

# CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

31 JANUARY 2025

## REPORT OF DIRECTOR (FINANCE AND IT)

### A.1 BUSINESS RATES 'PROPERTY BASE' (NNDR1) 2025/26

#### PART 1 – KEY INFORMATION

##### **PURPOSE OF THE REPORT**

To seek the Finance and Governance Portfolio Holder's approval of the National Non-Domestic Rates Return (NNDR1) for 2025/26.

##### **EXECUTIVE SUMMARY**

The localisation of Business Rates provides for an amount of business rates which will be retained locally and shared between this Council, Essex County Council and Essex Fire. Each year the government requires the Council to complete the National Non-Domestic Rates Return 1 (NNDR1) and this will be used to determine the estimates for Business Rate Retention in 2025/26. As a result, NNDR1 now needs to be approved before submission to Government.

##### **RECOMMENDATION(S)**

**That the Council's National Non-Domestic Rates Return (NNDR1) for 2025/26 as set out in Appendix A be approved and submitted to Government.**

##### **REASON(S) FOR THE RECOMMENDATION(S)**

To confirm the business rate amounts for 2025/26 in accordance with the Local Government Finance Act 2012.

##### **ALTERNATIVE OPTIONS CONSIDERED**

Not applicable as NNDR1 is a statutory Government return.

#### PART 2 – IMPLICATIONS OF THE DECISION

##### **DELIVERING PRIORITIES**

The income from business rates forms a significant part of the Council's funding and is therefore an integral part of the budget setting process. The budgets are prepared with the aim of directly and indirectly delivering the Council's priorities.

##### **OUTCOME OF CONSULTATION AND ENGAGEMENT**

None

##### **LEGAL REQUIREMENTS (including legislation & constitutional powers)**

Is the recommendation a Key Decision

Yes

If Yes, indicate which by which criteria it is a Key Decision

☐ Significant effect on two or more wards

(see the criteria stated here)			<b>X Involves £100,000 expenditure/income</b> <input type="checkbox"/> <b>Is otherwise significant for the service budget</b>
		<b>And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)</b>	This item has been included within the Forward Plan for a period in excess of 28 days.

The provisions for business rates retention were introduced under Schedule 1 of the Local Government Finance Act 2012. Corporate Finance and Governance Portfolio Holder has delegated powers to approve the NNDR1 Return (Part 3.41).

<b>Yes</b>	<b>The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
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There are no additional comments over and above those set out elsewhere in this report. It is important to highlight that the formal resolutions necessary to implement the Executive's budget proposals and council tax levy will be presented to Full Council in February.

## FINANCE AND OTHER RESOURCE IMPLICATIONS

### Finance and other resources

The NNDR1 return forms part of the calculation of business rates amounts shown in our budget. The starting point for completion of the NNDR1 return is the rating list as at the 29 December 2024, adjustments are then made as follows:

- changes in rateable value that will occur up to the end of 2025/26 including reductions due to appeals
- reductions in rate yield for mandatory and discretionary reliefs
- losses on collection
- the Council's allowance for cost of collection

The form shows that the estimated amount of business rates collectible in 2025/26 is **£31.614m**. Tendring's share is estimated at **£12.645m** (before collection allowance, tariff and levy etc.) shown in NNDR1 Part1B line 15.

The NNDR1 return also sets out section 31 grants from the government which aim to reimburse Local Authorities for the cost of any reliefs that the government has introduced as part of their budget announcements. Total estimated section 31 grants to be received by this Council relating to NNDR reliefs is **£6.708m** shown in NNDR1 Part1C line 40.

Following approval of the NNDR1 return, the figures will be 'translated' into amounts for inclusion in the 2025/26 budget that will be considered by Full Council on 11 February 2025. This includes the impact of the Freeport tax site in Harwich, which is classed as a designated area for the purposes of accounting for business rate income. It is important to highlight that

the Freeport 'Baseline' set on within the attached is a prefilled 'cell' and is subject to change, which will form part of the adjustments required to the budget to reflect the contents of the form as highlighted above.

<b>Yes</b>	<b>The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
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There are no comments over and above those set out in this report.

### **USE OF RESOURCES AND VALUE FOR MONEY**

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	There are no direct implications. However the Business Rates 'base' forms part of the Council's financial forecasting processes which support the wider delivery of financial sustainability and use of resources.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	

### **MILESTONES AND DELIVERY**

The Business Rates 'property base' is required to be agreed by 31 January each year, which then informs the detailed budget setting process, the final step being a number of resolutions being agreed by Full Council in February each year as part of agreeing the council tax levy and following year's budget.

### **ASSOCIATED RISKS AND MITIGATION**

The risk associated with the NNDR1 return is that the final outturn position falls short of the estimate. The main factor associated with this is the settlement of business rate appeals which can result in significant reductions at outturn compared to estimate. Therefore, based on experience from previous revaluations, an allowance of **£1.180m** has been made for appeals and other changes to rateable value debts (Part 3 line 3). There is also an allowance of **£0.200m** for estimated reductions in business rates income due to bad debts (Part 3 lines 2). Any losses on NNDR are shared with the Government, Essex County Council and Essex Fire; the Council's share would be 40%.

There is also the Business Rate Resilience Reserve which currently totals **£1.759m**, which therefore remains available to further mitigate the above risks.

### **EQUALITY IMPLICATIONS**

There are no direct implications.

### **SOCIAL VALUE CONSIDERATIONS**

There are no direct implications.

### **IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2050**

There are no direct implications.

### **OTHER RELEVANT CONSIDERATIONS OR IMPLICATIONS**

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

<b>Crime and Disorder</b>	There are no direct implications.
<b>Health Inequalities</b>	
<b>Area or Ward affected</b>	

## PART 3 – SUPPORTING INFORMATION

<b>BACKGROUND</b>
<p>Before the start of each financial year the Government issues the National Non-Domestic Rates Return (NNDR1) to all billing authorities, the deadline for submission is 31 January.</p> <p>The completion of this return provides the Government with financial information regarding the estimated level of business rates collection for the forthcoming year and calculates the proportion of business rates income to be distributed to each preceptor.</p> <p>This return is also used by preceptors as part of the calculation of their own estimates for the forthcoming financial year.</p> <p>In a two-tier area with a Fire Authority the proportion of business rates to be distributed to each preceptor is set out below. Police and Crime Commissioners are excluded from the local distribution and instead receive their share of business rates funding direct from Government.</p> <ul style="list-style-type: none"> <li>• 50% Government</li> <li>• 40% District Council</li> <li>• 9% County Council</li> <li>• 1% Fire Authority</li> </ul>

<b>PREVIOUS RELEVANT DECISIONS</b>
None.
<b>BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL</b>
None.

<b>APPENDICES</b>
National Non-Domestic Rates Return (NNDR1) 2025/26.

<b>REPORT CONTACT OFFICER(S)</b>	
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