

COMPLETION OF FORM NNDR2 2012-13: GUIDANCE NOTES

INTRODUCTION

1) These notes are intended to help authorities with recalculating on the NNDR2 form their **provisional** contribution to the NNDR pool for 2012-13. These notes are not a substitute for the Non-Domestic Rating Contributions (England) Regulations 1992 (SI 1992/3082), as amended ("the Regulations"), but seek to explain what the Regulations require and what is necessary for the authority to show in its recalculation. **Your authority should consult its own legal advisers if it has any doubts as to what is required by the Regulations.** Form NNDR2 should be completed, certified by the Chief Finance Officer, and returned to the Department for Communities and Local Government at the address shown as soon as possible after the date of recalculation. The recalculation must be made in accordance with the requirements of regulations 6 and 7 of, and Schedule 3 to, the Regulations.

2) The provisional amount can only be adjusted if the recalculated amount is less than either the provisional amount calculated on the NNDR1 form or the recalculated amount on any previous NNDR2 forms.

3) If the Secretary of State is satisfied the authority is entitled to make a reduced provisional contribution, the authority will be notified accordingly and any remaining instalments recalculated. However, if the Secretary of State has already accepted a recalculation from an authority in any period of three months beginning on 1 April, 1 July, 1 October or 1 January, then that authority cannot submit a further recalculation within that three month period.

PRELIMINARY INFORMATION

4) Enter in **line 1** the date on which the recalculation was made.

5) The figure in **line 2** is the number of days from 1 April to the day before the date of recalculation inclusive - this is calculated automatically.

6) The figure in **line 3** is the number of days from the date of the recalculation to the following 31 March inclusive - this is calculated automatically but you should check that line 2 plus line 3 equals 365.

7) **Lines 4 and 5** are not being used in 2012-13; they have been left on the form to avoid the need to renumber the remaining lines on the form.

CALCULATIONS

8) The recalculation of the provisional amount requires two separate calculations to be made - one in respect of rates payable in the period preceding the date of recalculation, the other an estimate of the rates payable in respect of the day of

recalculation and for the remainder of the year based on prescribed assumptions - see **paragraph 11** of these notes and regulation 7 of, and Schedule 3, to the Regulations. The two should then be totalled and the recalculated amount subtracted from the original provisional amount calculated on the NNDR1 form.

9) *Period preceding the date of recalculation* - The calculation in respect of the period preceding the date of the recalculation must be made as if the calculation were an outturn calculation for that period. Therefore, you should include prior year adjustments which have not been taken into account in a prior year's outturn calculation. You should also discount amounts in respect of previous years which **have** been taken into account in a calculation for a preceding year but which, on the basis of information now available, should not have been and in respect of which adjustments have not already been made. **If the authority is recalculating its provisional amount for the current year before it has calculated the outturn for last year, it should not include in the current year recalculation any adjustments in respect of previous years if it is reasonably practicable for these to be included in the NNDR3 for 2011-12.**

10) Regulation 5 requires an outturn calculation for a financial year to take account of information which was available to the authority on or before 31 January in that year and to take account of information received after that date if it is reasonably practicable. If the information is available at the time the provisional amount is being recalculated, then it should be reasonably practicable to take that information into account in respect of the outturn calculation, if that calculation has yet to be made.

11) *Period including and after the date of recalculation* - Part II of Schedule 3 to the Regulations provides that the assumptions in Schedule 2 to the Regulations will apply **(as modified by paragraphs 4-6 of Schedule 3)** for all calculations in respect of days on or after the date of the recalculation. This includes the following assumptions:

- i) The hereditaments and their rateable values **to be taken into account in the calculation of the gross amount should be those shown in the list on the date of the recalculation;**
- ii) the occupiers of property (or owners in the case of unoccupied property) **should be those occupying (or in the case of unoccupied properties, owning) on that day;**
- iii) properties which are unoccupied on that day **should be treated as remaining so for the rest of the year;**
- iv) where an apportionment of the rateable value has been made in respect of partly occupied property **for that date**, the apportionment will be applicable for the remainder of the year.

GROSS CALCULATED RATE YIELD

12) The gross calculated rate yield is the theoretical maximum rate yield if a property shown in the non-domestic rating list were occupied and not subject to any reliefs or transitional adjustments.

13) ***Period preceding the date of recalculation*** - Enter in column 1 of **line 6** the gross rate yield for the period preceding the date of the recalculation. This represents:

- i) the gross yield in respect of the period from 1 April 2012 to the day before the date of the recalculation (calculated by reference to the total rateable value shown in the list for each day and the small business non-domestic rating multiplier for 2012-13 of 0.450); plus
- ii) subject to **paragraph 10**, amounts in respect of the gross rates yield for previous years which have not been taken into account in the outturn calculation for those years; less
- iii) subject to **paragraph 10**, amounts which were taken into account in the gross rates yield in the outturn calculation for previous years which, on the basis of information now available, should not have been taken into account and which have not been taken into account for the purposes of this item for a preceding year.

At this stage, no account should be taken of any reduction in yield arising from the transitional arrangements, from mandatory or discretionary reliefs, or from the fact that properties are empty or partly empty, or from revenue received as a result of businesses entering into either a schedule of payments agreement under The Non-Domestic Rating (Collection and Enforcement) (Local Lists) (Amendment) (England) Regulations 2009 (SI 2009/204) or from payment of amounts deferred from their 2009-10 rates liability under the Non-Domestic Rating (Deferred Payments) (England) Regulations 2009 (SI 2009/1597) (see line 32a of the NNDR2 Form).

