

BARNSLEY METROPOLITAN BOROUGH COUNCIL

REPORT OF: EXECUTIVE DIRECTOR OF CORE SERVICES / S151 OFFICER

TITLE: 2023/24 Business Rates – Calculation of the Authority's Local Share

REPORT TO:	CABINET
Date of Meeting	11 January 2023
Cabinet Member Portfolio	Core Services
Key Decision	Yes
Public or Private	Public

Purpose of report

This report sets out the 2023/24 estimated Business Rate Local Share for the Council that is built into the 2023/24 budget and outlines the process for calculating the National Non-Domestic Rates Return (NNDR1) to be submitted to the Ministry for Levelling Up, Housing and Communities (MLUHC) by 31st January 2023.

Council Plan priority

Growing Barnsley

Recommendations

That Cabinet:-

- 1. Note the process for estimating the retained Business Rate Local Share for 2023/24 and agree that the 'local share' for Barnsley will be £28.414M (excluding S31 Grants) in line with the Council's Medium-Term Financial Strategy (MTFS) and;**
- 2. That the final submission is approved by the Service Director Finance - S151 Officer in consultation with the Cabinet Spokesperson for Core Services.**

1. INTRODUCTION

1.1 Under the current Business Rates Retention Scheme (BRRS) councils are able to retain 49% of all business rates collected locally (known as the Local Share), and this amount forms part of the funding of the Council's agreed budget.

2. PROPOSAL

Local Business Rates Retention

2.1 Under the Business Rates Retention Scheme (BRRS) councils are required to estimate the total business rates to be collected in their area.

2.2 After taking account of reliefs, appeals and other variables, councils are required to pay 50% of this net amount over to Central Government and 1% to local Fire Authorities. The remaining amount (49%) is then available to contribute to the Council's budget planning process.

2.3 The key steps involved in the process of estimating the local share of business rates to be retained by the Council are attached at Appendix 1, with a summary below highlighting several issues that need to be considered when calculating the Business Rate base for 2023/24.

2023 Business Rate Revaluation

2.4 A revaluation of business properties is undertaken at national level by the Valuation Office Agency. The next business rates revaluation takes effect from 1st April 2023 and will take place every three years thereafter. At local authority level, overall charges to businesses will increase or decrease dependent upon how the Valuation Office determines the rateable value of their property in comparison against the average for England.

2.5 The effects of the revaluation will be revenue neutral meaning no Local Authority will be worse off in terms of funding retained. This will be undertaken via an adjustment to each authority's Top Up or Tariff following revaluation.

2.6 The outcome of the revaluation is not yet known. The Service Director Finance (S151 Officer) will adjust the Council's Medium-Term Financial Strategy to reflect any changes as the position becomes clear following the Local Government Finance Settlement.

2.7 However it should also be noted that there may be fluctuations in rateable value (RV) of council owned premises due to the 2023 Revaluation. The estimated cost associated with this will be built into the Medium-Term Financial Strategy.

Small Business Rates Relief

2.8 From 1 April 2017, the Government announced changes to the entitlement threshold for qualifying small businesses. The table below highlights the current thresholds:

	Current Threshold (Gross RV)
100% Relief Awarded	Up to £12,000
Tapered Relief Awarded	From £12,001 to £14,999
Bills calculated on Small Business Rate Multiplier	From £15,000 to £51,000

- 2.9 Following these changes, the amount of Small Business Rate Relief (SBRR) awarded has increased significantly and it is expected that this trend will continue. This results in a reduction in the amount of rates retained by the Council (the Local Share).
- 2.10 Government have confirmed that S31 Grant will continue to be awarded to compensate Local Authorities for the changes made to the SBRR threshold in 2017. An estimate has been made for the S31 grants to be received and has been built into the MTFS accordingly.

