

COUNCIL TAX SETTING COMMITTEE
29th JANUARY 2024

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: NATIONAL NON-DOMESTIC RATE RETURN 1 (NNDR1) - 2024/25

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 2024/25. 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 2nd draft version of the NNDR was sent to Councils by the Department for Levelling Up Housing and Communities (DLUHC) on Monday 8th January 2024. The final version of the NNDR 1 will need to be returned to DLUHC by Wednesday 31st January 2024.
- 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 likely 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 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 Non-Domestic Rating (Rates Retention) Regulations 2013 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. 2024/2025 will be the eleventh 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 2024, based on 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 2024/2025 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.
- 8.5. From 1st April 2024 Billing authorities are required to show gross rates payable for the 2024/2025 financial year split between the the Small Business Rate (SBR) multiplier and the National Non-Domestic Rate (NNDR) multiplier. In the autumn budget statement, the Chancellor announced that the SBR multiplier will be frozen for 2024/2025 at 49.9p whereas the NNDR multiplier will be uplifted in line with the September CPI to 54.6p.
- 8.6. From 1st April 2023 a new Local Rating List (Valuation List) with an antecedent Valuation date of 1st April 2021 took effect. The next Revaluation will be effective from 1st April 2026 with an Antecedent Valuation date of 1st April 2024.
- 8.7. The NNDR1 Form for 2024/2025 was circulated to Councils on Friday 22nd December. A revised form was received on Monday 8th January 2024. The lateness of this and the introduction of the separation of the multiplier has made software changes impossible to be implemented in time for the deadline of submission of reports for this Committee.
- 8.8. Officers will be working to complete the form as soon as possible and it will be submitted to Members when completed.
- 8.9. The position is further complicated because we have been advised by the DLUHC of several policy intentions that were included in the 2023 Budget for implementation in 2024/2025. These policy intentions can be summarised as:
 - The 2nd year of Exchequer funded 3-year Transitional scheme for upward increase only.
 - Continuation of the 75% relief for retail, hospitality & leisure properties up to £110,000 per business
 - Introduction that gross rates payable for all properties with an RV below £51,000 will be calculated using the Small Business Rate multiplier.
- 8.10. The law requires that the NNDR1 must be returned to DLUHC by 31 January 2024 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.

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 pursuant to its terms of reference at 10.2.1(c) and 10.2.2 of the Constitution.
- 9.2. The Council is aware that it has an obligation to submit its NNDR1 Return by 31 January 2024 pursuant to regulation 13 of the Non-Domestic Rating (Rates Retention) Regulations 2013/452, 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 Chair 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 2024/2025 will determine the amount received for this element of their funding. In the provisional funding settlement, each Authority is set a Business Rate baseline, which is based on a MHCLG 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 2024/2025. 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.

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.

17. CONTACT OFFICERS

17.1 Mark Scanes, Systems & Technical Manager
Mark.scanes@north-herts.gov.uk; ext.4440

17.2 Jo.Dufficy, Service Director - Customers
Johanne.dufficy@north-herts.gov.uk; ext. 4555

17.3 Ian Couper, Service Director Resources
ian.couper@north-herts.gov.uk ext. 4243

17.4 Alina Preda, Trainee Solicitor
Alina.preda@north-herts.gov.uk ext. 4406

18. BACKGROUND PAPERS

18.1 None