

EXPLANATORY MEMORANDUM

Explanatory Memorandum to the Non-Domestic Rating Contributions (Wales) (Amendment) Regulations 2007

This Explanatory Memorandum has been prepared by Local Government Finance Division and is laid before the National Assembly for Wales.

(i) **Description**

Local authorities (county and county borough councils) are required to pay non-domestic rating contributions to the Welsh Ministers in respect of the rates they collect from businesses in their area (authorities do not retain the non-domestic rating that they collect). Rather, rates are paid into the national non-domestic rating pool from which they are redistributed to local authorities on the basis of adult population. Payments by local authorities to the pool are made on the basis of estimates completed before the start of the financial year. Local authorities submit audited returns after the end of the financial year based on which they receive payments from the Welsh Ministers or make additional payments to the pool as appropriate.

The rules for calculating these contributions are contained in the Non-Domestic Rating Contributions (Wales) Regulations 1992 (SI 1992/3238). Amendments are made annually to certain elements to ensure that the basis for authorities' contributions remains accurate. Amending Regulations are now required to enable local authorities to calculate correctly their non-domestic rating contributions for 2008-09.

(ii) **Matters of special interest to the Subordinate Legislation Committee**

None

(iii) **Legislative Background**

The powers for this instrument to be made are contained in the Local Government Finance Act 1988 (paragraphs 4 and 6 of schedule 8) The Secretary of State powers in these provisions were transferred to the National Assembly under the 1999 TFO and are now vested in the Welsh Ministers by virtue of paragraph 30 of Schedule 11 to the Government of Wales Act 2006. The Regulations will follow the negative procedure.

(iv) **Purpose and intended effect of the legislation**

The regulations

- amend the “buoyancy” factor represented as a percentage from 1.001% to 1.002%. This is an estimate of the effect on rates yield of expected reductions in rateable value due to successful appeals, and interest payments arising from repayments in respect of those appeals;

- update the adult population figures for each council. These are used to set a threshold for local authorities to recalculate, where necessary, their provisional contributions to the pool.

If these changes are not made the estimates made by local authorities for their contributions to the rating pool will be inaccurate as they will be based on the previous years population figures and buoyancy factor, which are now out of date.

(v) **Implementation**

Usually, such amendments as are proposed for financial year 2008/2009 would have to come into force before 1 January 2008 (1 January in the financial year which precedes the year to which the regulations relate) so as to be effective. However, this particular requirement of the Local Government Finance Act 1988 (paragraph 4(6) of schedule 8 to that Act) has been disapplied for one year only by the Rating (Empty Properties) Act 2007 (paragraph 6 of schedule 1 to that 2007 Act refers). That said, the Assembly Government intends to bring the regulations into force in accordance with the usual deadline (before 1 January 2008).

(vi) **Consultation**

These amendments are only of interest to local authorities, and have no effect on ratepayers. They are technical in nature, are made annually and have no policy implications. In light of the above, no consultation exercise has been undertaken with any of the similar regulations in previous years and, likewise, it is considered that these proposed regulations can proceed without consultation.