbury. That would make sense up to a point, but if one wants the whole shopping district to feel regenerated and revitalised, it would clearly make sense to work with Ealing Council to ensure that it, too, was thinking about the impact of regeneration of Sudbury district centre.

Let us take amendments 30, 48 and 49 as a package—you, Sir David, and Mr Speaker have sensibly grouped them. One can see how a slightly more sophisticated drafting of the Bill to allow business rates to be reduced not necessarily across the whole billing authority area—I am talking about the billing authority also having scope to reduce rates in particular areas—plus the requirement for consultation, might help to generate discussion about how to regenerate or encourage businesses into an area that crosses billing authority boundaries. Given the decision on the third runway at Heathrow, which we have spent a little time thinking about, and which Ministers have not yet given a convincing reply on, surely there is all the more reason to allow amendment 30 to be added to the Bill.

The purpose of amendments 48 and 49 is to allow “a billing authority, a county council or the Greater London Authority”

to

“apply a discount to the whole of its area or...to particular areas, above or below a particular rateable value threshold or to particular categories or sub-categories of hereditament.”

I have been unusually inspired by the contributions of the hon. Members for Northampton South and for Thirsk and Malton. Sadly, the hon. Member for Thirsk and Malton is not present, but we are fortunate enough to have the hon. Member for Northampton South with us. Why should those two Members of Parliament have inspired me in the context of these two amendments? They contributed to the consideration by the Select Committee on Communities and Local Government of

what 100% business rates devolution might mean for local government. The Select Committee recommended the power to vary the reduction in business rates “according to business type”. It said that that might be

“an effective lever to stimulate and foster local economic growth.”

It went on to recommend that the Government and local authorities

“should together consider introducing these powers”,

albeit with the caveat that rises in rates should be

“limited to the increase in the average council tax.”

I want to come on to whether billing authorities should be allowed to raise business rates, but it is interesting that the two hon. Gentlemen signed up to a recommendation to allow billing authorities to vary business rates. It is, in effect, their amendment that I have offered up to the Committee for consideration. I look forward to the hon. Member for Northampton South commenting on this provision. [Interruption.] I think I heard him say that he was looking forward to catching your eye, Sir David.

Interestingly, the hon. Members for Thirsk and Malton and for Northampton South are not the only ones to think, along with Opposition Members, that it is a good idea to have the power to vary business rates so they affect particular categories or areas, rather than the whole of a billing authority. The cross-party Local Government Association, which championed Surrey County Council—indeed, it championed all councils in the light of the current funding crisis—also thinks that the gist of amendments 48 and 49 makes sense. It told me that, in June, during the business interest group meeting—for your benefit, Sir David, and that of Government Members, who may not know what the business interest group is, let me explain that it is one of the technical working groups that Ministers have set up to consider how 100% business rates devolution will work in practice, given that this Bill is just one part of a triptych of processes that are in place to determine that—it was agreed that the power to reduce business rates across the whole of a billing authority

“might be unlikely to be used as the reductions local authorities could offer would realistically be too small to influence substantial decisions from businesses, and the incentive for local authorities to do this would be diluted as they approached a reset period.”

That is what Ministers were told by their officials, so it will be interesting to hear whether the Minister, having seen amendments 48 and 49, now recognises and accepts what his officials were told in that meeting, or whether what the business interest group was told was wrong.

Counties currently do not have the power to grant Localism Act business rates discounts. They will have the power to make multiplier reductions to the bill on the basis that they will pay for the reduction themselves, but they might not be able to afford it, particularly given that 40% of the revenue support grant for local authorities has been axed since 2010, and that there are many more substantial cuts to funding to come. They might therefore welcome the power to better target the business rate reduction. One county apparently informed the Local Government Association that many local authorities, particularly the counties, would welcome the opportunity to offer, within various constraints, discretionary rates relief as a possible incentive to new investment by inward investors or to grow local businesses.



Allow me again to take Government Members on a journey to one particular area of Britain's greatest constituency, which I had the privilege to live in until recently—Rayners Lane. Later this year, as a result of a merger between two very big businesses, a very substantial business in that area will sadly close. It is moving out of the area, and there will be a substantial reduction in business rates income for the London Borough of Harrow, and a substantial gap in the business community in Rayners Lane, as a result. The landlord intends to convert the property into flats, with all the benefits of increased council tax income and all the additional costs that having more residents in Rayners Lane will bring. Had the power existed in statute, as amendments 48 and 49 propose, it might have been possible for the London Borough of Harrow, if it could have afforded it, to have targeted a reduction in business rates purely at the Rayners Lane community to try to attract a major business back into the heart of Rayners Lane to replace the one that is going.

I suspect that, if Government Members were honest, outside the Committee, they could think of similar examples of where such a provision could have existed. Presumably, the hon. Member for Northampton South thought of such examples, when the Select Committee was listening to the evidence in support of the view that it finally arrived at—that local authorities should be able to vary business rates. Presumably, he thought the examples were convincing; perhaps he thought of examples from his own constituency or from across Northamptonshire. Perhaps the hon. Member for Thirsk and Malton, who is sadly not with us today, similarly thought of examples from his area of North Yorkshire, and thought this was a sensible additional tweak that could be made to the legislation to help to deal with particular challenges of regeneration. I would have thought the ability to target such intervention is particularly appealing, based on the criticality of businesses to the local economy, as all sides would accept, in terms of the number and quality of jobs that are created or safeguarded, the benefits to the local supply chain and so on.