14) ***Period including and after the date of recalculation*** - Taking account of all the assumptions mentioned in **paragraph 11**, enter in column 2 of **line 6** the total of the gross rate yield in respect of each day from the date of the recalculation to 31 March 2013 inclusive. This is calculated by multiplying the aggregate of the rateable values in the local non-domestic rating list at the day on which the recalculation is made by the small business non-domestic rating multiplier for 2012-13 (0.450) and apportioning pro-rata to the number of days in the period.

TRANSITION

15) The transitional arrangements for the 2010 business rates list set out in the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2009 (S.I. 2009/3343) reduce rates income by limiting the amount by which a rates bill can increase and,

conversely, increase such income by limiting reductions in bills. In calculating amounts to be included in **lines 7 and 8**, 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 9** (see paragraph 23 below).

16) Enter in **line 7** the reduction in rate yield resulting from the full rate increases being deferred by limits on transitional increases for both the period preceding the date of the recalculation and for the remainder of the year.

17) ***Period preceding the date of recalculation*** - enter in column 1 of **line 7** an amount which represents:

- i) the reduction in rates yield resulting from limits on increases in respect of the period from 1 April 2012 to the day before the date of the recalculation, i.e. the total for the period of the difference between the full rates bill (the daily bill based on the annual bill derived by multiplying a hereditament's rateable value by 0.450 (the small business non-domestic rating multiplier)) and the amount of the transitional rates bill for each day for all hereditaments subject to the limits on rate increases; plus
- ii) subject to paragraph 10, any reduction in rates yield due to full rates increases being deferred by transitional limits for days in a preceding year which have not been taken into account in a calculation for a preceding year; less
- iii) subject to paragraph 10, any such amounts in respect of days in a preceding year which have been taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

18) ***Period including and after the date of recalculation*** - enter in column 2 of **line 7** the authority's best estimate of the reduction in rates yield resulting from full rates increases being deferred by transitional arrangements in respect of days on or after the date of recalculation to 31 March 2013 inclusive. This is the sum of the difference between the full rates bill and the amount of the transitional rates bill for each day in the period for all hereditaments subject to the limit on the day of the recalculation.

19) Enter in **line 8** the increase in rate yield resulting from full rates reductions being deferred by limits on transitional reductions for both the period preceding the date of the recalculation and for the remainder of the year.

20) ***Period preceding the date of recalculation*** - enter in column 1 of **line 8** an amount for the period preceding the date of the recalculation which represents:

- i) the increase in rates yield resulting from limits on decreases in respect of the period from 1 April 2012 to the day before the date of the recalculation, i.e. the total for the period of the difference between the full rates bill (the daily bill based on the annual bill derived by multiplying a hereditament's rateable value by 0.450 (the small business non-domestic rating multiplier)) and the amount of the transitional rates bill for each day for all hereditaments subject to the limits on rate decreases; plus
- ii) subject to **paragraph 10**, any increase in rate yield due to full rates reductions being deferred by transitional limits for days in a preceding year which have not been taken into account in the outturn calculation for a preceding year; less
- iii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have been taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

21) ***Period including and after the date of recalculation*** - enter in column 2 of **line 8** the authority's best estimate of the increase in rates yield resulting from full rates reductions being deferred by limits on transitional reductions in respect of days on or after the date of the recalculation to 31 March 2013 inclusive. This is the sum of the difference between the full rates bill and the amount of the transitional rates bill for each day in the period for all hereditaments subject to the limit on reductions on the day of the recalculation.

MANDATORY RELIEFS

Small Business Rate Relief

22) Enter in **line 9** the authority's best estimate of total additional yield generated to finance the small business rate relief. This is calculated by multiplying the total rateable value of those properties that **do not** qualify for small business rate relief by 0.8p, i.e. the difference between the higher and lower multipliers, $0.458 - 0.450 = 0.008$.

23) ***Period preceding the date of recalculation*** - enter in column 1 of **line 9** an amount for the period preceding the date of the recalculation which represents:

- i) the amounts of additional yield in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus
- ii) subject to **paragraph 10**, the amounts of additional yield for days in a preceding year which have not been taken into account in the outturn calculation for a preceding year; less

- iii) subject to **paragraph 10**, the amounts of additional yield in respect of days in a preceding year which have been taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

Period including and after the date of recalculation - enter in column 2 of **line 9** the authority's best estimate of total additional yield generated to finance the small business rate relief to 31 March 2013 inclusive. This is calculated by multiplying the total rateable value of those properties that **do not** qualify for small business rate relief by 0.8p, i.e. the difference between the higher and lower multipliers, $0.458 - 0.450 = 0.008$.

24) Enter in **line 10** 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 amount of relief given to qualifying properties up to £12,000 rateable value who actually have a reduction applied to their bill based on the application of article 6 of the Non-Domestic Rating (Small Business Rate Relief) (England) Order 2004 (SI 2004/3315), as amended (See sections 43(4A) to (4D) and 44(7) to (9) of the Local Government Finance Act 1988 ("the Act")). **NB The estimate should take account of reductions in rateable values under section 44A of the Act (partly occupied premises).**

25) **Period preceding the date of recalculation** - enter in column 1 of **line 10** an amount which represents:

- i) the amount of any such relief in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus
- ii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year; less
- iii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have been taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

26) **Period including and after the date of recalculation** - enter in column 2 of **line 10** the authority's best estimate of the total cost of small business rate relief for properties within the billing authority's area to 31 March 2013 inclusive. This is the amount of relief given to qualifying properties up to £12,000 rateable value who actually have a reduction applied to their bill based on the application of article 6 of the Non-Domestic Rating (Small Business Rate Relief) (England) Order 2004 (SI 2004/3315), as amended.

