

BARNSLEY METROPOLITAN BOROUGH COUNCIL

REPORT OF: Director of Finance (S151 Officer)

TITLE: 2024/25 Business Rates – Calculation of the Authority’s Local Share

REPORT TO:	CABINET
Date of Meeting	10 January 2024
Cabinet Member Portfolio	Core Services
Key Decision	Yes
Public or Private	Public

Purpose of report

This report sets out the 2024/25 estimated Business Rate Local Share for the Council that is built into the 2024/25 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 2024.

Council Plan priority

Growing Barnsley

Recommendations

That Cabinet: -

- 1. Note the process for estimating the retained Business Rate Local Share for 2024/25 and agree that the ‘local share’ for Barnsley will be £32.089M (excluding S31 Grants) in line with the Council’s Medium-Term Financial Strategy (MTFS) and;**
- 2. That the final submission is approved by the Director of 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 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 2024/25.

Small Business Rates Relief

2.4 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 £50,999

2.5 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).

2.6 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

2.7 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

- 2.8 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, e.g. for industrial use properties a maximum of 6 months relief is available.
- 2.9 Whilst the total amount of relief to be awarded during 2024/25 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

- 2.10 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.
- 2.11 There are currently 2 approved Enterprise Zones within the Barnsley area at Shortwood and Ashroyd Way. The estimated rates to be collected in 2024/25 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 2024/25 income forecast.

Autumn Statement

- 2.12 As part of the Chancellors 2023 Autumn Statement, the following measures to support small businesses and the high street were announced.
- The small business rates multipliers will continue to be frozen at the 2021 rate of 49.9p.
 - The standard business rates multiplier will increase by September's CPI figure (6.7%) increasing the multiplier from 51.2p to 54.6p.
 - Businesses in the retail, hospitality and leisure sectors will continue to receive 75% relief on their business rates in 2024/2025, up to a cap of £110,000 per business.
- 2.13 It is important to note that the standard multiplier has not increased since 2021 and prior to this, increases had been capped at 2%. This is the first significant increase in the standard multiplier in 10 years. It will, however, only apply to a small number of businesses as in Barnsley only 6% of premises have a rateable value above £51,000.
- 2.14 It is expected that Local Authorities will be compensated via S31 Grant for the cost of the above changes.

Discretionary Business Rate Relief

- 2.15 The Council's Discretionary Rates Relief Policy is being updated for 2024/2025. A small number of minor amendments are to be made to include the changes to the UK Subsidy Control regime and to remove the discretionary Rural Rates Relief from the policy following Government decision to make this a 100% mandatory relief. The principles remain unchanged, and a copy of the updated policy will be available on the Council's website from 1 April 2024.

Business Rate Arrears

- 2.16 Despite the Government's additional support to small business, it is anticipated that the current economic challenges will continue to adversely impact collection rates. This will be carefully monitored during 2024/2025 and will be reported to Members accordingly.

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

- 2.17 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.
- 2.18 The format of the NNDR1 form for 2024/25 is to change as there is now a new requirement to split all elements of the calculation between the standard multiplier and the small business multiplier.
- 2.19 The form for 2024/25 is yet to be received but will be reviewed by officers, in due course. As such it is possible that adjustments may be necessary to the position reported in this report, particularly the split between the standard and small business multiplier, the retained rates (Local Share) and the amount of estimated S31 grant reflecting the changes announced in the 2023 Autumn Statement. As the deadline for submitting the NNDR1 form is 31 January 2024, it is recommended that approval of the final submission be delegated to the Director of Finance (S151 Officer).
- 2.20 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 2024/25 has been made and totals £32.089M. This amount has been built into 2024/25 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>Neil Copley</i> <i>12/12/23</i>
Legal consultation & sign off	Legal Services officer consulted and date <i>Sukdave Ghuman 18/12/23</i>

Report Author: Neil Copley
Post: Director of Finance and Section 151
Officer Date: 12 December 2023

PROCESS FOR CALCULATING THE 2024/25 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 the 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 small business rate multiplier for 2024/25 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 2024.

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 2024/25 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 2024/25 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. The Council 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 2027.

Step 8 Transitional Protection Payments

The Government undertakes a ratings revaluation of business premises every 3 years. The last revaluation was undertaken on the 1st April 2023, with the next revaluation to take place from 1st April 2027.

Where a property has a significant increase in rateable value because of re-valuation the business in question is awarded Transitional Rates Relief to protect them from the significant increases.

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