

Report for: Cabinet

Date of Meeting:	6 February 2024
Subject:	NNDR 1 for 2024/25
Cabinet Member:	Cllr James Buczkowski
Responsible Officer:	Andrew Jarrett - Deputy Chief Executive (S151)
Exempt:	N/a
Wards Affected:	All
Enclosures:	NNDR1

Section 1 – Summary and Recommendation(s)

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 2024/25 from business rates).

To ensure that the Council meets its statutory deadline for notifying Precepting Authorities and the Government by 31 January 2024 of their appropriate shares in accordance with the Non Domestic Rating (Rates Retention) Regulations 2013, following approval by Council.

Recommendation(s):

Cabinet are asked to recommend to Council the following:

- 1. That the calculation of the NNDR1 net yield of £18,304,353 from 3,557 Business Rated properties is noted and approved for 2024/25;**
- 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.**

4. That Members agree to Mid Devon rejoining the Devon Business Rates Pool for 2024/25.

Section 2 – Report

1.0 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.

2.0 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 wishes to remain in the pool for 2024/25 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 2024/25 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
- 3.0 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 39 of the NNDR1 calculates that MDDC is due £2,739,142 in S31 Grant in 2024/25 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 2024/25 at a rate of 75%.
- 4.0 2024/25 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 £7,321,741 (less Tariff and Levy). MDDC gets £123,164 as a cost of collecting the years' business rates and will continue to retain the income from renewable energy schemes of £233,823 in 2024/25.
- 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.

- 5.0 Changes being introduced for 2024/25
- 5.1 A new improvement relief is being introduced with effect from the 1st April 2024 the level of relief awarded is calculated by the Valuation Office Agency who issue Certificates to the billing authority to allow for the relief. This is funded by Section 31 grants so there is no cost to the Council
- 5.2 The restriction preventing Council's from making a decision to award Discretionary Relief more than 6 months after the end of the relevant financial year has been removed. We have revised our Discretionary Relief Policy to reflect this change; we will now exercise this where the Relief applied for is funded via Section 31 grants will go beyond the year in which the claim is made by one further year; where Section 31 grant is not payable the relief will only be applied to the year in which the application is made
- 5.3 Rural Rate Relief, Public Toilet Relief, Heat Network Relief becomes a mandatory relief with effect from the 1st April 2024; as this is no longer funded by Section 31 grants these changes will now incur a cost to the Council.
- 6.0 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 2024/25.

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.

Impact on Climate Change

No climate change issues identified for this report.

Equalities Impact Assessment

No equality issues identified for this report.

Relationship to Corporate Plan

This report sets out the estimated net business rates for 2024/25; 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 2024/25 General Fund Revenue budget.

Section 3 – Statutory Officer sign-off/mandatory checks

Statutory Officer: Andrew Jarrett

Agreed by or on behalf of the Section 151

Date: 26/01/2024

Statutory Officer: Maria De Leburne

Agreed on behalf of the Monitoring Officer

Date: 26/01/2024

Chief Officer: Stephen Walford

Agreed by or on behalf of the Chief Executive/Corporate Director

Date: 26/01/2024

Performance and risk: Dr Stephen Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

Date: 26/01/2024

Cabinet member notified: (yes)

Section 4 - Contact Details and Background Papers

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Background papers: NNDR1