

REPORT TO: Executive Board

DATE: 14 June 2018

REPORTING OFFICER: Chief Executive

PORTFOLIO: Leader's

SUBJECT: The Liverpool City Region Combined Authority (Business Rate Supplements Functions) Order

WARDS: Borough Wide

1.0 PURPOSE OF THE REPORT

- 1.1 This report presents information in respect of the next stages of the devolution deal negotiated in 2015.
- 1.2 This relates to powers to allow a supplement on business rates to be introduced as a mechanism for funding infrastructure projects.

2.0 RECOMMENDATION: That Executive Board note the action taken by the Chief Executive under his delegated authority, in consultation with the Leader, the Operational Director, Legal and Democratic Services and the Operational Director, Finance, and confirms on behalf of Halton Council that:-

- 1) the draft SI (attached) is agreed in principle by Halton Borough Council; and**
- 2) Halton Council consents to the making of the Liverpool City Region Combined Authority (Business Rate Supplements Functions) Order.**

3.0 SUPPORTING INFORMATION

- 3.1 This proposal arose from George Osborne's Autumn statement 2015. The essence of the proposal is to devolve powers to the Mayoral Combined Authorities nationally to raise Business Rates Supplements (BRS) in a similar way to those powers currently held by the Greater London Authority (GLA).
- 3.2 There are no plans to use these powers, and any enactment of these powers would be subject to formal consultation with impacted businesses, and further approval by the LCR Combined Authority. These powers are there to fund specific projects and are not part of the mechanism for funding more general Combined Authority costs, nor do they form part of the current medium term financial strategy for the CA.

- 3.3 There is a risk however, that failure to accept these powers from Government may place the City Region at a future disadvantage in relation to other Mayoral Combined Authorities should the opportunity to use these powers ever be identified.
- 3.4 The BRS is a levy of up to two pence in the pound of rateable value that can be applied to business rate bills, subject to a successful ballot of affected businesses. Currently, the power to introduce such a levy applies to top-tier local authorities (including Halton) and the GLA.
- 3.5 The legislation will provide protections to smaller businesses, setting a threshold rateable value of £50,000 below which the levy cannot apply. Levying authorities will be able to increase (but not decrease) this rateable value threshold, if desired. The money generated must be for projects that promote economic growth and would otherwise not be undertaken, and cannot be spent on day-to-day service provision.
- 3.6 The legislation requires affected businesses and lower-tier authorities to be consulted on a proposal through an initial prospectus. This should set out the nature of the project, how long it may last, what the level of the BRS will be and the nature of any reliefs that will apply.
- 3.7 The project – as set out in the prospectus – then needs to be approved by a majority of affected businesses in a ballot, and a final prospectus published, which would confirm the outcome of the ballot.
- 3.8 Metro Mayors could propose more than one project, provided that the total cost does not exceed two pence in the pound of rateable value and that each BRS has been approved in a separate ballot and consultation process. In addition, the power can be exercised jointly with other levying authorities – which include your authority.
- 3.9 The formal advice from MHCLG is reproduced below:

The Liverpool City Region Combined Authority (Business Rate Supplements Functions) Order 2018 will give effect to commitments in the area's devolution agreement by giving the mayor the same powers as the mayor of Greater London has to levy a supplement on business rates to raise money for a project will promote economic development in the area. These powers are provided in the Business Rates Supplements Act 2009. Key features are:

- a) Money raised from the supplement cannot be put towards the authority's day-to-day costs for services it has existing obligations to provide.
- b) Before levying any supplement, the mayor would be required to consult on and publish a prospectus setting out the benefits of the proposed project that the supplement would fund.

- c) The proposed supplement is then subject to a ballot of businesses that would be affected. Both a majority of affected individual rate-payers must approve it and the aggregate rateable value of those businesses in favour must exceed those against.

The Business Rate Supplement may only be levied on business properties with a rateable value of £50,000 or more. The mayor may increase, but cannot reduce, this threshold, and can apply any other reliefs as may be set out in the prospectus.

To confer these powers, the government will make Orders for each mayoral combined authority to confer on each combined authority, the powers of the Greater London Authority under the Business Rates Supplement Act 2009 using powers from section 105A of the Local Democracy, Economic Development and Construction Act.

We have been advised that the procedure for the Order, as set out in section 105B(1)(b) of the primary legislation, requires that the mayor, the combined authority and each of the constituent councils consent to the making of the legislation. In practice, as before, this will mean that we will come to seek relevant consents before the legislation is laid before Parliament.

3.10 MHCLG has also advised that:

“Provision of this consent is a function of the executive in councils operating under executive arrangements. This means that the leader, or a member of the cabinet may take the decision; they may also provide for the decision to be delegated to an officer of the council – so the officer will be confirming they are satisfied that the draft SI provides for that conferral of powers to which the member(s) has/ve agreed in principle.

We strongly recommend that your councils arrange for delegation: we will only be able to provide a short timescale for responses to the consent letter, to which we will attach a draft of the SI to give effect to the conferral of powers.”

4.0 RESOURCE IMPLICATIONS

4.1 Financial

None.

This is an enabling power. It will allow the Combined Authority subject to compliance with relevant processes, to seek additional business rates to reinvest in infrastructure projects.

4.2 Human Resources

None

4.3 Physical Assets

None

4.4 Information Technology

None

5.0 RISKS AND MITIGATION

- 5.1 Failure to accept these powers could put the Combined Authority at a disadvantage in respect of potential future funding of certain eligible infrastructure investment. It could also risk future conversations with Government over further devolution of fiscal powers.
- 5.2 It should be stressed, however that there are no plans to exercise this power and that BRS does not currently form part of the LCRCA's overall financial strategy.
- 5.3 There are significant controls that would make the exercise of these powers subject to further local consultation and approval both at Combined Authority level and with any affected businesses. Furthermore, there are no immediate proposals that would involve the exercise of these powers.

6.0 EQUALITY AND DIVERSITY IMPLICATIONS

None

7.0 COMMUNICATION ISSUES

- 7.1 In the event that the powers are granted to the Combined Authority a consultation exercise will need to be undertaken prior to the exercise of such powers.

8.0 CONCLUSION

- 8.1 The consent to this proposal is required to enable the combined authority to gain powers which will only be exercised subject to conditions and further CA approval.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Draft LCRCAs (Business Rate Supplements Functions) Order 2018	Municipal Building, Kingsway, Widnes	Angela Scott/Mark Reaney