Part 1 | Agenda item:

Meeting	CABINET
Portfolio Area	RESOURCES and TRANSFORMATION
Date	12 February 2025

NATIONAL NON DOMESTIC RATES (NNDR) 2025/26 TAX BASE

KEY DECISION

Authors	Brian Moldon / Clare Fletcher
Contributor	Clare Fletcher | 2933
Lead Officers	Brian Moldon
Contact Officer	Brian Moldon

REASON FOR URGENCY

Consideration of this matter cannot wait until the next meeting of the Cabinet on 12 February as the Local Government Finance Act 2012 requires the tax base to be approved by 31 January 2025. 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 2025/26.

1.2. To update Members on the 2024/25 projections for NNDR.

2. RECOMMENDATIONS

2.1. That the Business Rates yield for 2025/26 of **£57,060,170** **(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 **£4,618,603** for 2025/26 (net of the tariff and including section 31 grants).

2.4. That the NNDR gains projected for 2025/26 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 deficit of balances to the General Fund from the Collection Fund relating to 2023/24 and 2024/25 of **£1,232,757** be noted.

2.6. That the projected Stevenage retained share for 2024/25 of **£4,281,966** be approved.

2.7. That any changes to business rate projections for 2025/26 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 Cabinet 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 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 £288K (from £1.5Million in 2024/25) 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% (£213,840) 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 PROJECTIONS 2024/25

4.1.1. The NNDR 1 has been completed for 2025/26 and includes the outturn position for 2024/25 and the projected position for 2025/26.

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 deficit of £2,642,410 and this relates to 2022/23 and 2023/24 as the amounts due from Stevenage have changed as a result of the actual rather than the projected position. Stevenage’s share of the deficit is £1,056,964 and was included in the January 2025 draft General Fund budget report.

4.1.3. Part four of the NNDR 1 also addresses the 2024/25 projected outturn position compared to the original NNDR1 for 2024/25, which is shown below.

	NNDR 1 2024/25 £	Projection 2024/25 £	Var to NNDR 1 £
Gross Yield	(68,493,940)	(68,328,520)	165,420
Reliefs (mandatory/ discretionary)	6,347,779	7,007,372	659,593
S31	2,789,803	2,899,048	109,245
Bad Debt	750,000	405,230	(344,770)
Cost of Collection	107,499	107,499	0
Renewable Energy	1,518	1,518	0
Appeals	3,700,000	3,549,994	(150,006)
Total	**(54,797,341)**	**(54,357,859)**	**439,482**

4.1.4. The net yield has reduced by £439,482 against the original NNDR1 position. This is mainly due to an increase in reliefs being given on empty premises. Stevenage share of this is £175,793. The Council will be liable for less levy payment due to this reduction, and this can be seen in the table below.

4.1.5. Income relating to 2024/25 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 2024/25 as illustrated in the table below.

	Compare 2024/25 Original v Projected			Payment in year	
	NNDR 1 2024/25 £	Projection 2024/25 £	Var to NNDR 1 £	2024/25	2025/26
Net yield	(54,797,341)	(54,357,860)	439,481		
Stevenage share of yield	(21,918,936)	(21,743,144)	175,793	(21,918,936)	175,793
Tariff	19,227,311	19,227,311	0	19,227,311	
Share net of tariff	**(2,691,626)**	**(2,515,833)**	**175,793**	**(2,691,626)**	**175,793**
S31 grant payable*	(2,526,046)	(2,529,981)	(3,935)	(2,529,981))	
Baseline Funding Level	(2,812,960)	(2,812,960)	0		
Gains before levy applied	(2,404,712)	(2,232,854)			
Gains applicable for levy	(1,622,536)	(1,527,698)		0	
Levy due 50%	811,268	763,849	47,419	763,849	
Retained Business Rates	**(4,406,404)**	**(4,281,966)**	**124,439**	**(4,457,758)**	**175,793**
Estimated				(4,406,404)	
Variance				**(51,354)**	**175,793**
					124,439

*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 2024/25 Stevenage will have net NNDR income of £4,457,758 in the General Fund for 2024/25, an increase on original estimate of £51,354. With a deficit of £175,793 in 2025/26 (recommended to be transferred from the business rates reserve in 2025/26 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 PROJECTION FOR 2025/26

4.2.1. The following assumptions have been included in the NNDR1 yield for 2025/26 based on the value of rateable properties as at 31 December 2024 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 2025/26 by the Valuation Office which would need to be provided for.

4.2.2. The estimate for 2025/26 is shown in the table below.

Business Rates Due	**NNDR 1 2025/26 £**
Gross Yield	(70,023,017)
Reliefs (mandatory/ discretionary)	7,160,450
transitional Relief given	287,533
S31 reliefs	1,769,494
Transitional Relief repaid to Council	(287,533)
Bad Debt	672,000
Cost of Collection	108,306
Renewable Energy	1,597
Appeals provision	3,251,000
Total	**(57,060,170)**

4.2.3. The NNDR 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 £1,239,578.

Stevenage Share		**NNDR 1 2025/26 £**
Retained rates		**(4,618,603)**
Assumed in Draft General Fund budget • Baseline funding • Allowance for Under-Indexing	(£2,851,146) (£527,879)	

Stevenage Share		NNDR 1 2025/26 £
• Use of retained Business Rates Gains	(£200,000)	**(3,579,025)**
Possible gain above the baseline		**(1,039,578)**

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 2025/26 are ring-fenced as follows:

£1,039,578 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.

4.2.6. The Cabinet at the meeting held on 13 November 2024, delegated authority to the Strategic Director (S151), following consultation with the Portfolio Holder for Resources and Transformation, to approve the NNDR Tax Base 2025/2026 (including any amendments to the numbers outlined in this report), This decision was reviewed by the Overview & Scrutiny Committee on the 20 November in order for this decision to meet the 31 January statutory deadline.

4.3. 2023/24 OUTTURN POSITION

4.3.1. The difference between the estimated 2023/24 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 2025/26 General Fund. The main difference to that reported in the NNDR1 2023/24 related to the reduction in projected gross yield for the year. This resulted in a deficit of £1,056,964 and was included in the draft General Fund report to the January 2025 Executive.

5. IMPLICATIONS

5.1. Financial Implications

5.1.1. The business rate income included in the General Fund for 2025/26 relates to 2023/24, 2024/25 and 2025/26 and is summarised in the table below.

Business Rates Income included in 2025/26		General Fund	
	2025/26	2024/25	2023/24
Business Rates due:			
Business rates due	(£1,168,833)	£175,793	£1,056,964
S31 grant payable	(£2,210,192)		
Retained Business Rates	**(£3,379,025)**	**£175,793**	**£1,056,964**
(Surpluses) / Deficit	(£3,379,025)	£175,793	£1,056,964
Total Business Rates receivable			**(£2,146,268)**
Transfer to Allocated Reserves 2025/26	(£1,239,578)	£175,793	£1,056,964
Total transfer to Reserves			**(£6 ,821)**

**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 2025.

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. Policy Implications

5.3.1. None.

5.4. Equal Opportunities Implications

5.4.1. There are no direct equality and diversity implications arising from the recommendations in this report.

5.5. Risk Implications

5.5.1. The fluctuation in NNDR 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.

5.5.2. 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 2025/26 are recommended to be retained within an allocated reserve as outlined in paragraph 4.2.5.

5.6. Climate Change Implications

5.6.1. None.

BACKGROUND DOCUMENTS

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 for 2025/26