One thinks of the terrible threat of the loss of the steel industry from UK shores. Had the power existed to target reductions in business rates, that might have been a further weapon that Ministers and local councils could have deployed together, had they needed to do so.

**Mr Jones:** I remind the hon. Gentleman, who probably knows this but chooses not to say it, that if a particular local authority in an area that was affected by the challenges in the steel industry wanted to reduce and give a discount on the business rate to a steel plant, for example, that option already exists. Will he acknowledge that?

**Mr Thomas:** I accept that the option exists in certain places in certain situations. What we are seeking to do is to end the inflexibility of the provisions as they stand at the moment. I gave the example of counties and the particular problems they have in relation to this power. This flexibility would allow local authorities that do not benefit from the presence of an enterprise zone or sites with assisted area status to still offer some form of incentive to business investment.

**Mr Jones:** The hon. Gentleman is being very generous in giving way. He mentions the issues that counties have. Counties can give discounts, but those discounts are

dealt with by the billing authority, which is generally the district in a two-tier area. Will he set out exactly what the concerns are and what the county issues are that he mentions?

**Mr Thomas:** I am doing my best to do so; the Minister may not be listening as well as he might like to. Let me give some additional background to the concerns that have been put to me.

Schedule 2 gives the power to districts, counties and the Greater London Authority to reduce the business rates multiplier, but as it stands it must be applied to all qualifying properties that pay business rates hereditaments in its area. I am told that authorities would welcome having more flexibility. For example, an authority may wish to reduce business rates in a particular area or to help a particular industry.

There are current powers under section 47(5A) of the Local Government Finance Act 1988, as amended by the Localism Act 2011, to grant discretionary relief to any ratepayer. However, they apply only to billing authorities—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.

12 noon

Amendments 48 and 49 help to clarify the existing flexibilities and put to bed any uncertainty about whether they can be applied in a given situation.

**David Mackintosh** (Northampton South) (Con): Will the hon. Gentleman give way?

**Mr Thomas:** At last. Let us hear from another enthusiast for this proposal.

**David Mackintosh:** As someone who has worked at granting discretionary rate relief, I ask the hon. Gentleman whether he recognises, that to do this it is necessary in two-tier areas to work across both authorities? Therefore, if the billing authority wants to do it, it will of course talk to the other authority involved.

**Mr Thomas:** I welcome the hon. Gentleman's intervention, but what surprises me is that he did not explain why, having so enthusiastically backed the powers in amendments 48 and 49 when the Select Committee considered the report, he now seems hesitant about following that logic. I take his point that the best local authorities will want to consult each other, but amendment 30 is intended to deal with authorities that were not so respectful of their neighbouring areas, or the economic impact on the neighbouring areas' residents. The amendment would lock such consultation into law.

It is interesting that apparently the hon. Members for Northampton South and for Thirsk and Malton, and other members of the Select Committee, did not come up on their own with the idea of an ability to vary the multiplier. They received substantial evidence from councils up and down the land about the power. The Local Government Association, the District Councils' Network and the County Councils Network advocated it. Indeed, the Select Committee noted that its predecessor Committee recommended a similar provision.

[Mr Gareth Thomas]

On that basis, I suggest that my hon. Friend the Member for Oldham West and Royton was entirely right to table all three amendments. I understand, in the light of Surrey County Council's decision, that there may not be enthusiasm for amendment 30, but I should be interested to hear why the Minister is rejecting the advice of the Select Committee on amendments 48 and 49.

**Rob Marris** (Wolverhampton South West) (Lab): I shall confine my remarks to amendment 30, which would require consultation on multiplier discounts. I get the impression from the Minister's demeanour that he is not minded to accept it. He can intervene and tell me whether I am wrong, but until I finish speaking, when I am sure he will have been persuaded, I shall proceed on that basis. It surprises me that he is not so minded, because this sort of provision is already in the Bill.

Schedule 2 to the Bill is to do with amending the Local Government Finance Act 1988, including schedule 7 to that Act. Page 45 of the Bill sets out proposed new paragraph 6C of schedule 7. At lines 13 to 20, there is a nice little table. The new paragraph states that, where a multiplier discount is to be introduced by a specified authority, the neighbouring authorities, or related authorities—perhaps to use a term that is not in the Bill—must be notified. I concede to the Minister that they do not have to be consulted—the verb used in the amendment—and that “notify” is different. To read from the table—it is not a long one—the first “Relevant authority” is:

“A district council for a district in a county for which there is a county council”.

It has to notify, “The county council”. Next:

“A county council for an area for which there is a district council”

has to notify

“The district council for each district in the county”.

“A London borough council” that wants to apply a multiplier discount has to notify “The Greater London Authority”, which, conversely, has to notify “Every London borough council”.

As I said, one verb is “notify” and the one in the amendment is “consult”. They are different—I accept that—but they are not a million miles apart. We already have the concept, or something close to it, in schedule 2 to the Bill in the form of proposed new paragraph 6C, so it seems reasonable to think that the Government ought to accept the amendment, which would simply push the concept out from notification to consultation.

**Mr Jones:** I thank the hon. Members on the Labour Front Bench for their amendments, and for giving me the opportunity to address the issues and talk specifically about multiplier discounts. The hon. Gentlemen seem to have gone into things in some detail, which leads me to believe that today could be a very long day—I might need to ring Mrs Jones a little later to tell her that I will be home later than expected.

