

NNDR1 GUIDANCE NOTES 2008-09

Please read this note before submitting your NNDR1

Introduction

1. These notes are intended to help authorities with the calculation on the NNDR1 form of their provisional non-domestic rating contribution for 2008-09. These notes are not a substitute for the legal provisions that govern the calculation of the provisional contribution to the non-domestic rating pool, but seek to explain what they require. Your authority should consult its own legal advisers if it has any doubts as to what the Regulations require.

2. References in these notes to 'the Act' are to the Local Government Finance Act 1988, as amended. Paragraph 5(2) of Schedule 8 to the Act requires authorities to calculate their provisional non-domestic rating contribution for the forthcoming financial year, at such time as the Secretary of State directs. For 2008-09, the amount of the provisional contribution must be notified to the Secretary of State by **Friday 8 February 2008.**

3. References in these notes to 'the Regulations' are to the Non-Domestic Rating Contributions (England) Regulations 1992 (SI 1992/3082). These have been amended several times since 1992, most recently by the Non-Domestic Rating Contributions (England) (Amendment) Regulations 2007 (SI 2007/3393).

4. Paragraph 5(3) of Schedule 8 to the Act enables the Secretary of State to make her own calculation of the provisional amount if the authority fails to notify the amount in time, or if she believes that the amount notified is not likely to have been calculated in accordance with the Regulations. If she makes such a calculation, the Secretary of State must notify the authority of her reasons for doing so and the amount calculated. To enable the Secretary of State to decide whether to exercise these powers, authorities are required (under section 139A of the Act) to supply information relevant to the calculation of the provisional amount, as shown on the form.

5. For the purposes of calculating the provisional amount, the Regulations provide that **the following shall be assumed to be nil:**

- i) amounts payable for a preceding financial year which have not been taken into account in a preceding financial year's outturn calculation;
- ii) amounts of hardship relief to be granted in 2008-09 under section 49 of the Act;
- iii) amounts of discretionary rate relief granted under section 47 and amounts of hardship relief granted under section 49 which have been taken into account in the calculation of the authority's contribution to the pool for a previous year but which should not have been (multiplied by the relevant percentage);

- iv) sums whose recovery has been, or is to be, deferred in 2008-09 as a result of agreements entered into with ratepayers by virtue of regulation 5 of the Non-Domestic Rating (Collection and Enforcement) (Local Lists) (Amendment and Miscellaneous Provision) Regulations 1991 (S.I. 1991/141);
- v) amounts of interest payable by the authority during 2008-09 (there is provision for these in the calculation of the 'Gross Amount' at line 14 - see paragraph 24 below);

6. The NNDR1 form is completed using forecasts for relief to be given in the following financial year. Following the recent introduction of the Rating (Empty Properties) 2007 Act, we recognise that authorities may have more difficulty in providing accurate forecasts for relief for empty and partially empty properties than in the past. During the year, we recommend authorities monitor their estimated contribution to the pool and, if it is apparent their contribution has fallen by more than the prescribed limits, then the authority may wish to consider revising their estimated contribution to the pool. [Before 30 September 2008 the change has to be greater than 1% of an authority's budget requirement as shown on their BR form; after 1 October this rises to 2% of the budget requirement.] Changes to the estimated contribution to the pool are made by completing an NNDR2 form which is obtainable upon request from nndr.statistics@communities.gsi.gov.uk.

PRELIMINARY

7. Enter in **line 1** the number of hereditaments shown in the local non-domestic rating list for the authority's area as at 31 December 2007
8. Enter in **line 2** the aggregate rateable value in the list as at 31 December 2007¹.
9. For authorities subject to boundary changes from 1 April 2008, if the number and rateable value of any hereditaments differ from those shown as at 31 December 2007, as a result of an order made under the Local Government Act 1972 on or before 15 January 2008, then the number of hereditaments and the rateable value in **lines 1 and 2** should take account of those changes.

