

Rebecca Evans AC/AM
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd
Ein cyf/Our ref



Llywodraeth Cymru
Welsh Government

Elin Jones, AC
Llywydd
Cynulliad Cenedlaethol Cymru
Bae Caerdydd CF99 1NA

14 Tachwedd 2019

Annwyl Elin,

GORCHYMYN ARDRETHU ANNOMESTIG (LLUOSYDD) (CYMRU) 2019

Heddiw, rwyf wedi gwneud y Gorchymyn Adrethu Annomestic (Lluosydd) (Cymru) 2019, dan baragraff 5(3) o Atodlen 7 i'r Ddeddf Cyllid Llywodraeth Leol 1988, a ddaw i rym ar 1 Ebrill 2020, ddarostyngedig i gytundeb y Cynulliad. Rwy'n amgáu copi o'r offeryn statudol a'r memorandwm esboniadol cysylltiedig yr wyf yn bwriadu eu gosod pan fydd yr offeryn statudol wedi'i gofrestru.

Yn unol â'r weithdrefn a nodwyd ym mharagraff 5(15) o Atodlen 7 i'r Ddeddf Cyllid Llywodraeth Leol 1988, mae'n rhaid i Gynulliad Cenedlaethol Cymru gymeradwyo'r offeryn hwn cyn i'r Cynulliad gymeradwyo'r adroddiad cyllid llywodraeth leol ar gyfer y flwyddyn ariannol, neu cyn 1 Mawrth yn y flwyddyn ariannol flaenorol, pa un bynnag yw'r cynharaf, er mwyn iddo fod yn effeithiol. Yn yr amgylchiadau hyn, rwy'n deall bod rheol sefydlog 21.4A yn berthnasol ac y caiff y Pwyllgor Busnes sefydlu a chyhoeddi amserlen ar gyfer adroddiad y pwyllgor neu'r pwyllgorau perthnasol. Efallai y byddai'n ddefnyddiol i chi wybod fy mod yn bwriadu cynnal y ddadl ynglŷn â'r is-ddeddfwriaeth hon yn y cyfarfod llawn ar 10 Rhagfyr.

Rwy'n anfon copi o'r llythyr hwn at Mick Antoniw AC, Cadeirydd y Pwyllgor Materion Cyfansoddiadol a Deddfwriaethol, Llyr Gruffydd AC, Cadeirydd y Pwyllgor Cyllid a Sian Wilkins, Pennaeth Gwasanaethau'r Siambr a'r Pwyllgorau.

Yn gywir,

Rebecca Evans AC/AM
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Gorchymyn a osodwyd gerbron Cynulliad Cenedlaethol Cymru o dan baragraff 5(15) o Atodlen 7 i Ddeddf Cyllid Llywodraeth Leol 1988, i'w gymeradwyo drwy benderfyniad gan Gynulliad Cenedlaethol Cymru cyn i'r Cynulliad gymeradwyo'r adroddiad cyllid llywodraeth leol ar gyfer y flwyddyn ariannol sy'n dechrau ar 1 Ebrill 2020.

OFFERYNNAU STATUDOL
CYMRU

2019 Rhif (Cy.)

**ARDRETHU A PHRSIO,
CYMRU**

**Gorchymyn Ardrethu Annomestig
(Lluosydd) (Cymru) 2019**

NODYN ESBONIADOL

(Nid yw'r nodyn hwn yn rhan o'r Gorchymyn)

Gwneir y Gorchymyn hwn o dan baragraff 5(3) o Atodlen 7 i Ddeddf Cyllid Llywodraeth Leol 1988 ("y Ddeddf").

O ran Cymru, cyfrifir y lluosydd ardrethu annomestig ym mhob blwyddyn ariannol pan nad oes rhestrau newydd yn cael eu llunio yn unol â pharagraff 3B o Atodlen 7 i'r Ddeddf. Mae 2020 yn flwyddyn pan nad oes rhestrau newydd yn cael eu llunio.