I hope that the Committee will agree that the measure on the multiplier discount is an important and positive one, which will give councils further levers to attract and incentivise local investment. The effect of amendment 30 would be to require any local authority considering

the introduction of a discount to consult its neighbouring authorities before implementing a reduction. We do not believe that that is the right approach, nor do we believe that the amendment is necessary.

One of the main aims of the clause is to allow local authorities to show that they are willing to work hard and be flexible to attract business. However, local authorities already work closely together on many issues, including economic strategy. The amendment would create an unnecessary and complex additional burden on any local authority seeking to introduce a discount. That is precisely the sort of approach from which we are trying to move away.

The purpose of the power in the Bill is to provide local authorities with the tools to incentivise local growth. In exercising the power and in maximising its effect, we expect local authorities to take steps to publicise widely their intention to introduce a multiplier discount.

Clause 6 and schedule 2 already require that, in two-tier areas, the authority introducing the discount must inform the other authorities and the Secretary of State of its intention to specify a multiplier discount before 31 December in the preceding financial year—I hope that that answers the question of the hon. Member for Wolverhampton South West. Furthermore, in a two-tier area, the Local Government Finance Act 1988 as amended by the Bill and the regulations made under the Act will allow the Government to ensure that the income of a tiered authority will be protected from a discount introduced by another authority.

We consider that there is no need to make unnecessary provisions in the Bill, which is what the amendment would introduce. The Bill already strikes the right balance of providing information to those most directly affected without creating an additional formal burden.

On amendments 48 and 49, it may be helpful to the Committee for me to clarify that clause 6 and schedule 2 already allow an authority to specify a multiplier discount that would apply to all ratepayers in that local authority area. The effect of amendments 48 and 49 would be to allow an authority to apply the multiplier discount only to some properties, for example, on the basis of location, rate or value, or business type.

Although I understand the desire of hon. Members to give local authorities the flexibility to target any reductions in business rates, I do not agree that the amendments are necessary. Billing authorities already have wide-ranging powers to grant discretionary relief to ratepayers in their area. In practice, that already allows authorities to reduce business rate liabilities for a specific sector or area if they wish to do so.

Clause 6 and schedule 2 provide the ability to do something different and to reduce the overall tax rate across the area. I hope that, with the clarifications that I have provided, the Committee is reassured that the amendments are not necessary, that amendment 30 should be withdrawn and that amendments 48 and 49 should not be pressed.

**Jim McMahon:** I appreciate the Minister's response, but there seems to be a conflict in the Government's view of how local authorities should work together. The Localism Act 2011 includes a duty to co-operate, which provides that local authorities must actively engage and consult with neighbouring authorities when dealing with local plans that are going through in legislation.



It seems slightly odd and contradictory that a local authority should not go ahead with a local plan that talks about the development of a place without that engagement, but that that is not a requirement when it is looking at the tax base of the same place, which could have an equal impact on the economy and development of a neighbouring authority. It seems very contradictory.

I am not sure whether the Government's position has changed and they intend to come back to local plans and change the duty to co-operate with neighbouring authorities. Local government has been asking for consistency. What is the spirit in which local government has to maintain relationships and co-operate with their neighbouring authorities? Does that run through everything that the council does?

**David Mackintosh:** I wonder whether the hon. Gentleman agrees that this is taking place all the time in lots of areas with lots of different authorities. In my experience, we had a pooling arrangement, with eight local authorities all looking at business rates. In terms of the enterprise zone in Northampton, there were 11 authorities across the south-east midlands local enterprise partnership area, all of which had to co-operate and talk about business rates together.

**Jim McMahon:** I am pleased about that. On a daily basis, there will be council leaders, cabinet members and other councillors and officers who, through the course of their business, will engage with their neighbouring authorities and other authorities in their sub-region. That is entirely appropriate and standard as a matter of course. We are talking about a duty, where the actions of an individual authority can have a fundamental impact on a neighbouring authority. It is there in legislation already for local planning development. When the tax base of a neighbouring authority is proposed to be changed, the same duty to co-operate and consult should be in place.

**Mr Thomas:** The hon. Member for Northampton South helpfully gave us an example of good practice in this area. Does my hon. Friend accept that we are seeking to enshrine good practice by adding a legislative duty?

**Jim McMahon:** That is exactly the purpose. Consistency is the word that is most appropriate for the amendment. I am not sure why the Government want to be inconsistent. The only thing they are consistent in at the moment is the power grab by the Secretary of State to retain more power—we will come on to some of the Bill's provisions on that a bit later. What we want is for local authorities to feel empowered, in a clear and understood framework, which provides safeguards for other areas that could be affected by their decisions. That is what amendment 30 would do.

**Mr Jones:** It is interesting—it has been quite a theme throughout the Committee—that the hon. Gentleman keeps talking about this power grab. He will know that the vast majority of delegated powers within this just update existing powers and, where that is not the case, they are subject to the parliamentary process. Does he not accept that he is over-egging the pudding?

