

NNDR1 GUIDANCE NOTES 2012-13

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 2012-13. 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 2012-13, the amount of the provisional contribution must be notified to the Secretary of State by **Friday 10 February 2012.**

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 2011 (SI 2011/2993). Please also note that Clause 69 of the Localism Act amends Section 47 of the Local Government Finance Act 1988 to provide local authorities with a new power to reduce the business rates of any local ratepayer while preserving the position on existing discretionary relief. The relevant regulations can be found at the following link:

<http://www.legislation.gov.uk/ukxi/2011/2993/contents/made>

Central Government will therefore continue to part fund discretionary relief in the same circumstances and to the same degree as in previous years. Local authorities will be responsible for fully funding any other discounts granted – subject to paragraph 41 on enterprise zones - and therefore no provision will be made for that situation in the regulations. However, the NNDR supplementary form does request some information on the use of the new power for statistical purposes.

4. Paragraph 5(3) of Schedule 8 to the Act enables the Secretary of State to make his own calculation of the provisional amount if the authority fails to notify the amount in time, or if he believes that the amount notified is not likely to have been calculated in accordance with the Regulations. If he makes such a calculation, the Secretary of State must notify the authority of his 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 2012-13 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 2012-13 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 2012-13 (there is provision for these in the calculation of the 'Gross Amount' at line 14 - see paragraph 29 below);

6. No account should be made on the NNDR1 form for any revenues to be collected in 2011-12 which have been deferred from previous financial years in accordance with Non-Domestic Rating (Collection and Enforcement) (Local Lists) (Amendment) (England) Regulations 2009 (SI 2009/204) or the Non-Domestic Rating (Deferred Payments) (England) Regulations 2009 (SI 2009/1597). Also no account should be made of possible deferrals that may occur to the 2012-13 rates liabilities as announced by the Chancellor in the Autumn Statement.

Empty Property Rates

7. The threshold under which unoccupied properties will be exempt from unoccupied rates for 2012-13 will be £2,600 and this threshold should be used in calculating relief to be granted for the NNDR1 form.

8. Please note the changes implemented for 2011-12 in paragraphs 25 and 26 which are designed to ensure that the NNDR 1 increases the amount of empty property rate relief that authorities can offset from their NNDR1 calculations will continue for 2012-13.

Small Business Rate Relief

9. The amount of Small Business Rate Relief for eligible hereditaments has been doubled for 2012-13. The total amount of relief recorded for 2012-13 should be the total of the more generous levels of relief for the whole of 2012-13. It should also be noted that the Government will shortly be amending the Small Business Rate Relief secondary legislation to remove the single occupancy criteria for ratepayers to have

their bills calculated using the small business multiplier in 2012-13 and onwards. This should be reflected in the returns. This will not, however, impact on the way other reliefs are calculated (all of which is set out in the primary legislation - section 43 of the 1988 Act); so anyone entitled to mandatory charitable rate relief or rural rate relief will be in the same position after we have made the changes to the small business rate relief order as they are now. It will also not change the way that empty property rates are charged.

NNDR 2

10. 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 2012 the change has to be greater than either a) 1% of an authority's budget requirement as shown on their BR form or b) £25,000; after 1 October this rises to either 2% of the budget requirement or £50,000. Changes to the estimated contribution to the pool are made by completing an NNDR2 form which is available from the Department for Communities and Local Government's website at www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/usefulinformation/formst timetable/otherforms/.

Relief thresholds for the main NNDR1 form – based on the 2010 ratings List	
Small Business Rate relief scheme	Threshold
Additional properties disregarded in considering entitlement to small business rate relief	£2,599
Eligible ratepayers receive maximum relief	£6,000
Eligible ratepayers receive relief on a sliding scale	More than £6,000 to £12,000
Ratepayers have their rates liability calculated using the small business non-domestic rating multiplier	£17,999
London ratepayers currently have their rates liability calculated using the small business non-domestic rating multiplier	£25,499

Rural rate relief	
A sole shop, general store or post office	£8,500
A sole petrol filling station or pub	£12,500
Discretionary relief for other businesses	£16,500

Empty Property rate relief	
Exemption threshold	£2,600

PRELIMINARY

11. 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 2011. We have pre-filled this cell with the latest available published data from the VOA as at 31 December 2011. Please amend if later data are available.