Deductions for Estimated Charitable Reliefs

- 2.11 Charities are awarded 80% mandatory relief. This continues to be a significant issue for the Authority as schools that become academies will automatically receive relief on their business rate bill, thus reducing the resources available to fund other front line Council services.

Empty Properties and Business Closures

- 2.12 Under the current Business Rates scheme, business properties that become vacant are eligible for empty property relief. The amount of relief awarded is dependent on the type of property that becomes vacant. For industrial use properties a maximum of 6 months relief.
- 2.13 Whilst the total amount of relief to be awarded during 2023/24 is difficult to predict, particularly in the context of the current economic challenges that businesses face, the total rates to be collected has been adjusted to reflect known circumstances.

Enterprise Zones

- 2.14 All rates collectable from businesses within Enterprise zones are required to be paid over to the Local Enterprise Partnership (LEP) rather than being retained by the Local Authority.
- 2.15 There are currently 2 approved Enterprise Zones within the Barnsley area at Shortwood and Ashroyd Way. The estimate rates to be collected in 2023/24 from these sites total £0.8M. This amount will be required to be paid to the South Yorkshire Mayoral Combined Authority. The impact of this has been built into the 2023/24 income forecast.

Autumn Statement

- 2.16 The Covid 19 pandemic, BREXIT and the current economic crisis have had a significant impact on businesses, particularly those in the retail, leisure and hospitality sectors. Whilst some financial support has been and continues to be provided by Government during 2023/24 (see below), the ongoing impact on the business community remains difficult to predict and could result in adverse changes to the tax base.
- 2.17 As part of the Chancellors 2022 Autumn Statement, the following measures to support businesses were announced.
- The business rates multipliers will continue to be frozen at the 2021 rates.
 - Businesses in the retail, hospitality and leisure sectors will receive 75% relief on their business rates.
 - Additional relief will be provided to the smallest businesses that lose or see reductions in Small Business Rates Relief and Rural Rate Relief because of the April 2023 Revaluation
 - A new Transitional Relief scheme will provide relief to cap bill increases for the businesses that see the largest increase due to the April 2023 Revaluation.
- 2.18 It is expected that Local Authorities will be compensated via S31 Grant for the cost of the above changes.

Business Rate Arrears

2.19 Despite the Government additional support to business, it is anticipated that the current economic challenges will continue to adversely impact collection rates. This will be carefully monitored during 2023/2024 and will be reported to Cabinet accordingly.

Submission of the National Non-Domestic Rates Return (NNDR1)

2.20 Councils are required to collect the information highlighted at Appendix 1 and submit it to Government via the NNDR1 return by no later than 31 January.

2.21 The NNDR1 form for 2023/24 is yet to be received but will be reviewed by officers as necessary. As such it is possible that adjustments may be necessary to the position reported in this report, particularly the split between retained rates (Local Share) and the amount of estimated S31 grant, reflecting the changes announced in the 2022 Autumn Statement. As the deadline for submitting the NNDR1 form is 31 January 2023, it is recommended that approval of the final submission be delegated to the Service Director Finance (S151 Officer).

2.22 The position on business rates will continue to be carefully monitored throughout the financial year and reported to Members as part of normal budgetary procedures.

3. IMPLICATIONS OF THE DECISION

3.1 Financial and Risk

3.2 The Council currently retains 49% of the business rates it collects known as the local share. An estimate of the local share to be retained in 2023/24 has been made and totals £28.414M. This amount has been built into 2023/24 Budgetary Procedures. In addition, the Council is required to notify Central Government and South Yorkshire Fire and Rescue Authority (SYFRA) of their share of business rates income (50% and 1% respectively).

3.3 The business rate baseline remains extremely volatile, with several key factors that can influence its position. It remains particularly vulnerable, and a rigorous monitoring process has been put in place with any material variations against the budget being reported to Cabinet as part of the normal quarterly financial monitoring process.

3.4 Any variations identified from this exercise will affect the Council's Collection Fund Reserves, which will in turn impact on the Council's MTFS. These variations will also impact the amounts paid over to Central Government and the SYFRA.