**Jim McMahon:** I do not accept that point at all, and the reason is that I do not take the headlines from the Minister; I take the wording of the legislation that is

coming through, and that wording is crystal clear. We will come on to this later, but even when the infrastructure levy is being designed, central Government will prescribe the exact layout and content of the consultation document—where it should be placed, where it should be published, and how it should be published. In terms of being absolutely prescriptive and micromanaging what local authorities do, this is not central Government letting go and empowering local authorities at all, so let us have a bit of consistency on that.

12.15 pm

**Mr Jones:** This is really interesting. The hon. Gentleman seems to be undergoing some sort of conversion. In my albeit short time in local government—I am sure that this was also his experience—it was micromanaged and controlled by a central Labour Government probably more than at any other time in history. Will he accept that he is now talking a completely different language from that which the Labour party talked while in government?

**Jim McMahon:** I am pleased that the Minister has made such a good and thoughtful intervention, taking us back to the glory days of councillors being able to operate under a forward-thinking, all-embracing Labour Government. Those were the days when we provided money for new schools and Sure Start centres, embraced culture and the arts, and opened up entry to our museums and galleries. Those glory days seem a long time ago.

**Mr Jones** *rose*—

**The Chair:** Order. Before the Minister responds, I draw the Committee's attention to precisely what we are debating at the moment.

**Mr Jones:** The hon. Gentleman mentions the halcyon, glory days of local government. Are those the same glory days in which his Government left behind a £150 billion deficit?

**The Chair:** Order. Before the hon. Member for Oldham West and Royton responds to the Minister's point, I draw the Committee's attention to the amendments that we are debating. Could Members please address their remarks to the amendments?

**Jim McMahon:** Sir David, your stewardship of the Committee is to be commended. The Minister abused that intervention by taking us far away from the Bill. Perhaps we can discuss the benefits of a Labour Government supporting active Labour local councils another time. He experienced that before he came to the House, but I am not sure that he learned the right lessons from his time in local government. I am sure that we will come on to that.

Consistency is important. For local government to be able to get on and do the job that it is there to do, it needs to know what the expectations are and what the framework is; and the more consistency, the better. There should not be over-prescription or micromanagement—there should not be 2,000 performance indicators. That is not what we are getting at. We need nice, clean legislation that is easy to understand and to administer and, importantly, local authorities need to be able to manage their development and their relationships with

[*Jim McMahon*]

neighbouring authorities. We want to divide the Committee on amendments 48 and 49, which are important because they would create a relationship of equals.

We want to empower local government, which is multi-layered and looks different in different areas. It has the democratic right, because it is elected by local residents, to make changes to enhance the area's economic circumstances. It is therefore right that we consider extending that power to the Greater London Authority and to county councils. Notwithstanding the natural relationships that exist, whereby district councils, as the billing authorities, will speak to their county councils, this is about ensuring that it is a relationship of equals. I hope, notwithstanding the Minister's response, that between now and the vote, he will come to acknowledge the logic of those two amendments.

I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

**Jim McMahon:** I beg to move amendment 45, in clause 6, page 9, line 40, at end insert—

“(2) The Secretary of State shall, by regulations, make provision enabling billing authorities and major precepting authorities in England to increase non-domestic rating multipliers in their areas in certain circumstances.

(3) The regulations shall specify the circumstances in which powers under subsection (2) can be exercised.”

*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.*

**The Chair:** With this it will be convenient to discuss amendment 46, in clause 6, page 9, line 40, at end insert—

“(2) The Secretary of State shall, by regulations, make provision enabling billing authorities and major precepting authorities in England to increase non-domestic rating multipliers for unoccupied hereditaments in their areas, in certain circumstances.

(3) The regulations shall specify the circumstances in which powers under subsection (2) can be exercised.”

*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 on empty properties under certain circumstances.*

**Jim McMahon:** The amendments are critical because there is no power without the resources to fulfil that power and responsibility. The clause cannot just be about giving local authorities a business tax break giveaway and enabling them to reduce the multiplier. Local areas must be able to balance that power to reduce with a power to increase business rates in an area of interest, and that is what the amendments seek to do.

I will give an example of how that could be administered. Let us say that Oldham Council has a desire to regenerate the town centre so that it can flourish and empty shop units can be put to acceptable use again. There will be a cost to that, because although there is a £50,000 small business rate relief in place, many units on the high street are above that threshold but nevertheless critical to how the town centre and high street function. It would be legitimate for the council to conclude that the best way to balance that is to increase the multiplier for out-of-town retailers or large supermarkets to reinvest funds back into the town centre.

**Mr Jones:** At what level does the hon. Gentleman think that that increased tax on businesses should be set? What percentage would he advocate?

**Jim McMahon:** In many ways the amendments are about understanding what the Government are trying to achieve in giving these powers to those at a local level. Our principle will always be that that is for local determination. That is exactly what localism and local accountability is about and it will be for the local authority, in consultation with its business community and residents, to make the case and find the right balance at a local level.

**Mr Thomas:** My hon. Friend will know that the Conservative party—or at least the Conservative party in Surrey—thought that an increase of 15% was acceptable for council tax. I do not know whether it thinks that a 15% increase in business rates is acceptable, but that clearly would not be acceptable to us. That is why we should again praise the contribution of Robert Evans, leader of Surrey County Council, for leading the charge against such an increase.

**Jim McMahon:** I should say for the record that David Hodge is the leader of Surrey County Council. He is an influential council leader, and I have thought that for a while. His stewardship as leader of the Conservative group of the LGA is well known. He is forthright and determined and does his research for meetings, and he knows how to build relationships to make progress.