GROSS CALCULATED RATE YIELD

10. Enter in **line 3** the gross rate yield calculated by multiplying the amount entered in line 2 by the proposed small business non-domestic rating multiplier for 2008-09 of **0.458**. **No account should be taken of any reduction in yield arising from the transitional arrangements, other rate reliefs, or empty property relief.**

TRANSITIONAL RELIEF

11. Enter in **line 4** the authority's best estimate of the amount of the reduction in rate yield for 2008-09 as a result of the application of the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2004 (SI 2004/3387), as amended, under which increases in bills caused by the revaluation on 1 April 2005 are being phased in.
12. The reduction is the sum of the difference, for each day of the year, between the full rate bill (the rateable value x the proposed 2008-09 small business non-domestic rating multiplier of **0.458**) and the reduced rates bills of all hereditaments subject to the transitional limit on increases. No account should be taken of empty property or of any other reliefs. Authorities should also **not** take into account the contribution to the cost of the small business rate relief scheme paid by those ratepayers that receive transitional relief but not small business rate relief; this should be reflected in **line 6** (see paragraph 15 below). If the authority is unable to make its own estimate of the amount to be entered in **line 4**, the Secretary of State will accept a calculation made on the basis of the information which is shown in respect of your authority in column 1 of *Annex A* to these notes.
13. Enter in **line 5** the authority's best estimate of the amount of the increase in rate yield for 2008-09 which will result from the deferral of full rate decreases by the application of the limits contained in regulation 9(3) of the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2004 (SI 2004/3387), as amended.

¹ When anticipating the provisional contribution for a revaluation year, i.e. the first year of a new five-year rating list period, the hereditaments shown in an authority's local non-domestic rating list and the rateable value of those hereditaments must be determined using the draft list which the valuation officer is required to send to the authority by 30 September of the year preceding the revaluation year.

14. The increase is the sum of the difference, for each day of the year, between the full rate bill (the rateable value x the proposed 2008-09 small business non-domestic rating multiplier of 0.458) and the amount of the transitional rate bill for all hereditaments subject to the limit on decreases. No account should be taken of empty property or of any other reliefs. Authorities should also **not** take into account the contribution to the cost of the small business rate relief scheme paid by those ratepayers that receive transitional relief but not small business rate relief; this should be reflected in **line 6** (see paragraph 15 below). If the authority is unable to make its own estimate of the amount to be entered in **line 5**, the Secretary of State will accept a calculation made on the basis of the information which is shown in respect of your authority in column 2 of *Annex A* to these notes (see above).

15. The Non-Domestic Rating (Chargeable Amounts) (Amendment) (England) Regulations 2006, which came into force on 14th December 2006 amended the definition of "defined hereditament" in the 2004 Chargeable Amounts Regulations, bringing into the transitional relief scheme those hereditaments that had a rateable value of £0 on 31 March 2005 and a positive rateable value on 1 April 2005. Billing authorities were advised to recalculate the rates liability for those hereditaments affected by the amending regulations and to make refunds as appropriate. However, any anticipated refunds in 2008-09 for previous years as a result of the amending regulations should **not** be taken into account in the NNDR1 return. This is because the amounts payable for a preceding financial year which have not been taken into account in a preceding financial year's outturn calculation shall be assumed to be nil (see paragraph 5 above and paragraph 2(11)(b) of Schedule 2 to the Regulations). However, the reduction in rate yield arising from these additional ratepayers being eligible for transitional relief for 2008-09 must be reflected in **line 4**.

MANDATORY RELIEFS

Small Business Rate Relief

16. Enter in **line 6** the authority's best estimate of total additional yield generated to finance the small business rate relief. This is the difference between the amount calculated for **line 3** and the amount calculated by applying the higher multiplier of **0.462** to those properties that do not qualify for small business rate relief. For properties that are eligible for transitional relief, but not in receipt of small business rate relief, line 6 should include the contribution that those properties make to the cost of the small business rate relief scheme.

17. Enter in **line 7** the authority's best estimate of the total cost of small business rate relief for properties within the billing authority's area. See also paragraph 22 below. This is the difference between the amount calculated in **line 3** and the total amount of relief given to qualifying properties with a rateable value of not more than £10,000 who will have their bill reduced further as a result of the calculation of factor "E" under article 6(1)(a) or (b) of the Non-Domestic Rating (Small Business Rate Relief) (England) Order (SI 2004/3315), as amended. See also sections 43(4A) to (4D) and 44(7) to (9) of the Act.

