

BIRMINGHAM CITY COUNCIL**PUBLIC**

Report to:	CABINET	<i>Exempt information paragraph number – if private report:</i>
Report of: Date of Decision:	Strategic Director - Finance and Legal 26th January 2016	
SUBJECT:	BUSINESS RATES INCOME 2016/17	
Key Decision: Yes	Relevant Forward Plan Ref: 000852/2016	
If not in the Forward Plan: (please "X" box)	Chief Executive approved <input type="checkbox"/> O&S Chairman approved <input type="checkbox"/>	
Relevant Cabinet Member(s):	Cllr Ian Ward	
Relevant O&S Chairman:	Cllr Zaffar, Corporate Resources Overview & Scrutiny Committee	
Wards affected:	All	

1. Purpose of report:

- 1.1 This report seeks approval to the City Council's business rates income projection for 2016/17 for submission to the Government. This forms the calculation of next year's revenue from business rates.
- 1.2 The report sets out the basis of the calculation and the assumptions included.

2. Decision(s) recommended:

- 2.1 To approve the 2016/17 business rates income for Birmingham as shown in Appendix 1.

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3. Consultation

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

3.1 Internal

Officers in the Economy Directorate have been consulted in determining a forecast for business rates in 2016/17. The Deputy Leader of the Council has 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 2016/17.

4. Compliance Issues:

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

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 (Will decisions be carried out within existing finances and Resources?)

This business rates income projection will determine the income retained from business rates in respect of 2016/17, 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 2017. Of this total projection, the City Council will be able to plan for the retention of 49% of this income (£205.842m) in 2016/17 when setting its budget.

4.3 Legal Implications

The Council has always submitted a business rates return to the Government each year. 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)

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:

Business Rates Income

- 5.1 The Valuation Office Agency (VOA) provided the City Council with an updated version of the valuation list as at 25th November 2015. 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 2016/17. This forecast is based on developments that are ongoing and planning approvals that are in place and expected to be completed in 2016/17.
- 5.2 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. The baseline for 2016-17 has been recalculated to reflect the Curzon Enterprise Zone extension. This calculation has been included in Appendix 1 also.
- 5.3 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 a reduction of 2% for non-collection in line with local historic experience. Should this collection rate be improved upon, the resulting surplus will become available to assist in budget setting in future financial years.
- 5.4 Each year appeals are made against the rateable value of properties that has been determined by the Valuation Office Agency. Appeals that are upheld are then backdated to the beginning of the ratings list period (April 2010 for the current list), 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 to set aside adequate provision for repaying backdated appeals. In accordance with government regulations, we chose to spread the initial calculated impact of these appeals over a number of years. However, subsequent changes to the level of the provision need to be accounted for in the year of the decision to make such changes.
- 5.5 The Government announced in its recent spending review that there will be a continuation of discounts to be awarded to small businesses in 2016/17. However other schemes introduced previously are now coming to an end on 31st March 2016 e.g. Reliefs for Retail premises. 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.
- 5.6 After allowing for these changes, the City Council's total projected retained income for 2016/17 from business rates is expected to be £205,842m. This is an increase of £7.453m when compared with 2015/16. However, the City Council expects to receive compensatory grants of £9.198m which is £3.101m less than those budgeted to be received in 2015/16. Taking this into account, overall income from business rates related funding is expected to increase by £4.352m when compared with 2015/16. This is a combination of an increase in the business rates multiplier (0.8%) and real terms net growth (1.3%) after taking account of appeals.

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 must, by law, be approved and communicated to the Government and Fire Authority no later than 31 January, each year. It is also a key component in calculating the resources available to the City Council when setting its budget.

Signatures		<u>Date</u>
Deputy Leader
Chief Officer:

List of Background Documents used to compile this Report:

List of Appendices accompanying this Report (if any):
1. Business Rates Income
2.
3.
4.
5.

Report Version		Dated	
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Appendix 1

Calculation of Business Rates Income

	Outside the Enterprise Zone	Enterprise Zone
Number of hereditaments on the rating list 25th November 2015	44,810	1,413
	£	£
Aggregate rateable value on the rating list 25th November 2015	1,021,761,475	29,809,278
Small Business Non-Domestic Rating Multiplier	0.484	0.484
Gross Calculated Rate Yield	494,532,554	14,427,691
Less: Mandatory Reliefs	(72,928,313)	(1,578,347)
Less: Discretionary Reliefs	(899,497)	(436,970)
Plus: Forecast for Growth	9,489,425	4,408,402
Gross Rate Yield after Reliefs and Growth	430,194,169	16,820,776
Less : Estimate of Losses in Collection for Current Year at 2%	(8,816,679)	(123,620)
Less : Allowance for Cost of Collection	(1,924,036)	0
Enterprise Zone Baseline	10,639,768	(10,639,768)
Less: Estimate of Rates to be Retained due to Renewable Energy Schemes	0	0
Net Rate Yield	430,093,222	6,057,388
Less: Allowance for Appeals and Prior Years Adjustments	(10,008,333)	(187,000)
Net Rate Yield after Allowance for Appeals to be distributed	420,084,889	5,870,388
Less: Transitional relief due to increase in business rates being deferred	0	0
Plus: Transitional relief due to decrease in business rates being deferred	0	0
Net Rate Yield after Transitional Arrangements to nearest £	420,084,889	5,870,388
50% of Business Rates to be paid over to Central Government	210,042,444	
49% of Business Rates to be retained by Birmingham	205,841,596	
1% of Business Rates to be retained by West Midlands Fire and Rescue Authority	4,200,849	
100% of Business Rates to be retained by GB&S Local Enterprise Partnership		5,870,388
Total Business Rates Redistributed through Rates Retention Scheme	420,084,889	5,870,388
Retained Income		
Total Resources before Funded Reliefs	205,841,596	5,870,388
Enterprise Zone Relief retained in full (included in discretionary relief above)	0	423,987
Section 31 Grants:		
Small Business Relief	6,220,512	197,136
Inflation (2015-16 2% Multiplier Cap)	2,977,048	91,034
Total	9,197,560	288,170
Total Resources Including Funded Reliefs	215,039,156	6,582,545