EXPLANATORY MEMORANDUM TO

THE LOCAL GOVERNMENT FINANCE ACT 1988 (NON-DOMESTIC RATING MULTIPLIERS) (ENGLAND) ORDER 2014

2014 No. 2

1. This explanatory memorandum has been prepared by HM Treasury and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 This Order is made in exercise of the powers conferred by paragraph 5(3) of Schedule 7 to the Local Government Finance Act 1988(**1**) ("the 1988 Act"). In relation to England and for the financial year beginning on 1st April 2014 ("2014-15") the Order specifies an amount which is to be used in the calculation of the non-domestic rating and the small business non-domestic rating multipliers for that year.

3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 None

4. Legislative Context

4.1 Schedule 7 to the 1988 Act establishes a procedure by which the non-domestic rating and the small business non-domestic rating multipliers are calculated for a chargeable financial year.

4.2 In relation to England and a year at the beginning of which new rating lists are not compiled, the small business non-domestic rating multiplier is calculated in accordance with paragraph 3 of Schedule 7 to the 1988 Act. The non-domestic rating multiplier for the year is then calculated in accordance with paragraph 3A of Schedule 7 to the 1988 Act by reference to that multiplier.

4.3 The calculation in paragraph 3 of Schedule 7 to the 1988 Act includes a variable referred to as "B". Unless an order made by the Treasury provides otherwise, B is the retail prices index for September of the financial year proceeding the year concerned, which in relation to 2014-15 was 251.9.

4.4 Paragraph 5(3) of Schedule 7 to the Local Government Finance Act 1988 enables the Treasury by order to specify a different amount for B. Where the Treasury exercises this power the amount specified must be less the retail prices index for September of the financial year proceeding the year concerned.

4.5 For 2014-15 the Order specifies B as 249 for the purposes of paragraph 3 of Schedule 7 to the 1988 Act.

5. Territorial Extent and Application

(**1**) 1988 c.41.

5.1 This instrument applies in relation to England only.

6. European Convention on Human Rights

6.1 The Exchequer Secretary to the Treasury has made the following statement regarding Human Rights:

In my view the provisions of the Local Government Finance Act 1988 (Non-Domestic Rating Multipliers) (England) Order 2014 are compatible with the Convention rights.

7. Policy background

7.1 National non-domestic rates are the calculated by reference to the product of a hereditament's rateable value, as determined by the independent Valuation Office Agency, and the appropriate non-domestic rating multiplier.

7.2. Unless HM Treasury exercises its order-making power, the small business non-domestic multiplier is adjusted each year by the 12 month percentage change in the retail prices index for the proceeding September. For 2014-15 this figure would have been 3.2%.

7.3 In order to reduce the burden of national non-domestic rates on all ratepayers the annual increase of the small business non-domestic rating multiplier will be capped at 2% for 2014-15. This was announced by the Chancellor of the Exchequer at Autumn Statement 2013.

7.4 This Order specifies a figure to be used in calculating the small business non-domestic rating multiplier for 2014-15. Its effect is that the small business non-domestic rating multiplier is increased by a percentage figure lower than 2% yet as close as possible to 2%.

7.5 The non-domestic rating multiplier is the small business non-domestic multiplier plus an adjustment to fund the estimated cost of the small business rate relief scheme. The Secretary of State for Communities and Local Government has estimated that the supplement to fund small business rate relief should be 1.1p for 2014-15.

8. Consultation outcome

8.1 No consultation has been carried out prior to this Treasury Order being made.

9. Guidance

9.1 Guidance on the operation of the non-domestic rating system can be found on the GOV.UK website at https://www.gov.uk/introduction-to-business-rates.

10. Impact

10.1 As this Order will reduce the bills of all ratepayers, no negative impact on the costs of the private or voluntary sectors is foreseen and no impact assessment has been produced for this instrument.

11. Regulating small business

11.1 There will be no specific regulation of small business as a result of this Order.

12. Monitoring & review

12.1 The operation of this Order will be monitored and reviewed as part of the operation of the national non-domestic rates system as a whole.

13. Contact

13.1 Sam Hilton at HM Treasury (Tel: 0207 270 4341 or email: Samuel.hilton@hmtreasury.gsi.gov.uk) can answer any queries regarding the instrument.