CABINET
7 March 2023

NNDR 1 for 2023/24

Cabinet Member: Cllr Barry Warren, Leader and Cabinet Member for Finance & Environment
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 2023/24 from business rates). There is a statutory deadline for notifying Precepting Authorities and the Government by 31 January 2023 of their appropriate shares in accordance with the Non Domestic Rating (Rates Retention) Regulations 2013 Regulation 2(b). The Government return has been submitted and Preceptors informed of the estimated income.

RECOMMENDATIONS:

1. **That the calculation of the NNDR1 net yield of £16,921,552 from 3,519 Business Rated properties is noted for 2023/24;**

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 under section 47.**

Relationship to Corporate Plan: This report sets out the estimated net business rates for 2023/24; 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 2023/24 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. Although no resolution is required as with Council Tax Charges.

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 2023/24 to maximise the amount of Business Rates it can retain.

2.7. This report details the calculations necessary to determine the estimated debit the Council is expected to collect in business rates for the 2023/24 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 new 2023 Valuation list takes effect from 1st April 2023. By law rateable values need to be reviewed every 3 years, it was 5 years. Then table at 2.9 helps illustrate some of the movements in the list.

2.9.

List	**Rateable Value (RV)**
2023 Draft List Rateable Value 09/01/2023	£52,776,105
2017 List as at 04/01/2023	£46,827,209
Gross RV Increase	**£5,948,896**
% Gross RV Increase	**12.70%**

MDDC Property Estimate Gross RV	**Gross RV**
2017 List	£1,393,465
2023 List	£1,485,855
Increase	**£92,390**

Top 15 RV Movement	**Gross RV**
2017 List	£8,254,000
2023 List	**£9,040,000**
Increase	**£786,000**

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 such as, including the Small Business Rate Relief, Retail, Hospitality and Leisure schemes, Supporting Small Business Relief, Public Toilets and Rural Rate (50%) top up.

3.2. Part 2, line 45 (fund reliefs) of the NNDR1 is estimated to be £2,753,762, S31 will be applied to pay back the cost at MDDC share (40%). This is largely due to the Government's announcement to continue the relief available to Retail, Hospitality and Leisure businesses in 2023/24 at a rate of 75%. Other reliefs apply.

4. 2023/24 Forecast Yield

4.1. The Council is notionally able to keep 40% of the total business rates it collects and this would generate an estimated £6,768,621 (less Tariff and Levy). MDDC gets £120,580 as a cost of collecting the years' business rates and will continue to retain the estimated income from renewable energy schemes of £254,906 in 2023/24.

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. Changes being introduced for 2023/24

5.1. A new Supporting Small Business Scheme is being introduced with effect from the 1st April 2023 whereby increases in charge due to loss or reduction of either Small Business Rate Relief or Rural Rate Relief will be capped at £600 annually. Those on SSBR whose 2023 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund Small Business Rate relief while they are eligible for 2023 SSBR.

5.2. There will be no downward Transitional Relief for properties that have had a reduction in rateable value; they will receive the full benefit of the reduction. Additional New Burdens funding will be available 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 2023/24.

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Circulation of the Report: Leadership Team, Cabinet

Background Papers: NNDR1