

Statistical Release

21 September 2006

National non-domestic rates collected by local authorities in England 2005-06

- The net rate yield has grown by 6.2% to £15,935m in 2005-06.
- Whilst 31% of the population live in London and the South East, these regions account for 42% of the net business rate yield.

This release provides information on national non-domestic rates and associated information for the financial year 2005-06, and increases over previous years.

This information is derived from DCLG's national non-domestic rates (NNDR3) returns submitted by local authorities in England and is based on returns from all 354 billing authorities. The data relate solely to the national non-domestic rates local lists; data from the central list are not included (see Annex A for a full explanation of these terms).

The release has been compiled by the Local Government Finance - Capital Finance and Analysis division of DCLG.

National non-domestic rates collected by local authorities in England 2005-06

1. **Table 1** gives details of the yield from national non-domestic rates based on local lists, from 2001-02 to 2005-06. The data are taken from the national non-domestic rate return (NNDR3), as supplied by local authorities to the DCLG. The data are taken from returns that have been certified by auditors where possible; no certified forms for 2005-06 have yet been included in this release.
2. The rateable values shown in **Table 1** are taken from the Valuation List maintained by the Valuation Office Agency of HM Revenue and Customs as at 31 December of the year prior to the year in which NNDR is collected. The rateable values used for 2005-06 were taken from the draft Valuation List that was introduced in April 2005 following the regular 5 yearly revaluation of properties.
3. In **Table 1** the notional yield before reliefs do not equal the rateable value multiplied by the multiplier, as the yield figures are outturn but the rateable value is given as at 31 December of the previous year. Following the introduction of the small business rate relief scheme in April 2005, two multipliers were used in 2005-06. A multiplier of 41.5p was used for those properties in receipt of small business rate relief; a multiplier of 42.2p was used for those properties not in receipt of small business rate relief.

- The net rate yield has grown by 6.2% to £15,935m in 2005-06.

4. The rise of 6.2% in net rate yield is not unusual in the first year following a revaluation (which took place in 2005). The main reasons for the rise are, in decreasing order of importance:
 - Inflationary increase of 3.1% in line with the rise in RPI in the multiplier;
 - Estimates of expected yield losses from appeals over the next five years were taken into account when setting the 2005-06 multiplier. However, there are not usually any appeals against a new valuations list in its first year;
 - Increase in the overall number of businesses paying business rates.

Table 1: Outturn national non-domestic rate yield from local lists since 2001-02

	£ million				
	2001-02	2002-03	2003-04	2004-05	2005-06
Multiplier (pence) ^(a)	43.0	43.7	44.4	45.6	41.5
Number of hereditaments ('000) ^(b)	1,632	1,638	1,642	1,645	1,651
Rateable value ^(b)	39,608	39,607	39,586	39,466	46,280 ^(c)
Notional yield before reliefs in respect of current year	16,952	17,198	17,463	17,908	19,480
<i>add</i>					
Changes in respect of previous years	-423	-895	-1,149	-982	-721
Notional yield before reliefs	16,529	16,303	16,314	16,925	18,759
<i>less</i>					
Transitional Relief	337	-243	-219	-45	821
Mandatory Relief	1,642	1,769	1,856	1,929	2,070
Discretionary Relief	43	39	39	36	36
Small Business Rate Relief					-103
Net rate yield	14,508	14,737	14,646	15,005	15,935
<i>less</i>					
Collection costs including losses	255	260	261	267	249
Contribution to the pool	14,253	14,478	14,385	14,738	15,686

Source: NNDR3 returns.

(a) The multiplier shown for 2005-06 applies to properties in receipt of small business rate relief. A multiplier of 42.2p in the pound applies to other properties.

(b) As at 31 December in previous year.

(c) Based on draft list for use following April 2005 revaluation

- Properties were revalued as at 1 April 2005 and transitional arrangements were introduced to cap significant increases and decreases in bills. The 2005 transitional scheme aims to be revenue neutral and this is achieved by phasing in both increases and decreases in the bills of those ratepayers who would otherwise have seen their rates bills change immediately on 1 April 2005 over a maximum of four years.
- The figures for Transitional Relief shown in **Table 1** are net (i.e. the reduced yield due to the full increases in NNDR being deferred because of the transitional arrangements less the increased yield due to the full decreases in NNDR being deferred). In a four year cycle the net cost of transitional relief is positive in year 1 (an excess of expenditure over income) but this changes as the cycle continues so that in years 2,3 & 4 income exceeds expenditure.

7. **Table 2** gives figures for mandatory and discretionary reliefs applied to national non-domestic rates bills by billing authorities. Mandatory reliefs are automatic entitlements in any local authority area whereas discretionary reliefs are granted at a local authority's discretion and paid for by them. An example of these two types of relief is properties held by charities, which are automatically entitled to mandatory relief of 80% but where local authorities have the discretion to top up the amount to 100%.