3.2 Legal

None.

3.3 Equality

Not applicable – This a statutory requirement.

3.4 Sustainability

There are no implications of sustainability for the Borough in this cabinet report.

3.5 Employee

No existing employees are adversely affected by this report.

3.6 Communications

None directly arising from this report.

4. CONSULTATION

Not applicable.

5. ALTERNATIVE OPTIONS CONSIDERED

Not applicable.

6. REASONS FOR RECOMMENDATIONS

Statutory Requirement.

7. GLOSSARY

None

8. LIST OF APPENDICES

Appendix 1: Process for calculating the National Non-Domestic Rates Return

9. BACKGROUND PAPERS

Not applicable.

10. REPORT SIGN OFF

Financial consultation & sign off	Senior Financial Services officer consulted and date <i>This box must be signed to confirm that there are no financial implications. Alternatively, a signed Appendix A outlining the financial implications is required.</i>
Legal consultation & sign off	Legal Services officer consulted and date Jason Field 3/1/23

Report Author: Neil Copley
Post: Service Director Finance and Section 151 Officer
Date: 2 December 2022

PROCESS FOR CALCULATING THE 2023/24 NNDR 1 FORM

Step 1 – Calculation of Gross Debit

The gross debit is calculated by taking the gross rateable value of properties on the ratings list within the Barnsley area and applying a business rate multiplier as set by Government.

Normally the business rate multiplier is increased by inflation (CPI) year on year. However, as part of the Government's Autumn Statement in November the Chancellor announced that there would be a freeze on the business rate multiplier for 2023/24 with local authorities being compensated via S31 grant for any losses.

The rateable value to be used is that based on the revised 2023 revaluation as at 1 April 2023.

Step 2 – Deductions for Estimated Reliefs Awarded

Certain types of organisations (certain small businesses, charities, empty properties) are entitled to business rate relief. These include charitable trusts and other similar organisations including academies.

Any estimated reliefs to be awarded in the forthcoming year are deducted from the gross debit and thus affect the amount to be retained by the Council.

Step 3 - Losses in collection

As part of the estimate of business rates revenue to be collected locally, councils are required to make an estimate of any losses in collection it anticipates in any given year.

Collection rates have been impacted by the recent challenges that businesses have and continue to face well into 2023/24 and beyond. As a result, a prudent estimate based on the current forecast collection rate together with past years actual losses/write offs, has been made. This has been built into the overall calculation of business rates to be collected.

Step 4 – Enterprise Zones

Under the new scheme councils are required to pay 100% of the business rates collected on properties that sit within enterprise zones over to the Local Enterprise Partnership.

The business rates to be collected on these properties will be deducted from the estimated business rates for 2023/24 to be paid to the South Yorkshire Mayoral Combined Authority.

Step 5 - Renewable Energy Schemes

From 1 April 2013 the Council were able to retain 100% of the business rates levied on companies engaged on any new Renewable Energy business where the energy produced is above a certain threshold.

Step 6 - Business Growth/Decline

As part of the scheme councils are also required to make an estimate of any growth or decline in business rates within their area. Council's will retain 49% of the business rates revenue estimated from any growth anticipated.

Step 7 - Appeals

Appeals occur when a business believes that the business rates they have been charged have been calculated unfairly. All appeals are processed by the Valuations Office. Appeals usually take place over a period in line with the Valuations Office property revaluation timetable. The next revaluation is planned for 2023.

Step 8 Transitional Protection Payments

Government undertakes a ratings revaluation of business premises every 3 years. The last revaluation was undertaken on the 1st April 2017, with the next revaluation to take place from 1st April 2023 .

Where a properties ratings value significantly changes as a result of re-valuation the business in question is awarded Transitional Rate Relief to protect them from significant changes.

Any transitional rate relief that is awarded is therefore deducted from the total amount of business rates levied.