PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT NON-DOMESTIC RATING (DESIGNATED AREA) REGULATIONS 2021

Tuesday 2 March 2021

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not later than

Saturday 6 March 2021

The Committee consisted of the following Members:

Chair: DAME ANGELA EAGLE

† Amesbury, Mike *(Weaver Vale)* (Lab)
Andrew, Stuart *(Treasurer of Her Majesty's Household)*
† Docherty, Leo *(Aldershot)* (Con)
Fovargue, Yvonne *(Makerfield)* (Lab)
Freer, Mike *(Comptroller of Her Majesty's Household)*
Griffith, Andrew *(Arundel and South Downs)* (Con)
Gwynne, Andrew *(Denton and Reddish)* (Lab)
† Hall, Luke *(Minister for Regional Growth and Local Government)*
Harris, Rebecca *(Lord Commissioner of Her Majesty's Treasury)*
Osamor, Kate *(Edmonton)* (Lab/Co-op)
Pursglove, Tom *(Corby)* (Con)
Rees, Christina *(Neath)* (Lab/Co-op)
Sharma, Mr Virendra *(Ealing, Southall)* (Lab)
† Tami, Mark *(Alyn and Deeside)* (Lab)
Throup, Maggie *(Lord Commissioner of Her Majesty's Treasury)*
† Tomlinson, Michael *(Lord Commissioner of Her Majesty's Treasury)*
Young, Jacob *(Redcar)* (Con)

Sarah Rees, *Committee Clerk*

† attended the Committee

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[DAME ANGELA EAGLE *in the Chair*]

Draft Non-Domestic Rating (Designated Area) Regulations 2021

2.30 pm

The Minister for Regional Growth and Local Government (Luke Hall): I beg to move,

That the Committee has considered the draft Non-Domestic Rating (Designated Area) Regulations 2021.

The draft regulations create a new designated area in south Tees for the purpose of the business rates retention scheme. The business rates retention scheme typically allows local authorities to keep 50% of the business rates they collect locally. In two-tier areas, that 50% is shared between billing and major precepting authorities, according to shares laid down by Government.

As part of the redistribution arrangements under the scheme, an authority might pay some of its share as a tariff or might receive additional funding in the form of top-up payments. Tariffs and top-ups were fixed at the outset of the scheme in 2013, so, as business rates grow, authorities get to keep 50% of that growth. In the last year, before the pandemic, retained growth was worth more than £1.8 billion of additional funding to local authorities, over and above what they received as settlement funding.

As part of the business rates retention scheme, the Government can also designate part of a local authority's area. When an area is designated, it is effectively removed from the main retention scheme and authorities keep not 50% growth, as under the main scheme, but 100% of all the growth in business rates in that area.

Since 2013, we have created more than 200 designated areas, in 94 different authorities across the country. Many of those areas have been created as parts of enterprise zones. In those areas, local authorities keep all the growth in business rates for 25 years, and they and the local enterprise partnerships are using the money to regenerate their areas. Other designated areas have been set up specifically to allow councils a long-term income stream against which they have been able to borrow for specific infrastructure improvements.

Overall, the 100% of growth being retained by authorities in designated areas has meant that, since 2013, authorities have had funding worth nearly £240 million in addition to the growth under the main scheme and the funding they receive through the local government finance settlement. That money has been used to provide improved infrastructure and to support regeneration more generally.

The draft regulations create a new designated area in Teesside, and the area designated by the regulations is that of South Tees Development Corporation. The development corporation is the site of the first mayoral development corporation outside London. It was inspired by the independent report made by Lord Heseltine in June 2016. He looked at an industrial area blighted by the liquidation of the SSI steelworks and saw the development potential of a 4,000 acre site on the south bank of the River Tees, with good road and rail access, sitting alongside one of the deepest ports on the east coast of the United Kingdom. He recommended the establishment of the South Tees Development Corporation and advised the Government and local partners to put the necessary resources in place to regenerate the area.

The draft regulations designating an area covered by the South Tees Development Corporation are part of that financing plan. They sit within a wider framework that will see new investment on the site and the creation of 20,000 new, good-quality jobs on one of the largest development sites in Europe. Initial central Government and local government investment dealt with the legacy of steelmaking and kept the site safe and secure, before working with local, national and international investors on the market opportunities that are most relevant to the site.

The development corporation has secured ownership of the developable land through an agreement and a compulsory purchase order, bringing order to a piecemeal and incoherent situation and allowing developments at scale. There is a healthy pipeline of investment interest in place and the draft regulations will ensure that, as the land is developed and new industries emerge, part of the business rates income will be reinvested in the site's development. That is a cycle where success in investment will create additional resource, which in turn will help further to accelerate the development of the site.

The regulations will come into force only after the Government are satisfied that Redcar and Cleveland Borough Council and Tees Valley Combined Authority have put in place arrangements that ensure that the money they keep as a result of the regulations will be used solely for the benefit of the South Tees Development Corporation. We have negotiated a memorandum of understanding with Redcar and Cleveland Borough Council and Tees Valley Combined Authority that will ensure that there are clear revenue sharing arrangements in place, protecting the finances of the council and enabling funding to be released for the development of the site. That will be signed as soon as Parliament agrees to the regulations and will enable the designated area to come into existence on 1 April this year.

