

# NNDR1 GUIDANCE NOTES 2009-10

## 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 2009-10. 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 2009-10, the amount of the provisional contribution must be notified to the Secretary of State by **Friday 6 February 2009.**

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 2008/3078).

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 2009-10 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 2009-10 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 2009-10 (there is provision for these in the calculation of the 'Gross Amount' at line 14 - see paragraph 28 below);

6. The NNDR1 form is completed using forecasts for relief to be given in the following financial year, based on the information before the authority at the time the form is completed. Following the recent announcement by the Chancellor in the Pre Budget Report, subject to the necessary regulations coming into force, the exemption threshold for empty property will increase from a rateable value of £2,200 to £15,000 for 2009-10. We recognise that because authorities are required to complete the NNDR 1 before those regulations come into force, authorities may have more difficulty in providing accurate forecasts for relief for empty and partially empty properties than in the past resulting in contributions being over estimated.

7. 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 2009 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](mailto:nndr.statistics@communities.gsi.gov.uk).

8. This is the first time that some local authorities affected by reorganisation on 1 April 2009 will have completed this form. Those completing the form should follow the guidance below. The data that are pre-filled into the form and used for validation are calculated by combining the data for all the authorities that have been combined to create a new authority. For further details please look at the Data sheet in the NNDR1 form workbook.

## PRELIMINARY

9. 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 2008

10. Enter in **line 2** the aggregate rateable value in the list as at 31 December 2008<sup>1</sup>.

11. For authorities subject to boundary changes from 1 April 2009, if the number and rateable value of any hereditaments differ from those shown as at 31 December 2008, as a result of an order made under the Local Government Act 1972 on or before 15 January 2009, then the number of hereditaments and the rateable value in **lines 1 and 2** should take account of those changes.

## GROSS CALCULATED RATE YIELD

12. 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 2009-10 of **0.481**. **No account should be taken of any reduction in yield arising from other rate reliefs or empty property relief.**

## TRANSITIONAL RELIEF

13. It is not anticipated that there should be an entry at **line 4** for the authority's best estimate of the amount of the reduction in rate yield for 2009-10 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 were being phased in.

14. This is because the transitional relief scheme ended in 2008/09 and ratepayers subject to limits on the increases in their bills should be paying the full bill in 2009/10. Any anticipated refunds in 2009-10 for previous years 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).

15. It is not anticipated that there should be an entry at **line 5** for the authority's best estimate of the amount of the increase in rate yield for 2009-10 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.

16. This is because the transitional relief scheme ended in 2008/09 and ratepayers subject to limits on the decreases in their bills should be paying the full bill

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<sup>1</sup> 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.

in 2009/10. Any anticipated refunds in 2009-10 for previous years 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).

## MANDATORY RELIEFS

### Small Business Rate Relief

17. 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 proposed higher multiplier of **0.485** 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.

18. 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. 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

19. Enter in **line 8** the authority's estimated lost yield in 2009-10 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 2008** will continue to be so occupied throughout 2009-10. **NB. The estimate should take account of reductions in rateable values under section 44A of the Act (partly occupied premises).**

### Community Amateur Sports Clubs (CASCs)

20. Enter in **line 9** the authority's estimated lost yield in 2009-10 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 2008** will continue to be so occupied throughout 2009-10. **NB. The estimate should take account of 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)

21. Enter in **line 10** the authority's estimated lost yield in 2009-10 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 reductions in rateable values under section 44A of the Act (partly occupied premises).**

Partly occupied premises

22. Enter in **line 11** the authority's estimated lost yield in 2009-10 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 2008**, the apportionment will continue throughout 2009-10. **NB. The estimate should not take account 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

23. Enter in **line 12** the authority's estimated lost yield in 2009-10 as a result of premises being unoccupied.

24. The Chancellor announced at the Pre Budget report that for the financial year 2009-10, empty properties with a rateable value of less than £15,000 will be exempt from empty property rates. The Department will be making the necessary regulations, subject to Parliamentary approval. However, for the purposes of completing the NNDR1 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. These estimates should be adjusted accordingly by completing NNDR2 forms, which are available on request. See paragraph 7 above.

