

Explanatory Memorandum to the Non-Domestic Rating Contributions (Wales) (Amendment) Regulations 2025

This Explanatory Memorandum has been prepared by the Non-Domestic Rates Policy and Reform Division and is laid before Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Cabinet Secretary's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Non-Domestic Rating Contributions (Wales) (Amendment) Regulations 2025.

Mark Drakeford MS
Cabinet Secretary for Finance and Welsh Language
20 November 2025

Description

1. The Non-Domestic Rating Contributions (Wales) (Amendment) Regulations 2025 ('the 2025 Regulations') amend the Non-Domestic Rating Contributions (Wales) Regulations 1992 ('the 1992 Regulations'). The 1992 Regulations prescribe the rules for calculating non-domestic rating contributions to be paid by billing authorities in Wales to the non-domestic rates pool.
2. The 2025 Regulations amend Schedule 4 (Adult Population Figures) to the 1992 Regulations to ensure that the basis for calculating contributions from billing authorities remains up-to-date and to enable billing authorities to calculate their non-domestic rating contributions for the financial year 2026-27. The figures in Schedule 4 to the 1992 Regulations are amended on an annual basis.

Matters of special interest to the Legislation, Justice and Constitution Committee

3. None.

Legislative background

4. Paragraph 4(1) of Schedule 8 to the Local Government Finance Act 1988 ('the 1988 Act') sets out the Welsh Ministers' power to make regulations containing rules for the calculation of non-domestic rating contributions to be made by billing authorities to the non-domestic rating pool.
5. The power to make regulations under paragraph 4(1) of Schedule 8 to the 1988 Act was transferred to the National Assembly by the National Assembly for Wales (Transfer of Functions) Order 1999 (SI 1999/672). Those functions were subsequently transferred to the Welsh Ministers by virtue of section 162 of, and paragraph 30 of Schedule 11 to, the Government of Wales Act 2006.
6. The Local Government Finance Act 2012 amended the 1988 Act expressly providing that the various powers in Schedule 8 to the 1988 Act (including the power to make the 2025 Regulations) vest in the Welsh Ministers.
7. The 2025 Regulations are subject to the negative procedure.
8. Paragraph 4(6) of Schedule 8 to the 1988 Act requires that, for the 2025 Regulations to be effective for a particular financial year, they must come into force before 1 January in the preceding financial year. The 2025 Regulations must, therefore, come into force no later than 31 December 2025, to be effective for the 2026-27 financial year.

Purpose and intended effect of the legislation

9. Billing authorities are required to pay non-domestic rating contributions to the Welsh Ministers in respect of the non-domestic rates they collect from properties in their areas. All the rates collected by billing authorities are paid into the non-

domestic rates pool, together with the rates collected by the Welsh Government from central list ratepayers.

10. The pooled revenue is distributed to the county and county borough councils, and police and crime commissioners in Wales, on the basis of adult population figures, as part of the annual local government settlements. Billing authorities make payments into the pool based on estimates completed by them before the start of each financial year. Billing authorities then submit audited returns after the end of each financial year and receive payments from the Welsh Ministers or make additional payments to the pool as appropriate.
11. The effect of the 2025 Regulations is to update the adult population figures by substituting a new Schedule 4 to the 1992 Regulations. The adult population figures are updated annually and will be used to set a threshold for billing authorities to calculate their provisional contributions to the pool for the 2026-27 financial year.

Consultation

12. No consultation has been undertaken in respect of the 2025 Regulations. The population figures are updated annually and have no policy implications. The 2025 Regulations are only of interest to the relevant billing authorities and have no effect on ratepayers.

Regulatory Impact Assessment (RIA)

13. An RIA has not been prepared for the 2025 Regulations as they make factual amendments to the 1992 Regulations which preserve the existing policy position and, in doing so, do not alter the impact of the policy in any significant way. This is in line with paragraph 3.2 of the policy set out in the Welsh Ministers' regulatory impact assessment code for subordinate legislation.