Table 2: Mandatory and discretionary rate reliefs					
	£ million				
	2001-02	2002-03	2003-04	2004-05	2005-06
Mandatory Reliefs					
Charity	579.3	587.2	615.7	625.2	678.4
Rural village shop	5.3	6.1	6.0	6.3	5.7
Former agricultural premises	0.0	0.3	0.6	1.2	1.4
Partly occupied	56.6	57.3	44.5	48.7	55.5
Empty premises	1,000.6	1,118.5	1,189.5	1,243.8	1,321.9
Community amateur sports clubs ^(a)	-	-	-	3.9	7.0
Total	1,641.8	1,769.4	1,856.3	1,929.1	2,070.0
Discretionary Reliefs					
Charity	6.4	6.6	6.6	7.1	7.7
Non-profit making bodies	26.0	26.8	27.3	24.8	23.6
Rural village shop	1.7	2.0	2.0	2.0	2.0
Other small rural business	1.1	1.1	1.2	1.3	1.2
Former agricultural premises	0.0	0.1	0.1	0.1	0.1
Hardship	7.9	2.6	1.5	0.9	0.9
Charges on property	0.0	0.0	0.0	0.0	0.0
Community amateur sports clubs ^(b)	-	-	-	0.1	0.3
Total	43.1	39.1	38.6	36.3	35.8
Source: NNDR3 returns.					
(a) Relief for community amateur sports clubs was introduced from 1 April 2004 as part of the Local Government Act 2003.					

8. **Table 3** gives a breakdown of national non-domestic rate yield by region in 2005-06.

- Whilst 31% of the population live in London and the South East, these regions account for 42% of the net business rate yield.

Table 3: National non-domestic rate yield by region 2005-06

	Net rate yield (£ million)	Proportion of net rate yield %	Proportion of total population %
North East	590	3.7	5.1
North West	1,847	11.6	13.6
Yorkshire & the Humber	1,349	8.5	10.1
East Midlands	1,148	7.2	8.5
West Midlands	1,512	9.5	10.7
East of England	1,572	9.9	10.9
London	4,130	25.9	14.8
South East	2,539	15.9	16.2
South West	1,250	7.8	10.0
Total England	15,935	100.0	100.0

Source: NNDR3 returns and ONS mid-year 2005 population estimates

Background notes

1. Enquiries about this Statistical Release should be addressed to John Farrar at John.Farrar@communities.gsi.gov.uk (Tel. 020 7944 4158).
2. For a fuller picture of recent trends in local government finance, readers are directed to *Local Government Financial Statistics England No. 16 2005* which is available in hard copy from Wetherby Publications communities@twoten.com (Tel. 0870 1226 236) and electronically from the Department for Communities and Local Government's website: www.local.communities.gov.uk/finance/stats/lqfs/2005.
3. Further information is also available on the DCLG's local government finance webpages at <http://www.local.communities.gov.uk>.

Terminology used in this release

A list of terms relating to local government finance is given in the glossary at Annex G to *Local Government Financial Statistics England No. 16 2005*. This is accessible at http://www.local.communities.gov.uk/finance/stats/lqfs/2005/lqfs16/annex_g.pdf. The most relevant terms for this release are explained below.

Billing authority - a local authority empowered to set and collect non-domestic rates, and manage the Collection Fund, on behalf of itself and other local authorities in its area. In England, shire and metropolitan districts, the Council of the Isles of Scilly, unitary authorities, London Boroughs and the City of London are billing authorities.

Central list - Since 1990, a central rating list has existed for England containing large network properties which would not sit comfortably on local rating lists. For example, railways, national utilities, pipelines, waterways. The income from such properties is collected by central government and paid by them into the pool.

Hereditament – a property that is, or may become, liable to national non-domestic rates, and thus appears on the rating list. The list is compiled and maintained by the Valuation Office Agency of HM Revenue and Customs.

Local list - properties on local rating lists include non-domestic properties but also Crown properties, such as central government properties and Ministry of Defence establishments. The income from properties on local rating lists is collected by billing authorities and paid by them into the pool.

National non-domestic rates – are a means by which local businesses or organisations contribute to the cost of local authority services. Liable properties include public buildings, pipelines and advertising hoardings, as well as businesses. Some non-domestic properties, such as agricultural land and associated buildings, and churches, are exempt however. On 1 April 1990 the rating of non-domestic (mainly commercial and industrial) properties was substantially reformed. Before 1990-91, rate poundages were set individually by local authorities and varied from authority to authority. Since 1 April 1990, a single national poundage has been set by the Government.

National non-domestic rates multiplier – the factor by which a hereditament's rateable value is multiplied in order to calculate its gross rateable value. For 2005-06 this was 42.2p in the pound.

Small business rate multiplier – the factor by which a hereditament's rateable value is multiplied in order to calculate its gross rateable value. For 2005-06 this was 41.5p in the pound. This is 0.7p less than for those contributing to small business rate relief.

Rateable value - every property has a rateable value that is based, broadly, on the annual rent that the property could have been let for on the open market at a particular date (currently 1 April 2003, using a list compiled for 1 April 2005).