Charities

18. Enter in **line 8** the authority's estimated lost yield in 2008-09 through the application of 80% mandatory rate relief for properties occupied by charities in the authority's area (section 43(5) and (6)(a) of the Act). The authority must assume that properties occupied by charities on **31 December 2007** will continue to be so occupied throughout 2008-09. **NB. The estimate should take account of the effects of transition and reductions in rateable values under section 44A of the Act (partly occupied premises).**

Community Amateur Sports Clubs (CASCs)

19. Enter in **line 9** the authority's estimated lost yield in 2008-09 through the application of 80% mandatory rate relief for properties occupied by registered CASCs in the authority's area (section 43(5) and (6)(b) of the Act). Section 43(6)(b) was inserted into the Act by section 64 of the Local Government Act 2003. The authority must assume that properties occupied by CASCs on **31 December 2007** will continue to be so occupied throughout 2008-09. **NB. The estimate should take account of the effects of transition and reductions in rateable values under section 44A of the Act (partly occupied premises).**

Rural Rate Relief (relief for rural general stores, post offices, public houses, petrol filling stations and food shops)

20. Enter in **line 10** the authority's estimated lost yield in 2008-09 through the application of 50% mandatory rate relief for rural general stores, post offices, public houses, petrol filling stations and food shops, in the authority's area (section 43(6A) to (6E) of the Act). The Non-Domestic Rating (Public Houses and Petrol Filling Stations) (England) Order 2001 (SI 2001/1345), as amended, extended rural rate relief to qualifying public houses and petrol filling stations with effect from 5 April 2001. **NB The estimate should take account of the effects of transition and reductions in rateable values under section 44A of the Act (partly occupied premises).**

Partly occupied premises

21. Enter in **line 11** the authority's estimated lost yield in 2008-09 as a result of the rateable value of a hereditament being apportioned between its occupied and unoccupied parts under section 44A of the Act. The authority must assume that, where such an apportionment applies on **31 December 2007**, the apportionment will continue throughout 2008-09. **NB. The estimate should take account of the effects of transition but not of rural rate relief (which should be reflected in line 10), nor small business rate relief (which should be reflected in line 7).**

Empty premises

22. Enter in **line 12** the authority's estimated lost yield in 2008-09 as a result of premises being unoccupied.

23. Reforms to the empty property rate were made by the Rating (Empty Properties) Act 2007, which amended sections 44 and 45A of the Act and inserted a new section 45A. The amount entered in line 12 should reflect the amount lost as a result of the new zero pounds rates liability for empty properties owned by charities and CASCs under section 45A of the Act, or as a result of property not paying empty property rates by virtue of the Non-Domestic Rating (Unoccupied Property) Regulations 1989 (SI 1989/2261) that are in force on 7 January 2008. Authorities will be aware that the Department announced on 17 December 2007 further reforms to rates for empty properties to be introduced, subject to Parliamentary approval, through amendments to those Regulations. However, for the purposes of completing the NNDR 1 form, authorities should not anticipate those reforms. Changes to calculations as a result of those amendments will be relevant to adjustments to, and confirmation of, the provisional calculation later in the year.

24. The authority must assume that where a property is unoccupied on **31 December 2007**, it will remain unoccupied throughout 2008-09. ***NB. The estimate should take account of the effects of transition.***

GROSS YIELD

25. Enter in **line 13** the amount calculated by subtracting, from the amount entered in line 3, the amounts entered in lines 4, 7, 8, 9, 10, 11 and 12 and adding the amounts entered in lines 5 and 6.

GROSS AMOUNT

26. Enter in **line 14** the amount calculated by multiplying the amount in line 13 (gross yield) by 0.990 (the 'buoyancy factor'). This is the amount prescribed to take account of Communities and Local Government's estimate of the effect on yield of expected repayments in respect of previous years - resulting from reductions in rateable value due to successful appeals - and of interest payments arising from those repayments.

DISCRETIONARY RELIEFS

27. In calculating deductions for discretionary relief, authorities must ignore any determination made in respect of the occupation of a hereditament for the purposes of a county school (within the meaning of section 31(1) of the Education Act 1996 - paragraph 3(1A) of Schedule 1 to the Regulations refers).