**The Chair:** Order. Although I am very interested in hearing about Mr Hodge and his background, I do not think that is relevant to the amendment.

**Jim McMahon:** I suppose I went back to my local government roots and felt the need to protect that council leader somewhat, because I fear that in the light of the leaked text messages he will be thrown under a bus by the Government—politically speaking, of course. It would not be surprising for a council leader to fall on his sword to protect a Government Minister—and, of course, Nick, who we are thinking about today. Is Nick still in post? Do we know where Nick is? Has anybody seen Nick? I am concerned for Nick. Sir David, if you could find that out for this afternoon I am sure that the Committee will run much more smoothly. We will be much more settled and calm knowing that Nick is in a safe place and that he has not been thrown under a political bus.

The amendments are about the balance of the base. It could be that any authority—let us use Surrey as an example—decides that increasing its business rate base is the right thing for its area. It would have to have a discussion with the business community affected, similar to the discussion that Surrey had when it floated the idea of a 15% increase in council tax. The Bill provides for that, but it does not provide for every billing authority to have the same power as hand-selected authorities to increase the base. We are again asking for consistency and for every billing authority to have that same power.

High streets in many areas are struggling with not only vacant units but inappropriate usage. We might want a targeted intervention to encourage the types of uses that would result in our high streets flourishing.

The truth is that, given the way retail is going, far more is being spent online. If current trends continue, we will be spending £1 billion a week on online retail. A high street retailer has to pay to exist before it earns £1 over the till—it has to pay to be there—and that is a significant barrier for a lot of people who are trying to make ends meet.

We need to acknowledge that the world is changing. The Bill does not do that, so perhaps we need to have a separate conversation about how we tax business and support the local economy. The measure is at least a start, because it says that there will be an ability within a property-based system to team and lade resources across a local authority area.

**Mr Thomas:** My hon. Friend will remember that some 66% of businesses pay no business rates at all because of small business rate relief. If the Government were minded, as a result of our probing amendment, to grant local authorities the power to raise business rates, that power would be levied on those business giants, such as Amazon, that perhaps struggle to pay tax in other forms. The amendment is not anti-small business, which we all want to encourage; it allows for big business to perhaps be asked to pay a little more.

**Jim McMahon:** That is a fair point. The structure of high street retail—

**Mr Jones:** Will the hon. Gentleman give way?

**Jim McMahon:** Let me finish this point and then I will give way. The way in which the rateable value is calculated is generally based on the rental value of the property. For bars and restaurants it is obviously based on turnover, but for retail properties it is based on the rental value. Institutional investors in shopping centres and on high streets know that they have to pay a huge business rate liability when units are unoccupied, so they are establishing leases with a notional rental value—£70,000 to £80,000 a year—and an exhaustive rent-free period in line with that. When the valuation takes place, the headline rent might be £70,000 to £80,000 a year, but when the discounts provided in the lease are taken into account, the amount charged to occupy the space might be far less—possibly just £1. The business rates, however, are based on the headline value in the lease.

There are a number of examples of people investing their life savings into opening a high street shop and starting a business, but when they receive their business rate bill they are not able to hold their heads above water because they are just over the threshold and do not qualify for small business rate relief. That is even the case when they are given preferential rental options through the landlord. We need to look at the situation in a very different way, if we accept that high streets have a role to play in the vitality of our communities.

**Mr Jones:** The hon. Gentleman makes some important points about high streets and town centres, and I share his concern about how retail is shifting quickly. He has talked about consistency many times this morning, but how was it consistent for him to argue against changing the multiplier to a lower indexation rate, which will create lower bills for the town centre businesses that he is talking about? He says that he wants to help those businesses, so why was he against that?

**Jim McMahon:** Much of what we are trying to do through these amendments is to tease out from the Minister what the Government are trying to achieve. Some elements of the Bill make complete sense and reflect what local government, the Communities and Local Government Committee and individual councils have been asking for, but other elements are less clear. We are trying to get to the bottom of what the Government are trying to achieve. That might convince us that this is absolutely the right thing to do and that we should get behind it.

**Rob Marris:** In terms of consistency and the situation envisaged, the Minister did not say in his intervention that, while the purpose of the provision is to get rid of using RPI, it does not specify what will take its place. Therefore, far from bills necessarily falling, a different indexation could result in them rising.

12.30 pm

**Jim McMahon:** That is a fair point.

**Mr Thomas:** Perhaps the Minister would like to intervene to put the record straight.

**Jim McMahon:** That would be delightful. Perhaps he could even say whether a Surrey index could be used. A clarification would be helpful.

**Mr Jones:** The hon. Member for Wolverhampton South West has been diligent on the Bill, but he is clearly off the mark. I am sure that the hon. Member for Oldham West and Royton will recall our debate on indexation and the multiplier, during which I clearly set out the Government's intention to use the CPI measure of inflation, which is indeed lower than RPI and will save businesses more than £300 million overall in the first year.

**Jim McMahon:** My recollection of that response was not as clear as that. I appreciate the direct nature of the Minister's response today, but from my recollection we were told we were moving away from RPI, and we asked to what. He was unclear about that except to say, "What else is there, but CPI?" Well, a different measure could be created.

