

# BARNSELEY METROPOLITAN BOROUGH COUNCIL

This matter is a Key Decision within the Council's definition and has been included in the relevant Forward Plan

Cabinet: 12 January 2022

Report of the Executive Director of Core Services  
/ S151 Officer

## 2022/23 BUSINESS RATES – CALCULATION OF THE AUTHORITY'S LOCAL SHARE

### 1. Purpose of the Report

- 1.1 This report sets out the 2022/23 estimated Business Rate Local Share for the Council that is built into the 2022/23 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 31<sup>st</sup> January 2022.

### 2. Recommendations.

- 2.1 That Cabinet note the process for estimating the retained Business Rate Local Share for 2022/23 and agree that the 'local share' for Barnsley will be £25.414M (excluding S31 Grants) in line with the Council's Medium-Term Financial Strategy (MTFS).
- 2.2 It is recommended that the final submission is approved by the Service Director Finance - S151 Officer in consultation with the Cabinet Spokesperson for Core Services.

### 3. Background

- 3.1 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.
- 3.2 The Government have recently conducted a review of the current business rates system and have concluded that no fundamental changes to the non-domestic rates system are required at this stage. It has also been confirmed that they are no longer pursuing a move to a 75% local retention scheme. It is expected that any changes to the current system will be introduced in 2023/24.

### 4. Current Position

#### Local Business Rates Retention

- 4.1 Under the Business Rates Retention Scheme (BRRS) councils are required to estimate the total business rates to be collected in their area.
- 4.2 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.

- 4.3 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 a number of issues that need to be considered when calculating the Business Rate base for 2022/23.

***Small Business Rates Relief***

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

	<b>Current Threshold (Gross RV)</b>
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

- 4.5 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).
- 4.6 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***

- 4.7 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***

- 4.8 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. For industrial use properties a maximum of 6 months relief
- 4.9 Whilst the total amount of relief to be awarded during 2022/23 is difficult to predict, particularly in the context of the pandemic, the total rates to be collected has been adjusted to reflect known circumstances.

***Enterprise Zones***

- 4.10 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.
- 4.11 There are currently 2 approved Enterprise Zones within the Barnsley area at Shortwood and Ashroyd Way. The estimated rates to be collected in 2022/23 from these sites total £0.7M. This amount will be required to be paid to the South Yorkshire Mayoral Combined Authority. The impact of this has been built into the 2022/23 income forecast.

## **2021 Comprehensive Spending Review**

- 4.12 During 2020/21 the Covid 19 pandemic had a significant impact on the business community, particularly those in the retail, leisure and hospitality sectors. Whilst some financial support has been provided by Government to date and continues to be provided during 2022/23 (see below), the ongoing impact on the business community of the pandemic together with the impact of BREXIT remains difficult to predict but could result in adverse changes to the tax base.
- 4.13 As part of the 2021 Comprehensive Spending Review (2021 CSR), Government has announced a number of measures to support businesses:
- The Business Rate Multiplier will be frozen at the 2021 rate;
  - Businesses in the Retail, Leisure and Hospitality sector will receive 50% relief on their business rates.
  - Relief will be provided to those businesses undertaking property improvements from 2023/24; and
  - Support will be provided to those businesses investing in green technology from 2023/24.
- 4.14 Local Authorities will be compensated via S31 Grant for the cost of the above changes.

### ***Business Rate Arrears***

- 4.15 Despite the Government support to business during the pandemic, the business rate collection continues to be adversely impacted. This will be carefully monitored during 2022/23 with any impact being report to Cabinet accordingly.

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

- 4.16 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.
- 4.17 The NNDR 1 form for 2022/23 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 2021 CSR. As the deadline for submitting the NNDR 1 form is 31 January 2022, it is recommended that approval of the final submissions be delegated to the Service Director Finance - S151 Officer.
- 4.18 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.

### **Future Changes to the Business Rates Retention Scheme**

- 4.19 The current Business Rates Retention Scheme (BRRS) allows Local Authorities to retain 49% of all business rates collected locally.
- 4.20 Government have announced that they do not intend to make any fundamental changes to the BRRS including abolishing the proposal to allow Local Authorities to retain 75% of all business rates collected. Any changes are expected to be announced as part of the Local Government Finance Settlement with implementation likely to be from 2023/24 onwards.

4.21 A further report will be submitted to Cabinet to update on the position in due course.

## **5 Options**

5.1 The Council is statutorily required to submit a completed NNDR1 form no later than 31 January in any given year.

## **6 Local Area Implications**

6.1 The impact on local businesses (especially in relation to Government policy changes) is outlined within the report.

## **7 Implications for local people and service users**

7.1 No local people or services will be directly affected by this report.

## **8 Financial Implications**

8.1 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 2022/23 has been made and totals £25.414M. This amount has been built into 2022/23 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).

8.2 The business rate baseline remains extremely volatile, with several key factors that can influence its position. It remains particularly vulnerable ongoing as a result of the impact of Covid 19 and Brexit. 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.

8.3 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.

## **9 Employee Implications**

9.1 No existing employees are adversely affected by this report.

## **10 Communications Implications**

10.1 None directly arising from this report.

## **11 Tackling Health Equalities**

11.1 There are no known implications.

## **12 Climate Change & Sustainable Energy Act 2006**

12.1 There are no known implications.

## **13 Risk Management considerations**

13.1 As the business rates retention scheme forms a major part of the Council's future funding position any forecast decline may pose a significant risk.

## **14 Health & Safety Issues**

14.1 There are no implications.

**15. Compatibility with European Convention on Human Rights**

15.1 There are no implications.

**16. Promoting Equality and Diversity and Social Inclusion**

16.1 There are no implications

**17. Reduction of Crime and Disorder**

17.1 There are no implications.

**18. Consideration of Biodiversity**

18.1 There are no implications.

**19. List of Appendices**

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

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**Date: 3rd December 2022**

## **PROCESS FOR CALCULATING THE 2022/23 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 Comprehensive Spending review in November the Chancellor announced that there would be a freeze on the business rate multiplier for 2022/23 with local authorities being compensated via S31 grant for any losses.

The rateable value to be used is that based on the revised 2017 revaluation as at 1 April 2017.

### **Step 2 – Deductions for Estimated Reliefs Awarded**

Certain types of organisation (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 COVID 19 pandemic and this is likely to continue well into 2022/23 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.

There are currently 4 properties that sit within the two Enterprise Zones within Barnsley. The business rates to be collected on these properties will be deducted from the estimated business rates for 2022/23 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 5 year period in line with the Valuations Office property revaluation timetable. The next revaluation is planned for 2023/24.

## Step 8 Transitional Protection Payments

Government undertakes a ratings revaluation of business premises every 5 years. The last revaluation was undertaken on the 1<sup>st</sup> April 2017, with the next revaluation planned for 1<sup>st</sup> April 2023 (one year later than originally planned).

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.