Charities

28. Enter in **line 15** 25% of the total amount of any relief the authority expects to grant for 2008-09 (having taken account of the transitional arrangements and apportionment in rateable values under section 44A of the Act - partly occupied premises, where applicable) by virtue of its powers under section 47(1) and (2)(a) of the Act, i.e. 'top-up' relief for charitable organisations receiving mandatory rate relief. ***NB. The estimate should not take account of relief where, although the decision to grant discretionary grant is expected to be taken in 2008-09 the relief is in respect of the financial year 2007-08; such amounts will be taken***

into account in the NNDR3 return for 2007-08. Where no decision has been taken as to whether such relief should continue in respect of a hereditament for which relief has been granted for 2007-08, it should be assumed that the relief will continue in 2008-09.

Non-Profit Making Bodies

29. Enter in **line 16** 75% of the total of any relief the authority expects to grant to non-profit making organisations for 2008-09 (having taken account of the transitional arrangements and apportionment in rateable values under section 44A of the Act - partly occupied premises, where applicable) by virtue of its powers under section 47(1) and (2)(b) and (c) of the Act. **NB. The estimate should not take account of relief where, although the decision to grant discretionary grant is expected to be taken in 2008-09, the relief is in respect of the financial year 2007-08; such amounts will be taken into account in the NNDR3 return for 2007-08.** Where no decision has been taken as to whether such relief should continue in respect of a hereditament for which relief has been granted for 2007-08, it should be assumed that the relief will continue in 2008-09.

Community Amateur Sports Clubs (CASCs)

30. Enter in **line 17** 25% of the total amount of any relief the authority expects to grant for 2008-09 (having taken account of the transitional arrangements and apportionment in rateable values under section 44A of the Act - partly occupied premises, where applicable) by virtue of its powers under section 47(1) and (2)(ba) of the Act, i.e. 'top-up' relief for CASCs receiving mandatory rate relief. Section 47(2)(ba) was inserted into the Act by section 64 of the Local Government Act 2003. **NB. The estimate should not take account of relief where, although the decision to grant discretionary grant is expected to be taken in 2008-09, the relief is in respect of the financial year 2007-08; such amounts will be taken into account in the NNDR3 return for 2007-08.** Where no decision has been taken as to whether such relief should continue in respect of a hereditament for which relief has been granted for 2007-08, it should be assumed that the relief will continue in 2008-09.

Rural Rate Relief (including relief for rural general stores, post offices, public houses, petrol filling stations and food shops)

31. Enter in **line 18** 75% of the total of any relief the authority expects to grant to sole general stores, post offices, public houses, petrol filling stations and to rural food shops for 2008-09 (having taken account, where applicable, of the transitional arrangements and apportionment in rateable values under section 44A of the Act - partly occupied premises) by virtue of its powers under section 47(1) and (3A) of the Act, i.e. 'top-up' relief for sole general stores, public houses, petrol filling stations, food shops and post offices receiving mandatory rate relief. **NB. The estimate should not take account of relief where, although the decision to grant discretionary relief is expected to be taken in 2008-09, the relief is in respect of the financial year 2007-08; such amounts will be taken into account in the NNDR3 return for 2007-08.** Where no decision has been taken as to whether such

relief should continue in respect of a hereditament for which relief has been granted for 2007-08, it should be assumed that the relief will continue in 2008-09.

Other rural businesses

32. Enter in **line 19** 75% of the total of any relief the authority expects to grant to other rural businesses for 2008-09 (having taken account, where applicable, of the transitional arrangements and apportionments in rateable values under section 44A of the Act - partly occupied premises) by virtue of its powers under section 47(1), (3A) and (3B) of the Act. **NB. The estimate should not take account of relief where, although the decision to grant discretionary grant is expected to be taken in 2008-09, the relief is in respect of the financial year 2007-08; such amounts will be taken into account in the NNDR3 return for 2007-08.** Where no decision has been taken as to whether such relief should continue in respect of a hereditament for which relief has been granted for 2007-08, it should be assumed that the relief will continue in 2008-09.

NET RATE YIELD

33. Enter in **line 20** the amount calculated by subtracting lines 15, 16, 17, 18 and 19 from the amount entered in line 14 (the gross amount).

