

**DECISION NOTICE**  
**Key Executive Decision taken by an OFFICER**

**KEY DECISION**

**Title: NON-DOMESTIC RATES (NDR) 2023/24 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:**

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**Consideration of this matter cannot wait until the next meeting of the Executive on 8 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 2023/24 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 ICT and Transformation Portfolio. This decision was reviewed by the Overview and Scrutiny Meeting on the 23 November 2022**

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**Decision:**

1. That the Business Rates yield for 2023/24 of £51,418,716 (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 £3,674,210 for 2023/24 (net of the tariff and including section 31 grants).
4. That the NDR gains projected for 2023/24 subject to any changes in recommendation 2.7 are ring fenced in an allocated reserve until the gain is actually realised

5. That the return of balances to the Collection Fund from the General Fund relating to 2021/22 and 2022/23 of £1,493,366 be noted.
6. That the projected Stevenage retained share for 2022/23 of £2,896,678 be approved.
7. That any changes to business rate projections for 2023/24 as a result of further work be delegated to Strategic Director (S151) after consultation with the Portfolio for Resources ICT 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

|  |                              |
|--|------------------------------|
| <b><u>Authorisation</u></b>  |                              |
| 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. |                              |
| <b>Signed:</b> SIGNATURE REDACTED  | <b>Name:</b> Clare Fletcher  |
| <b>Position:</b> STRATEGIC DIRECTOR  | <b>Date:</b> 31 January 2023 |

|  |                              |
|--|------------------------------|
| <b>Strategic Director (S151)– to approve the financial Implications:</b> |                              |
| <b>Signed:</b> SIGNATURE REDACTED  | <b>Name:</b> Clare Fletcher  |
|  | <b>Date:</b> 31 January 2023 |

|  |                              |
|--|------------------------------|
| <b>Member Consultation:</b>  |                              |
| I have been consulted on this issue and support the decision           |                              |
| <b>Signed:</b> approved by email                                       | <b>Name:</b> Cllr Joan Lloyd |
| <b>Position:</b> Portfolio Holder for Resources ICT and Transformation | <b>Date:</b> 31 January 2023 |

**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 16 November 2022.

**Signed:** SIGNATURE REDACTED

**Name:** Cllr Lin Martin-Haugh

**Date:** 31 January 2023

**Date of Decision:** 31 January 2023

**Date of Publication:** 1 February 2023

**Call-in Deadline:** N/A

**Date of Implementation:** 31 January 2023

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**Meeting:**

Portfolio Area: Resources ICT and Transformation

**Date:**

## **NATIONAL NON-DOMESTIC RATES (NNDR) 2023/24 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 8 February as the Local Government Finance Act 2012 requires the tax base to be approved by 31 January 2023. This was delegated to the Strategic Director (S151) following consultation with the Resources ICT and Transformation Portfolio holder.*

#### **1. PURPOSE**

- 1.1 To approve the National and Non-Domestic Rates (NNDR) tax base for 2023/24.
- 1.2 To update Members on the 2022/23 projections for NNDR.

#### **2. RECOMMENDATIONS**

- 2.1 That the Business Rates yield for 2023/24 of **£51,418,716** (NNDR1 part1a Line <sup>11)</sup> 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 **£3,674,210** for 2023/24 (net of the tariff and including section 31 grants).
- 2.4 That the NDR gains projected for 2023/24 subject to any changes in recommendation 2.7 are ring fenced in an allocated reserve until the gain is actually realised.

- 2.5 That the return of balances to the General Fund from the Collection Fund relating to 2021/22 and 2022/23 of **£1,493,366** be noted.
- 2.6 That the projected Stevenage retained share for 2022/23 of **£2,896,678** be approved.
- 2.7 That any changes to business rate projections for 2023/24 as a result of further work be delegated to Strategic Director (S151) after consultation with the Portfolio for Resources ICT 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. Since the last revaluation there have been 2 major economic events that have affected rental prices, Brexit and the pandemic. This has resulted in rental for retail reducing and increases in Industrial, Office and Education. This has been reflected in the rating values for 2023/24 which has seen an increase of £20Million increase in rateable valuations and over 9Million on gross yield between 2023/23 and 2023/24 NNDR1.
- 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% (£207,810) 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 2022/23

4.1.1 The NNDR 1 has been completed for 2023/24 and includes the outturn position for 2021/22 and the projected position for 2022/23.

