

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: CABINET

*Exempt
information
paragraph
number – if
private report:*

Report of: Corporate Director Finance & Governance

Date of Decision: 24th January 2018

SUBJECT: BUSINESS RATES INCOME 2018/2019

Key Decision: Yes

If not in the Forward Plan:
(please "X" box)

**Relevant Cabinet Member(s) or
Relevant Executive Member:**

Relevant O&S Chair:

Wards affected:

Relevant Forward Plan Ref: 004400/2018

Chief Executive approved ☐

O&S Chair approved ☐

Cllr Ward, Leader

**Cllr Mohammed Aikhlaq, Corporate Resources and
Governance Overview & Scrutiny Committee**

All

1. Purpose of report:

1.1. This report seeks approval to the City Council's Business Rates income projection for 2017/18 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. Decision(s) recommended:

2.1. To approve the 2018/19 Business Rates income for Birmingham as shown in Appendix 1.

Lead Contact Officer(s):

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3. Consultation

Consultation should include those that have an interest in the decisions recommended

3.1 Internal

Officers in the Strategic Services Directorate have been consulted in determining a forecast for Business Rates in 2018/19. The Service Director – Customer Services and the Leader of the Council have been consulted in the preparation of this report.

3.2 External

No 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 2018/19.

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

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

4.2 Financial Implications (How will decisions be carried out within existing finances and Resources?)

4.2.1 This Business Rates income projection will determine the income retained from Business Rates in respect of 2018/19, 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 also projects forward the level of additional Business Rates that will be collected up to 31 March 2019. Under the Business Rates Pilot, which will now be in its second year, the City Council will be able to plan for the retention of 99% of this income (£418.064m) in 2018/19 when setting its budget.

4.3 Legal Implications

4.3.1 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.

4.4 Public Sector Equality Duty (see separate guidance note)

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

5. Relevant background/chronology of key events:

5.1 The Valuation Office Agency (VOA) provided the City Council with an updated version of the valuation list as at 29th November 2017. 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 2018/19. This forecast is based on developments that are ongoing and planning approvals that are in place and expected to be completed in 2018/19.

5.2 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.

5.3 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 level of appeals received so far has been very low. Whilst the Council does not expect the total cost of appeals to reduce, this does mean it has been able to re-profile when these fall due.

5.4 In its Spring Budget the Government announced a package of measures designed to cushion the impact of revaluation that came into effect on 1st April 2017. These measures, which were implemented during 2017/18, provide additional relief to small businesses that would have suffered significant increases in Business Rates as a result of revaluation plus support for public houses and will continue in 2018/19. In its recent spending review in the Autumn the Government brought forward the use of the Consumer Price Index (CPI), replacing the Retail Price Index (RPI) in calculating the level of inflation to be applied to the multipliers on which Business Rates Income is based. CPI will now be used from April 2018, two years earlier than originally anticipated. These changes 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.

5.5 After allowing for these changes, the City Council's total projected retained income for 2018/19 from Business Rates is expected to be £418.064m. This is an increase of £18.762m when compared with 2017/18. In addition, the City Council expects to receive compensatory grants of £35.669m which is an increase of £7.162m compared to 2017/18. Taking this into account, overall income from Business Rates related funding is expected to be £453.733m as summarised in the table below. This is an increase of £25.924m or 6.3% when compared with 2017/18 and is a combination of an increase in the Business Rates multiplier of 3.0% and associated compensation of 0.9% for the use of CPI instead of RPI, plus real terms net growth of 2.4% made up of forecast net new developments (1.3%) and changes in anticipated reliefs, mainly for empty properties (1.1%).

5.6 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.

Retained Income	Outside the Enterprise Zone	Enterprise Zone
Total Resources before Funded Reliefs	418,063,804	2,683,933
Enterprise Zone Relief retained in full (included in discretionary relief)	0	722,308
Section 31 Grants:		
Small Business Relief	24,877,283	513,558
Supporting Small Business Relief	526,473	2,640
Local Discretionary Relief	1,365,354	0
Public House Relief	190,141	5,215
Inflation (Multiplier Cap)	8,709,663	55,915
Total	35,668,914	577,328
Total Resources Including Funded Reliefs	453,732,718	3,983,569

6. Evaluation of alternative option(s):

6.1 There are no alternative options to the calculation of the Business Rates Income Projection.

7. Reasons for Decision(s):

7.1 The Business Rates income projection is a key component in calculating the resources available to the City Council when setting its budget. It will also inform the key Business Rates Return (NNDR1) to Central Government which must, by law, be approved and communicated to Central Government and West Midlands Fire Authority no later than 31st January, each year.

Signatures

Date

Cabinet Member

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Chief Officer

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List of Background Documents used to compile this Report:

List of Appendices accompanying this Report (if any):

1. Business Rates Income 2018/19

The Executive must have due regard to the public sector equality duty when considering Council reports for decision.

The public sector equality duty is as follows:

- 1 The Council must, in the exercise of its functions, have due regard to the need to:
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 2 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
 - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 3 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- 4 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - (a) tackle prejudice, and
 - (b) promote understanding.
- 5 The relevant protected characteristics are:
 - (a) marriage & civil partnership
 - (b) Age
 - (c) Disability
 - (d) gender reassignment
 - (e) pregnancy and maternity
 - (f) Race
 - (g) religion or belief
 - (h) Sex
 - (i) sexual orientation

Calculation of Business Rates Income 2018/19		
	Outside the Enterprise Zone	Enterprise Zone
Number of hereditaments on the rating list 29th November 2017	45,261 £	2,382 £
Aggregate rateable value on the rating list 29th November 2017	1,084,670,276	29,236,535
Small Business Non-Domestic Rating Multiplier	0.480	0.480
Gross Calculated Rate Yield	520,641,732	14,033,537
Less: Mandatory Reliefs	(82,980,965)	(3,468,314)
Less: Discretionary Reliefs	(2,960,080)	(739,485)
Plus: Forecast for Growth	5,768,240	4,649,732
Gross Rate Yield after Reliefs and Growth	440,468,927	14,475,470
Less : Estimate of Losses in Collection for Current Year at 2%	(9,031,235)	(67,653)
Less : Allowance for Cost of Collection	(1,879,843)	0
Enterprise Zone Baseline	11,092,822	(11,092,822)
Less: Estimate of Rates to be Retained due to Renewable Energy Schemes	0	0
Net Rate Yield	440,650,671	3,314,995
Less: Allowance for Appeals and Prior Years Adjustments	(18,364,000)	(631,062)
Net Rate Yield after Allowance for Appeals to be distributed	422,286,671	2,683,933
0% of Business Rates to be paid over to Central Government	0	
99% of Business Rates to be retained by Birmingham	418,063,804	
1% of Business Rates to be retained by West Midlands Fire and Rescue Authority	4,222,867	
100% of Business Rates to be retained by GB&S Local Enterprise Partnership		2,683,933
Total Business Rates Redistributed through Rates Retention Scheme	422,286,671	2,683,933