**Mr Thomas:** As my hon. Friend may remember, the Minister was involved in the Housing and Planning Bill and advocated with great certainty then measures that have now been rejected by other Ministers in the Department. Surely we cannot today take his word as gospel, which is why clarity in the Bill might be more useful than his words of wisdom now.

**Jim McMahon:** I often agree with my hon. Friend, but I do not want to paint the Minister as having little influence over his colleagues. I am sure they listened to his sound wisdom, reflected on it and took it on board. The Minister may not be the Minister tomorrow, however, and the legislation that we are creating transcends individuals. It is about having a framework in place to govern the nation.

Getting parity, prescription and consistency is important. I go on about consistency quite a lot because I have been on the other side of the argument when national



[*Jim McMahon*]

Government passed legislation that was not clear or consistent. That only leads to confusion at local level.

The difference is that when central Government are confused, local government is confused and hundreds of individual authorities are confused, and that has cost and time implications. The more we can do to create a clear framework where duplication is not required to understand where the Government are trying to get to is to everyone's benefit.

**Kevin Foster:** Given what is going on elsewhere, it is welcome to see some consistency in the shadow Front-Bench Members who have shown up; they have not managed to resign yet.

I listened carefully to the hon. Gentleman's points. Amendments 45 and 46 are about increasing business rates. Perhaps he would like to spend some time dwelling on why he thinks putting business rates up on things like retail shops in local areas would be a benefit as his amendments allude to.

**Jim McMahon:** The point is about making sure that the powers that are being devolved to local billing authorities can be implemented. Critical to implementation is the affordability of the measures being taken. It is okay saying local authorities can take a hit on their tax base by reducing the multiplier, but that money must come from somewhere. We have seen time after time, and we have discussed time after time, the pressures in adult social care and frontline services when local councils just do not have the headroom required to fund the reduction.

The logical thing to do is to give all billing authorities the power to be able to teem and ladle within the business rate tax base, which is what the amendments are trying to get to. Many people would find it reasonable, as we heard in our evidence sessions, that large ratepayers—the big supermarkets and out-of-town warehouses—should probably pay more to fund the vitality of our local high streets and town centres. I think most members of the public would support that.

**Justin Tomlinson** (North Swindon) (Con): I have every sympathy on the point about online trading. As the former chair of the all-party group on retail, I am familiar with the issue. I understand that the amendment is a probing one and not to be pressed to a vote, but I would urge a little caution. We must be careful about who is grouped with big business. The vast majority of retailers on the high street would be classed as big business, as they are not eligible for small business rate relief. The high street is struggling. When local authorities, as highlighted in the Portas review, were given discretion on car parking charges they continually hiked them and sped up retail's rate of decline. I just urge caution.

**Jim McMahon:** I appreciate that intervention. I suppose my reflection on the Portas review is similar to the reason for the amendment. It is okay to say that councils can have the power to reduce car parking charges, but fees and charges are a significant part of local government income. At a time when revenue support grant has been snatched away and local authorities are being told they will be self-sufficient, going forward, it is difficult for

them to find the headroom to reduce car parking charges. I pay tribute to the local authorities that have done so, particularly when they did it in a targeted way, to support local retail.

**Mr Jones:** Will the hon. Gentleman give way?

**Jim McMahon:** I will just finish this line of argument. At the moment the current rules would require consultation to take place in the area where a rates increase was wanted—even for areas that had the power, and notwithstanding that there were areas without it. It would be necessary, let us say, to draw a line around the retail park that the authority might want to look at for an increase in business rates, and then consult people who were affected by the business rate increase. If it wanted to use the money generated to fund another area of town, such as the high street or town centre, that would not involve the same consultees that were involved in the part of the area subject to the increase. I think that that is the issue.

Local authorities must reflect more broadly on their area, and not on a narrow defined area, which the Bill seems geared to. That flexibility would be welcomed by local authorities. As to being consistent, this is not a case of my arguing against myself—it is about providing a framework and allowing local areas to administer it appropriately for their locality.

**Mr Jones:** The way the hon. Gentleman is applying his logic is to say that the more taxes are hiked up, the more revenue is received; but we must be careful with that. A good example from my constituency was when the Labour council hiked up the car parking charges and lost £350,000 in income. Does he think that that is a good example of what he is suggesting? Is that why we should not look to increase taxes in the way he advocates?

**Jim McMahon:** I congratulate the Minister on living in a Labour council area. There are 22 million other people in the country living with Labour in control locally, and they get to experience at first hand the benefits of Labour being in government. The Minister should reflect on his fortunate circumstances. Let us hope that other parts of the country benefit from the same thing soon.

**Rob Marris:** I suspect that, with all due respect to my hon. Friend, he was not aware of that example from Nuneaton. Is he, however, as pleasantly surprised as I am that for the first time in debate on the Bill the Minister has actually produced some evidence?

**Jim McMahon:** The Minister has provided a certain insight. I would not quite call it evidence, because I have seen nothing produced; there has not been an assessment to back up that claim, as far as I can see. We need a higher bar on what we mean by evidence than the Minister jumping to his feet in a fit of excitement.

As we progress through the Bill and explore where the Government are trying to get to, I hope that the Government will take time to use the probing amendments to reflect. If they really want to achieve localism, if they really want local councils to take responsibility for growing their economic base and their tax base, we need

to recognise that within any area there will be micro housing markets and micro business markets, where that local variation and local power to deploy in a very different way in the local authority area is critical to being able to grow the economy from the grassroots up. This is not about an aggressive attack just for attack's sake; it is about a genuine deal, and the deal would always be that a local authority would say to the public, "We want to do this over here, and it would mean increasing business rates, but we would use that money to support this initiative over here."