Mae'r fformiwla ym mharagraff 3B o Atodlen 7 i'r Ddeddf yn cynnwys eitem B, sef y mynegai prisiau manwerthu ar gyfer mis Medi yn y flwyddyn ariannol cyn y flwyddyn o dan sylw, oni bai bod Gweinidogion Cymru yn arfer eu pŵer o dan baragraff 5(3) o Atodlen 7 i'r Ddeddf i bennu, drwy Orchymyn, swm gwahanol ar gyfer eitem B. Os yw Gweinidogion Cymru yn arfer y pŵer hwnnw mewn perthynas â blwyddyn ariannol, rhaid i'r swm gwahanol a bennir felly fod yn is na'r mynegai prisiau manwerthu ar gyfer mis Medi yn y flwyddyn ariannol flaenorol. Y mynegai prisiau manwerthu ar gyfer mis Medi yn y flwyddyn ariannol flaenorol yw 291.0.

Mae'r Gorchymyn hwn yn pennu mai swm eitem B ar gyfer y flwyddyn ariannol sy'n dechrau ar 1 Ebrill 2020 yw 289.0.

Yn unol â pharagraff 5(15) o Atodlen 7 i'r Ddeddf, ni fydd y Gorchymyn ond yn dod i rym os yw'n cael ei gymeradwyo drwy benderfyniad gan Gynulliad Cenedlaethol Cymru ("y Cynulliad") cyn i'r Cynulliad gymeradwyo'r adroddiad cyllid llywodraeth leol ar gyfer y flwyddyn ariannol sy'n dechrau ar 1 Ebrill 2020.

Ystyriwyd Cod Ymarfer Gweinidogion Cymru ar gynnal Asesiadau Effaith Rheoleiddiol mewn perthynas â'r Gorchymyn hwn. O ganlyniad, lluniwyd asesiad effaith rheoleiddiol o'r costau a'r manteision sy'n debygol o ddeillio o gydymffurfio â'r Gorchymyn hwn. Gellir cael copi oddi wrth y Gangen Polisi Trethi Llywodraeth Leol, yr Is-adran Cyllid Strategol Llywodraeth Leol, Llywodraeth Cymru, Parc Cathays, Caerdydd, CF10 3NQ.

Gorchymyn a osodwyd gerbron Cynulliad Cenedlaethol Cymru o dan baragraff 5(15) o Atodlen 7 i Ddeddf Cyllid Llywodraeth Leol 1988, i'w gymeradwyo drwy benderfyniad gan Gynulliad Cenedlaethol Cymru cyn i'r Cynulliad gymeradwyo'r adroddiad cyllid llywodraeth leol ar gyfer y flwyddyn ariannol sy'n dechrau ar 1 Ebrill 2020.

OFFERYNNAU STATUDOL
CYMRU

2019 Rhif (Cy.)

**ARDRETHU A PHRSIO,
CYMRU**

**Gorchymyn Ardrethu Annomestig
(Lluosydd) (Cymru) 2019**

Gwnaed 14 Tachwedd 2019

*Gosodwyd gerbron Cynulliad Cenedlaethol
Cymru* 19 Tachwedd 2019

*Cymeradwywyd gan Gynulliad Cenedlaethol
Cymru* ***

Yn dod i rym yn unol ag erthygl 1(2)

Mae Gweinidogion Cymru yn gwneud y Gorchymyn a ganlyn drwy arfer y pŵer a roddir i'r Trysorlys gan baragraff 5(3) o Atodlen 7 i Ddeddf Cyllid Llywodraeth Leol 1988(1) ac a freiniwyd bellach ynddynt hwy i'r graddau y mae'r pŵer hwnnw yn arferadwy o ran Cymru(2).

Enwi, cychwyn a chymhwysu

1.—(1) Enw'r Gorchymyn hwn yw Gorchymyn Ardrethu Annomestig (Lluosydd) (Cymru) 2019.

(2) Daw'r Gorchymyn hwn i rym drannoeth y diwrnod y'i cymeradwyir drwy benderfyniad gan

(1) 1988 p. 41.

(2) Yn rhinwedd erthygl 2 o Orchymyn Cynulliad Cenedlaethol Cymru (Trosglwyddo Swyddogaethau) 1999 (O.S. 1999/672), ac Atodlen 1 iddo, trosglwyddwyd y pŵer o dan baragraff 5(3) o Atodlen 7 i Ddeddf Cyllid Llywodraeth Leol 1988, i'r graddau yr oedd yn arferadwy o ran Cymru, i Gynulliad Cenedlaethol Cymru. Yn rhinwedd paragraffau 30 a 32 o Atodlen 11 i Ddeddf Llywodraeth Cymru 2006 (p. 32), mae'r pŵer bellach wedi ei freinio yng Ngweinidogion Cymru.

