NNDR3 : 2019-20

Introduction

This paper sets out changes that we are proposing to make to the 2019-20 NNDR3, which is due to be released to authorities in mid-March.

The Implementation Working Group is asked to consider and comment on the changes.

Background

1. Each year, billing authorities are required by law to calculate "outturn" figures for non-domestic rating income and other sums due under the business rates retention scheme and to provide these to the department and to major precepting authorities.

2. By completing NNDR3s, which the department issues to authorities shortly before the end of the financial year, billing authorities provide all the figures that are required by law, and/or needed by billing and major precepting authorities for the completion of their accounts.

3. The format of NNDR3s has remained substantially unaltered since 2013-14, other than:
    - the introduction of a "reconciliation" table in Part 3 in 2014-15; and
    - the introduction of a Collection Fund Statement in Part 5 in 2015-16

4. Since 2014-15, therefore, Part 3 of the form, which contains the bulk of the data entries required of billing authorities asks authorities to provide figures for:-
    - the relief and additional income awarded to/received from ratepayers as a result of the transitional arrangements
    - mandatory relief awarded to ratepayers
    - unoccupied property "reliefs"
    - discretionary relief (unfunded)
    - discretionary relief (funded – i.e. discretionary relief that attracts s.31 compensation)
    - hardship relief

5. All the figures are broken down between "in-year" and "prior-years". In other words, authorities provide separate figures for:
    - the relief given in respect of the current year's liability; and
    - Changes to previous years' liability, resulting from, for example, "appeals".

6. A table at the bottom of Part 3 allows authorities to reconcile the entries made in part 3 to the *gross and net rates figures* being produced by their financial management systems.

7. The format of Part 3 of the NNDR3 is significantly different from the NNDR1. Part 2 of the NNDR1 does essentially the same job as Part 3 of the NNDR3, but instead of a reconciliation table, authorities are asked to complete data entries for *gross rates payable*, from which the data entries for the various reliefs are automatically subtracted in order to produce a "bottom-line" *net rates payable* figure.

8. Authorities have at different times asked the department to adopt a common format for Part 2 of the NNDR1 and Part 3 of the NNDR3.

<u>Proposed Changes to Part 3 of the 2019-20 NNDR3</u>

9. For 2019-20, we propose to change the format of Part 3 of the NNDR3 to match that of Part 2 of the NNDR1. So, the form will ask authorities to provide figures for:
   - Gross Rates Payable
   - the relief and additional income awarded to/received from ratepayers as a result of the transitional arrangements
   - mandatory relief awarded to ratepayers
   - unoccupied property "reliefs"
   - discretionary relief (unfunded)
   - discretionary relief (funded – i.e. discretionary relief that attracts s.31 compensation)
   - hardship relief
   - from the "gross rates payable" and "reliefs" figures, the form will automatically calculate a Net Rates Payable figure

10. We also propose that the gross and net rates payable figures are broken down by "in-year" and "prior-year" entries. This would mean that authorities would need to provide *gross rates payable* figures for the in-year liability and for any prior-year changes in the same way a they do for reliefs.

<u>Why are we proposing to make this change?</u>

11. The working group has previously discussed the need for an NNDR3 gross rates payable figure in connection with the possible introduction of the Alternative Model; and for any gross rates payable figure to be broken down between in-year and prior-year liabilities.

12. Although Ministers have yet to make decisions about the reform of the Business Rates Retention System, we need to prepare on the basis that changes might be introduced from April 2021. Although 2019-20 NNDR3 figures are unlikely to be needed in connection with an Alternative Model introduced from 1 April 2021, making the change now will ensure that authorities are familiar with the new format before it is needed "for real".

13. Having a figure for *in-year gross rates payable* may also be useful, regardless of whether the Alternative Model is introduced, or not. In the event that Ministers decide not to introduce the Alternative Model, we would still expect to reset the existing Business Rates Retention System. As we have previously discussed with the Implementation Working Group, this will mean setting a new *business rates baseline* (BRB) for each authority. Essentially, when setting BRBs, we are trying to set, for each authority, the in-year liability at the date of the reset, after allowing for future appeals. Because of timing-lags, if we were re-setting the system at 1 April 2021, we would anticipate using 2019-20 NNDR3s.

14. The starting point for the calculation of BRBs would be the *in-year net rates payable*. At the moment, we do <u>not</u> have figures for in-year net rates payable directly from NNDR3s; and would have to construct a figure using the NNDR3 data entries for:
    - aggregate net rates payable (i.e. in-year plus prior year adjustments); and
    - the utilisation of the provision (i.e. the changes to rating lists charged to provisions)

15. Having a figure directly from NNDR3s for *in-year net rates payable*, would provide a better starting point for the calculation of BRBs and might help produce more robust baselines.

Administrative Considerations

16. The working group has previously discussed how easy it would be to require authorities to provide a gross rates payable figure broken down between in-year and prior-year liabilities and the demands that changes would put on software suppliers.

17. We have discussed the possibility of making the changes outlined above with User Group Chairs, who have discussed it with software suppliers. Initial soundings suggest that it will not be a problem. But we would propose to share the draft NNDR3 with User Group Chairs shortly and to further discuss the changes with CLIP-F, before making any final decisions.