

SL(6)573 – The Non-Domestic Rating (Multiplier) (Wales) Regulations 2025

Background and Purpose

These Regulations set the non-domestic rating (“NDR”) multiplier for Wales for the financial year 2025-26. They reflect the decision announced on 10 December 2024 to increase the multiplier by 1%, rather than using growth in the Consumer Price Index (“CPI”) of 1.7%. As a result, the Explanatory Memorandum states that this *“results in a lower increase in ratepayers NDR bills for 2025-26 than the 1.7% that would otherwise occur.”*

Schedule 7 to the Local Government Finance Act 1988 (“the 1988 Act”) prescribes the default approach to annual increases in the multiplier, taking account of CPI. The multiplier is applied to the rateable value of each non-domestic property to calculate its NDR bill. Under Schedule 7 to the 1988 Act, the Welsh Ministers have the power via regulations to either use a different index from CPI, or to set alternative figures.

Procedure

Draft Affirmative.

The Welsh Ministers have laid a draft of the Regulations before the Senedd. The Welsh Ministers cannot make the Regulations unless the Senedd approves the draft Regulations.

Technical Scrutiny

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

Merits Scrutiny

The following 5 points are identified for reporting under Standing Order 21.3 in respect of this instrument.

1. 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

In relation to the default increase in the NDR multiplier in the absence of these Regulations, the Explanatory Note states that *“the default increase would be 6.7% in line with the change in the consumer prices index.”* However, the Explanatory Memorandum explains that the default increase would be 1.7% for the financial year 2025-26, rather than 6.7%. The figure of 6.7% appears to have been carried over from the Explanatory Note to the Non-Domestic Rating (Multiplier) (Wales) Regulations 2024 in error, for which the default increase of 6.7% was correct at that time.



Whilst we acknowledge that the Explanatory Note does not form part of the Regulations, the explanation provided has the potential to cause confusion as to the reasons for seeking to make these Regulations, and the difference between the default increase to the multiplier and the increase prescribed by these Regulations.

2. 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

It is noted that the enabling power in paragraph 5(13A) of Schedule 7 to the 1988 Act will be repealed and re-enacted in paragraph A18 of Part A2 of that Schedule, on 1 April 2025, following the coming into force of provisions in the Local Government Finance (Wales) Act 2024.

The Explanatory Memorandum explains as follows:

“Section 35(3) of the Legislation (Wales) Act 2019 provides that where subordinate legislation made under a repealed provision could have been made under a re-enacted provision, that legislation will have effect as if made under the re-enacted provision. Given the substance of the 2025 Regulations would be the same if made under the re-enacted provision in paragraph A18 of Part A2 of Schedule 7, the 2025 Regulations will be treated as having been made under that power from 1 April 2025, notwithstanding the repeal of the current enabling power in paragraph 5(13A) of Schedule 7.”

3. 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

The Explanatory Memorandum states that:

“13. All the non-domestic rates collected in Wales are pooled centrally and distributed to local 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.

14. 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.”

4. 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 these Regulations and their effect on the annual local government revenue settlements. We note the decision by the Welsh Government to limit the increase in the multiplier to 1% for the financial year beginning on 1 April 2025, rather than increasing the multiplier by reference to the CPI (which would occur without legislation).

In particular, we note the following paragraphs in the Explanatory Memorandum:

“12. 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 liability will be calculated using a lower multiplier.”

...

“15. Limiting the increase in the multiplier will reduce the income into the non-domestic rates pool in 2025-26. 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.”

5. 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 that there has been no consultation in relation to these Regulations. The Explanatory Memorandum states that:

“16. No consultation has been undertaken on the policy behind the 2025 Regulations. The proposals benefit all ratepayers in Wales and there is no impact on the resources available to local authorities and police services.”

Welsh Government response

A Welsh Government response is required in relation to the first reporting point only.

Committee Consideration

The Committee considered the instrument at its meeting on 3 February 2025 and reports to the Senedd in line with the reporting points above.

