

# Birmingham City Council

## Report to Cabinet

17<sup>th</sup> January 2023



**Subject:** BUSINESS RATES INCOME 2023/24  
**Report of:** Rebecca Hellard - Director of Council Management  
**Relevant Cabinet Member:** Cllr Yvonne Mosquito - Finance and Resources  
**Relevant O &S Chair(s):** Councillor Akhlaq Ahmed - Resources  
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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: 010446/2023		
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 estimated income projection for 2023/24. 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 2023/24 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 30<sup>th</sup> November 2022. 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 2023/24. This forecast is based on developments that are ongoing, planning approvals that are in place and expected to be completed in 2023/24 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 cost-of-living crisis 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 for 2023/24, the same as 2022/23. The Council has used a more cautious assumption than the 2% made in years prior to Covid-19 because of the cost-of-living crisis and economic uncertainty. 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, which is in line with the 2022/23 budget.
- 3.4 As a result of previous budget announcements, the Government continues to provide a package of measures to support small businesses during 2023/24 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 2022/23 they provided a 50% relief on business rates bills for eligible retail, hospitality and leisure properties up to £110,000 per business. In the Autumn 2022 budget, the Government announced further support for businesses which includes a 75% relief on business rates bills for eligible retail, hospitality and leisure properties up to £110,000 per business. An estimate of £45.6m excluding the Enterprise Zone has been included in the 2023/24 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 2023/24 from Business Rates is expected to be £375.337m. This is an increase of £23.299m when compared with 2022/23. In addition, the City Council expects to receive compensatory grants of £175.652m which is an increase of £35.201m when compared to 2022/23. Taking this into account, overall income from Business Rates related funding is expected to be £550.989m as summarised in the table below.

Retained Income	Outside the Enterprise Zone £	Enterprise Zone £	TOTAL £
<b>Total Resources before Funded Reliefs</b>	<b>375,337,417</b>	<b>12,691,319</b>	<b>388,028,736</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	38,061,352	635,051	38,696,403
Supporting Small Business Relief	633,510	0	633,510
Retail Relief	54,826,382	1,484,376	56,310,758
Inflation (Multiplier Cap)	80,483,174	2,721,385	83,204,559
Additional Compensation for Small Business Relief Parameter Changes	1,647,636	50,373	1,698,009
<b>Total</b>	<b>175,652,053</b>	<b>4,891,186</b>	<b>180,543,239</b>
<b>Total Resources Including Funded Reliefs</b>	<b>550,989,470</b>	<b>17,825,750</b>	<b>568,815,219</b>

- 3.7 This is an increase of £58.501m or 11.9% when compared with 2022/23 and is largely a combination of an increase in the forecast gross rate yield of 4.9% due to an increase in forecasts for growth and a reduction in estimated reliefs, 7.1% increase in compensatory grants, offset by a 0.1% reduction due to an increase in the estimate for losses in collection. These have been set out in the table below.

	2023/24 Outside the Enterprise Zone	2022/23 Outside the Enterprise Zone	Movement Outside the Enterprise Zone
<b>Gross Rate Yield after Reliefs and Growth</b>	<b>403,776,245</b>	<b>379,513,724</b>	<b>24,262,521</b>
Estimate of Losses in Collection	(12,459,245)	(11,731,369)	(727,876)
Enterprise Zone Baseline less Allowance for Cost of Collection	9,708,621	9,708,621	0
Allowance for Appeals and Prior Years Adjustments	(21,896,916)	(21,896,916)	0
<b>Net Rate Yield</b>	<b>379,128,704</b>	<b>355,594,059</b>	<b>23,534,646</b>
<b>99% of Business Rates to be retained by Birmingham</b>	<b>375,337,417</b>	<b>352,038,118</b>	<b>23,299,299</b>
Total Compensatory Section 31 Grants	175,652,053	140,450,719	35,201,333
<b>Total Resources Including Funded Reliefs</b>	<b>550,989,470</b>	<b>492,488,837</b>	<b>58,500,632</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.
- 3.9 2023 is a revaluation year. This means that the Valuation Office Agency (VOA) will use updated rateable values of properties in England and Wales in their 2023 valuation list from 1st April 2023. Full details have not been received in time to take into account in this report. However, an initial draft list provided by the Valuation Office Agency (VOA) to the City Council indicates on average valuations have increased within Birmingham by 7.4% compared to the current 2017 valuation list as at 30<sup>th</sup> November 2022. The Government continues to set the business rates multiplier which determines the level of business rates that each business pays. At the Autumn 2022 budget announcement, the

Government announced it would freeze business rates multipliers for 2023/24 at the same level as 2022/23. Therefore, individual local authorities may see their business rates income increase or reduce as a result of re-valuation depending on whether the change in aggregate rateable value for their area has increased or decreased. However, the Government ensures the effect of the revaluation is neutralised so that the total income from business rates remains broadly equal. To neutralise any effect at a local level the Government will adjust the individual authorities' top-up grant or tariff payment due under the business rates retention scheme. The overall impact on Birmingham City Council resources of the revaluation is being assessed for the purposes of the Financial Plan, which will be sought for approval by Cabinet in February.

#### **4 Options considered and Recommended Proposal**

4.1 Not Applicable

#### **5 Consultation**

5.1 Officers in the Council Management and Place, Prosperity and Sustainability Directorates have been consulted in determining the forecast for Business Rates in 2023/24. 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 2023/24.

#### **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 2023/24 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 2024. Under the Business Rates Pilot, which will now be in its seventh year, the City Council will be able to plan for the retention of 99% of this income (£375.337m) in 2023/24 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. Appendices**

- 8.1 Appendix 1 – Calculation of Business Rates Income

## **9. Background Documents**

- 9.1 None.