

Jane Hutt AC / AM  
Y Gweinidog Cyllid a Busnes y Llywodraeth  
Minister for Finance and Government Business



Llywodraeth Cymru  
Welsh Government

William Graham AM  
Chair, Enterprise and Business Committee  
National Assembly for Wales  
Ty Hywel  
Cardiff Bay  
CF99 1NA

S March 2015

*Dear William,*

### **Business Rates Policy**

I am writing in response to your letter of 24 February, asking for clarification and explanation of a number of points relating to Business Rates. My replies to the points you raise are provided below.

#### Details of Business rates devolution and the block grant adjustment

The main budgetary change arising from the full devolution of Non-Domestic Rates (NDR) will be the transfer of expenditure financed by NDR in Wales from the Departmental Expenditure Limit (DEL) to Annually Managed Expenditure (AME). The DEL corresponds to the Wales block grant, which is generally determined as part of UK Government spending reviews by application of the Barnett formula, while AME is set and managed on an annual basis. The details of this change were agreed in advance of the Autumn Statement in December 2014. The size of the transfer from DEL to AME will be confirmed at the time of the UK Government's budget.

In addition to the above, there will be a re-working of the 2013 Spending Round settlement which will mean that the Welsh Government DEL in 2016-17 and future years will be £98.5 million higher than it would otherwise have been. The same amount will be included in a new cash reserve, established to help manage devolved taxes.

#### How revenue raised from business rates in Wales will directly affect the Welsh Government's budget following full devolution of business rates

As noted, expenditure financed by NDR will be in AME following devolution. It will be outside the block grant and changes to it will be determined by the level of NDR revenues collected, rather than by the Barnett formula. As a result, the two main components of the Welsh Government's overall budget will be the DEL (determined by the Barnett formula) and NDR-financed expenditure in AME (determined by NDR revenues).

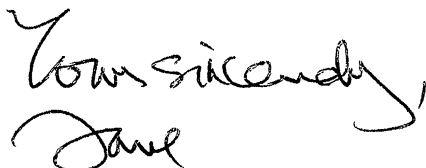
Plans to monitor and report on revenue raised from business rates

My officials will work closely with those in the departments of the Minister for Public Services and the Minister for Economy, Science and Transport to maintain accurate and up-to-date assessments of NDR revenues. These assessments will draw on information from local authorities and from the Valuation Office Agency.

As now, the level of revenues and distributions will be reported annually in the Non-Domestic Rating Account for Wales. Detailed statistics on NDR revenues are also published on Statswales, the Welsh Government's on-line data repository. In addition, the Welsh Government budget will show expenditure financed by NDR as a separate item.

Your final question relates to how I work with the Minister for EST on business rates. I have worked closely with the Minister in preparation for full NDR devolution and will continue to do so over the transition period and going forward.

I am copying this letter to the Minister for Economy, Science and Transport and the Minister for Public Services.

A handwritten signature in black ink, appearing to read 'Jane Hutt', with a stylized flourish at the end.

**Jane Hutt AC / AM**

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