

Resetting the Business Rates Retention System



1

Objectives

Redistribute all (non-Designated Area) resources within the BRRS in line with relative need and resources

Simplify where possible

Reshape how risk is shared in the system

2

Change 1: Gross basis Business Rates Baselines

Updated system 2026/27 onwards

Authority Baseline Funding Level		1,000,000	
	Rateable value	Multiplier	
Authority			
Small	1,500,000	0.432	648,000
Standard	7,750,000	0.480	3,720,000
Updated BRB			4,368,000
Tariff			-3,368,000
Updated BFL			1,000,000
Funding calculations		Gross Rates	Net Rates
CIES	Net collectable	2,878,000	2,878,000
	Tariff	-3,368,000	-1,878,000
	All reliefs now funded	1,490,000	
	s.31 funding for new multipliers	1,000,000	1,000,000

NEW
CURRENT

Change 2: Supplements and Discounts

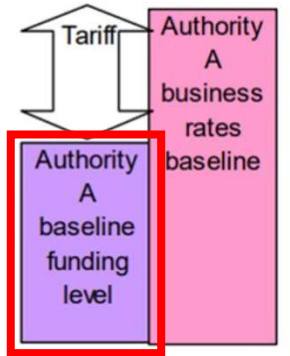
Updated system 2026/27 onwards - **Elimination of new discounts and supplements**

Authority Baseline Funding Level		Billing / Prior Basis		
		1,000,000		
	Rateable value	Multiplier	Gross Rates	effect of HVL/RHL
Authority				
Small	1,000,000	0.432	432,000	
Standard	3,000,000	0.480	1,440,000	
Small RHL	500,000	0.382	191,000	- 25,000
Standard RHL	750,000	0.430	322,500	- 37,500
HVL	4,000,000	0.508	2,032,000	112,000
Total	9,250,000		4,417,500	49,500

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Funding calculations		difference	
CIES	Net collectable	2,927,500	49,500
	Tariff	-3,368,000	
	s.31 HVL/ RHL	- 49,500	- 49,500
	s.31 relief funding	1,490,000	
	= BFL	1,000,000	-

New Baselines Baseline Funding Level



The post reset starting position

Not available yet - still being worked on....once determined BFLs will **not** be updated except for indexation directly to CPI

No BFL damping, 2025-26 estimate of business rates income used as baseline for transitional protection

Key Principles:

- All BRRS resources remain with local government, **including growth and underindexation** funding, some in BFL aggregate, others in RSG
- **Growth** and **existing (?)** funded reliefs rolled into aggregate BFL, quantum to be apportioned using relative needs, **100% change in BFL in year 1**

Reconcile 2026/27 budget and NNDR1 elements to BFL to ensure you are correctly measuring growth/ decline going forwards

s.31 funds **almost all reliefs**, including Charity, CASC, partially empty, and empty properties. Local discretionary relief elements not s.31 funded

Change from current: 31 grants legally part of NDRI and recognised in Collection Fund, avoiding recognition timing differences.

100% of grant due paid to Billing Authority (collection fund), distributed on basis of NNDR1 during the year.

Year end reconciliation sums part of CF surplus/ deficit

Awaiting legal basis for this.....

s.31 grants now fund (almost) all reliefs, recognised in collection fund. Major cashflow changes between Govt, BA and MPAs

Funding Reliefs



Move to Gross Rates BRB and s.31 relief funding improves stability

Current System	CFCA	CIES Yr1	CIES Yr2	Comment
Reduction in GRP – business closes	Deficit	Nil	Deficit	
Decrease in charitable relief	Surplus	Nil	Surplus	
Increase in SBRR (s.31 funded)	Deficit	Surplus	Deficit	Recognition timing difference

Gross BRB and s.31 in Coll'n Fund	CFCA	CIES Yr1	CIES Yr2	Comment
Reduction in GRP – business closes	Deficit	Nil	Deficit	
Decrease in charitable relief	Nil	Nil	Nil	Offsetting s.31 grant reduction in Coll'n Fund
Increase in SBRR (s.31 funded)	Nil	Nil	Nil	Offsetting s.31 grant increase in Coll'n Fund

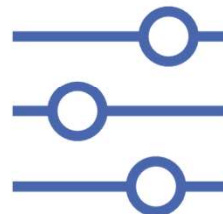
“The government will calculate initial GRP figures to feed into interim 2026-27 BRBs.

It will then **revise this measurement at the 2027-28 Local Government Finance Settlement** once compiled rating list data is available, to calculate final 2026-27 BRBs.”

