

CABINET

1 February 2022

NNDR 1 for 2022/23

Cabinet Member: Cllr Andrew Moore

Responsible Officer: Andrew Jarrett - Deputy Chief Executive (S151)

Reason for Report: To provide Members with an update of the income generation and financial implications of the number of Business Rate properties in Mid Devon and to approve the NNDR1 (estimated income to be generated in 2022/23 from business rates). To ensure that the Council meets its statutory deadline for notifying Precepting Authorities and the Government by 31 January 2022 of their appropriate shares in accordance with the Non Domestic Rating (Rates Retention) Regulations 2013, following approval by Council.

RECOMMENDATIONS:

- 1. That the calculation of the NNDR1 net yield of £14,398,686 from 3,436 Business Rated properties is noted and approved for 2022/23;**
- 2. That the proportions distributed to the respective authorities and Central Government be allocated as per the statutory regulations; and**
- 3. That Members note that Central Government will reimburse the Council through a Section 31 grant to compensate it for the reduction in collectable business rates as a result of introducing various reliefs.**

Relationship to Corporate Plan: This report sets out the estimated net business rates for 2022/23; the estimate will then be used in the calculation of future Council business rates budgets. This report is in line with the Council's Corporate Plan objectives and is essential to delivering the necessary funding to balance the 2022/23 General Fund Revenue budget.

Financial Implications: Mid Devon District Council is a Statutory Billing Authority and has a duty to carry out this task each year as part of the budgetary process.

Legal Implications: This is a statutory function and is a legal requirement. The Council must set its budget annually based on the Council Tax tax base and the projected NNDR1 values.

Risk Assessment: If the Council fails to carry out this duty, then it will not be able to forecast its future budget positions. The calculation of the NNDR1 involves a number of estimates made by professional officers, but due to the volatility and uncertainty of Business Rates appeals and Central Government retention policies, the Council holds a Business Rates Smoothing Reserve which can be used to mitigate fluctuations in Business Rates receipts.

Equality Impact Assessment: No equality issues identified for this report.

Climate Change Assessment: No climate change issues identified for this report.

1. Introduction

- 1.1. Councils must submit a return known as the NNDR1 form to the Department for Levelling Up, Housing and Communities (DLUHC). This form provides the local tax base for business properties in the area for the forthcoming year and determines the value of income from Non-Domestic Rates between Central Government, Mid Devon District Council and the Devon and Somerset Fire & Rescue Authority. As such the NNDR1 form is a key document in the budget setting process.
- 1.2. The NNDR1 form must be certified by the Section 151 Officer. Councils are expected to adopt a similar approval process used for the Council Tax Base, i.e. approval by Council.

2. Business Rates Retention Scheme

- 2.1. Prior to 1 April 2013, all billing authorities collected the business rates in their area and passed this money onto a Central Government pool. The pool was then redistributed to local authorities throughout the country based on their needs, resources and the services they provide to their community. For example, one billing authority may collect £15m and only require £10m to run its services, whereas another billing authority may collect £10m and require £15m to run its services. The shortfall and excess was then redistributed by Central Government through a fixed sum as part of the Formula Grant Settlement.
- 2.2. From 1 April 2013, Central Government changed the way this financing is distributed. Each billing authority now has to forecast the amount of revenue it will generate from business rates and then redistribute that income between Central Government, the County Council, the Fire Authority and itself, based on a centrally prescribed formula (see below).
- 2.3. The Business Rates Retention Scheme as it is now known, also allows the billing authority to keep a share of the increase in revenue it generates, therefore encouraging billing authorities to encourage business growth in its area. However, the converse of this applies and if a billing authority's business rates decline, the District Council (i.e. MDDC) will see a proportionate drop in revenue.
- 2.4. This is the key difference between the old and new schemes. As under the old business rates scheme, the level of funding was determined at the beginning of the year and was fixed thereafter, thereby protecting billing authorities.
- 2.5. In order to assist local authorities in retaining revenue within the counties, Central Government allowed Upper Tier Councils (Unitary and County Councils) and Lower Tier Councils (District Councils) to join together to pool their growth and offset the growth of one area against a decline in another area. Effectively, this creates a larger critical mass across the county to alleviate

exposure to individual authority losses, thus enabling Counties and Districts to retain more of the rates collected instead of contributing this money to the central pool.

- 2.6. Mid Devon District Council joined the Devon County-wide pool in 2014 and will remain in the pool for 2022/23 to maximise the amount of Business Rates it can retain. This may however be the last year of the pool, as the new business rates funding scheme being considered for 2023/24 may not be beneficial for such arrangements. Furthermore, the Government are proposing resetting the baseline against which growth is measured, which could see Councils like MDDC lose the benefit of the growth they have delivered since 2013.
- 2.7. This report details the calculations necessary to determine the estimated debit the Council is expected to collect in business rates for the 2022/23 year. The net collectable debit is then split proportionally in accordance with the provisions of the Local Government Finance Settlement issued in December 2020 which enables the whole of Devon to have a 50% rates retention, subject to tariffs / Top-ups and levies. The tier split for Devon is as follows:
 - 9% is distributed to Devon County Council
 - 40% is kept by Mid Devon District Council
 - 1% is distributed to the Devon & Somerset Fire & Rescue Authority
- 2.8. The current 2017 Valuation list took effect from 1st April 2017.

3. S31 Grant Reliefs (funded reliefs)

- 3.1. The Government provides grants to Councils under Section 31 (S31) of the Local Government Act 2003 (LGA 2003) for a wide range of purposes. Within the Business Rates service area, S31 grants are provided to recompense the Council for a range of reliefs, including the Small Business Grant Fund and Retail, Hospitality and Leisure schemes introduced in response to Covid-19.
- 3.2. Part 2, Section 46 of the NNDR1 calculates that MDDC is due £2,188,682 in S31 Grant in 2022/23 across the various reliefs applied. This is largely due to the Government's announcement to continue the relief available to Retail, Hospitality and Leisure businesses in 2022/23 at a rate of 50%.

4. 2022/23 Forecast Yield

- 4.1. Appendix 1 shows the estimated net yield from business rates for 2022/23 set out in the NNDR1 return. The Council is notionally able to keep 40% of the total business rates it collects and this would generate an estimated £5,759,474 (less Tariff and Levy). MDDC gets £115,493 as a cost of collecting the years' business rates and will continue to retain the income from renewable energy schemes of £137,995k in 2022/23.
- 4.2. Prudent forecast are included for the possibility of losing income as a result of a business appealing its Rateable Value, or for non-payment of the charge.

5. Possible amendments to grant and reduced business rates income

- 5.1. As stated in 3.2 above, the Covid-19 related reliefs have already been announced for 2022/23. However, in the current situation, it is possible that further reliefs may be awarded during the year.
- 5.2. The Chancellor will be delivering the budget on the 23 March 2022 and it's possible that revised or new reliefs will be announced, this will require modelling and revising financial figures shown in this report. It would be expected that further S31 grant would accompany such an announcement, along with additional New Burdens funding to help meet the cost of undertaking the additional work.

6. Conclusion

- 6.1. Due to the associated volatility and significant sums of revenue involved, we will continue to maintain a Business Rates Smoothing Reserve and provide Members with regular updates on the level of business rates being collected during 2022/23.

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Circulation of the Report: Leadership Team, Cabinet

Background Papers: NNDR1 and supporting documentation