12. Enter in **line 2** the aggregate rateable value in the list as at 31 December 2011. See paragraph 11.

GROSS CALCULATED RATE YIELD

13. 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 2012-13 of **0.450**. **No account should be taken of any reduction in yield arising from other rate reliefs or empty property relief.**

TRANSITIONAL RELIEF

14. Enter in **line 4** the authority's best estimate of the amount of the reduction in rate yield for 2012-13 as a result of the application of the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2009 (SI 2009/3343), under which increases in bills caused by the revaluation on 1 April 2010 are being phased in.

15. 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 2012-13 small business non-domestic rating multiplier of 0.450) 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 18 below). Please note that we are not able to supply estimates for your authority this year.

16. Enter in **line 5** the authority's best estimate of the amount of the increase in rate yield for 2012-13 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 2009 (SI 2009/3343).

17. 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 2012-13 small business non-domestic rating multiplier of 0.450) 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 18 below).

MANDATORY RELIEFS

Small Business Rate Relief

18. 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 **0.458** to those properties that are not entitled to have their rates bill calculated with the small business rate multiplier. 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.

NB For validation purposes the NNDR1 (or 2) figure for 2011-12 has been adjusted by 8/7 to reflect the change in the small business rate multiplier supplement from 0.7p in 2011-12 to 0.8p in 2012-13.

19. 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 £12,000 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.

20. The total amount of relief recorded should be the total of the more generous levels of relief for the whole of 2012-13.

Charities

21. Enter in **line 8** the authority's estimated lost yield in 2012-13 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 2011** will continue to be so occupied throughout 2012-13. **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)

22. Enter in **line 9** the authority's estimated lost yield in 2012-13 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 2011** will continue to be so occupied throughout 2012-13. **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)

23. Enter in **line 10** the authority's estimated lost yield in 2012-13 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. The authority must assume that a property eligible for rural rate relief on **31 December 2011** will continue to be eligible throughout 2012-13, subject to the proposed new rateable value of the property (shown on the draft rating list), falling within the applicable new rateable value threshold.

NB The estimate should take account of reductions in rateable values under section 44A of the Act (partly occupied premises).

Partly occupied premises

24. Enter in **line 11** the authority's estimated lost yield in 2012-13 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 2011**, the apportionment will continue throughout 2012-13. **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

25. Enter in **line 12** the authority's estimated lost yield in 2012-13 as a result of premises being unoccupied. This is the amount of relief granted in accordance with the Non-domestic Rating (Unoccupied Property) (England) Regulations 2008 (SI 2008/386), as amended. The threshold, below which rates will not be payable in respect of unoccupied properties will be £2,600 for 2012-13.

26. In previous years to 2011-12, for NNDR1 purposes an unoccupied property that was above the exemption threshold and did not meet other criteria for a complete exemption was liable for no rate free period in calculating relief (if a commercial property) and would be considered to be contributing 100% unoccupied rates for 12 months, or if an industrial property (3 months rate free period of its 6) and paying 100% unoccupied rates for the following 9 months. This was because the form asked authorities to assume that where a property is unoccupied on 31 December, it became unoccupied on that day.

27. For 2012-13, as for 2011-12, authorities should assume that where a property is unoccupied on 31 December 2011, it becomes unoccupied on 1 April 2012 (and would remain unoccupied throughout 2012-13). The amount of empty property relief to be calculated to be put into the NNDR1, for properties above the exemption threshold that do not meet other exemption criteria in accordance with SI 2008/386, would therefore be a ¼ of the annual rates liability for the year (3 months) for unoccupied commercial properties and ½ the annual rates liability (6 months) for unoccupied industrial properties.

Unoccupied Property above the exemption threshold – not meet other exemptions in SI 2008/386	Previous 2010-11 Rules		Rules for 2011-12 onwards	
	Relief Given in NNDR1	Rates Collected in NNDR1	Relief Given in NNDR1	Rates Collected in NNDR1
Commercial (3 month rate free period)	no months – 0% of annual liability	12 months – 100% of annual rates liability	3 Months - 25% of annual rates liability –	9 Months or 75% of annual rates liability
Industrial (6 month rate free period)	3 months – 25% of annual rates liability	9 Months or 75% of rates liability	6 Months - 50% of annual rates liability	6 Months or 50% of annual rates liability

GROSS YIELD

28. 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

29. Enter in **line 14** the amount calculated by multiplying the amount in line 13 (gross yield) by 0.947 (the 'buoyancy factor'). This is the amount prescribed to take account of the Department for 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

30. 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

31. Enter in **line 15** 25% of the total amount of any relief the authority expects to grant for 2012-13 (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 2012-13, the relief is in respect of the financial year 2011-12; such amounts will be taken into account in the NNDR3 return for 2011-12. 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 2011-12, it should be assumed that the relief will continue in 2012-13.

