

SL(5)720 – The Non-Domestic Rating (Multiplier) (Wales) Order 2021

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 291.0.

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.

1. 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:

“The 2021 Order will have the effect of freezing the NDR multiplier rather than increasing by RPI for the financial year 2021-22. By freezing the NDR multiplier, the multiplier will be set at 0.535.

This will mean that non-domestic property owners and occupiers in Wales will receive lower rates bills for 2021-22 than they would have if RPI were used.

Primary legislation does not currently provide the Welsh Ministers with powers to permanently change the figure used to calculate the multiplier from RPI to a lower measure. Therefore, the 2021 Order will apply to 2021-22 only.

Similar orders were made to effect a change to increase by CPI rather than RPI for 2018-19 to 2020-21.

All owners or occupiers of non-domestic properties who pay rates will benefit from the change. Even properties which receive significant amounts of rates relief will benefit as the residual amounts will be calculated using a lower multiplier.

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.

Freezing the multiplier rather than increasing the multiplier by RPI 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.”

Welsh Government response

A Welsh Government response is not required.

Legal Advisers

Legislation, Justice and Constitution Committee

11 January 2021



Senedd Cymru

Pwyllgor Deddfwriaeth, Cyfiawnder a'r Cyfansoddiad

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Welsh Parliament

Legislation, Justice and Constitution Committee