

DECISION NOTICE
Key Executive Decision taken by an OFFICER

KEY DECISION

Title: NON DOMESTIC RATES (NDR) 2024/25 TAX BASE

Person Taking Decision: Clare Fletcher (Strategic Director (S151))

Decision has been included on Forward Plan?:

Yes

Decision is Urgent i.e. permission to waive the call-in rules is sought:

Yes

If 'Yes' the reason for urgency is:

Consideration of this matter cannot wait until the next meeting of the Executive on 7 February as the Local Government Finance Act 2012. The completion of the NDR1 form issued by the government determines the level of business rates collectable, level of reliefs to be given in 2024/25 together with the current business rate yield in January. The timing of the release of the government form and the submission deadline means the completion of the NDR1 is recommended to be delegated to the CFO after consultation with the Resources and Transformation Portfolio. This decision was reviewed by the Overview and Scrutiny Meeting on the 22 November 2023.

Decision:

1. That the Business Rates yield for 2024/25 of £54,797,341 (NNDR1 part1a Line 11) be approved.
2. That the supporting NNDR1 return (Appendix A) be approved.
3. That the amount to be retained by Stevenage Borough Council under the business rates retention scheme be £4,684,280 for 2024/25 (net of the tariff and including section 31 grants).
4. That the NDR gains projected for 2024/25 subject to any changes in recommendation 2.7 are ring fenced in an allocated reserve until the

gain is actually realised, (above the Medium Term Financial Strategy assumptions of £200K per year).

5. That the return of balances to the Collection Fund from the General Fund relating to 2022/23 and 2023/24 of £838,057 be noted.
6. That the projected Stevenage retained share for 2023/24 of £4,192,940 be approved.
7. That any changes to business rate projections for 2024/25 as a result of further work be delegated to Strategic Director (S151) after consultation with the Portfolio for Resources and Transformation.

Reasons for the Decision: As set out in the attached report

Other Options considered: As set out in the attached report

Declaration of Interest:

Dispensations granted by Standards Committee: None

Authorisation

Having considered the attached report and with regard to all relevant considerations and the views of those consulted (see below), I authorise the above decision.

Signed:

Name:

Position:

Date:

Strategic Director (S151)– to approve the financial Implications:

Signed:
SIGNATURE REDACTED

Name: Clare Fletcher

Date: 31 January 2024

Member Consultation:

I have been consulted on this issue and support the decision

Signed:

SIGNATURE REDACTED

Position: Portfolio Holder for
Resources and Transformation

Name: Cllr Jeannette Thomas

Date: 31 January 2024

Chair of the Overview & Scrutiny Committee (if required – delete paragraphs that do not apply)

This was approved as part of the Draft November report and not call in by O&S, O&S reviewed the Executive decision on the 22 November 2023.

Signed:

SIGNATURE REDACTED

Position: Chair of Overview & Scrutiny
Committee

Name: Cllr Lin Martin-Haugh

Date: 31 January 2024

Date of Decision: 31 January 2024

Date of Publication: 1 February 2024

Call-in Deadline: n/a

Date of Implementation: 31 January 2024

STEVENAGE BOROUGH COUNCIL

NATIONAL NON-DOMESTIC RATES (NNDR) 2024/25 TAX BASE

KEY DECISION

Author –	Clare Fletcher	Ext. 2933
Contributors –	Sandra Huntingford	01279 502063
	Brian Moldon	Ext. 2943
Lead Officers –	Clare Fletcher	Ext. 2933
Contact Officer –	Clare Fletcher	Ext. 2933

REASON FOR URGENCY

Consideration of this matter cannot wait until the next meeting of the Executive on 7 February as the Local Government Finance Act 2012 requires the tax base to be approved by 31 January 2024. This was delegated to the Strategic Director (S151) following consultation with the Resources and Transformation Portfolio holder.

1. PURPOSE

- 1.1 To approve the National and Non Domestic Rates (NNDR) tax base for 2024/25.
- 1.2 To update Members on the 2023/24 projections for NNDR.