25. The authority must assume that where a property is unoccupied on **31 December 2008**, it became unoccupied on that day and will remain unoccupied throughout 2009-10.

**GROSS YIELD**

26. 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

27. Enter in **line 14** the amount calculated by multiplying the amount in line 13 (gross yield) by 0.991 (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

28. 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

29. Enter in **line 15** 25% of the total amount of any relief the authority expects to grant for 2009-10 (having taken account of 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 relief is expected to be taken in 2009-10, the relief is in respect of the financial year 2008-09; such amounts will be taken into account in the NNDR3 return for 2008-09.** 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 2008-09, it should be assumed that the relief will continue in 2009-10.

### Non-Profit Making Bodies

30. Enter in **line 16** 75% of the total of any relief the authority expects to grant to non-profit making organisations for 2009-10 (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 relief is expected to be taken in 2009-10, the relief is in respect of the financial year 2008-09; such amounts will be taken into account in the NNDR3 return for 2008-09.** 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 2008-09, it should be assumed that the relief will continue in 2009-10.

### Community Amateur Sports Clubs (CASCs)

31. Enter in **line 17** 25% of the total amount of any relief the authority expects to grant for 2009-10 (having taken account of 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 relief is expected to be taken in 2009-10, the relief is in respect of the financial year 2008-09; such amounts will be taken into account in the NNDR3 return for 2008-09.** 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 2008-09, it should be assumed that the relief will continue in 2009-10.

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

32. 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 2009-10 (having taken account, where applicable, of 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 2009-10, the relief is in respect of the financial year 2008-09; such amounts will be taken into account in the NNDR3 return for 2008-09.** 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 2008-09, it should be assumed that the relief will continue in 2009-10.

Other rural businesses

33. Enter in **line 19** 75% of the total of any relief the authority expects to grant to other rural businesses for 2009-10 (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 relief is expected to be taken in 2009-10, the relief is in respect of the financial year 2008-09; such amounts will be taken into account in the NNDR3 return for 2008-09.** 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 2008-09, it should be assumed that the relief will continue in 2009-10.

## NET RATE YIELD

34. 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

35. 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 2009-10 are:

The council of a metropolitan district	0.8%
The council of a non-metropolitan district which has the functions of a county council, the council of a county which has the functions of a district council and the Council of the Isles of Scilly	0.7%
The council of a non-metropolitan district which does not have the functions of a county council	0.4%
The council of an inner London borough, and the Common Council of the City of London	0.6%
The council of an outer London borough	1.1%

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

36. The total cost of collection allowance for 2009-10 is £84,442,000 (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.

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

$$\frac{\text{hereds} \times \text{ACF} \times \text{£64,175,920}}{1,780,025} + \frac{\text{RV} \times \text{ACF} \times \text{£20,266,080}}{50,245,076,957} + \text{legal costs}$$

where -

**hereds** is the number of hereditaments shown in the local non-domestic rating list for the authority's area as at 31 December 2008 (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 2009-10 these are listed in *Annex B* to these notes.

**£64,175,920** is 76% of the total allowance for England for 2009-10 of £84,442,000;

**1,780,025** 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 2008 (as entered in line 2);

**£20,266,080** is 24% of the total allowance for England for 2009-10 of £84,442,000;

**50,245,076,957** 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) .

38. 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 11 above, but will be those actually shown in the rating list for the authority as at 31 December 2008.

## **PROVISIONAL CONTRIBUTION TO THE POOL**

39. 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**

40. 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**

41. 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 2008 (with the provisos mentioned in paragraph 11 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.

42. 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.

43. Once the form has been certified, it must be returned to Communities and Local Government by no later than **Friday 6 February 2009**. 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  
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