EXPLANATORY MEMORANDUM TO

THE LOCAL GOVERNMENT FINANCE ACT 1988 (NON-DOMESTIC RATING MULTIPLIERS) (ENGLAND) ORDER 2015

2015 No.

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

2. Purpose of the instrument

2.1 These Regulations make an order in exercise of the powers conferred by paragraph 5(3) of Schedule 7 to the Local Government Finance Act 1988(1).

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

3.1 None

4. Legislative Context

4.1 Schedule 7 to the Local Government Finance Act 1988 establishes a procedure to determine the non-domestic rating multiplier for each chargeable financial year. This procedure includes a calculation, set out in paragraph 3, with a variable referred to as "B". Unless a Treasury order is issued that says otherwise, B is the retail prices index for September of the financial year preceding the year concerned. For the financial year beginning on 1st April 2015 B would be the retail prices index for September 2014, which is 257.6

4.2 Paragraph 5(3) of Schedule 7 to the Local Government Finance Act 1988 establishes that if the Treasury so provide by order in relation to the year concerned, then B shall equal a figure which is less than that index and which is specified in the order, in place of that index.

4.3 The Local Government Finance Act 1988 (Non-Domestic Rating Multipliers) (England) Order sets out that for the purposes of paragraph 3 of Schedule 7 to the Local Government Finance Act 1988, in the financial year beginning on 1st April 2015, B is specified as 256.9.

5. Territorial Extent and Application

5.1 This instrument applies to England.

6. European Convention on Human Rights

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

(1) 1988 c.41.

6.2 In my view the provisions of the Local Government Finance Act 1988 (Non-Domestic Rating Multipliers) (England) Order 2015 are compatible with the Convention rights.

7. Policy background

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

7.2. Unless HM Treasury exercises its Order making power, the non-domestic multiplier will be adjusted each year by the 12 month percentage change in the retail prices index for the preceding September. For the financial year beginning on 1st April 2015 this figure would have been 2.3%.

7.3 In order to reduce the burden of national non-domestic rates on all ratepayers the annual increase of the non-domestic rating multiplier will be capped at 2% for the financial year beginning on 1st April 2015. This was announced by the Chancellor of the Exchequer at Autumn Statement 2014.

7.4 These regulations set out the figures to be used to set the non-domestic rating multiplier for the financial year beginning on 1st April 2015 such that the non-domestic rating multiplier is increased by a percentage figure lower than 2% yet as close as possible to 2%.

7.5 The business rates 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 1.3p for 2015-16.

8. Consultation outcome

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

9. Guidance

9.1 Guidance on business rates in general can be found on the Department for Communities and Local Government (DCLG) website.

10. Impact

10.1 The Local Government Finance Act 1988 (Non-Domestic Rating Multipliers) (England) Order 2015 is covered by the full impact assessments produced by DCLG of the national non-domestic rating system.

11. Regulating small business

11.1 This legislation applies to all businesses paying business rates. There will be no specific regulation of small business.

12. Monitoring & review

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

13. Contact

13.1 Matthew Ahmed at HM Treasury (Tel: 0207 270 1708 or email: matthew.ahmed@hmtreasury.gsi.gov.uk) can answer any queries regarding the instrument.