Charities

27) Section 43(5) of the Act provides for the application of 80% mandatory relief for charities. ***NB. The estimate should take account of reductions in rateable values under section 44A of the Act (partly occupied premises).***

28) ***Period preceding the date of recalculation*** - enter in column 1 of **line 11** the reduction in rates yield in 2012-13 as a result of the application of 80% mandatory rate relief for properties occupied by charities in the authority's area for the period preceding the date of the recalculation. This represents:

- i) the amounts of any such relief in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus
- ii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year; less
- iii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have been taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

29) ***Period including and after the date of recalculation*** - enter in column 2 of **line 11** the authority's best estimate of the reduction in rates yield as a result of the application of 80% mandatory rate relief in respect of the period from the date of the recalculation to 31 March 2013 inclusive. For this part of the recalculation, account must be taken of the assumptions at **paragraph 11**.

Community Amateur Sports Clubs (CASCs)

30) Enter in line 12 the authority's best estimate of the reduction in rates yield in 2012-13 as a result of the application of 80% mandatory rate relief for properties occupied by registered CASCs in the authority's area, by virtue of section 43(6)(b) of the Act. ***NB. The estimate should take account of reductions in rateable values under section 44A of the Act (partly occupied premises).***

31) ***Period preceding the date of recalculation*** - enter in column 1 of **line 12** the reduction in rates yield in 2012-13 as a result of the application of 80% mandatory rate relief for properties occupied by CASCs in the authority's area for the period preceding the date of the recalculation. This represents:

- i) the amounts of any such relief in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus

- ii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year; less
- iii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have been taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

32) ***Period including and after the date of recalculation*** - enter in column 2 of **line 12** the authority's best estimate of the reduced yield as a result of property being occupied by a CASC for the period from the date of the recalculation to 31 March 2013 inclusive. For this part of the recalculation, account must be taken of the assumptions at **paragraph 11**.

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

33) Section 43(6A) and 43(6B) of the Act, and the secondary legislation made under it, provides for the application of 50% relief for a qualifying rural general store, post office, public house, petrol filling station and food shop. The Non-Domestic Rating (Public Houses and Petrol Filling Stations) (England) Order 2001 (SI 2001/1345) ("the 2001 Order"), 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).***

34) ***Period preceding the date of recalculation*** - enter in column 1 of **line 13** the reduction in rates yield in 2012-13 as a result of the application of 50% mandatory rate relief for qualifying rural general stores, post offices, petrol stations, public houses or food shops in the authority's area for the period preceding the date of the recalculation. This represents:

- i) the amount of any such relief in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus
- ii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have not yet been taken into account in a calculation for a preceding year; less
- iii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have been taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

35) ***Period including and after the date of recalculation*** - enter in column 2 of **line 13** the authority's best estimate of the reduction in rates yield as a result of the application of 50% mandatory rate relief in respect of the period from the date of the recalculation to 31 March 2013 inclusive. For this part of the recalculation, account must be taken of the assumptions at **paragraph 11**.

Former agricultural premises

36) Sections 43(6A) and (6F) of the Act, as amended by section 1 of the Rating (Former Agricultural Premises and Rural Shops) Act 2001, provides for the application of 50% relief for qualifying for former agricultural premises. **NB. Authorities should note that the relief ceased to be available with effect from 15 August 2006. However, authorities may need to reflect former agricultural premises relief related to preceding years. The estimate should take account of reductions in rateable values under section 44A of the Act (partly occupied premises).**

37) ***Period preceding the date of recalculation*** - enter in column 1 of **line 14** the reduction in rates yield in 2012-13 as a result of the application of 50% mandatory rate relief for qualifying former agricultural premises in the authority's area for the period preceding the date of the recalculation. This represents:

- i) the amount of any such relief in respect of days in a preceding year which have not yet been taken into account in a calculation for a preceding year; less
- ii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have been taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

38) ***Period including and after the date of recalculation*** - because the relief ceased to be available with effect from 15 August 2006, authorities should leave column 2 of **line 14** blank.

Partly occupied premises

39) Section 44A of the Act provides that, where part of a property is unoccupied for a short time, a billing authority may ask the valuation officer to apportion the rateable value of the hereditament between the occupied and unoccupied parts. The effect of apportionment on the occupier's rates liability depends on the hereditament in question. For partly occupied properties subject to the transitional arrangements, where a reduction in the rates bill is available following apportionment the transitional liability is reduced by the amount which the reduced rateable value calculated in this way bears to the full rateable value of the hereditament. **NB. The estimate should not take account of rural rate relief (which should be reflected in line 13), small business rate relief (which should be reflected in line 10), charity relief (which should be reflected in**

line 11), relief for CASCs (which should be reflected in line 12), and relief for former agricultural premises (which should be reflected in line 14).