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 £211,872 and this relates to 2020/21 and 2021/22 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 **£171,588** and was included in the December 2022 MTFS update and included in the General Fund budget report.

4.1.3 Part four of the NNDR 1 also addresses the 2022/23 projected outturn position compared to the original NNDR1 for 2022/23, which is shown below.

|  | NNDR 1<br>2022/23 £ | Projection<br>2022/23 £ | Var to<br>NNDR 1 £ |
|--|---------------------|-------------------------|--------------------|
| Gross Yield                              | (53,378,335)        | (50,740,967)            | 2,637,368          |
| Reliefs<br>(mandatory/<br>discretionary) | 4,818,762           | 4,619,583               | (199,179)          |
| S31                                      | 1,500,000           | 1,590,269               | 90,269             |
| Bad Debt                                 | 500,000             | 500,000                 | 0                  |
| Cost of Collection                       | 110,758             | 110,758                 | 0                  |
| Appeals                                  | 2,221,210           | (3,715,625)             | (5,936,835)        |
| <b>Total</b>                             | <b>(44,227,605)</b> | <b>(47,635,982)</b>     | <b>(3,408,377)</b> |

4.1.4 The net yield has increased by £3,408,377 even though the gross yield was lower. This is mainly due to one-off adjustment to appeals for the 2017 rating list, as the amount required for challenges (as this is close

to the end of the 2017 challenge period and 31 March 2023 with some exceptions), is less than budgeted for. Stevenage share of this is £1,363,351. 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 2022/23 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 2022/23 as illustrated in the table below.

|                                | Compare 2022/23 Original v Projected |                         |                    | Payment in year    |                    |
|--------------------------------|--------------------------------------|-------------------------|--------------------|--------------------|--------------------|
|                                | NNDR 1<br>2022/23 £                  | Projection<br>2022/23 £ | Var to<br>NNDR 1 £ | 2022/23            | 2023/24            |
| Net yield                      | (44,227,605)                         | (47,635,982)            | (3,408,377)        |                    |                    |
| Stevenage share of yield       | (17,691,042)                         | (19,054,393)            | (1,363,351)        | (17,691,042)       |                    |
| Tariff                         | 15,429,346                           | 15,429,346              | 0                  | 15,429,346         |                    |
| <b>Share net of tariff</b>     | <b>(2,261,696)</b>                   | <b>(3,625,047)</b>      | <b>(1,363,351)</b> | <b>(2,261,696)</b> | <b>(1,363,351)</b> |
| S31 grant payable*             | (1,618,319)                          | (1,822,930)             | (204,611)          | (1,822,930)        |                    |
| Baseline Funding Level         | (2,572,439)                          | (2,572,439)             |                    |                    |                    |
| Gains before levy applied      | (1,307,576)                          | (2,875,538)             |                    |                    |                    |
| Gains applicable for levy      | (953,326)                            | (2,375,895)             |                    |                    |                    |
| Levy due 50%                   | 476,663                              | 1,187,948               | 711,285            | 1,187,948          |                    |
| <b>Retained Business Rates</b> | <b>(3,403,352)</b>                   | <b>(4,260,029)</b>      | <b>(856,677)</b>   | <b>(2,896,678)</b> | <b>(1,363,351)</b> |
| Estimated                      |                                      |                         |                    | (3,403,352)        |                    |
| Variance                       |                                      |                         |                    | <b>506,674</b>     | <b>(1,363,351)</b> |
|                                |                                      |                         |                    |                    | <b>(856,677)</b>   |

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

- 4.1.6 Based on the revised projections for 2022/23 Stevenage will have net NNDR income of £2,896,678 in the General Fund for 2022/23, a reduction on original estimate of £506,674 which will be funded from the business rates reserve. With a further income of £1,363,351 will be received in 2023/24 (to be transferred to the business rates reserve in 2023/24). 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 2023/24

4.2.1 The following assumptions have been included in the NNDR1 yield for 2023/24 based on the value of rateable properties as at 31 December 2022 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 2023/24 by the Valuation Office which would need to be provided for.

