

EXPLANATORY MEMORANDUM TO

THE NON-DOMESTIC RATING (DESIGNATED AREAS) REGULATIONS 2018

2018 No. 213

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Ministry of Housing, Communities and Local Government and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 These Regulations form part of the scheme for local retention of non-domestic rates (“the rates retention scheme”). Their purpose is to designate areas in relation to which a proportion of the non-domestic rating income raised is to be retained in its entirety by the local authority in all or part of whose area a designated area falls.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 The non-domestic rating system in England and Wales is established by the Local Government Finance Act 1988 (“the 1988 Act”). The Local Government Finance Act 2012 inserts a new Schedule 7B into the 1988 Act which provides for the local retention of non-domestic rates collected in England.
- 4.2 Part 10 of Schedule 7B enables the Secretary of State to make regulations designating areas and providing for the calculation of the non-domestic rating income in respect of the hereditaments¹ within a designated area to be disregarded for the purpose of various calculations required under the rates retention scheme.
- 4.3 The Non-Domestic Rating (Designated Areas) Regulations 2018 specify that the designations of the areas have effect for a period of years from 1 April 2018. This means that paragraph 39(9) of Schedule 7B applies. Paragraph 39(9) provides that where the regulations specify the years for which the designation has effect, they may not be revoked during that period and amendments which have the effect of altering the boundaries of a designated area, providing for the reduction in the amount that may be disregarded or the reduction of the period of the designation may not be made to the regulations during that period.

¹ A hereditament is a unit of property which is subject to rating

5. Extent and Territorial Application

- 5.1 The extent of this instrument is England and Wales.
- 5.2 The territorial application of this instrument is England only.

6. European Convention on Human Rights

- 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

What is being done and why

- 7.1 These Regulations form part of the scheme to allow local retention of non-domestic rates (the rates retention scheme). The scheme was introduced on 1st April 2013 to give local government a direct share of local non-domestic rating income and thereby an incentive to promote local growth. This replaced the previous scheme whereby non-domestic rates were collected by local government, paid to central government and redistributed back to local government via the local government finance report.
- 7.2 Under Schedule 7B to the 1988 Act, non-domestic rates are to be shared between central government and different parts of local government. The proportions at which rates are to be shared between central government and local government has been set at 50:50.
- 7.3 As part of its policy to deliver growth, the Government has previously identified a number of geographical areas designed to help create jobs and create businesses in areas of economic opportunity. Government and local authorities will do this by giving businesses the right conditions for growth, creating public and private partnerships and encouraging competition to attract foreign inward investment. In these areas, the Government is providing for local authorities, otherwise known as billing authorities, to retain 100% of the growth in non-domestic rates. This provides an incentive for local authorities to encourage growth and a source of funding to help deliver appraised infrastructure projects. Three such areas are designated, for the purposes of the rates retention scheme, by these Regulations. One of these areas (Sunderland International Advanced Manufacturing Park) is an Enterprise Zone. The other two areas (Croydon and Barnet) are Local Growth Zones.
- 7.4 As part of the Enterprise Zone Programme, the Sunderland International Advanced Manufacturing Park Enterprise Zone proposal was appraised in 2015 and subsequently announced at Budget 2016, along with a number of other agreed Enterprise Zones. Any retained business rate growth will be used by the Local Enterprise Partnerships and local authorities to develop local economies.
- 7.5 The 2015 Budget announced Government support for two Local Growth Zones. They are the Brent Cross Local Growth Zone in Barnet, and the Croydon Local Growth Zone. The funding agreements were subsequently signed between Government, the billing authority and the Greater London Authority in 2017. Any additional business rates retained will allow the London Boroughs of Barnet and Croydon to borrow in order to deliver critical infrastructure.
- 7.6 The length of designation for the Sunderland IAMP Enterprise Zone is 25 years. The length of designation for the Croydon and Brent Cross Local Growth Zones are 16 and 12 years respectively.

Consolidation

7.7 The Department does not intend to consolidate the relevant legislation.

8. Consultation outcome

8.1 A general consultation for these Regulations has not been undertaken since they implement outcomes for specific geographical areas that have been the subject of negotiation between central Government and the areas concerned.

9. Guidance

9.1 The Department issues guidance to local authorities on the completion of associated data forms which are used to determine the amounts of non-domestic rating income due in designated areas and under retention arrangements generally.

10. Impact

10.1 There is no impact on business, charities or voluntary bodies.

10.2 The impact on the public sector is that, while the overall amount of business rates income retained by the public sector will be unaffected, the amounts retained respectively by central and local government will change depending on the amount of growth generated in those areas and, as a result, local authorities will be incentivised to secure more growth than might otherwise have been the case.

10.3 An Impact Assessment for the rates retention scheme is available from:
https://www.gov.uk/government/uploads/attachment_data/file/8470/2054063.pdf.

10.4 A separate Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not apply to activities that are undertaken by small businesses.

12. Monitoring & review

12.1 The Government keeps the non-domestic rating system under review.

13. Contact

13.1 David Bull at the Ministry of Housing, Communities and Local Government
Telephone: 0303 444 41725 or email: David.Bull@communities.gsi.gov.uk can answer any queries regarding the instrument.