40) **Period preceding the date of recalculation** - enter in column 1 of **line 15** the reduction in rates yield as a result of the apportionment of the rateable value of a hereditament between its occupied and unoccupied parts under section 44A of the Act, for the period preceding the date of the recalculation. This represents:

- i) the amounts of any such reductions in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus
- ii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year; less
- iii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have been taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

41) **Period including and after the date of recalculation** - enter in column 2 of **line 15** the authority's best estimate of the reduction in yield as a result of the apportionment of the rateable value of a hereditament between its occupied and unoccupied parts in respect of the period from the date of the recalculation to 31 March 2013 inclusive. For this part of the recalculation, account must be taken of the assumptions at **paragraph 11**.

Empty premises

42) As of **1 April 2008**, section 45 of the Act provides that the rate yield for unoccupied property will be 100% of the occupied yield for most property that has been empty for more than three months - or, in the case of industrial property, for more than six months. This does not apply to charities and CASCs which qualify for the new zero rate (section 45A of the Act, as inserted by the Rating (Empty Properties) Act 2007) or in respect of properties exempted from the empty property rate under the Non-Domestic Rating (Unoccupied Property) (England) Regulations 2008 (SI 2008/386) (as amended by the Non-Domestic Rating (Unoccupied Property) (England) (Amendment) Regulations 2010 (SI 2010/408)). The estimate should only take account of the effects of transition in respect of previous years.

43) **Period preceding the date of recalculation** - enter in column 1 of **line 16** the reduction in rates yield as a result of property being unoccupied for the period preceding the date of the recalculation. This represents:

- i) the amounts of any such reductions in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus

- ii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year; less
- iii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have been taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

44) ***Period including and after the date of recalculation*** - enter in column 2 of **line 16** the authority's best estimate of the reduced yield as a result of property being unoccupied for the period from the date of the recalculation to 31 March 2013 inclusive. For this part of the recalculation, account must be taken of the assumptions at **paragraph 11**.

GROSS YIELD

45) Enter in columns 1 and 2 of **line 17** the amount found by subtracting from the sum of the amounts entered in lines 6 (gross calculated rate yield), 8 (deferred transitional reductions), and 9 (additional yield generated to finance the small business rate relief), the sum of the amounts entered in lines 7 (deferred transitional increases), 10 (cost of small business rate relief for properties within billing authority area), 11 (mandatory charitable relief), 12 (Community Amateur Sports Clubs), 13 (rural rate relief), 14 (former agricultural premises relief), 15 (partly occupied property) and 16 (empty property).

GROSS AMOUNT

46) Authorities must also take account of other changes in rateable values during the year.

47) ***Period preceding the date of recalculation*** - these changes will already have been taken into account in the calculation of the gross yield, and the figure to be entered in column 1 of **line 18** should be the same as that in column 1 of **line 17**.

48) ***Period including and after the date of recalculation*** - to take account of changes for the remainder of the year, enter in column 2 of **line 18** the amount calculated by multiplying the amount in column 2 of **line 17** (gross yield) by 0.947 (the 'buoyancy factor'), which is the amount prescribed to take account of the Department's estimate of expected reductions in yield (e.g. due to successful appeals and of interest payments on refunds) and which was inserted into paragraph 2(12) of Schedule 2 to the Regulations by S.I. **2010/2952**.

DISCRETIONARY RELIEFS

49) Section 69 of the Localism Act 2011 amends section 47 of the Local Government Finance Act and provides billing authorities with a new power to reduce the business rates of any local ratepayer. However, in line with the Government's announced policy intention, the contribution regulations preserve the position on existing discretionary reliefs by ensuring that central Government continues to part fund certain discretionary reliefs in the forthcoming year 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 under Section 69 (subject to those in enterprise zones).

50) 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

51) Regulation 3 provides that where billing authorities "top-up" the 80% mandatory relief given to charities under sections 43(5) and 45(5) to bring the total relief to any amount up to 100%, 25% of the amount of any such additional relief granted by the authority may be offset against the authority's contribution to the pool.

52) ***Period preceding the date of recalculation*** - enter in column 1 of **line 19** an amount which represents:

- i) 25% of the amounts of any "top-up" relief granted in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus
- ii) subject to **paragraph 10**, 25% of the amounts of any "top-up" relief granted in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year; less
- iii) subject to **paragraph 10**, the total of any such amounts, in respect of days in a preceding year, taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

53) ***Period including and after the date of recalculation*** - enter in column 2 of **line 19** 25% of the total amount of "top-up" relief the authority expects to grant for the period from the date of the recalculation to 31 March 2013 inclusive. For this part of the recalculation, account must be taken of the assumptions in Schedule 2 to the regulations (as modified by Part II of Schedule 3). In particular, the authority must assume that where no decision has been taken at the date of recalculation as to whether such relief should continue in respect of a hereditament for which relief has been granted for 2011-12, the relief will continue in 2012-13.

Non-Profit Making Bodies

54) Regulation 3 provides that 75% of the amount of any relief to non-profit making bodies granted by the authority may be offset against an authority's contribution to the pool.