2. RECOMMENDATIONS

- 2.1 That the Business Rates yield for 2024/25 of **£54,797,341** (NNDR1 part1a Line 11) be approved.
- 2.2 That the supporting NNDR1 return (Appendix A) be approved.
- 2.3 That the amount to be retained by Stevenage Borough Council under the business rates retention scheme be **£4,406,403** for 2024/25 (net of the tariff and including section 31 grants).
- 2.4 That the NDR gains projected for 2024/25 subject to any changes in recommendation 2.7 are ring fenced in an allocated reserve until the gain is actually realised, (above the Medium Term Financial Strategy assumptions of £200K per year).
- 2.5 That the return of balances to the General Fund from the Collection Fund relating to 2022/23 and 2023/24 of **£838,057** be noted.
- 2.6 That the projected Stevenage retained share for 2023/24 of **£4,192,940** be approved.

- 2.7 That any changes to business rate projections for 2024/25 as a result of further work be delegated to Strategic Director (S151) after consultation with the Portfolio for Resources and Transformation.

3. BACKGROUND

- 3.1 The Business Rates Retention Scheme which commenced on 1 April 2013 requires the Executive to formally approve the NNDR1 by the 31 January immediately preceding the financial year to which it relates. The NNDR1 contains details of the rateable values shown for the authority's local rating list at 30 September and enables the Council to calculate the expected income in respect of business rates for the year - a proportion of which the Council will retain from 2013/14 onwards.
- 3.2 Using a revised government form (NNDR1), the Council is able to estimate the gross yield from business rates to reflect local intelligence about likely increases, or decreases, in the business rates that can be collected for the year.
- 3.3 After certain deductions, including mandatory or discretionary relief and adjustments to reflect losses on collection, this will give the authority's estimated net rating income for the year which will be used to determine the payments that are due to central government by way of central share, and to the relevant precepting authorities (Hertfordshire County Council in the case of SBC).
- 3.4 The latest revaluation which was postponed by two years to 1 April 2023 and based upon an antecedent valuation date of 1 April 2021. This has resulted in rental for retail reducing and increases in Industrial, Office and Education. This year Transitional Relief (Government scheme to limit the fluctuation in the movement of business rate bills from the revaluation) has reduced down to £1.5Million which has resulted in an increase in the expected gross yield.
- 3.5 Income is shared between central government (50%), the county council (10%) and district council (40%) Authorities are classified as "tariff" (where business rates income is higher than their assessed need) or "top up" (where income is less than need), the difference being paid to or from central government, Stevenage is a tariff authority and the County is a top up authority. The sum of the district council's share and the tariff equals the governments baseline need assessment of how much NNDR Stevenage will retain. These figures are included in the annual formula grant settlement.
- 3.6 Growth in business rates income above that baseline figure is shared in the same proportion so Stevenage receive 40%, tariff authorities (such as Stevenage) would pay a levy on their share (50%). Conversely authorities are protected from decline in business rate income by a safety net mechanism, where central government reimburses losses greater than 7.5% (£210,970) below the baseline assessment.

Stevenage has made provision in its risk assessment of balances for the impact of losing up to 7.5% of its NNDR income below its baseline assessment.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 NNDR1 PROJECTONS 2023/24

4.1.1 The NNDR 1 has been completed for 2024/25 and includes the outturn position for 2022/23 and the projected position for 2023/24.

4.1.2 Part four of the NNDR1 calculates the balances owed to/by the preceptors and the government. The opening balance on the NNDR 1 (part 4) is a surplus of £1,102,050 and this relates to 2021/22 and 2022/23 as the amounts due to Stevenage have changed as a result of the actual rather than the projected position. Stevenage's share of the surplus is **£440,820** and was included in the January 2024 draft General Fund budget report.

4.1.3 Part four of the NNDR 1 also addresses the 2023/24 projected outturn position compared to the original NNDR1 for 2023/24, which is shown below.