Non-Profit Making Bodies

32. Enter in **line 16** 75% of the total of any relief the authority expects to grant to non-profit making organisations for 2012-13 (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 2012-13, the relief is in respect of the financial year 2011-12; such amounts will be taken into account in the NNDR3 return for 2011-12.*** 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 2011-12, it should be assumed that the relief will continue in 2012-13.

Community Amateur Sports Clubs (CASCs)

33. Enter in **line 17** 25% of the total amount of any relief the authority expects to grant for 2012-13 (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 2012-13, the relief is in respect of the financial year 2011-12; such amounts will be taken into account in the NNDR3 return for 2011-12.*** 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 2011-12, it should be assumed that the relief will continue in 2012-13.

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

34. 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 2012-13 (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 2012-13, the relief is in respect of the financial year 2011-12; such amounts will be taken into account in the NNDR3 return for 2011-12.*** 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 2011-12, it should be assumed that the relief will continue in 2012-13.

Other rural businesses

35. Enter in **line 19** 75% of the total of any relief the authority expects to grant to other rural businesses for 2012-13 (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 2012-13, the relief is in respect of the financial year 2011-12; such amounts will be taken into account in the NNDR3 return for 2011-12.** 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 2011-12, it should be assumed that the relief will continue in 2012-13.

NET RATE YIELD

36. 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

37. 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 2012-13 are:

The council of a metropolitan district	1.4%
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	1.1%
The council of a non-metropolitan district which does not have the functions of a county council	1.0%
The council of an inner London borough, and the Common Council of the City of London	1.3%
The council of an outer London borough	1.5%

The appropriate percentage for the authority should be automatically pre-populated in the first box on **line 21**. In the second box on **line 21** the amount found by applying this percentage to the amount entered in line 20 (the net rate yield) should also be automatically calculated.

COST OF COLLECTION

38. The total cost of collection allowance for 2012-13 is £84,000,000 (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.

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

$$\frac{\text{hereds} \times \text{ACF} \times \text{£63,840,000}}{1,834,838} + \frac{\text{RV} \times \text{ACF} \times \text{£20,160,000}}{61,418,818,007} + \text{legal costs}$$

where -

hereds is the number of hereditaments shown in the local rating list which the valuation officer proposes to compile in 2012-13 and which he has sent to the authority under section 41(5) of the Act (as entered in line 1) See paragraph 11.;

ACF is the area cost factor for the authority shown in Part II of Schedule 1 to the Regulations. For 2012-13 these are listed in *Annex B* to these notes;

£63,840,000 is 76% of the total allowance for England for 2012-13 of £84,000,000;

1,834,838 is the total of hereds x ACF for all authorities in England;

RV is the aggregate rateable value in the local rating list which the valuation officer proposes to compile in 2012-13 and which he has sent to the authority under section 41(5) of the Act (as entered in line 2) See paragraph 11;

£20,160,000 is 24% of the total allowance for England for 2012-13 of £84,000,000;

61,418,818,007 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).

SPECIAL AUTHORITY DEDUCTIONS - City of London Offset

40. The City of London should enter in this line its £10,271,000 special allowance.

ENTERPRISE ZONES

41. Those authorities hosting Enterprise Zones will be able to grant 100% discounts, using the new local discounts powers, within state aid de minimis limits to businesses located within the Enterprise Zone. The discount will be applied after other reliefs have been deducted, e.g. if a business is entitled to 50% small business rate relief, the discount would be applied to cover the remaining 50%. Those authorities with Enterprise Zones should enter at this line the estimated level of discounts to be granted to existing businesses with Enterprise Zones at this line. Authorities will be able to submit an NNDR2 in the usual circumstances should they not be able to complete this line.

PROVISIONAL CONTRIBUTION TO THE POOL

42. Enter in **line 23** the amount found by subtracting lines 21, 22, the City of London offset and the allowance for Enterprise Zones from the amount entered in line 20 (the net rate yield).

MEMORANDUM BOX

43. In recent years, auditors have required that the Department for 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 often different from the payments made ultimately however it is hoped that the estimate provided in this box will be made sufficiently late in the year to enable it to be a useful figure. Please ensure this figure is entered.

CERTIFICATION

44. 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 2011 (with the provisos mentioned in paragraph 13 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.

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

46. Once the form has been certified, it must be returned to the Department for Communities and Local Government by no later than **Friday 10 February 2012**. The completed forms should be addressed to Sheela Vyas, Department for Communities and Local Government, Zone 5/J6, Eland House, Bressenden Place, London SW1E 5DU.

Department for Communities and Local Government
January 2012