

SL(5)659 – The Non-Domestic Rating (Multiplier) (Wales) Order 2020

Background and Purpose

In relation to Wales, the non-domestic rating multiplier is calculated in accordance with paragraph 3B of Schedule 7 to the Local Government Finance Act 1988 ("the Act") for each financial year when new rating lists are not being compiled. New rating lists are not being compiled for the financial year beginning on 1 April 2021.

The formula in paragraph 3B of Schedule 7 to the Act includes an item B which is the retail prices index for September of the financial year preceding the year concerned, unless the Welsh Ministers exercise their power under paragraph 5(3) of Schedule 7 to the Act to specify, by Order, a different amount for item B. If the Welsh Ministers exercise that power in relation to a financial year, the different amount so specified must be less than the retail prices index for September of the preceding financial year. The retail prices index for September of the preceding financial year is 294.3.

This Order specifies that for the financial year beginning on 1 April 2021, the amount for item B is 292.6.

Procedure

Made Affirmative

The Order was made by the Welsh Ministers before it was laid before the Senedd. The Senedd must approve the Order before the Senedd approves the local government finance report for the financial year beginning on 1 April 2021, or before 1 March 2021, whichever is earlier.

(The Explanatory Memorandum to these Regulations states that the Senedd debate on the local government settlement is expected to take place in early March 2021.)

Technical Scrutiny

No points are identified for reporting under Standing Order 21.2 in respect of this instrument.

Merits Scrutiny

One point is identified for reporting under Standing Orders 21.3(i) and 21.3(ii) in respect of this instrument.

Standing order 21.3(i) – that it imposes a charge on the Welsh Consolidated Fund or contains provisions requiring payments to be made to that Fund or any part of the government or to any local or public authority in consideration of any licence or



consent or of any services to be rendered, or prescribes the amount of any such charge or payment

Standing Order 21.3(ii) – that it is of political or legal importance or gives rise to issues of public policy likely to be of interest to the Senedd

We note the importance of this Order, and its effect on the annual local government revenue settlements. We note, in particular, the following helpful paragraphs in the Explanatory Memorandum:

“This Order sets the increase in the non-domestic rating (NDR) multiplier for Wales for the financial year 2021-22. It reflects the use of the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) to calculate the multiplier.

Under the Local Government Finance Act 1988 (the 1988 Act), the annual increase in the multiplier should be calculated using the RPI figure for the September preceding the financial year to which the multiplier applies. For 2021 22, the RPI figure would have been 294.3.

The multiplier is applied to the rateable value (RV) of each non-domestic property to calculate its non domestic rates bill. The Order applies the CPI figure in place of the RPI figure. This results in a smaller increase in the 2021-22 rates bills to be paid by businesses and other non-domestic property owners than would be the case if the RPI figure were used.

All the non-domestic rates collected in Wales are pooled centrally and distributed to unitary authorities and to police and crime commissioners as part of the annual local government settlements. The total amount to be distributed in this way is known as the Distributable Amount. It is calculated by applying the multiplier to the estimated national total of rateable value, taking account of any surplus or deficit carried forward from previous years.

The Distributable Amount is a key component of the annual local government revenue settlements and the 1988 Act requires that it is approved by the Senedd as part of the annual local government finance reports. The multiplier therefore needs to be determined before the annual settlements can be finalised.

There is a clear purpose to the policy behind the legislation. It is aimed at supporting economic growth and reducing the tax liability for businesses and other non-domestic ratepayers in Wales, ensuring they are not at a disadvantage compared to other parts of the United Kingdom.

Using CPI rather than RPI to increase the multiplier in Wales will reduce the income into the non-domestic rates pool in 2021-22. The reduction will be fully funded by the Welsh Government and will be reflected in the calculations for the local government settlements so that there is no financial impact on local authorities or police budgets.



CPI has been used to calculate the multiplier in Wales since 2018-19 and the Welsh Ministers have determined that CPI should be used to calculate the multiplier for future years. The use of CPI since 2018-19 has been achieved through annual orders. To make the change on a permanent basis requires primary legislation to amend the Local Government Finance Act 1988. Provisions are included in the Local Government and Elections (Wales) Bill to achieve this. It is expected that the amendment will have effect in time for the 2022-23 financial year."

Implications arising from exiting the European Union

None.

Welsh Government response

A Welsh Government response is not required.

Legal Advisers

Legislation, Justice and Constitution Committee

16 November 2020

