



Factsheet: Infrastructure Supplement (Clauses 15 – 36 and 38, and Schedule 4)

What is the infrastructure supplement?

The infrastructure supplement is a tax flexibility that would be available to directly elected Mayors of combined authorities and the Mayor of London to fund infrastructure projects that would benefit local businesses and the broader community. The Mayor will need to be satisfied that the project will promote economic development in their area. The supplement will be capped by the legislation at no more than two pence in the pound, and will be paid by business rate-payers in the area of the Mayor. The Bill provides powers for the Secretary of State to set a threshold rateable value below which the supplement cannot be levied. The Mayor can increase, but not decrease, this threshold. The money generated has to be spent on projects that would otherwise not be undertaken, and cannot be used to provide housing, social services, education services, services for children and health services.

What is the policy hoping to achieve and where are we now?

The aim of the supplement is to give directly elected Mayors of combined authorities the power to deliver strong infrastructure improvements in their areas. Such Mayors will be ideally placed to provide a strategic overview of the infrastructure requirements of their area, and to work closely with businesses to deliver real, long-lasting growth that will benefit business and the broader community. The proposals have been subject to full consultation and engagement with local government and the business sector. Under the proposals, Mayors will be able to engage strongly with local businesses and representative groups to develop and take forward infrastructure projects that will make a real difference to the economies of their areas. Clause 38 will also amend the Business Rate Supplements Act 2009 to add Mayors of combined authorities to the list of bodies who can introduce a business rate supplement.

Why is legislation needed?

These are new powers, being provided to the newly created Mayors of combined authority areas.

Why are delegated powers required?

Clause 17 provides power for regulations to amend the list of services on which an infrastructure supplement may not be used, in order to reflect any changes to the functions of levying authorities.

Clause 19 provides power for regulations to amend the information that must be included in a prospectus to ensure that prospectuses continue to provide key information needed by ratepayers to be able to give an informed response.

Clause 20 provides power for regulations to amend the list of persons to be consulted (to ensure that all relevant parties continue to be consulted).

Clause 22 provides power for regulations to prescribe the minimum rateable value threshold for liability for the supplement, to provide protection to small businesses; and for proposals to alter a valuation certificate or appeal a valuation decision where only part of a property is occupied.

Clause 25 provides power for regulations to deal with liability to pay the supplement where properties are jointly owned or occupied, to ensure certainty as regards who is liable to pay. This mirrors provision under section 50 of the Local Government Finance Act 1988.



Clause 30 provides power for regulations to deal with practical arrangements for collection and enforcement of payments and for billing authorities to be able to retain a proportion of the supplement monies collected to cover associated administrative costs.

How do we see this working in practice?

Mayors of combined authorities will work with businesses and business representative groups to identify and develop proposals for an infrastructure project(s) to be funded by a supplement. The Mayor will develop this into a prospectus which will set out the nature of the project, how long it might last, what the level of the supplement will be, and the nature of any reliefs that will apply to the scheme. The Mayor will be required to undertake a full consultation on the prospectus and, depending on the nature of responses to that consultation, to prepare a revised prospectus. The supplement (or combination of supplements if there is more than one) cannot be more than two pence in the pound. The Secretary of State will set a threshold level below which a supplement cannot be levied and the Mayor will have the power to set a higher threshold if they wish.

How can I find out more?

The Bill and Explanatory Notes have been published on the Parliament website and these will be updated regularly. The Government's response to the consultation will be published in due course.

Key questions & answers:

Will there be any protection for small businesses?

- The Government has made it clear that it will make regulations that set a threshold below which the supplement will not be paid. In addition, Mayors will also have the flexibility to set their own threshold, so long as it is higher than that set down by the Secretary of State.

What information will be provided to local businesses?

- The Mayor must prepare an initial prospectus to undertake a full consultation on any proposed measures before they can be introduced, and publish a final prospectus that confirms the arrangements. The prospectus must provide a description of the project and its estimated cost, likely impact and benefits. It must also specify the amount of the supplement, its duration and whether any reliefs are to be applied.

Will businesses be involved in developing a proposal?

- Absolutely. We expect businesses to be at the heart of any proposal for a supplement and to be fully engaged with the consultation process. The Bill makes clear that there must be full consultation on any such measures, and Mayors will need to publish the consultation outcome and, if necessary, prepare an amended prospectus for consultation.

What can the money raised be spent on?

- This is for *new* investment – the money raised must go towards projects that would not have happened had there never been a supplement. Such projects must promote economic development in the area in question. The Mayor will have a strategic overview of his/her local economic area and is therefore well placed to decide which project(s) would generate real, long-lasting growth.

Can the Mayor impose more than one supplement?

- Yes, the Mayor can impose multiple supplements. However, the total must not exceed 2p in the pound.