55) ***Period preceding the date of recalculation*** - enter in column 1 of **line 20** an amount which represents:

- i) 75% of the amounts of relief granted under sections 47(1), 47(2)(b) or (c) of the Act in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus
- ii) subject to **paragraph 10**, 75% of the amounts of relief granted under sections 47(2)(b) or (c) of the Act in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year; less
- iii) subject to **paragraph 10**, the total of any such amounts, in respect of days in a preceding year, taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

56) ***Period including and after the date of recalculation*** - enter in column 2 of **line 20** 75% of the amount of the authority's best estimate of the relief it expects to grant from the period from the date of the recalculation to 31 March 2013 inclusive. For this part of the recalculation, account must be taken of the assumptions in Schedule 2 to the regulations (as modified by Part II of Schedule 3). In particular, the authority must assume that, where no decision has been taken at the date of the recalculation as to whether such relief should continue in respect of a hereditament for which relief has been granted for 2011-12, relief will continue in 2012-13.

Community Amateur Sports Clubs (CASCs)

57) Regulation 3 provides that 25% of the amount of any additional relief to CASCs granted by the authority may be offset against the authority's contribution to the pool.

58) ***Period preceding the date of recalculation*** - enter in column 1 of **line 21** an amount which represents:

- i) 25% of the amounts of any "top-up" relief granted in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus
- ii) subject to **paragraph 10**, 25% of the amounts of any "top-up" relief granted in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year; less

- iii) subject to **paragraph 10**, the total of any such amounts, in respect of days in a preceding year, taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

59) ***Period including and after the date of recalculation*** - enter in column 2 of **line 21** 25% of the total amount of top-up CASC relief the authority expects to grant for the period from the date of the recalculation to 31 March 2013 inclusive. For this part of the recalculation, account must be taken of the assumptions in Schedule 2 to the regulations (as modified by Part II of Schedule 3). In particular, the authority must assume that where no decision has been taken at the date of recalculation as to whether such relief should continue in respect of a hereditament for which relief has been granted for 2011-12, the relief will continue in 2012-13.

Rural rate relief: rural general stores, post offices, public houses, petrol filling stations and food shops

60) Regulation 3 provides that where billing authorities "top-up" the 50% mandatory relief given to rural general stores, post offices, public houses, petrol filling stations and food shops that qualify for rural rate relief under sections 43(6A) and (6B) of the Act to bring the total relief to any amount up to 100%, 75% of the amount of any such additional relief granted by the authority may be offset against the authority's contribution to the pool.

61) ***Period preceding the date of recalculation*** - enter in column 1 of **line 22** an amount which represents:

- i) 75% of the amounts of relief granted under sections 47(1) and 47(3A) of the Act in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus
- ii) subject to **paragraph 10**, 75% of the amounts of any such relief granted in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year; less
- iii) subject to **paragraph 10**, the total of any such amounts in respect of days in a preceding year, taken into account in a calculation for a preceding year, but which on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

62) ***Period including and after the date of recalculation*** - enter in column 2 of **line 22** 75% of the total amount of "top-up" relief the authority expects to grant for the period from the date of the recalculation to 31 March 2013 inclusive. For this part of the recalculation, account must be taken of the assumptions in Schedule 2 to the regulations (as modified by Part II of Schedule 3). In particular, the authority must

assume that relief will continue throughout 2012-13 where relief has been granted in 2011-12, but no decision has been taken at the date of the recalculation as to whether such relief should continue in 2012-13.

Other Small Rural Businesses

63) Regulation 3 provides that 75% of the amount of any relief granted to other small business by the authority may be offset against an authority's contribution to the pool.

64) ***Period preceding the date of recalculation*** - enter in column 1 of **line 23** the amount which represents:

- i) 75% of the amount of relief granted under sections 47(1), 47(3A) and 47(3B) to qualifying other small rural businesses in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus
- ii) subject to **paragraph 10**, 75% under sections 47(1), 47(3A) and 47(3B) of the Act in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year; less
- iii) subject to **paragraph 10**, the total of any such amounts in respect of days in a preceding year, taken into account for a preceding year, but which on the basis of information now available should not have been and which have not been taken into account for the purposes of this item for a preceding year.

65) ***Period including and after the date of recalculation*** - enter in column 2 of **line 23** 75% of the amount of the authority's best estimate of the relief it expects to grant for the period from the date of the recalculation to 31 March 2013 inclusive. For this part of the recalculation, account must be taken of the assumptions in Schedule 2 to the regulations (as modified by Part II of Schedule 3). In particular, the authority must assume that relief will continue throughout 2012-13 in cases where relief has been granted in 2011-12, but no decision has been taken at the date of the recalculation as to whether such relief should continue in 2012-13.

Former Agricultural Premises

66) Regulation 3 provide that where billing authorities to "top-up" the 50% mandatory relief given to qualifying former agricultural premises under section 43(6A) of the Act, as amended by section 1 of the Rating (Former Agricultural Premises and Rural Shops) Act 2001, to bring the total relief to any amount up to 100%, 75% of the amount of any such additional relief granted by the authority may be offset against the authority's contribution to the pool. **NB. Authorities should note that the mandatory relief ceased to be available with effect from 15 August 2006 and that any "top-up" discretionary relief under sections 47(1) and 47(3C) also ceased to be available from that date. However, authorities may need to reflect "top-up" relief associated with former agricultural premises relief related to preceding years.**

67) ***Period preceding the date of recalculation*** - enter in column 1 of **line 24** the amount which represents:

- i) subject to paragraph 10, 75% of the amounts of any relief granted under sections 47(1) and 47(3C) of the Act in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year; less
- ii) subject to paragraph 10, the total of any such amounts in respect of days in a preceding year, taken into account for a preceding year, but which on the basis of information now available should not have been and which have not been taken into account for the purposes of this item for a preceding year.