4.2.2 The estimate for 2023/24 is shown in the table below.

| <b>Business Rates Due</b>             | <b>NNDR 1<br/>2023/24 £</b> |
|---------------------------------------|-----------------------------|
| Gross Yield                           | (62,596,456)                |
| Reliefs (mandatory/ discretionary)    | 5,203,826                   |
| Transitional relief given             | 5,424,796                   |
| S31                                   | 2,694,269                   |
| Transitional relief repaid to Council | (5,424,796)                 |
| Bad Debt                              | 500,000                     |
| Cost of Collection                    | 107,645                     |
| Appeals                               | 2,672,000                   |
| <b>Total</b>                          | <b>(51,418,716)</b>         |

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 £448,868.

| <b>Stevenage Share</b>                  | <b>NNDR 1<br/>2022/23 £</b> |
|---|-----------------------------|
| <b>Retained rates</b>                   | <b>(3,674,213)</b>          |
| <b>Assumed in General Fund budget</b>   | <b>(3,225,345)</b>          |
| <b>Possible gain above the baseline</b> | <b>(448,868)</b>            |



- 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, whether there are any corrections required to the list.
- 4.2.5 The Strategic Director (s151) recommends that as a result of the issues outlined in the report, gains for 2023/24 are ring-fenced as follows  
**£448,868 is put into a reserve until the gain is actually realised given the uncertainty over business rate failures following the pandemic**
- 4.2.7 The Executive at the meeting held on 16 November 2022, delegated authority to the Strategic Director (S151), following consultation with the Portfolio Holder for Resources ICT and Transformation, to approve the NDR Tax Base 2023/2024 (including any amendments to the numbers outlined in this report), This decision was reviewed by the Overview & Scrutiny Committee on the 23 November in order for this decision to meet the 31 January statutory deadline.

### 4.3 2021/22 OUTTURN POSITION

- 4.3.1 The difference between the estimated 2021/22 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 2023/24 General Fund. The main difference to that reported in the NNDR1 2021/22 related to the value of reliefs. This is £171,588 increase in income and was included in the MTFs and draft General Fund report to the January Executive.

## 5 IMPLICATIONS

### 5.1 Financial Implications

- 5.1.1 The business rate income included in the General Fund for 2023/24 relates to 2021/22, 2022/23 and 2023/24 and is summarised in the table below.

| Business Rates Income included in 2023/24<br>Fund |                    |                    | General            |
|---|--------------------|--------------------|--------------------|
|   | 2023/24 £          | 2022/23            | 2021/22            |
| <b>Business Rates due:</b>                        |                    |                    |                    |
| Business rates due                                | (1,441,022)        | (1,363,351)        | (171,588)          |
| S31 grant payable                                 | (2,233,191)        |                    |                    |
| <b>Retained Business Rates</b>                    | <b>(3,225,345)</b> | <b>(1,363,351)</b> | <b>(171,588)</b>   |
| Transfer to Allocated Reserves 2023/24            | (448,868)          | (£1,363,351)       | (£171,588)         |
|   |                    |                    | <b>(5,209,152)</b> |

5.1.2 The business rates retained regime can cause fluctuations in General Fund income as demonstrated in this report and the February 2023/24 General Fund report will include this impact in the 2023/24 risk assessment of balances.

5.1.3 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 2023.

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 and 2010 rating list. The gains from 2023/24 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**

|                   |                                   |
|-------------------|-----------------------------------|
| <b>Appendix A</b> | NNDR1 Form – available on request |
|-------------------|-----------------------------------|