These notes refer to the Business Rate Supplements Act 2009 (c.7) which received Royal Assent on 2 July 2009

BUSINESS RATE SUPPLEMENTS ACT 2009

EXPLANATORY NOTES

SUMMARY AND BACKGROUND

3. The Inquiry by Sir Michael Lyons into Local Government[1], published in March 2007, stated "the purpose of local government is to take responsibility for the well-being of an area and the people who live there, and to promote their interests in the future. In doing so it should both reflect the distinctive identity and aspirations of the people and area, and safeguard and promote their well-being and prosperity." A key element of this is to support, and encourage, the economic development of the local area.

4. The Inquiry identified the need for local authorities to have greater flexibility to raise revenue to invest in their local areas. While it acknowledged the role of Business Improvement Districts ("BIDs"), in terms of providing additional flexibility to raise revenue to invest in projects supported by business, it noted that BIDs tended to be limited to tightly defined geographical areas and tended to deal with short-term issues, rather than providing for long-term investment. The Inquiry considered the re-localisation of business rates, as well as the possible use of a supplement. In his final report, Sir Michael Lyons recommended introducing a new local flexibility to set a supplement on the current national business rate.

5. The Government responded in the Budget 2007, stating that "a local government supplement has the potential to support local economic development, but would need to be subject to credible accountability to ratepayers and real protection for businesses – particularly [Small to Medium Sized Enterprises] – that might be disproportionately affected"[2].

6. Following this, in July 2007, the Government published the Review of sub-national economic development and regeneration (known as the sub-national review (SNR))[3]. The SNR stated that "supplementary business rates have the potential to provide a powerful new tool for local authorities to invest in infrastructure to support long-term economic growth in their areas, backed by mechanisms to ensure that there is a strong voice for business and supplements are introduced only where they can command support from all those affected".

7. In October 2007, alongside the 2007 Pre-Budget Report and Comprehensive Spending Review, the Government published *Business rate supplements: a White Paper* (Cm 7230). The White Paper set out plans for introducing powers for local authorities to levy business rate supplements ("BRS") and the Business Rate Supplements Act 2009 ("the Act") gives effect to the Government's proposals in the White Paper.

8. In England, the Act provides county councils, district councils in areas where there is no county council, and the Greater London Authority ("GLA") with a new power to levy a supplement on the national business rate. In Wales, the power extends to county

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1 The Lyons Inquiry into Local Government, *Place-shaping: a shared ambition for the future of local government*, Sir Michael Lyons, March 2007.

2 *Meeting the aspirations of the British people*, 2007 Pre-Budget Report and Comprehensive Spending Review, October 2007.

3 *Review of sub-national economic development and regeneration*, HM Treasury, Department for Business, Enterprise and Regulatory Reform & Communities and Local Government, July 2007.

borough councils and county councils. Collectively, these authorities are referred to in these notes as levying authorities.

9. The Act requires levying authorities wishing to launch a BRS to consult on proposals set out in a prospectus and to hold ballots where the expected revenue from the BRS will amount to more than one third of the total cost of the project to be funded. It sets a national limit for BRS of 2p per pound of rateable value and enables the Secretary of State and, in Wales, the Welsh Ministers to prescribe, by regulations, a rateable value threshold for triggering liability for BRS. The Act enables levying authorities to offset BID levies against the liability for BRS and to grant relief from BRS liability and makes provision for property owners to be included in BID arrangements in those areas where a BRS is in place or is introduced. The Act makes provision for the calculation of liability, collection and enforcement and in relation to accounting for BRS revenues. The Act also sets out the circumstances in which BRS may be varied and contains a power for the Secretary of State or, in Wales, the Welsh Ministers to cancel a BRS.