

# Birmingham City Council

## Report to Cabinet

18<sup>TH</sup> JANUARY 2022



**Subject:** Business Rates Income 2022/23  
**Report of:** Director of Council Management – Rebecca Hellard  
**Relevant Cabinet Member:** Cllr Tristan Chatfield – Cabinet Member for Finance and Resources & Cllr Brigid Jones – Deputy Leader  
**Relevant O &S Chair(s):** Councillor Mohammed Aikhlaq - Resources  
**Report author:** Nadeem Afzal, 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: <b>009030/2022</b>		
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 of the City Council's Business Rates income projection for 2022/23 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 2022/23 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 24<sup>th</sup> November 2021. 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 2022/23. This forecast is based on developments that are ongoing, planning approvals that are in place and expected to be completed in 2022/23 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. While reasonable prudence has been applied, there is more uncertainty in these forecasts than years prior to Covid-19, due to the ongoing impact of the Covid-19 pandemic and economic uncertainty.
- 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 3% for non-collection. The Council has used a more cautious assumption than the 2% made in years prior to Covid-19, but better than the 4% assumed for 2021/22 because whilst collection is gradually improving, the impact of the Covid-19 pandemic and the economic uncertainty is still ongoing. Should this collection rate be improved, the resulting surplus will become available to assist in budget setting in future financial years and should this collection rate not be achieved the resulting deficit will be reflected in future budget setting.
- 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. The council is assuming that these will be £21.9m, an increase of £4.25m from the 2021/22 budget due to an increase in the appeals in 2021/22.
- 3.4 As a result of previous budget announcements, the Government continues to provide a package of measures to support small businesses during 2022/23 along with additional support to eligible retail, leisure and hospitality premises. 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 As a result of Covid-19 the Central Government provided significant financial support which helped small businesses, and retail, leisure and hospitality businesses get through the pandemic by offering 100% relief to their business rates in 2020/21. In addition, they provided 100% relief during the first 3 months of 2021/22 and 66.7% relief for the remaining 9 months of 2021/22. In the Autumn 2021 budget, the Government announced a 50% relief on business rates bills for eligible retail, hospitality and leisure properties up to £110,000 per business. An estimate of £62.8m excluding the Enterprise Zone has been included in the 2022/23 business rates forecast, although detailed guidance notes of the scheme are yet to be published by the Government.

- 3.6 After allowing for these measures, the City Council's total projected retained income for 2022/23 from Business Rates is expected to be £352.038m. This is a decrease of £66.118m when compared with 2021/22. In addition, the City Council expects to receive compensatory grants of £140.519m which is an increase of £85.893m when compared to 2021/22. Taking this into account, overall income from Business Rates related funding is expected to be £492.557m as summarised in the table below.

Retained Income	Outside the Enterprise Zone	Enterprise Zone	TOTAL
	£	£	£
<b>Total Resources before Funded Reliefs</b>	<b>352,038,118</b>	<b>7,926,334</b>	<b>359,964,452</b>
Enterprise Zone Relief retained in full (included in discretionary relief above)	<b>0</b>	<b>243,245</b>	<b>243,245</b>
Section 31 Grants:			
Small Business Relief	33,755,086	775,976	34,531,063
Supporting Small Business Relief	574,968	0	574,968
Retail Relief	68,493,182	2,460,497	70,953,679
Inflation (Multiplier Cap)	35,979,848	810,106	36,789,954
Additional Compensation for Small Business Relief Parameter Changes	1,715,693	50,373	1,766,066
<b>Total</b>	<b>140,518,776</b>	<b>4,096,953</b>	<b>144,615,730</b>
<b>Total Resources Including Funded Reliefs</b>	<b>492,556,894</b>	<b>12,266,533</b>	<b>504,823,427</b>

- 3.7 This is an increase of £19.775m or 4.2% when compared with 2021/22 and is largely a combination of a reduction in the forecast gross rate yield of 14.6% due to Covid-19 and additional retail reliefs, 0.9% reduction due to an increase in the appeals forecast, offset by a 1.4% improvement in the forecast collection rate and 18.2% increase in compensatory grants. These have been set out in the table below.

