

Report on the Legislative Consent Memorandum for the Non-Domestic Rating (Lists) Bill

July 2019

Introduction

1. The Assembly's Economy, Infrastructure and Skills Committee (the Committee) considered the Legislative Consent Memorandum for the Non-Domestic Rating (Lists) Bill on 3 July 2019.

Background

2. On 19 June 2019 the Minister for Finance and Trefnydd laid a Legislative Consent Memorandum (LCM) for the Bill. On 25 June 2019 the Business Committee referred the LCM to this Committee for consideration, setting a reporting deadline of 4 July 2019.

3. A Legislative Consent Motion, seeking the Assembly's consent to the relevant provisions in the Bill, is scheduled for debate in Plenary on 9 July 2019.

4. The Bill was introduced in the House of Commons on 12 June 2019. It completed its second reading without division and was committed to a Public Bill Committee, which was expected to report to the House by 2 July 2019. The scrutiny timetable has therefore been constrained because the Bill is expected to move quickly through Parliament. However, Welsh Government considered the Assembly should have opportunity to scrutinise the Bill, and laid the LCM a week after the Bill's introduction.



Overview of the Bill

- 5.** The UK Government's stated policy objective is to ensure that non-domestic rates bills more accurately reflect the current rental value of properties. The Bill implements commitments made by the Chancellor of the Exchequer in the Autumn Budget 2017 and Spring Statement 2018, to bring forward by one year the next revaluation for non-domestic rates, from 1 April 2022 to 1 April 2021, and then to move the revaluation cycle of new rating lists thereafter in England from every five years to every three years.
- 6.** The Valuation Office Agency (VOA) has a statutory duty to maintain accurate valuation lists for non-domestic rating and council tax purposes, and compiles and maintains the valuation data held on the lists. These lists support the collection of over £2.5 billion (net) of local tax revenue each year in Wales.
- 7.** The revaluation cycles are governed by the Local Government Finance Act 1988 (the 1988 Act). Revaluation reflects changes in the property market and the VOA subsequently adjusts rateable values of non-domestic properties to better reflect market conditions, primarily the rental market.
- 8.** Primary legislation is needed to amend the 1988 Act (which, in conjunction with the Rating Lists (Postponement of Compilation) (Wales) Order 2014, sets the revaluation cycle at five years from 1 April 2017 in relation to Wales) to bring forward the revaluation date from 2022 to 2021, and to reduce the revaluation cycle from five years to three.
- 9.** The Ratings List (Valuation Date) (Wales) Order 2018, made by Welsh Ministers under paragraph 2(3)(b) of Schedule 6 to the 1988 Act, re-set the reference date for valuation as 1 April 2019, allowing the VOA to begin the work needed to revalue non-domestic properties in Wales and publish the new lists to take effect on 1 April 2021. As there is no planned legislative vehicle which would allow the date change to be made in time via an Assembly Bill, provisions need to be sought in the UK Government Bill to set the revaluation date for Wales as 1 April 2021. As a result, Welsh Government considers an LCM is required.

Provisions in the Bill for which consent is sought

- 10.** The consent of the Assembly is being sought for the following provisions, which were included at introduction:

Clauses 1(3), (6) and (7)

- 11.** Clauses 1(3) and (6) amend sections 41(5) and 52(5) of the Local Government Finance Act 1988 (the 1988 Act) so as to move the requirement to prepare draft rating lists in both England and Wales from no later than 30 September to no later than 31 December preceding the new rating list coming into force.
- 12.** Clause 1(7) amends sections 54A(4)(b) and 54A(5)(b) of the 1988 Act to provide that the next Welsh rating lists are to be compiled on 1 April 2021 rather than 1 April 2022. The usual interval between revaluations in relation to the Welsh lists remains five years after 2021.

Clause 2(2)

- 13.** Clause 2(2) makes consequential changes to the meaning of “relevant period” in section 58 of the 1988 Act, reflecting the shortened four-year period of the 2017 Welsh lists whilst retaining a five yearly revaluation in relation to Wales after 2021.

Reasons for making these provisions for Wales in a UK Bill

- 14.** The LCM sets out the Welsh Government’s reasons for making these provisions for Wales in the Bill, which it considers appropriate for reasons of timing and coherence:
- Considerable preparatory work is required in preparing new ratings lists to take effect on 1 April 2021 and in making ratepayers aware of the prospective changes. The confirmation of the valuation date in legislation provides the statutory basis for this work.
 - The possibility of making this change through a future Welsh Government Bill has been discounted because there is no suitable legislative opportunity within the timescale required to enable the VOA to complete the necessary valuation work. Also, using a later Welsh Government Bill would result in less certainty for business and other ratepayers in Wales in the Bill.
 - The Bill will ensure that the timing of the revaluation in Wales aligns with that in England and that valuations are carried out in a consistent manner.

Our View

- 15.** The Committee notes that Welsh Government believes the Bill is an appropriate legislative vehicle to implement the changes in a timely way and ensure consistency across England and Wales.
- 16.** With regard to financial implications, the Committee also notes that as periodic revaluations are a feature of the non-domestic rating system the costs are built into budget planning. The VOA assesses non-domestic properties with reference to a specified date, the Antecedent Valuation Date (AVD), and as the AVD has already been set at 1 April 2019 the VOA has begun preparatory work, and some costs have already been incurred.
- 17.** In its report on Business Rates published in November 2016, the Committee recommended moving revaluations to a three year cycle, believing that regular revaluations are essential in order to ensure the system is and remains fair. Three yearly revaluation had been recommended to the Committee by many witnesses, including the Federation of Small Businesses Wales, the Institute of Revenues Rating and Valuation and the Royal Institution of Chartered Surveyors in Wales.
- 18.** The Committee's view was that moving to a more regular set of revaluations would be likely to lead to more frequent but smaller variations in business rates, and that this is preferable to larger changes on a five or six yearly cycle. The Committee also noted that this change should allow the Welsh Government to do away with transitional arrangements, which can be complicated to administer.
- 19.** The Committee therefore welcomes the legislative change proposed in the Bill to bring the date of the next revaluation in Wales forward to 2021, but notes that the frequency of the revaluation cycles after that point remains five yearly in Wales, rather than being shortened as previously recommended by the Committee. The Committee is satisfied that the Bill makes provision for a purpose within the legislative competence of the Assembly and that an LCM is necessary under Standing Order 29. The Committee sees no reason to object to the Assembly agreeing the Legislative Consent Motion associated with the Memorandum.