

## Local Government Finance Bill – 2nd Reading

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*BCSC (British Council of Shopping Centres) is the trade body that represents the retail property sector. We have over 2,500 members representing 500 companies operating in the retail space. Our membership roster includes industry leaders such as Westfield, Hammerson, Land Securities, Next, Marks and Spencer, and John Lewis Partnership.*

### Introduction

- We support the objectives of Government to develop a business rates system that better encourages local economic growth and delivers greater financial autonomy to councils. We believe that the proposals contained within the Bill should reward those local authorities that invest in initiatives that support economic activity - for example, better management of public spaces, employing efficient planning processes, investing in skills and education aligned to the local labour market, closer engagement with the private sector, infrastructure investment and proactive marketing campaigns to attract prospective investors.
- Giving local authorities greater financial autonomy and strengthening the incentives to support growth in the private sector and regeneration of local economies will, we hope, provide a positive environment for sustainable development and lead to strong public private sector partnerships.
- It should be noted that the final outcome of current planning reform, in the shape of the National Planning Policy Framework (NPPF) due in March, will impact on the success of the business rate retention policy. If the NPPF creates a framework that genuinely encourages investment in towns and cities first, then rates retention should be a force for good. However, there is a risk that rates retention could become an additional incentive to grant planning permissions for developments not necessarily in the most appropriate locations. We hope that this concern will be addressed by a robust commitment to town centres first in the final draft of the NPPF and recognition of the importance of effective impact assessments.
- We believe this point is worth debating during the parliamentary scrutiny of this Bill in order to ensure the NPPF and the Bill are not developed in silos. We recognise much of the Bill is enabling and the detail will therefore follow in secondary legislation. We therefore look forward to engaging on these secondary instruments as and when they are laid. For the purposes of this briefing, we have focused our remarks on the areas and clauses that are most relevant to the retail property sector.

### Rates retention vs relocation

- For an incentive scheme to operate effectively it should not be able to artificially increase the total business rates pool by simply increasing the multiplier – we therefore support Government’s decision not to give local authorities the power to set the business rate multiplier.
- We accept that retention is supposed to address the formula grant-dependency culture. Whilst accepting that the ability of different areas to attract economic development will vary greatly, there is little doubt that many authorities need to be encouraged to do more to stimulate economic activity and the existing system does little to incentivise them to do so. The danger, however, is that the financial benefits of the emerging system are so marginal that the impact will not significantly change behaviour.
- The final analysis of the scale of the levy and set aside will ultimately be crucial in ensuring Government delivers the right balance between protection and incentive.

### *Tax Increment Financing (TIF) (Schedule 1, Paragraph 37)*

- It is critical that any tax increment is ring fenced and protected from the impacts of either resets or levies. Without this commitment the predictability and certainty of that income stream is lost and as a result the ability to raise finance is prohibited.
- In the Local Government Finance Bill Research Paper published on 5 January 2012 it states that Option 2 would allow a limited number of Tax Increment Financing (TIF) schemes to be permitted in which the business rates growth would not be subject to the levy or reset for a defined period of time. We still await the detailed Government paper that has been promised on how TIF will be rationed.
- Having long campaigned for a private sector led TIF that, in our opinion, circumvents the need to identify debt or capital used to pay for infrastructure in Government accounts, we remain concerned that any arbitrary quantitative metric based on number of schemes or level of debt is used to ration Option 2 TIF.
- We would like clarity from Government on reference to the 'first day of the year' Paragraph 37(5) as we are unsure whether this means calendar year, company financial year (where developer led), business rate accounting year. In addition we question whether having to wait until the 'first day of the year' might delay the start of a TIF scheme.
- Paragraph 37(8) should specify a minimum number of years for which the designation should have effect, which may be increased but not decreased.

### *Renewable energy*

- We support local authorities being given the power to keep all business rates from renewable energy project developments in their area.
- However we believe the criteria being applied remains relatively narrow and, for example, although generally including renewable sources eligible for Renewable Obligation Certificates, do not include all primary energy sources that are zero or low carbon but not 'renewable'.
- We would like Government to therefore consider extending this approach to a wider range of zero or low carbon technologies or, at the very least, commit to keeping the list under review and use this as a means of incentivising the uptake of technologies that will contribute towards Government's carbon reduction targets.

### *Other (new clause)*

- We have urged Government to consider applying rates relief to empty commercial property that is in the process of managed decline in advance of redevelopment or refurbishment.
- We do not believe an owner's requirement for vacant possession, which frequently gives rise to protracted letting voids prior to a start on site or demolition, should be penalised.
- Whilst it is possible for a developer or property owner to apply for a property to be de-listed where proposing development, we believe that an innovation of policy that allows the establishment of zones in which properties identified for development could be removed from the list prior to redevelopment would be beneficial from an economic as well as an environmental and social perspective.
- We believe this would stimulate the active management of properties for this purpose and encourage the redevelopment of obsolete premises into viable buildings, and would urge Government to consider this further.

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