COUNCIL TAX SETTING COMMITTEE
29th January 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: NATIONAL NON-DOMESTIC RATE RETURN 1 (NNDR1) - 2026/2027

REPORT OF THE DIRECTOR – RESOURCES

EXECUTIVE MEMBER: COUNCILLOR IAN ALBERT

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

1.1 To inform Members of the reporting processes for the NNDR 1 Return

1.2 To approve the Draft NNDR1 Return for 2026/2027. This will be made available to Members as soon as possible ahead of the meeting and subject to a review by LG Futures on 26 January 2026.

2. RECOMMENDATIONS

2.1. That the Draft NNDR 1 (to be submitted) is approved.

2.2. That it be noted that the final version of the NNDR1 will need to be returned to MHCLG by Wednesday 31 January 2026.

2.3. That the Committee delegates any amendments to the return resulting from changes to the return and any additional guidance to the Director – Resources in consultation with the Committee Chair.

3. REASONS FOR RECOMMENDATIONS

3.1. To comply with statutory requirements.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. This is a statutory requirement.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1. This is a statutory return and not subject to consultation. LG Futures provide advice on the technical implications of the NNDR1 form.

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. 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.

7.4. 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.

7.5. 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).

7.6. 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. For 2026/2027 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 2026, 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 2026/2027 non-domestic rating income.

8.4. The NNDR1 traditionally follows the Government's Autumn Budget and is amended each year to take into consideration any changes to Business Rates made in that Statement/Budget.

8.5. From 1st April 2026 the government has announced significant changes and Billing authorities are required to show gross rates payable for the 2026/2027 financial year split between five multipliers as follows:

- Small Business Retail, Hospitality & Leisure (RHL) multiplier – 38.2p
- Small Business non-domestic taking multiplier – 43.2p
- Standard RHL multiplier – 43.0p
- Standard non-domestic rating multiplier – 48.0p
- High-value non-domestic rating multiplier – 50.8p

In accordance with The Local Government Finance Act 1988 (Calculation of Non-Domestic Rating Multipliers for Retail, Hospitality or Leisure) (England) Regulations 2026 SI 2026/4, the new retail, hospitality and leisure (RHL) multipliers are set 5p below the relevant national multipliers for qualifying properties with rateable values below £500k, funded by a high-value multiplier 2.8p above the national standard multiplier for properties with rateable values of £500,000 and above. The threshold between the standard and small multipliers (less than £51,000 RV) will not change. The Rateable Value (RV) is determined by the Valuation Office Agency and is an estimate of a non-domestic property's annual income if it were let on the open market and is then used to calculate the business rates.

8.6. From 1st April 2026 a new Local Rating List (Valuation List) with an antecedent Valuation date of 1st April 2024 also takes effect. Revaluations reassess the valuation of non-domestic properties to reflect changes in the property market, resulting in increases or decreases to ratepayer bills. Assuming no other changes, at the local authority level overall bills will increase or fall depending upon whether RVs in that area have increased above or below the national average.

8.7. At the Autumn Budget 2025 the Chancellor announced the introduction of a new 1p supplement to the relevant tax rate for ratepayers who do not receive Transitional Relief (TR) or the Supporting Small Business (SSB) scheme to partially fund Transitional Relief. This will apply for one year from 1 April 2026.

The introduction of Electric Vehicle Charging Points (EVCP) relief. This is a ten-year 100% business rates relief for EVCPs separately assessed by the Valuation Office Agency (VOA) and Electric Vehicle only forecourts to ensure that they face no business rates liability.

The continuation of Supporting Small Business Rates scheme, which will cap bill increase at £800 per year or the relevant caps within Transitional Relief (whichever is the greatest) for any business losing eligibility for certain reliefs, including Small Business

Rate Relief and Rural Rate relief because of the 2026 revaluation. This will support businesses for 2026/27 to 2028/29.

8.8. The NNDR1 return for 2026/2027 was circulated to Councils on Thursday 11th December 2025. A revised form was received on Monday 15th December 2025, with some further explanatory guidance on 18th December 2025.

8.9. Officers will be working to complete the return as soon as possible and it will be submitted to Members when completed but are heavily reliant on the upgrade of the NEC system (software used for calculating and producing bills) to allow for the completion of the NNDR1 and balancing the new revaluation list into the LIVE system; both of which are not scheduled until week commencing 19 January 2026.

8.10. We have been also advised by the MHCLG of several policy intentions that were included in the 2025 Budget for implementation in 2026/2027. These policy intentions can be summarised as:

- Introduction of new multipliers
- The removal of the retail, hospitality & leisure relief from 40% to 0%
- Revaluation of business rate properties, effective 1 April 2026
- Introduction of new Transitional relief (TR) scheme for upward increase only
- Continuation of new Supporting Small Business Relief (SSB), extended to cover those who were eligible for RHL
- Introduction of 1p supplement for ratepayers that do not receive TR or SSB

8.11. The law requires that the NNDR1 must be returned to MHCLG by 31 January 2026 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.

8.12. It would be prudent to mention at this point that we are still awaiting several changes to be implemented by software suppliers before we can test any annual billing processes. We must thoroughly test these significant changes before we issue any Bills, this may impact on when bills can be produced and the knock-on effect that this may to collection and cashflow in April.

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 Council's 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 2026 pursuant to regulation 13 of the Non-Domestic Rating (Rates Retention) Regulations 2013/452, but MHCLG has made the proviso that further iterations of the return 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 2026/2027 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. The Council can benefit where its share of rates collected is above the assumed level. It can also lose funding where the share is below the assumed level. The losses are capped by a safety net, with gains constrained by a levy on any growth.

10.2. In 2026/27 business rates baselines will be reset as the baselines have not been reviewed since the business rates retention scheme was introduced in 2013. This means that business rates growth above the baseline will be reallocated across all LAs as part of the fairer funding review. The Council has always budgeted on baseline level so this will not have an impact on North Herts. Due to the reset the safety net level will change from 92.5% to 100% in 2026/27, so North Herts is guaranteed to receive the business rates baseline funding set out in the provisional settlement. The safety net will reduce to 97% in 2027/28 and then revert to 92.5% in 2028/29.

11. RISK IMPLICATIONS

11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.

11.2. The NNDR1 is an estimate of the amount of business rates that the Council will expect to collect in 2026/2027. As with any estimate, there is always the risk that it will prove to be inaccurate.

11.3. To mitigate against this, trend data for previous years will be used wherever possible and where assumptions must be made, these will be made with a cautious view. However, due to the introduction of the 2026 Rating List the reliance of trend data may not in this instance be of much use.

11.4. At the end of the 2026/2027 financial year, an NNDR 3 will be completed and audited, which will determine the final position in terms of Business Rates collected for 2026/2027. 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 and based on the estimate.

11.5. LG Futures are a company that are experts in the field of Local Government funding. We use them to provide advice on our NNDR1 return. This seeks to minimise the risks involved.

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 way business rates was collected changed, then this may affect those sections of the community and would be considered in a separate equalities 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