I genuinely believe that many people in this country are witnessing the decline of their town centres and high streets and are in tears, because that is a reflection, a symbol, of how the town is doing more generally. When people go into their town centre, which is the heart of the community, and they see windows boarded up and "To Let" boards where local shops used to thrive, they genuinely feel that part of their identity has been taken away. Our high streets are more symbolic than just a retail space; they are part of our cultural identity. I therefore hope that the Minister will reflect on our suggestions and that, if not during this phase, we may see some of them coming forward in the near future.

**Mr Thomas:** I think that this amendment will come to be known as the Mackintosh-Hollinrake amendment part 2. I again draw your attention, Sir David, to the excellent report by the Communities and Local Government Committee on what 100% business rates retention might mean. I can assure you that present when the report was agreed was the hon. Member for Northampton South. The report makes very clear his support for the recommendation that the power to raise the multiplier for business rates should be introduced. He wanted, as did the rest of the Select Committee, rises capped so that they were limited to the increase in the average council tax. I do not know whether at that point he foresaw Surrey County Council wanting to increase council tax by 15%. Clearly, a 15% hike in business rates would be completely unacceptable, but it is interesting that members of the Select Committee propose that local authorities should have the power to raise business rates as

"an effective lever to stimulate and foster local economic growth."

The reason I supported our tabling these as probing amendments was that it is important, during the passage of the Bill, to consider the sources of revenue that local authorities will have to pay for the vital public services that the people of England get from their councils. Given the huge reduction in revenue support grant that we are all familiar with English local authorities having experienced, the two principal sources of income will be business rates and council tax.

The power does exist in law to increase council tax. If that goes beyond a certain threshold—well, Ministers are varying the threshold up and down at will at the moment. There is the power to increase council tax, however, and one can go higher than the threshold if one can get the consent of one's local residents. There is no similar power for business rates.

In the new Jerusalem that we heard the hon. Member for North Swindon set out at an earlier sitting—I am sure that by now, Sir David, you have had the chance to read his speech—he foresaw business rates being reduced and, across every local authority area that did that,

great big new warehouses, out-of-town shopping centres, large businesses moving in and business rates income rising as a result. Unfortunately, in the course of—

**Justin Tomlinson:** Will the hon. Gentleman give way?

**Mr Thomas:** Let me finish this point and then I will happily give way to the hon. Gentleman, whom I am delighted to see I have woken up. I hope that in the course of the consideration of the Bill to date, he and other members of the Committee have begun to understand that there is a whole series of barriers to economic growth taking place in particular local authority areas. Actually, an individual local authority may not have much scope, if any, to increase its business rates income.

12.45 pm

**Justin Tomlinson:** I suspect that the hon. Gentleman drifted off during my speech, because the key point I made was about the growth of small businesses to medium-sized businesses. That not only generates business rates income and does not require big out-of-town warehouses, but crucially creates yet more jobs that are vital to local residents.

**Mr Thomas:** I was sufficiently shocked by the sight of a Government Back-Bench Member rising that I did pay attention, but it is possible that, as events have moved on, I cannot recollect every aspect of the hon. Gentleman's contribution. As punishment, I will go back and re-read it. He makes a partially interesting intervention—if he will forgive me for saying so. He is right: the challenge across the country for future businesses and economic growth is to take the entrepreneurial spirit that leads to the establishment of small businesses in the first place and to turn those into medium-sized businesses and, ultimately, bigger businesses.

Increasingly, as my hon. Friend the Member for Oldham West and Royton made clear, we are seeing more of those small businesses that are successfully transitioning into medium-sized and bigger businesses not needing the size of property that would lead to the increase in business rates income in the way that this Bill implies will be the only way for councils to generate increased business rates income in the future. There is that constraint, plus those that the hon. Member for Waveney alluded to and the barriers that I set out when I took the Committee to Allerdale Borough Council in Cumbria, with the mountains and lakes of the Lake district being natural barriers to economic growth.

We are now privileged to have the hon. Member for Thirsk and Malton with us. He will be delighted that, in a spirit of tribute to him and the hon. Member for Northampton South, I am moving a probing amendment that grants—as he and other members of the Select Committee wanted—the power to raise business rates so that that is included in this legislation. I look forward to hearing the case for raising business rates from the hon. Gentlemen.

As my hon. Friend the Member for Oldham West and Royton alluded to, one can foresee the social care crisis being so severe, and the worry about individual families' circumstances being so great, that council leaders and councillors up and down the country will not want to go beyond a 1%, 2% or even 0% increase in council tax. However, they might want to look at the big businesses based in their area and potentially increase business rates as a source of income to pay for vital public services.



[*Mr Gareth Thomas*]

In the evidence given to the Committee by the chairman of the Federation of Small Businesses, we heard of his desire to see local authorities properly funded, so that the range of discretionary services that councils can offer when they have the resources, and that help businesses, can be available. The Minister's most recent intervention on car parking charges was interesting. The chairman of the FSB noted in his evidence to us that one reason local authorities raise parking charges is that they have few alternative ways of raising revenue.

