

**THE NATIONAL ASSEMBLY FOR WALES****LEGISLATION COMMITTEE REPORT****The Non-Domestic Rating (Miscellaneous Provisions) (No.2) (Amendment) (Wales) Regulations 2000****Background**

Paragraph 2 of Schedule 6 to the Local Government Finance Act 1988 ("the 1988 Act") states that the rateable value of a non-domestic hereditament shall be taken to be an amount equal to the rent at which it is estimated the hereditament might reasonably be expected to let from year to year.

In some circumstances this rateable value will be ascertained by reference to the notional cost of constructing the hereditament.

The Non-Domestic Rating (Miscellaneous Provisions) (No. 2) Regulations 1989 ("the 1989 Regulations") specify percentage rates for calculating this notional construction cost for hereditaments included in the non-domestic rating lists compiled on the 1<sup>st</sup> of April 1990 and 1<sup>st</sup> of April 1995.

These Regulations extend the application of the percentage rates specified to hereditaments which will be included in the non-domestic rating list for Wales to be compiled on the 1<sup>st</sup> of April 2000.

A curious feature of the 1989 Regulations is the fact that although they do refer to the notional cost of constructing the hereditament they do not say how or when this method of valuation should be used. The Explanatory Note to both the 1989 Regulations and to the present Regulations refers to "the contractor's basis" (another term for the notional cost of construction) being used "where there is no more direct evidence of rental value". However, this is not in fact referred to in the Regulations themselves.

It would appear that valuation practice (and case law) dictates that where there is no rental evidence or indirect evidence such as comparables and profits the contractor's basis may have to be used. Examples include school buildings which are not of course rented in the normal way. The valuer estimates the cost of construction to arrive at the effective capital value, then the value of the land for its existing use is added and a rate per cent applied. It is this percentage rate that is prescribed by the 1989 Regulations.

### **Standing Order 11.5**

It is not considered that there are any issues under Standing Order 11.5 that the Committee should report as requiring special attention.

### **Comments on the Regulations**

There are only two minor points of note:

The second sentence of footnote (a) on page 2 could be made clearer by emphasising that the reference to "section 146(6)" is to the 1988 Act and not to the Local Government and Housing Act 1989 (which is referred to in the first sentence of the footnote).

The footnote specifying the chapter number of the Government of Wales Act 1998 is on the wrong page. As usual the footnotes should appear in dual column format in the final printed copy.

**MICHAEL GERMAN OBE AM**

Chair

Legislation Committee

**7<sup>th</sup> March 2000**

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