ALLOWANCES FOR LOSSES IN COLLECTION

34. If the authority has made proper arrangements for securing efficiency and effectiveness in relation to the collection of non-domestic rates, an allowance can be made for bad and doubtful debts. The appropriate percentage allowances for 2008-09 are:

The council of a metropolitan district	0.9%
The council of a non-metropolitan district which has the functions of a county council	0.7%
The council of a non-metropolitan district which does not have the functions of a county council	0.5%
The council of an inner London borough, and the Common Council of the City of London	0.8%
The council of an outer London borough	1.2%
The Council of the Isles of Scilly and the Isle of Wight Council	0.7%

Enter the appropriate percentage for the authority in **line 21** in the space provided. Also enter in **line 21** the amount found by applying this percentage to the amount entered in line 20 (the net rate yield).

COST OF COLLECTION

35. The total cost of collection allowance for 2008-09 is £83,606,000 (excluding the element for legal costs referred to below). The formula for an individual local authority provides for 76% of the allowance being determined by the number of hereditaments and 24% of the allowance being determined by rateable value. The formula also provides for a further element to cover reasonable legal costs in respect of any case an authority has brought or defended to clarify the law in respect of liability for, or the ability to enforce, non-domestic rates, where that case was lost and costs were awarded against the authority. To be eligible to include a sum in respect of legal costs, the authority must have met the conditions set out in the Regulations. These include a requirement that the authority notified the Secretary of State of its intention to bring or defend the proceedings before it did so and the requirement that it notified the Secretary of State of the amount to be claimed by 15 November in the preceding financial year.

36. Enter in **line 22** the authority's allowance in respect of collection costs, found by applying the formula:

$$\frac{\text{hereds} \times \text{ACF} \times \text{£63,540,560}}{1,773,304} + \frac{\text{RV} \times \text{ACF} \times \text{£20,065,440}}{50,459,096,692} + \text{legal costs}$$

where -

hereds is the number of hereditaments shown in the local non-domestic rating list for the authority's area as at 31 December 2007 (as entered in line 1)

ACF is the area cost factor for the authority shown in Part II of Schedule 1 to the Regulations. For 2008-09 these are listed in *Annex B* to these notes.

£63,540,560 is 76% of the total allowance for England for 2008-09 of £83,606,000;

1,773,304 is the total of hereds x ACF for all authorities in England;

RV is the aggregate rateable value in the local non-domestic rating list for the authority's area as at 31 December 2007 (as entered in line 2);

£20,065,440 is 24% of the total allowance for England for 2008-09 of £83,606,000;

50,459,096,692 is the total of RV x ACF for all authorities in England;

legal costs is the amount (if any) which fulfils the conditions set out in paragraph 4(5) of Schedule 1 to the Regulations (inserted by SI 1994/3139) .

37. In the case of authorities subject to boundary changes under the Local Government Act 1972, **hereds** and **RV** will **not** be those derived in accordance with

paragraph 9 above, but will be those actually shown in the rating list for the authority as at 31 December 2007.

PROVISIONAL CONTRIBUTION TO THE POOL

38. Enter in **line 23** the amount found by subtracting lines 21 and 22 from the amount entered in line 20 (the net rate yield).

MEMORANDUM BOX

39. In recent years, auditors have required that Communities and Local Government should be able to accrue, to the year of account, the outturn payments arising out of NNDR3 settlements later in the year. Forecasts made at the time the books close are always very different from the payments made ultimately. It is hoped that the estimate requested in this box will be made sufficiently late in the year to enable it to be a useful figure.

CERTIFICATION

40. Entries made in lines 4 to 12 and lines 15 to 19 must be certified by the Chief Financial Officer for the authority as being made in compliance with Schedule 1 to the Regulations, read with Schedule 2, and based on the best up to date information available. Authorities are reminded that:

a) the entries in lines 1 and 2 represent the number of hereditaments and the aggregate rateable value shown in the local rating list for the authority as at 31 December 2007 (with the provisos mentioned in paragraph 9 above for authorities affected by boundary changes) and

b) that any amount included as legal costs in line 22 meets the conditions set out in paragraph 4(5) of Schedule 1 to the Regulations.

41. The Chief Financial Officer must further certify that he or she is satisfied that the authority has made proper arrangements for securing economy, efficiency and effectiveness in relation to the collection of non-domestic rates.

42. Once the form has been certified, it must be returned to Communities and Local Government by no later than **Friday 8 February 2008**. The completed forms should be addressed to Sheela Vyas, Communities and Local Government, Zone 5/J6, Eland House, Bressenden Place, London SW1E 5DU.

Communities and Local Government
January 2008