Gynulliad Cenedlaethol Cymru, ar yr amod y cymeradwyir y Gorchymyn cyn i'r Cynulliad gymeradwyo'r adroddiad cyllid llywodraeth leol ar gyfer y flwyddyn ariannol sy'n dechrau ar 1 Ebrill 2020.

(3) Mae'r Gorchymyn hwn yn gymwys o ran Cymru.

Y lluosydd ardrethu annomestig

2. At ddiben paragraff 3B o Atodlen 7 i Ddeddf Cyllid Llywodraeth Leol 1988, ar gyfer y flwyddyn ariannol sy'n dechrau ar 1 Ebrill 2020, pennir mai 289.0 yw B.

Rebecca Evans

Y Gweinidog Cyllid a'r Trefnydd, un o Weinidogion
Cymru
14 Tachwedd 2019

Explanatory Memorandum to the Non-Domestic Rating (Multiplier) (Wales) Order 2019

This Explanatory Memorandum has been prepared by Local Government Strategic Finance Division and is laid before the National Assembly for Wales in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Minister's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Non-Domestic Rating (Multiplier) (Wales) Order 2019.

Rebecca Evans AM
Minister for Finance and Trefnydd
14 November 2019

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PART 1: EXPLANATORY MEMORANDUM

1. Description

This Order sets the increase in the non-domestic rating (NDR) multiplier for Wales for the financial year 2020-21. 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 2020-21 the RPI figure would have been 291.0.

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 2020-21 rates bills to be paid by businesses and other non-domestic property owners than would be the case if the RPI figure were used.

The formula used for calculating the NDR multiplier in a non-revaluation year is:

$$(A \times B) / C.$$

A is the multiplier for the preceding financial year

B is the RPI for September of the preceding financial year

C is the RPI for September of the financial year two years before.

Welsh Ministers may substitute a figure for B which is less than the RPI figure. As CPI is used as the measure for increasing the multiplier, B is calculated based on CPI.

The substituted figure for B is calculated by taking the percentage change in CPI from September of the preceding financial year and September of the financial year two years before and multiplying by RPI for September of the financial year two years before. For 2020-21, B has been calculated as 289.0.

2. Matters of Special Interest to the Constitutional and Legislative Affairs Committee

Under the 1988 Act, an order which enables the multiplier to be increased at below the level of RPI must be approved by the Assembly through an affirmative resolution procedure (paragraph 5(15) of Schedule 7 to the 1988 Act). Under the procedure, after the Order is made, it must be laid before the Assembly for approval.

The relevant provision specifically provides that the order must be approved by the Assembly before the vote on the Local Government Finance Reports (the final local government settlement and final police settlement) taking place. The

debate on the local government settlement for 2020-21 is expected to take place in February 2020.

3. Legislative background

Under the 1988 Act, for financial years in which new rating lists do not apply (ie. all years which are not revaluation years), the default position for determining the non-domestic rating multiplier for Wales is to apply the formula set out in paragraph 3B to Schedule 7 to the 1988 Act. An element in that formula is the RPI for September of the financial year preceding the year concerned. The financial year beginning 1 April 2020 is not a revaluation year and therefore there will not be a new rating list.

Under paragraph 5(3) of Schedule 7 to the 1988 Act, the Welsh Ministers have the power to increase a multiplier at below the level of inflation as measured by RPI. It is this power which the Welsh Ministers propose to exercise in making this Order.

As the Welsh Government is diverging from the normal practice of increasing the multiplier by RPI, Ministers are required, under paragraph 5(15) of Schedule 7 to the 1988 Act, after making the Order to limit the increase at below RPI, to lay it before the Assembly for approval.

The Order is subject to a made/provisional affirmative procedure and must be approved by the Assembly for it to be effective. It is also a requirement of the 1988 Act that any such Order is approved before the local government finance reports (for unitary authorities and police and crime commissioners) are approved by the Assembly. This requirement for prior agreement of the multiplier arises because it plays a vital part in calculating the total funding available in the annual settlements.