	NNDR 1 2023/24 £	Projection 2023/24 £	Var to NNDR 1 £
Gross Yield	(62,596,456)	(60,742,059)	1,854,397
Reliefs (mandatory/ discretionary)	5,203,826	4,658,426	(545,400)
S31	2,694,269	2,367,808	(326,461)
Bad Debt	500,000	103,416	(396,584)
Cost of Collection	107,645	107,645	0
Appeals	2,672,000	1,092,953	(1,579,047)
Total	(51,418,716)	(52,411,810)	(993,094)

4.1.4 The net yield has increased by £993,094 even though the gross yield was lower. This is due to appeals for the 2017 and 2023 rating list and bad debt provision being less than budgeted for. Stevenage share of this is £397,238. The Council will be liable for additional levy payment on this gain and this can be seen in the table below.

4.1.5 Income relating to 2023/24 is paid to the preceptors (and government) based on the NNDR1 **EXCEPT** for the section 31 grants which are based on the actual amount included in the NNDR3 (outturn position),

along with any levy or safety net payments. This means that a levy could be due for the year even though the General Fund will not have received a higher share of NNDR. This is the impact for Stevenage in 2023/24 as illustrated in the table below.

	Compare 2023/24 Original v Projected			Payment in year	
	NNDR 1 2023/24 £	Projection 2023/24 £	Var to NNDR 1 £	2023/24	2024/25
Net yield	(51,418,716)	(52,411,810)	(993,094)		
Stevenage share of yield	(20,567,486)	(20,964,724)	(397,238)	(20,567,486)	
Tariff	18,797,044	18,797,044	0	18,797,044	
Tariff adjustment	0	(555,758)	(555,758)	(555,758)	
Share net of tariff	(1,770,443)	(2,723,438)	(952,996)	(2,326,200)	(397,238)
S31 grant payable*	(2,233,191)	(2,323,817)	(90,626)	(2,323,817)	
Baseline Funding Level	(2,668,705)	(2,668,705)			
Gains before levy applied	(1,334,928)	(2,378,550)			
Gains applicable for levy	(760,893)	(1,708,632)			
Levy due 50%	380,447	854,316	473,869	854,316	
Retained Business Rates	(3,623,187)	(4,192,940)	(569,752)	(3,795,701)	(397,238)
Estimated				(3,623,187)	
Variance				(172,514)	(397,238)
					(569,752)

*not all Section 31 grant is included in the levy calculation (negative number shown as an additional income to Stevenage).

- 4.1.6 Included in the revised calculation for 2023/24 is a one off adjustment to the tariff amount of £555K, the government will reduce the 2024/25 payment by this amount but Councils need to account for this in the correct year. The impact of the tariff adjustment is to remount to be paid to the government but it also increase the amount of levy payable.
- 4.1.7 Based on the revised projections for 2023/24 Stevenage will have net NNDR income of £3,795,701 in the General Fund for 2023/24, an increase on original estimate of £172,514 which the CFO recommends is transferred to the business rates reserve. With a further income of £397,238 will be received in 2024/25 (also recommended to be transferred to the business rates reserve in 2024/25 in line with Council policy). However, the actual position will not be known until the

accounts are closed, but the amounts shown in the table above will be used for budgeting purposes.

4.2 NNDR1 PROJECTIONS FOR 2024/25

4.2.1 The following assumptions have been included in the NNDR1 yield for 2024/25 based on the value of rateable properties as at 31 December 2023 adjusted for:

- i. Estimates about properties likely to be removed from the rating list as result of change of use to residential.
- ii. Estimation of growth in the rating list.
- iii. The value of appeals to be resolved and reducing the NDR yield
- iv. Estimates relating to Section 31 grants awarded.
- v. An estimate of the impact of known appeals not resolved in 2024/25 by the Valuation Office which would need to be provided for.

4.2.2 The estimate for 2024/25 is shown in the table below.

Business Rates Due	NNDR 1 2024/25 £
Gross Yield	(68,493,940)
Reliefs (mandatory/ discretionary)	6,347,779
Transitional relief given	1,548,927
S31	2,789,803
Transitional relief repaid to Council	(1,548,927)
Bad Debt	750,000
Cost of Collection	107,499
Renewable Energy	1,518
Appeals	3,700,000
Total	(54,797,341)

4.2.3 The NDR due to Stevenage based on the impact of the net yield shown in 4.2.2 is detailed in the table below; the table shows that there could be gains of £1,083,997.