68) ***Period including and after the date of recalculation*** - because the relief ceased to be available with effect from 15 August 2006, authorities should leave column 2 of **line 24** blank.

Charges on property

69) Regulation 5 of the Non-Domestic Rating (Collection and Enforcement) (Local Lists) (Amendment and Miscellaneous Provision) Regulations 1991 (SI 1991 No.141) enables authorities to enter into agreements with ratepayers that the recovery of rate payments may be deferred subject to the authority taking a charge on the property.

70) ***Period preceding the date of recalculation*** - for the period preceding the date of the recalculation enter in column 1 of **line 25** an amount found using the formula $(O - P) - (Q + R - S)$ at paragraph 5 of Schedule 1 to the Regulations, where:

O = 75% of amounts in respect of which recovery has been deferred by an agreement, which have not previously been taken into account as deferred amounts. This represents:

- i) the amounts deferred in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus
- ii) any such amounts deferred in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year.

P = amounts taken into account in respect of days in a preceding year which have been taken into account in a calculation for a preceding year and which, on the basis of information now available, should not have and which have not been taken into account for the purposes of this item for a preceding year

Q = 75% of amounts taken into account as deferred amounts in a previous year's outturn and which have since been paid, or for which the term of the agreement has expired;

R = 75% of any interest payable as a result of an agreement taken into account in a previous year's outturn, which has been paid or for which the term of the agreement has expired;

S = the total of any amounts taken into account as amounts described under Q or R above in a preceding year's outturn but which, on the basis of information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

71) ***Period including and after the date of recalculation*** - paragraph 7 of Schedule 2 to the Regulations provides that, for the period after the date of the recalculation, amounts where recovery has been or is to be deferred must be assumed to be nil.

Hardship

72) Section 49 of the Act enables billing authorities to reduce liability or remit payment in respect of non-domestic rates on the grounds of hardship. Paragraph 3(1)(c) of Schedule 1 to the Regulations provides that 75% of the amount of any relief granted may be offset against an authority's contribution to the pool.

73) ***Period preceding the date of recalculation*** - enter in column 1 of **line 26** an amount which represents:

- i) 75% of the amounts of hardship relief granted in respect of days in the period from 1 April 2012 to the day before the date of the recalculation; plus
- ii) subject to **paragraph 10**, 75% of the amounts of hardship relief granted in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year; less
- iii) subject to **paragraph 10**, the total of any such amounts, in respect of days in a preceding year, taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

74) ***Period including and after the date of recalculation*** - paragraph 5 of Schedule 2 to the Regulations provides that hardship relief for the period after the date of the recalculation is to be assumed to be nil, **except where a decision has been taken to grant relief in respect of days after the date of the recalculation to the end of the year:** see paragraph 4(6) of Schedule 3 to the Regulations. Where such a decision has been taken, enter in column 2 of **line 26**, 75% of the amount of relief granted in respect of days in the period from the date of recalculation to 31 March 2013 inclusive.

NET YIELD

75) Enter in column 1 of **line 27** the amount found by subtracting from the amount entered in line 18 (the gross amount) the amounts entered for column 1, in lines 19 (charitable 'top-up' relief), 20 (non-profit making bodies), 21 (CASCs), 22 (rural stores and post offices etc - rural 'top-up' relief), 23 (rate relief for other rural businesses), 24 (rate relief for former agricultural premises 'top-up'), 25 (charges on property), 26 (hardship).

76) Enter in column 2 **line 27** the amount found by subtracting the amounts entered for column 2 in lines 19, 20, 21, 22, 23, 24, 25 and 26 from the amount entered for line 18.

LOSSES IN COLLECTION

77) Paragraph 6 of Schedule 1 to the Regulations enables amounts in respect of losses in collection to be deducted from the gross amount, provided they have not been taken into account in a calculation for a preceding year. Under paragraph 1(2) of Schedule 1 to the Regulations, the deduction can only be allowed if the authority has made proper arrangements for securing economy, efficiency and effectiveness in relation to the collection of non-domestic rates. Whether the authority has met the criteria will be subject to audit certification at outturn. For the purposes of an in-year recalculation, a deduction in respect of losses for the period before the recalculation will be allowed, subject to certification by the Chief Finance Officer (**see paragraphs 103 - 106**).

78) **Period preceding the date of recalculation** - in respect of the period preceding the date of the recalculation, enter in column 1 of **line 28** an amount in respect of bad debts which should be written off or doubtful debts for which provision should be made. This should take account of:

- i) Amounts of rates payable and certain interest charges (**see paragraph 80**) in respect of the period from 1 April 2012 to the date of the recalculation, which have been written off or for which provision should be made; plus
- ii) subject to **paragraph 10**, any such amounts in respect of days in a preceding year which have not been taken into account in a calculation for a preceding year; less
- iii) subject to **paragraph 10**, any such amounts which have been taken into account in a calculation for a preceding year but which, on the basis of the information now available, should not have been and for which this adjustment has not previously been made.

NB. Any amounts that are unrecoverable because of a billing error should not be entered in line 28 – see separate guidance in Business Rates Information Letter 4/2001 dated 19 February 2001.