**Mr Jones:** Does the Federation of Small Businesses support the hon. Gentleman's amendment?

**Mr Thomas:** Given that that we do not wish to put the amendment to a vote, I have not sought support for it.

I return to the contributions made to the Select Committee report by the hon. Members for Thirsk and Malton and for Northampton South, who supported the power to raise business rates. Labour Members do not go as far as those hon. Gentlemen want us to, but their enthusiasm for raising business rates returns us to a broad point: where and how does one increase the quantum of local authority funding, if one wants the people of England to have the good-quality public services that they deserve? We have noted with considerable concern the impact that the decline in revenue support grant has had on rural bus services, public services and policing. If they do not have the power to raise business rates, I suspect that more and more councils will want to increase council tax as a way to fund public services.

The motivation for amendment 46, a probing amendment, is to note the difference between what can happen to empty property rates in Scotland and Wales, and what can happen in England. Councils in England can charge up to 150% on properties that have been unoccupied and substantially unfurnished for more than two years. In Scotland, they can charge up to 200%, and the qualifying period is only a year; Wales has similar powers. It would be interesting to hear from the Minister the reason for the difference. In Britain's best constituency, Harrow West, the old post office site in the town centre has been empty for the better part of 10 years. Perhaps if empty property rates were set at the same level as those in Scotland, the developers who own the site would have more enthusiasm for accelerating their use of the planning permission that they have for it.

**Kevin Foster:** It is sad to hear that the hon. Gentleman's town centre post office was a victim of Labour's cuts, but how does he think post offices would be sustained by an increase in their business rates?

**Mr Thomas:** I say gently to the hon. Gentleman that the old post office site is not vacant due to the closure of the post office; the post office transferred across to a slightly smaller site immediately opposite under a Labour Government. Sadly, that post office has now closed under a Conservative Government, and the Post Office now operates from a franchise in a small corner of the local WH Smith. Again, as part of the mentoring that

we offer, I gently suggest that he might want to check his facts a little more before making interventions that are that easy to rebut.

**Jim McMahon:** I took a slightly different emphasis from my hon. Friend's contribution. It was not about post offices closing and relocating; it was about a site lying vacant for so long. If a more aggressive business rate regime were in place, it might prompt the owner of the site to bring it forward for development. That is what I took from his contribution.

**Mr Thomas:** My hon. Friend is absolutely right. We in Harrow are increasingly concerned about the time that it is taking the developer to bring the site back into use. Perhaps the Scots and the Welsh Labour Administration have got the rate of empty property relief right. I would be interested to hear from the Minister on that. These are probing amendments, and in that spirit, I look forward to the Minister's response.

**Mr Jones:** It is always a pleasure to respond to the hon. Gentleman's amendments. Clause 6 provides a power for authorities to introduce a multiplier discount, to incentivise businesses to invest in their areas and to stimulate local economic growth. Amendment 45 would introduce a wide-ranging power for the Secretary of State to provide in regulations for a local authority to be able, under certain circumstances, to raise the multiplier for its area. I understand the hon. Gentleman's intention, but I am afraid that I do not agree that his approach is right, or that there is a justification for giving, or a need to give, local authorities a general, unfettered power to generate additional income by raising taxes on businesses.

Local authorities already have a range of more specific powers to raise additional income from businesses where authorities are delivering a specific improvement to the benefit of the local economy, including through business improvement districts and business rate supplements. In addition, the Bill would provide for a new infrastructure supplement for Mayors of combined authorities. These powers rightly include additional measures to ensure the effective engagement of businesses, and the additional income generated goes towards delivering specific improvements to benefit local businesses. Amendments 45 and 46 contain no such assurances or protections for business. Instead, they would allow local authorities to increase business rates without such checks and balances.

Amendment 46 would give the Secretary of State a wide-ranging power to make provision for a local authority, under certain circumstances, to increase the multiplier specifically for unoccupied premises. However, owners of such properties are already subject to full business rates, subject to the exemptions that may apply. The amendments would provide local authorities with powers to add additional costs to owners, who may not be receiving any rental income. That would be unnecessarily punitive and of very limited benefit.

I am therefore certain that the amendments would not be supported by the business community, and Labour Members offered no evidence to suggest that they would be. We need to provide business with the certainty it needs over rates bills, while allowing more flexibility for local government, for example through the new multiplier flexibilities. I hope that Labour Members will recognise

the balance that we have struck in the Bill for business and local government. In that spirit, I hope that they will withdraw the amendment.

**Jim McMahon:** I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

*Question proposed,* That the clause stand part of the Bill.

**The Chair:** With this it will be convenient to consider that schedule 2 be the Second schedule to the Bill.

**Mr Jones:** If local authorities are to move to even greater self-sufficiency, they need the tools to incentivise and stimulate local economic growth. The powers in

schedule 2 give councils the flexibility to reduce business rates across their whole area by applying a discount to the multiplier. It provides local authorities with the ability to shape local economic conditions and signal their intent to attract business investment.

Under existing legislation, only the Secretary of State has the power to set the national business rates multiplier that applies in England. This Bill changes that. The purpose of clause 6 is to introduce schedule 2 to the Bill, which amends the Local Government Finance Act 1988 and inserts new paragraphs 6A, 6B and 6C to schedule 7 to that Act.

*Ordered,* That the debate be now adjourned.—(*Jackie Doyle-Price.*)

1 pm

*Adjourned till this day at Two o'clock.*

