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Government revives plans to scrap business rates for ultrafast broadband after election kills local finance bill

New fibre-optic broadband infrastructure will not attract business rates

The UK Government has announced special legislation to scrap business rates on new ultrafast broadband lines after earlier plans were derailed by the General Election.

The Telecommunications Infrastructure Bill has been introduced to Parliament to provide 100pc business rates relief on investments in fibre optics.

The move aims to accelerate Britain's move to ultrafast broadband and 5G mobile coverage. Older telecoms infrastructure will still be taxed as the Government aims to encourage spending on "gold standard" fibre optics instead of upgrades to get better performance from traditional copper telephone wires.

The Chancellor announced preferential treatment for new fibre optics in last year's Autumn Statement at a forecast cost of £85m by 2022. The tax relief was due to be implemented in the Local Government Finance Bill, but that legislation did not survive the General Election.

It was not included in the new minority administration's pared-down Queen's Speech, prompting industry fears the policy had been abandoned.

Matt Hancock, the digital minister, said the Telecoms Infrastructure Bill will deliver the relief instead.

He said: "We want to see more commercial investment in the gold standard connectivity that full fibre provides."

The relief, backdated to April, is a small boost to Virgin Media's £3bn Project Lightning network expansion, plans by BT's Openreach subsidiary to increase its investment in fibre optics and smaller alternative players such as CityFibre.

The older networks that dominate Britain's broadband infrastructure face steep increases in their tax bills, however. BT and Virgin Media have complained that the regime is not "not fit for purpose" and a barrier to much-needed investment in upgrades.

In February they told the Government the business rates revaluation that came into force in April was "unsound" and called for immediate reforms. BT said the exercise increased rateable value of its network from £165m to £743m and could trigger broadband price rises.

Local Government Association estimates a £5.8bn funding gap

Councils in England are calling for the end of austerity as they reveal the government plans to slash their core funding 77 per cent. Between 2015 and 2020 the Revenue Support Grant will have shrunk 77p in the pound, the Local Government Association says. Almost half of all councils — 168 — will no longer receive any core central government funding in the 2019/20 budgetary year.

Lord Porter, chairman of the LGA, will demand at its annual conference in Birmingham today (July 4) that councils are at the "front of the queue" for new funding if "austerity is coming to an end". The LGA says it is impossible to cut any further. It estimates a £5.8bn funding gap in 2020 — even if councils stopped filling in potholes, maintaining parks and open spaces, closed all children's centres, libraries, museums, leisure centres, turned off every street light and shut all discretionary bus routes.

Lord Porter, a Conservative, will say there is "huge uncertainty" about how local services are going to be funded beyond 2020. "Councils can no longer be expected to run our vital local services on a shoestring. We must shout from the roof tops for local government to be put back on a sustainable financial footing. "Every penny in local taxation collected locally must be kept by local government and spent on our public services. The cap on council tax also needs to be lifted to ensure new money can be raised locally and spent locally. "If austerity is coming to an end, then we need to make sure councils are at the front of the queue for more money."

In 2015/16, councils received £9.9bn in Revenue Support Grant (RSG). By 2019/20, they will get £2.2bn. There are a range of other grants, such as a bonus for building new homes, or to address needs in deprived areas. They also receive the £26bn raised annually by business rates, though this is redistributed, with poorer councils receiving more than they collect locally. Nevertheless, the LGA said local government as a whole in England would have £15.7bn less central government funding by 2020 than it did in 2010. Councils are responsible for education, housing, social care for the elderly and disabled, local roads, waste collection and other services.

The LGA also wants more flexibility over how councils raise money. It wants each area to keep its own business rates, a policy announced before the election that was not reintroduced in the Queen's Speech.
And it argues that councils should have the ability to raise council tax beyond government-prescribed limits without holding a local referendum. Councils have laid off thousands of staff, closed libraries, museums and leisure centres and cut grants to charities and arts bodies as they try to survive.

Preston in Lancashire is among the authorities that will lose all core grant funding in 2019/20. Martin Rawlinson, the Labour councillor responsible for resources said it was "running out of options" to make up shortfalls. It has a £3m annual deficit which is plugged by reserves. "Without the reserves we would be bankrupt," he said. "We only have £6m left, that'll be gone in two years."

Preston has closed some buildings and transferred others, including the Guild Hall theatre, and listed bus station, to others. It has laid off hundreds of staff and cut almost all non-statutory services. It has reduced its budget from £44m in 2010 to £24m this year. "It would not take much change from the government to put us back on an even keel. Just £3m a year would do it," said Cllr Rawlinson.

The government allowed councils to levy an extra precept to pay for social care. A spokesman said: "We've given councils vital certainty to plan ahead thanks to our historic four year funding settlement which makes £200bn available, and we've eased pressures on specific areas like adult social care funding through a new precept. "Ministers have committed through a manifesto pledge to further help local authorities control more of what they raise and we're working closely with the LGA to agree the best way to achieve this."