	2022/23	2021/22	Movement
	Outside the Enterprise Zone	Outside the Enterprise Zone	Outside the Enterprise Zone
<b>Gross Rate Yield after Reliefs and Growth</b>	<b>379,513,724</b>	<b>448,726,422</b>	<b>(69,212,699)</b>
Estimate of Losses in Collection	(11,731,369)	(18,410,333)	6,678,964
Enterprise Zone Baseline less Allowance for Cost of Collection	9,708,621	9,710,430	(1,809)
Allowance for Appeals and Prior Years Adjustments	(21,896,916)	(17,646,916)	(4,250,000)
<b>Net Rate Yield</b>	<b>355,594,059</b>	<b>422,379,602</b>	<b>(66,785,544)</b>
<b>99% of Business Rates to be retained by Birmingham</b>	<b>352,038,118</b>	<b>418,155,806</b>	<b>(66,117,688)</b>
Total Compensatory Section 31 Grants	140,518,776	54,625,686	85,893,090
<b>Total Resources Including Funded Reliefs</b>	<b>492,556,894</b>	<b>472,781,492</b>	<b>19,775,402</b>

- 3.8 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 Council Management and City and Municipal Development Directorates have been consulted in determining the forecast for Business Rates in 2022/23. 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 2022/23.

## **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 2022/23 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 2023. Under the Business Rates Pilot, which will now be in its sixth year, the City Council will be able to plan for the retention of 99% of this income (£352.038m) in 2022/23 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	TOTAL
Number of hereditaments on the rating list 24th November 2021	46,466	1,469	47,935
	£	£	£
Aggregate rateable value on the rating list 24th November 2021	1,079,640,160	43,887,215	1,123,527,375
Small Business Non-Domestic Rating Multiplier	0.499	0.499	
<b>Gross Calculated Rate Yield</b>	<b>538,740,440</b>	<b>21,899,720</b>	<b>560,640,160</b>
Less: Mandatory Reliefs	(101,549,489)	(4,206,519)	(105,756,008)
Less: Discretionary Reliefs	(64,196,614)	(2,484,146)	(66,680,760)
Plus: Forecast for Growth	6,519,387	5,158,536	11,677,923
<b>Gross Rate Yield after Reliefs and Growth</b>	<b>379,513,724</b>	<b>20,367,591</b>	<b>399,881,315</b>
Less : Estimate of Losses in Collection for Current Year at 3%	(11,731,369)	(265,070)	(11,996,439)
Less : Allowance for Cost of Collection	(1,823,291)	0	(1,823,291)
Enterprise Zone Baseline	11,531,912	(11,531,912)	0
Less: Estimate of Rates to be Retained due to Renewable Energy Schemes	0	0	0
<b>Net Rate Yield</b>	<b>377,490,975</b>	<b>8,570,609</b>	<b>386,061,584</b>
Less: Allowance for Appeals and Prior Years Adjustments	(21,896,916)	(644,275)	(22,541,191)
<b>Net Rate Yield after Allowance for Appeals to be distributed</b>	<b>355,594,059</b>	<b>7,926,334</b>	<b>363,520,393</b>
0% of Business Rates to be paid over to Central Government	0		0
<b>99% of Business Rates to be retained by Birmingham</b>	<b>352,038,118</b>		<b>352,038,118</b>
1% of Business Rates to be retained by West Midlands Fire and Rescue Authority	3,555,941		3,555,941
<b>100% of Business Rates to be retained by GB&amp;S Local Enterprise Partnership</b>		<b>7,926,334</b>	<b>7,926,334</b>
<b>Total Business Rates Redistributed through Rates Retention Scheme</b>	<b>355,594,059</b>	<b>7,926,334</b>	<b>363,520,393</b>