79) If the authority has entered into any agreements under regulation 5 of the Non-Domestic Rating (Collection and Enforcement) (Local Lists) (Amendment and Miscellaneous Provisions) Regulations 1991 (S.I. 1991/141) to defer recovery of a rate debt and has charged interest on the debt but the interest seems irrecoverable, the authority may make an allowance for this against the pool in the same way that it provides for the bad debt itself.

80) ***Period including and after the date of recalculation*** - for the remainder of the year, the allowance for bad and doubtful debts should be calculated by applying the appropriate prescribed percentages below:

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%

81) Enter the appropriate percentage for the authority in the box provided and enter in column 2 of **line 28** the amount found by applying this percentage to the amount entered in column 2 of **line 27** (net yield).

INTEREST

82) Paragraph 7 of Schedule 1 to the Regulations provides that the gross amounts of interest paid by the authority during the year under the Non-Domestic Rating (Payment of Interest) Regulations 1990 (SI 1990/1904), as amended, in respect of overpayments refunded as a result of alterations to the local rating list under section 55 to the Act should also be deducted from the gross amount.

83) ***Period preceding the date of recalculation*** - enter in column 1 of **line 29** an amount in respect of interest which has become payable by the authority in respect of current or previous years and which is to be deducted from the gross amount. This represents:

- i) interest which has become payable by the authority during the period 1 April 2012 to the day before the date of the recalculation; plus

- ii) subject to **paragraph 10**, interest payable by the authority in a preceding year but which has not been taken into account in the outturn calculation for that year; less
- iii) subject to **paragraph 10**, interest which has been taken into account in a preceding year but which, on the basis of information now available, should not have been and which have not been taken into account for the purposes of this item for a preceding year.

84) ***Period including and after the date of recalculation*** - an allowance in respect of interest payable for the period from the date of the recalculation to 31 March 2013 inclusive is taken into account in the buoyancy factor for the gross amount and is not, therefore, recorded separately at **line 29**.

COSTS OF COLLECTION

85) Paragraph 4 of Schedule 1 to the Regulations provides for an allowance for the costs of collection to be offset against the authority's contribution to the pool. The cost of collection allowance for 2012-13 is £84,000,000 (excluding the element for legal costs referred to below). The formula 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, one of which is to have notified the Secretary of State of the amount to be claimed by 15 November in the preceding financial year (paragraph 4(5) of Schedule 1 to the Regulations).

86) **Reminder:** under the provisional calculation the authority's allowance in respect of collection costs for 2012-13 is found by applying the formula:

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

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;

ACF is the area cost factor for the authority shown in Part II of Schedule 1 to the Regulations;

£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 has compiled for 2012-13 and which he sent to the authority under section 41(5) of the Act;

£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).

87) Paragraphs 2(4) and 4(3A) of schedule 3 to the Regulations require that the cost of collection element be pro-rated. Line 30 should therefore be calculated in line with paragraphs 89 and 90.

88) ***Period preceding the date of recalculation*** - enter in column 1 of **Line 30** the amount of the authority's allowance for the costs of collection in respect of days in the period from 1 April 2012 to the day before the date of the recalculation.

89) ***Period including and after the date of recalculation*** - enter in column 2 of **Line 30** the amount of the authority's allowance for the costs of collection in respect of days in the period from the date of recalculation to 31 March 2013 inclusive.

90) **NB The total amount of the allowance in column 3 must be the same as for the provisional NNDR1 calculation for 2012-13.**

CITY OF LONDON

91) Paragraphs 2(3) and 4(3) of Schedule 3 to the Regulations require the City of London to apportion the City of London offset between the days in the financial year preceding the day on which the recalculations are made, and the remainder of the year starting on the day of the recalculations. The City of London should enter in column 1 of **line 31** an amount calculated by multiplying its £10.271 million special allowance by the proportion of the 2012-13 financial year before the date of the recalculation. The City of London should enter in column 2 of **line 31** an amount calculated by multiplying its £10.271 million special allowance by the proportion of the 2012-13 financial year remaining from the day of recalculation to 31 March 2013 inclusive.

NET PAYMENTS OF NNDR

Increase in yield in 2012-13

92) There are two reasons why local authorities may receive revenues in 2012-13 for previous years where the Demand Notices were issued in previous years. These amounts need to be captured on the NNDR2 form.

93) Under the Non-Domestic Rating (Collection and Enforcement) (Local Lists) (Amendment) (England) Regulations 2009 (SI 2009/204), it is possible for a ratepayer, where the relevant criteria are met, facing significant and unexpected backdated liability to enter into an agreement with the billing authority under the Regulations and spread the payment of the backdated liability over a period of up to eight years.

94) Under the Non-Domestic Rating (Deferred Payments) (England) Regulations 2009 (No.1597) ratepayers who made an application to their billing authority no later than 31st March 2010 were able to defer payment of a proportion of their 2009-10 bill to 2010-11 and 2011-12.

95) ***Period preceding the date of recalculation*** - column 1 of **line 32a** should show the amount of net liability collected under these two regulations in 2012-13 prior to the date of calculation.

96) ***Period including and after the date of recalculation*** - Column 2 of **line 32a** should show the authority's best estimate of the increase in rates yield resulting from collecting revenues from previous years under these two regulations after the date of the recalculation until 31 March 2013.

NB As these figures represent income they should be shown as negative figures.

Decrease in yield in 2012-13

97) There are three reasons why local authorities may not receive revenues in 2012-13 that they had previously expected to collect. These amounts need to be captured on the NNDR2 form.