The debate on the Local Government Finance Report for unitary authorities for 2020-21 is expected to be scheduled for debate in early 2020. The debate to approve the Order is scheduled to take place on 10 December 2019.

4. Purpose and Intended Effect of the Legislation

The Order will have the effect of increasing the NDR multiplier by CPI rather than RPI for the financial year 2020-21. By applying CPI for 2020-21, 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 2020-21 than they would have if RPI was used.

Primary legislation does not currently provide the Welsh Ministers with powers to permanently change the rate of inflation used to calculate the multiplier from RPI to CPI. Therefore, the Order will apply for 2020-21 only.

This follows on from 2019-20 where the change was achieved through subordinate legislation, the Non-Domestic Rating (Multiplier) (Wales) (No. 2) Order 2018.

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 Assembly 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 2020-21. 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.

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. It is intended that 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 2021-22 financial year.

5. Consultation

No consultation has been undertaken on the policy behind this Order. The policy position has not changed since this was agreed for the 2018-19 financial year. The proposals benefit all ratepayers in Wales and there is no impact on the resources available to local authorities.

PART 2: REGULATORY IMPACT ASSESSMENT

Options

Option 1 – Use RPI to increase the multiplier

This option would increase the multiplier for 2020-21 by RPI at September 2019 (2.40%), resulting in a multiplier of 0.539.

Option 2 – Increase the multiplier by the equivalent of CPI

This option would increase the multiplier for 2020-21 by CPI at September 2019 (1.78%), resulting in a multiplier of 0.535.

Costs and benefits

Option 1 – Use RPI to increase the multiplier

The following illustrates the effect of using RPI to increase the multiplier on the non-domestic rates bill of a property.

For example, if a property has a rateable value (RV) as assessed by the Valuation Office Agency of £15,000, the rates bill for 2019-20 (before any reliefs) would have been:

$$\text{RV } \pounds 15,000 \times 0.526 = \pounds 7,890$$

Applying RPI would result in an annual rates bill for 2020-21 of:

$$\text{RV } \pounds 15,000 \times 0.539 = \pounds 8,085$$

The increase in the annual charge would therefore be £195.

Option 2 – Increase the multiplier by the equivalent of CPI

This option would result in a lower increase in rates bills for all non-domestic properties than under RPI. Using the example from Option 1.

The rates bill for 2019-20 was:

$$\text{RV } \pounds 15,000 \times 0.526 = \pounds 7,890$$

An increase using CPI for 2020-21 would give a bill of:

$$\text{RV } \pounds 15,000 \times 0.535 = \pounds 8,025$$

The increase in rates for the property would therefore be £135, £60 less than if RPI were used.

The total saving to non-domestic ratepayers across Wales is estimated at around £10m. This would be a recurrent saving as the multiplier cannot be increased at a level above RPI in future years.

Option selection

The cost of limiting the increase in the multiplier (Option 2) would be borne by the Welsh Government. There would be no financial impact on local authorities. The approach also means that ratepayers in Wales would not be at a disadvantage compared to other parts of the UK.

Option 2 is therefore the preferred option.

Analysis of other effects and impacts

Promoting Economic Opportunity for All (Tackling Poverty)

Limiting the increase in the multiplier provides support for all ratepayers which could help to prevent hardship.

UNCRC

No particular impact on the rights of children has been identified.

Welsh language

No effect on the opportunities to use the Welsh language or the equal treatment of the language has been identified.

Equalities

No specific impacts, positive or negative, on persons who share a protected characteristic (as determined by the Equality Act 2010) have been identified.

Well-being of Future Generations (Wales) Act 2015

Limiting the increase in the multiplier will assist all ratepayers and, as such, will help to contribute to the achievement of the wellbeing goals of a prosperous and a more equal Wales.

Impact on voluntary sector

Limiting the increase in the multiplier will benefit all ratepayers including those operating in the voluntary, charitable and not-for-profit sectors.

Competition Assessment

A competition filter test has been applied to the Order. As the change benefits all ratepayers, no effect on competition within Wales is indicated. Limiting the multiplier means that ratepayers in Wales are not placed at a disadvantage compared to other parts of the UK.

Post implementation review

The Welsh Government will monitor the impact of the change on the non-domestic rates pool.