

**COUNCIL TAX SETTING COMMITTEE**  
**30<sup>th</sup> JANUARY 2022**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: NATIONAL NON-DOMESTIC RATE RETURN 1 (NNDR1) - 2023/24**

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS

EXECUTIVE MEMBER: COUNCILLOR IAN ALBERT

COUNCIL PRIORITY: BUILD THRIVING AND RESILIENT COMMUNITIES

**1. EXECUTIVE SUMMARY**

- 1.1 To inform Members of the reporting processes for the NNDR 1 Return
- 1.2 To approve the Draft NNDR 1 Return for 2023/24. This will be made available to Members as soon as possible ahead of the meeting.

**2. RECOMMENDATIONS**

- 2.1. That the Draft NNDR 1 (to be submitted) is approved.
- 2.2. That it be noted that a 2<sup>nd</sup> draft version of the NNDR1 form was sent to Councils by the Department for Levelling Up Housing and Communities (DLUHC) on Wednesday 4<sup>th</sup> January 2023. The final version of the NNDR 1 will need to be returned to DLUHC by Monday 31<sup>st</sup> January 2023.
- 2.3. That the Committee delegates any amendments to the return resulting from changes to the form and any additional guidance, to the Service Director – Customers in consultation with the Service Director – Resources and the Committee Chair.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1. To comply with statutory requirements.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1. The provision to provide information contained within the NNDR 1 is a statutory requirement.

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1. This is a statutory return and not subject to consultation.

## **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

## **7. BACKGROUND**

- 7.1. The Council has always had a requirement to make an NNDR1 Return to the Secretary of State each year, which has been the Council's estimate of the expected income from Non-Domestic Rates for the following financial year.
- 7.2. In December 2011 the Government published its proposals for a Business Rates Retention Scheme alongside the introduction of the Local Government Finance Bill, which became an Act in November 2012. The intention of this proposal was to ensure that a proportion of Non-Domestic Rates was locally retained.
- 7.3. In November 2012 the Government issued a Policy Statement reflecting its desire to see the Business Rates Retention Scheme at the heart of its reform agenda aimed at achieving two of its key priorities: economic growth and localism.
- 7.4. The amount to be retained by Billing Authorities and the amount to be paid to Central Government and Major Precepting Authorities is to be fixed at the start of the financial year based on the Billing Authority's estimate of its Non-Domestic Rating income for the year (the NNDR1 Return). For this reason, the Government has decided that this return should now be subject to approval by Members. There are subsequent adjustments to reflect the amounts that are actually collected.
- 7.5. The basis on which a Billing Authority is to make that estimate was set out in regulations made under the provisions of the Local Government Act 1988.
- 7.6. The existing requirements for the calculation of Non-Domestic Rating income for the year are found in Schedule 1 of the Non-Domestic Rating (Rates Retention) Regulations (the Retention Regulations).
- 7.7. The Regulations require Billing Authorities to calculate the sum due, for that year, and inform;
- a) The Secretary of State in respect of the "central share" of their Non-Domestic Rating income.
  - b) Their Major Precepting Authorities

## **8. RELEVANT CONSIDERATIONS**

### **The Financial Information Required in The NNDR1**

- 8.1. The Business Rates Retention Regulations require a Billing Authority to calculate its Non-Domestic Rating income by estimating the net payments from ratepayers that will be credited to its collection fund (after having taken account of any rate relief provided to ratepayers and any repayments made to ratepayers).