Once the regulations are in force, Redcar and Cleveland Borough Council and Tees Valley Combined Authority will share all the growth in business rates for the next 25 years. Growth will be measured in exactly the same way as for other designated areas. Where, in any year, the business rates income in the designated area is greater than a baseline amount set out in regulation, the council and combined authority will keep 100% of the difference.

The baseline amount—a little over £7 million—has been set by Redcar and Cleveland Borough Council. That represents the annual amount of business rate that it would expect to collect in the designated area at this point in time. As the regeneration with respect to the development corporation gathers pace and as the collectible business rates grow, the council and combined authority will keep every pound above that baseline. That will be reinvested in the area, generating even more growth.

These are important regulations. They will provide additional funds over an extended period, allowing the council and the combined authority to invest in the regeneration of the south Tees area, and I commend them to the Committee.

2.36 pm

Mike Amesbury (Weaver Vale) (Lab): It is a pleasure to serve under your chairmanship, Dame Angela, and I thank the Minister for his opening speech.

Next week marks one year since the World Health Organisation declared the covid-19 outbreak a pandemic. Two weeks after that marks a key moment, when the Prime Minister told us to stay at home, save lives and protect the NHS. Nearly 123,000 people are no longer with us, we have the worst economic downturn for 300 years and we are bottom of the league in the G7. Our hope—our shining light—has been the effort of the global scientific community and our NHS, public health and local volunteers in the vaccine roll-out, which we all want to succeed.

Another symbol of hope and light has been the valiant effort of our councils, which have stepped up throughout and continue to do so. I am sure the Minister agrees with that. Whether it has been taking in homeless people and families, ensuring that the vulnerable in the community receive food parcels or helping businesses to operate safely, we have seen good practice across the country, on top of the bread-and-butter services of social care, bin and waste collection, dealing with potholes and many more community-focused services. But councils have done that while having £15 billion of central funding grants cut from their budgets over the last decade.

The pandemic has had a catastrophic impact on local authority finances, with costs rising as income has fallen. The Secretary of State said, at the outset of the pandemic, that whatever funding was needed for councils to get through to the other side would be provided by Government. That has simply not been the case. Now residents and councils face the imposition of the Chancellor's council tax bombshell of 5%—a figure built into the Government's spending power for local councils in order to fund vital services, such as adult social care.

The Chair: Order. I am sure some background information is required, and I have given the hon. Member a bit of leeway, but will he now address the statutory instrument under consideration?

Mike Amesbury: I will move on.

Can the Minister explain why his own council, South Gloucestershire, which is led by the Conservatives, has felt compelled to set the maximum 4.99% council tax rise? The statutory instrument, which we will support, should not be used as a poor substitute for the Secretary of State's broken promise on funding councils properly.

Councils have endured cuts over the past decade. Giving councils and combined authorities the means to capture 100% of business rates is in principle a good thing, and the ability to drive growth, which the Minister referred to, make gains from inward investment and maximise services are devolution in action. However, it will not have escaped the Minister's attention that business rates as they stand are putting a straitjacket on growth in our local high streets and our broader economy. Businesses are already disappearing, and many will not reopen beyond the pandemic. Business rates must be rapidly reformed.

On that note, I shall conclude with some questions to the Minister. What vital progress has been made in the business rates review? When can we expect a response to the consultation? When can our councils and businesses expect action?

2.41 pm

Luke Hall: This is an important debate and an important statutory instrument. The regulations are a significant part of the wider plan for the regeneration of south Tees and I thank the shadow Minister for his support for them. He has made a number of points on which I know he feels strongly. I will address them briefly if I can.

The hon. Gentleman talked about Government support to councils during the pandemic. We have had this discussion in a number of forums. We are providing £11 billion of support to councils throughout the pandemic. That is far in excess of the self-reported figure that councils are spending in response to the pandemic, which stands at £6.9 billion to the end of the financial year. We have already provided over £8 billion in our sales, fees and charges scheme, and the fact that we have already published £1.55 billion of covid support for next year is a clear demonstration of our support. We have had long debates on that in other forums, so I will not talk through all the detail today.

The hon. Gentleman talked about raising council tax and gave his view, but he had the opportunity to vote against that in respect of the local government finance settlement and the caps on which we specifically laid a motion in Parliament, neither of which the Opposition nor anybody in the House opposed. That was the time for them to make those arguments and to have their say on that specific matter.

The hon. Gentleman talked about South Gloucestershire council. I am delighted to talk about the incredible record of my own council—although in another forum there would perhaps be more time—in delivering what has been fought for by Conservatives. It is doing an incredible job supporting people in south Gloucestershire and delivering the services that local people want. I support the council in those decisions.

The regulations that we are discussing will ensure that from 1 April any growth in business rates will be retained in its entirety by Redcar and Cleveland Borough Council and Tees Valley Combined Authority, instead of having to be shared with central Government. That will provide those authorities with an income stream over 25 years that will be used to invest in the South Tees Development Corporation. That investment will help to secure the creation of new industries and jobs in an area blighted by the closure of the former steelworks. The regulations also make an important contribution to the redevelopment of one of the largest development sites in Europe and underline our long-term commitment to the regeneration of south Tees. I commend the regulations to the Committee.

Question put and agreed to.

2.43 pm

Committee rose.