Stevenage Share	NNDR 1 2024/25 £
Retained rates	(4,406,403)
Assumed in General Fund budget	(3,322,406)
Possible gain above the baseline	(1,083,997)

4.2.4 There are caveats with this projection, it is still unclear what level of appeals will arise as a result of the new list and the reduction in transitional relief might generate. It is also unclear how the NNDR1 is prepared in relation to the final tariff calculations and any final changes to Stevenage tariff calculation will be included in the Council Budget report in February.

4.2.5 The Strategic Director (s151) recommends that as a result of the issues outlined in the report, gains for 2024/25 are ring-fenced as follows:

£1,083,997 is put into a reserve until the gain is actually realised given the uncertainty over business rates and the financial resilience risks to the General Fund as set out in the February Final General Fund budget report.

4.2.7 The Executive at the meeting held on 15 November 2023, delegated authority to the Strategic Director (S151), following consultation with the Portfolio Holder for Resources and Transformation, to approve the NDR Tax Base 2024/2025 (including any amendments to the numbers outlined in this report), This decision was reviewed by the Overview & Scrutiny Committee on the 22 November in order for this decision to meet the 31 January statutory deadline.

4.3 2022/23 OUTTURN POSITION

4.3.1 The difference between the estimated 2022/23 position and the actual (as reported to the DLUHC in the NNDR3 and included within the Council's Statement of Accounts) will be included in the 2024/25 General Fund. The main difference to that reported in the NNDR1 2022/23 related to the release of appeals being greater than estimated for the year end. This is £440,820 increase in income and was included in the September 2023 MTFs and draft General Fund report to the January 2024 Executive.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 The business rate income included in the General Fund for 2024/25 relates to 2022/23, 2023/24 and 2024/25 and is summarised in the table below.

Business Rates Income included in 2024/25		General Fund	
	2024/25 £	2023/24 £	2022/23 £
Business Rates due:			
Business rates due	(£796,360)	(£397,238)	(£440,820)
S31 grant payable	(£2,526,046)		
Retained Business Rates	(£3,322,406)	(£397,238)	(£440,820)
Surpluses	(£1,083,997)	(397,238)	(440,820)
Total Business Rates receivable			(£5,244,461)
Transfer to Allocated Reserves 2024/25	(£959,311)	(£397,238)	(£440,820)
Total transfer to Reserves			(£1,797,369)

**Transfer to reserves adjusted for amount required in General Fund for 2024/25 for financial resilience.*

5.1.2 The NNDR1 form attached is the best estimate of the likely yield.

5.2 Legal Implications

5.2.1 The Council needs to make a formal decision to approve a tax base and NNDR baseline by the 31 January 2024.

5.2.2 The National Non-Domestic Rating Return 1 (NNDR1) regulations are under the LGFA1988 paragraph 5(2) of Schedule 8 (which requires authorities to calculate their provisional non-domestic rating contribution for the forthcoming financial year, at such time as the Secretary of State directs).

5.2.3 By means of the direction powers in paragraph 40 of section 1 to the Local Government Finance Act, the Government requires billing authorities by 31 January to confirm that the NNDR1 is correct, and for the DCLG and relevant precepting authorities to be notified. This will be after it has been appropriately approved by the Council.

5.3 Risk Implications

5.3.1 The fluctuation in NDR projections as a result of changes in appeals and reductions in the gross yield e.g. as businesses are converted to residential use means that sufficient balances are required in the General Fund to meet this.

5.3.2 There could be significant fluctuations to the retained yield as a result of new appeals on the 2023 rating list (following the revaluation) and there are still appeals outstanding from the 2017 rating list. The gains from 2024/25 are recommended to be retained within an allocated reserve as outlined in paragraph 4.2.5.

BACKGROUND PAPERS

The Local Government Finance Bill 2012

<http://services.parliament.uk/bills/2012-13/localgovernmentfinance/documents.html>

The Local Government Finance Act 2012

<http://www.legislation.gov.uk/ukpga/2012/17/contents/enacted>

Appendices

Appendix A	NNDR1 Form
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