- 8.2. 2023/2024 will be the tenth year for which Authorities will be required, in accordance with Regulation 13 of the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 2013/452) (as amended), to estimate the likely non-domestic rating surplus, or deficit on the Collection Fund for the current year.
- 8.3. Regulation 13 requires an Authority to estimate the surplus/deficit that it believes will exist on 31 March 2023, on the basis of a statutory calculation set out in Schedule 4 to the Regulations (as amended). The estimated amount will be shared between the authority, its major preceptors and central Government and will be added (or subtracted) from each party's share of 2023/2024 non-domestic rating income.
- 8.4. The NNDR1 traditionally follows the Government's Autumn Statement and is amended each year to take into consideration any changes to Business Rates made in that Statement/Budget. From 1<sup>st</sup> April 2023 a new Local Rating List with revised Rateable Values will take effect.
- 8.5. In 2016 the Government announced a Consultation and then its intention to reduce the period between the revaluation of Business Rate hereditaments from 5years to 3years. The intention is to provide greater stability in rental evidence used as part of the reassessment of individual or groups of hereditaments. Further legislation was required to introduce this change. The change was effective from 1<sup>st</sup> April 2022.
- 8.6. However, the introduction of a new Local Rating in 2022 was further delayed by 1 year due to the continuing economic effects of the pandemic.
- 8.7. From 1<sup>st</sup> April 2023 a new Local Rating List (Valuation List) with an antecedent Valuation date of 1<sup>st</sup> April 2021 will take effect.
- 8.8. The Draft Valuation List was issued to Local Authorities on Monday 9<sup>th</sup> January and work is on-going to match the new data against the existing hereditaments.
- 8.9. Moving forward the next revaluation will take effect from 1<sup>st</sup> April 2026 with an Antecedent Valuation Date of 1<sup>st</sup> April 2024.
- 8.10. The Spending Review announced by the Chancellor on the 17<sup>th</sup> November 2022 introduced the Local Government provisional finance settlement that included notice that the 2023/2024 National Non-Domestic Multiplier would be frozen and remain at 51.2p. The Small Business Multiplier would remain at 49.9p.
- 8.11. The NNDR1 Form for 2023/2024 was circulated to Councils at 14:01hrs on Wednesday 21<sup>ST</sup> December. A revised form was received on Wednesday 4<sup>th</sup> January 2023. The lateness of this and the introduction of a new Rating List has made it impossible to carry out the work required to complete the form in time for the deadline of submission of reports for this Committee.
- 8.12. Officers will be working to complete the form as soon as possible and it will be submitted to Members (as an addendum appendix to this report) when completed.
- 8.13. The position is further complicated because we have been advised by the DLUHC of several policy intentions that will be included in the Budget for implementation in 2023/2024. These policy intentions can be summarised as:

- Introduction of a Government funded 3-year Transitional scheme
- A new 75% relief for retail, hospitality & leisure properties up to £110,000 per business
- Introduction of a Supporting Small Business Relief (SSBR)

8.14. The law requires that the NNDR1 has to be returned to DLUHC by 31 January 2023 and consequently, the Council will have to comply with this, in the knowledge that when the Budget implications become law, the NNDR1 will be inaccurate, and the Council may be required to submit a revised version (in line with all other Councils).

## **9. LEGAL IMPLICATIONS**

9.1. The provisions for business rates retention were brought in under Schedule 1 of the Local Government Finance Act 2012. Approval of the NNDR1 Return is delegated through the Constitution to this Committee.

9.2. The Council is aware that it has an obligation to submit its NNDR1 Return by 31 January 2023, but DLUHC has made the proviso that further iterations of the Form may yet be issued. This has resulted in the recommendation at paragraph 2.3 that any necessary amendments to the Return resulting from future legislation or guidance be delegated to the Service Director - Customers in consultation with the Service Director – Resources and Chairman of this Committee.

## **10. FINANCIAL IMPLICATIONS**

10.1. Under the Business Rates Retention element of local government funding, the provisional settlement no longer provides guaranteed funding levels, but rather the starting point for Authorities within the scheme. Ultimately, the level of Non-Domestic Rates collected by Authorities in 2023/2024 will determine the final amount that can be retained for this element of their funding. In the provisional funding settlement, each Authority is set a Business Rate baseline, which is based on a DLUHC determination of funding need. The Council bases its budget calculations on this baseline level.

## **11. RISK IMPLICATIONS**

11.1. The NNDR1 is an estimate of the amount of business rates that the Council will expect to collect in 2023/2024. As with any estimate, there is always the risk that it will prove to be inaccurate.

11.2. To mitigate against this, trend data for previous years will be used wherever possible and where assumptions have to be made, these will be made with a cautious view. However due to the introduction of the 2023 Rating List the reliance of trend data may not in this instance be of much use.

11.3. At the end of the 2023/2024 financial year, an NNDR 3 will be completed and audited, which will determine the final position in terms of Business Rates collected for 2023/2024. Therefore, the main risk is in relation to cash flow, as payments are made in year, based on the estimate. If an overpayment is made, it may be some time before the money is reimbursed. As payments are made in year, based on the estimate. If an overpayment is made, it may be some time before the money is reimbursed.

## **12. EQUALITIES IMPLICATIONS**

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. The submission of an NNDR1 return is a statutory one. This report highlights the reporting process and now requires the approval of Members. This does not impact on those that share a protected characteristic as the only change is one of process. If the manner in which business rates was collected changed then this may affect those sections of the community and would be considered in a separate environmental implications assessment.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

## **14. ENVIRONMENTAL IMPLICATIONS**

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 There are no Human Resource implications.

## **16. APPENDICES**

- 16.1 Appendix 1 – Draft NNDR1 Return to be submitted as soon as possible

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**18. BACKGROUND PAPERS**

18.1 None