Applies to Designated Area and renewables baselines as well

Local Authority	2023-24 Tariff/Top-up ³	2023-24 Tariff and Top-up reconciliation	
North Somerset	-0.7	1.9	-263.48%
Tower Hamlets	2.6	-0.8	-30.36%
Bracknell Forest	-5.5	1.3	-22.77%
Rutland	-1.5	0.2	-14.91%
Hammersmith and Fulham	-14.0	2.1	-14.73%
Hertsmere	-21.5	-2.9	13.34%
Halton	3.3	0.6	17.43%
Medway	2.7	0.5	18.61%
Brighton and Hove	1.2	0.4	30.36%
Dudley	-0.8	-1.1	139.42%

Technical Adjustments



Distinguish real budget changes from technical adjustments. Plan to reflect any corrections in MTFS and budget reporting

What might be updated?

Element	Assumed basis	Likely to be updated?
Gross Rates Payable	Small and Standard multiplier	✓ Yes
Less: appeal loss	National allowance – 3.75% <small>Source: OBR Nov 25 economic and fiscal outlook - 4.39 "The forecast now assumes that average rateable values are increased at revaluations by an amount sufficient to offset future appeals, which is 3.75 per cent of gross rates"</small>	✗ No
Less: bad debt	0.6% of GRP based on MHCLG analysis	✗ No
Less: Cost of Collection	Local share of £84m	✗ No
Less: Designated areas	GRP _{DA} – Appeal loss _{SDA} – Bad Debt _{DA} – Renewables _{SDA} – Baseline _{DA}	✓ Yes
Less: Renewable energy	GRP _{RE} – Baseline _{RE}	✓ Yes
= Business Rates Baseline		

inflation path pushing up the multiplier. The forecast now assumes that average rateable values are increased at revaluations by an amount sufficient to offset future appeals, which is 3.75 per cent of gross rates. This increases revenues in the year a revaluation takes place – which over the current forecast

Disregards Designated areas and Renewables



Exempt from reset, but baselines recalculated (locally), and will be corrected in-year

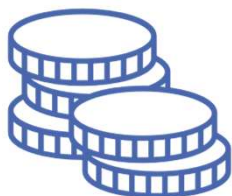
Supplement/ discounts approach applies, subject to a **NIL floor**

No s.31 compensation for mandatory reliefs included in the DA baseline calculation (6.5.21)

Underindexation s.31 grant funding is **not a disregard** and will be rolled into RSG (3.3.4)

Action: Disregards and renewables exempt from reset; baselines recalculated and some s.31 differences

Safety Net and levy



New **marginal levy rate** applicable to all local authorities' growth above BFL, more authorities pay on average less

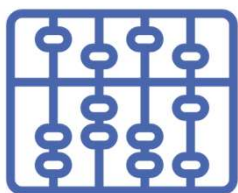
2024-25 using the new marginal structure	Initial Growth (10%)	Further Growth (35%)	High Growth (45%)	Total
New Levy – number	108	155	63	326

Safety net for 2026-27 = **100% of Baseline Funding Level (BFL)**, scales back to normal over three-year settlement

Reinforces reconciling BFL to Budget if possible, but still not sure how NDRI/ BFL will be measured, and future reset periods to be determined.....

Marginal rate levy payable on growth, even Top-Up authorities; safety net guarantees BFL for 2026–27

2026/27 Budget Impact



NNDR1 = Budget

BRRS s.31 = **collection fund**, not CIES.

- Don't forget cashflow changes.
- Update GL, budget presentation for s.31 changes

BRB ± Top-Up/Tariff = **BFL** at 1 April 2026, growth and decline occurs post-reset.

Granularity matters - track BFL components, reconcile to budget lines

Forecast technical adjustments – split real variances from changes that will be corrected

Top-up authorities – Levy may need budgeting for

NNDR1 still drives BRRS budgets; system design gives you some time to react

2026/27 Budget Impact



Compare NNDR1 Vs BRB deductions

Appeal loss	National allowance – 3.75% <small>Source: OBR Nov 25 economic and fiscal outlook – 4.39</small>
Bad debt	0.6% of GRP based

Growth / Decline

- Retained at small/ standard multiplier value, not billed amount
- Designated area and Renewables growth remains
- **Wrong side effects** - Identify any major changes in RV due pre/ prior 1 April 2026

Systems - Confirm patches applied or scheduled, be conscious of complexity of the task

Differences in top-down allocations between NNDR1 and BRB calculations can have real funding implications, monitor wrong-side risk

S151 key points



All BRRS funding **stays in the sector**—just redistributed (somewhat)

Budget presentation and figures will **look different**, and may be updated mid-year

NNDR1 will drive the General Fund, the design of the BRRS gives some time to adjust to variances

Large GRV changes post-reset – consider speaking to MHCLG if stability at risk

Designated areas – communicate – s.31 grants and baselines, MHCLG review (*limited to aligning with tax policy, not a full redesign*).



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