98) Under the Non-Domestic Rating (Deferred Payments) (England) Regulations **XX** ratepayers who make an application to their billing authority no later than 31st March 2013 will be able to defer payment of 3.2% of their 2012-13 bills to 2013-14 and 2014-2015. Further details can be found in Business Rates Information Letter

99) Under the Non-Domestic Rating (Cancellation of Backdated Liabilities) Regulations 2012 (SI 2012: **xxx**) certain eligible backdated liabilities may be cancelled. Further details can be found in Business Rates Information Letter

100) Under the Non-Domestic Rating Contributions (England) (Amendment) Regulations 2012 (SI 2012/664) authorities can offset the cost – up to state aid de minimis levels – of providing discounts in enterprise zones.

101) ***Period preceding the date of recalculation*** - column 1 of **line 32b** should show the reduction in the business rates yield under the above regulations in 2012-13 prior to the date of calculation.

102) ***Period including and after the date of recalculation*** - Column 2 of **line 32b** the authority's best estimate of the decrease in business rates yield as a result of the above regulations after the date of the recalculation until 31 March 2013.

NB As these figures represent a reduction in liability they should be shown as positive figures.

CONTRIBUTION TO THE POOL

103) ***Period preceding the date of recalculation*** - enter in column 1 of **line 33** for the period preceding the date of the recalculation, the amount found by subtracting from the amount entered in column 1 of line 27 (the net yield) the amounts entered in column 1 of lines 28 (losses in collection), 29 (interest), 30 (cost of collection), 31 (City of London offset), 32a (increases in yield for 2012-13) and 32b (decreases in yield for 2012-13).

104) ***Period including and after the date of recalculation*** - enter in column 2 of **line 33** for the remainder of the year, the amount found by subtracting from the amount entered in column 2 of line 27 (the net yield) the amounts entered in column 2 of lines 28 (losses in collection), 30 (costs of collection), 31 (City of London offset), 32a (increases in yield for 2012-13) and 32b (decreases in yield for 2012-13). The total of columns 1 and 2 is automatically entered in column 3.

105) Enter in **line 34** the authority's provisional contribution for 2012-13 as last calculated and notified to the Secretary of State. This will be the figure notified to the Secretary of State on the NNDR1 form for 2012-13 or, if the Secretary of State made their own calculation of the amount under paragraph 5(3) of Schedule 8 to the Act, the amount of that calculation as notified to the authority in accordance with that provision. Alternatively, if the authority has already completed an NNDR2 form for 2012-13, line 34 will be the provisional contribution from that earlier form.

106) Enter in **line 35** the difference between the amount entered in **line 34** and the amount entered in column 3 of **line 33**, i.e. between the provisional contribution and the revised contribution.

REPAYMENTS TO RATEPAYERS

107) Provided that the difference entered in **line 35** is greater than 0, i.e. the amount shown in **line 34** column 3 is greater than that shown in **line 33** column 3, the amount entered in column 3 of **line 33** will be the authority's new provisional amount for the year. The Secretary of State will adjust the instalments payable by the authority to accord with this new amount.

108) In adjusting the instalments, the Secretary of State will take into account any repayments, including interest, which have become payable by the authority to ratepayers and which have not been taken into account in a previous NNDR2 or NNDR3 calculation. Calculation of revised instalments taking repayments into account will be offset against the authority's first instalment due after the day on which the adjustment is

made. Instalments will otherwise be recalculated to accord with the revised provisional amount **ignoring the amount of refunds and interest** (this is to avoid them being counted twice).

109) If the authority has already paid more than the revised provisional amount for the year before the adjustment day, the difference will be refunded and the amount of repayments and interest will be taken into account. (In the event that the amounts already paid by the authority are less than the amount of the revised instalments, the difference will be netted-off from the refund for repayments and the interest).

110) To enable the Secretary of State to take account of any repayments and interest, enter in **line 36** (as well as the main body of the form) the total amount of any repayments which have become due to ratepayers during the period preceding the date of recalculation, which have not been taken into account for the purposes of this item in a previous recalculation or for the purposes of any previous calculation under paragraph 5(6) of Schedule 8 to the Act, plus the amount of any interest due on those repayments recorded at line 29 above. Please note that an authority does not actually receive a lump sum of the amount stated in **line 36** at the next instalment due – it is entered at line 36 for clarification purposes

CERTIFICATION

111) Entries made in lines 4, 6 to 16, 18 to 26, 28, 29 and 31 to 33 must be certified by the Chief Finance Officer for the authority as being the best that could be made on the basis of the information available at the time. The Chief Finance Officer must also certify that the amount entered in line 36 represents the amount of any repayments (together with any interest) that have become due to the ratepayers prior to the date of recalculation.

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

113) The Chief Finance Officer must also certify that this recalculation of the provisional contribution does not include any adjustments in respect of previous years which it is still reasonably practicable to include in the outstanding NNDR3 outturn calculation for 2011-12.

114) Once the form has been certified, it must be returned to the Department for Communities and Local Government as soon as possible after the recalculation in accordance with the instructions given on the front of the form. If the Secretary of State is satisfied that the recalculation has been made in accordance with the Regulations and that the authority is entitled to make a reduced provisional contribution, the authority will be notified accordingly. The excess amount of any payments already made will then be refunded and any remaining instalments recalculated in accordance with regulation 8 or 9.

Department for Communities and Local Government
April 2012