

Birmingham City Council

Report to Cabinet

21ST JANUARY 2020



Subject: Business Rates Income 2020/21
Report of: Interim Chief Finance Officer
Relevant Cabinet Member: Cllr Tristan Chatfield – Cabinet Member for Finance and Resources & Cllr Brigid Jones – Deputy Leader
Relevant O &S Chair(s): Councillor Sir Albert Bore
Report author: Ian Harris, Senior Business Analyst

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 7196/2020		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

- 1.1 This report seeks approval to the City Council's Business Rates income projection for 2020/21 for submission to the Government. This forms the calculation of next financial year's income from Business Rates.
- 1.2 The report sets out the basis of the calculation and the assumptions which have been included.

2 Recommendations

That the Cabinet:-

- 2.1 Approves the 2020/21 Business Rates income for Birmingham as shown in Appendix 1.

3 Background

- 3.1 The Valuation Office Agency (VOA) provided the City Council with an updated version of the valuation list as at 13th December 2019. This has been used in calculating the Business Rates income projection. The Government continues to set the Business Rates multiplier which determines the level of Business Rates that each business pays. The City Council has forecast the levels of growth, appeals and non-collection that are expected to occur in 2020/21. This forecast is based on developments that are ongoing, planning approvals that are in place and expected to be completed in 2020/21 and further growth from the identification of additional rateable value as a result of external partnership work being carried out in order to maximise Business Rates Income.
- 3.2 In any year a proportion of the billed Business Rates cannot be collected, for example due to businesses going into liquidation. The City Council has made an assumption of 2% for non-collection in line with local historical experience. Should this collection rate be improved, the resulting surplus will become available to assist in budget setting in future financial years.
- 3.3 Each year appeals are made against the rateable value of properties as determined by the Valuation Office Agency. Appeals that are upheld are backdated to the beginning of the ratings list period, or when the change in circumstances came into existence if later than this date. It is prudent for the City Council to make an assumption about the level of successful appeals that will be made each year and set aside adequate provision for repaying appeals.
- 3.4 As a result of previous budget announcements, the Government continues to provide a package of measures to support small businesses during 2020/21 along with additional support to retail premises classed as small businesses (under £51,000 in Rateable Value). These measures continue to impact both on the level of retained Business Rates generated along with the general unringfenced grants paid to compensate local authorities for loss of income.
- 3.5 After allowing for these measures, the City Council's total projected retained income for 2020/21 from Business Rates is expected to be £441.204m. This is an increase of £4.135m when compared with 2019/20. In addition, the City Council expects to receive compensatory grants of £55.617m which is an increase of £8.785m compared to 2019/20. Taking this into account, overall income from Business Rates related funding is expected to be £496.822m as summarised in the table below. This is an increase of £12.921m or 2.7% when compared with 2019/20 and is a combination of an increase in the Business Rates multiplier of 1.6% and associated compensation of 0.8% for the use of CPI instead of RPI, plus a forecast increase of 0.3% that reflects the anticipated net real terms growth.

Retained Income	Outside the Enterprise Zone	Enterprise Zone
	£	£
Total Resources before Funded Reliefs	441,204,401	10,183,118
Enterprise Zone Relief retained in full (included in discretionary relief above)	0	872,371
Section 31 Grants:		
Small Business Relief	28,595,902	732,240
Supporting Small Business Relief	542,560	0
Local Discretionary Relief	77,226	0
New Retail Relief (30%)	7,002,400	168,519
Inflation (Multiplier Cap)	17,683,543	408,141
Additional Compensation for Small Business Relief Parameter Changes	1,715,693	50,373
Total	55,617,324	1,359,273
Total Resources Including Funded Reliefs	496,821,725	12,414,762

- 3.6 The value of Business Rates growth over and above a pre-determined baseline expected to be collected from the Enterprise Zone is required to be calculated separately from the City Council's element of total income as this resource is ring fenced in its entirety to the Enterprise Zone.

4 Options considered and Recommended Proposal

- 4.1 Not Applicable

5 Consultation

- 5.1 Officers in the Digital and Customer Services and Inclusive Growth Directorates have been consulted in determining the forecast for Business Rates in 2020/21. The Assistant Director – Revenues and Benefits has been consulted in the preparation of this report.
- 5.2 No public consultation is required on the Business Rates Income projection. It is a statement of fact supplemented by the City Council's estimate of likely growth and other changes in Business Rates in 2020/21.

6 Risk Management

- 6.1 The setting of the Council's budget which includes the Business Rates Income projection, as set out in this report, is part of the Council's arrangements for the management of financial issues.

7 Compliance Issues:

- 7.1 **How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

- 7.1.1 The completion of the Business Rates Income projection does not have any direct implications for the City Council's Corporate Policy Priorities.

7.2 Legal Implications

- 7.2.1 As a result of the introduction of the Business Rates Retention Scheme through the Local Government Finance Act 2012, each billing authority is required to give formal approval to the Business Rates income projection due to its strong links with the budget setting process. The calculation and approval of the Council Tax Base will similarly be considered by Cabinet elsewhere on this agenda.

7.3 Financial Implications

- 7.3.1 This Business Rates income projection will determine the income retained from Business Rates in respect of 2020/21 and will feed into budget calculations for next year. The City Council calculates the level of Business Rates in the City based on the latest information available from the Valuation Office Agency (VOA) and projects forward the level of additional Business Rates that will be collected up to 31 March 2021. Under the Business Rates Pilot, which will now be in its fourth year, the City Council will be able to plan for the retention of 99% of this income (£441.204m) in 2020/21 when setting its budget.

7.4 Procurement Implications (if required)

- 7.4.1 Not Applicable

7.5 Human Resources Implications (if required)

- 7.5.1 Not Applicable

7.6 Public Sector Equality Duty

- 7.6.1 There are no specific Equality Duty or Equality Analysis issues relating to the proposals set out in this report.

8 Background Documents

- 8.1 None.

Calculation of Business Rates Income		
	Outside the Enterprise Zone	Enterprise Zone
Number of hereditaments on the rating list 13th December 2019	46,075	1,452
	£	£
Aggregate rateable value on the rating list 13th December 2019	1,100,587,509	30,679,765
Small Business Non-Domestic Rating Multiplier	0.499	0.499
Gross Calculated Rate Yield	549,193,167	15,309,203
Less: Mandatory Reliefs	(95,248,943)	(4,250,480)
Less: Discretionary Reliefs	(8,302,485)	(1,042,954)
Plus: Forecast for Growth	17,449,565	12,564,503
Gross Rate Yield after Reliefs and Growth	463,091,304	22,580,272
Less : Estimate of Losses in Collection for Current Year at 2%	(9,492,464)	(220,967)
Less : Allowance for Cost of Collection	(1,822,825)	0
Enterprise Zone Baseline	11,531,912	(11,531,912)
Less: Estimate of Rates to be Retained due to Renewable Energy Schemes	0	0
Net Rate Yield	463,307,927	10,827,393
Less: Allowance for Appeals and Prior Years Adjustments	(17,646,916)	(644,275)
Net Rate Yield after Allowance for Appeals to be distributed	445,661,011	10,183,118
0% of Business Rates to be paid over to Central Government	0	
99% of Business Rates to be retained by Birmingham	441,204,401	
1% of Business Rates to be retained by West Midlands Fire and Rescue Authority	4,456,610	
100% of Business Rates to be retained by GB&S Local Enterprise Partnership		10,183,118
Total Business Rates Redistributed through Rates Retention Scheme	445,661,011	10,183,118