

**Public Report**  
**Birmingham City Council**  
**Report to Cabinet**  
**22<sup>ND</sup> JANUARY 2019**



**Subject:** **Business Rates Income 2019/20**  
**Report of:** **CORPORATE DIRECTOR - FINANCE & GOVERNANCE**  
**Relevant Cabinet Member:** **Councillor Brett O'Reilly**  
**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: <b>5749/2019</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 to the City Council's Business Rates income projection for 2019/20 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 2019/20 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 2018. 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 2019/20. This forecast is based on developments that are ongoing, planning approvals that are in place and expected to be completed in 2019/20 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 In its previous budget announcements the Government provided a package of measures designed to cushion the impact of revaluation that came into effect on 1st April 2017. These measures, which have been implemented since the beginning of 2017/18, provide additional relief to small businesses that would have suffered significant increases in Business Rates as a result of revaluation and will continue in 2019/20. In its 29<sup>th</sup> October 2018 budget announcement the Government introduced a further measure in order to provide relief, specifically, to retail premises classed as small businesses (under £51,000 in Rateable Value). 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.
- 3.5 After allowing for these changes, the City Council's total projected retained income for 2019/20 from Business Rates is expected to be £437.069m. This is an increase of £19.005m when compared with 2018/19. In addition the City Council expects to receive compensatory grants of £46.832m which is an increase of £11.163m compared to 2018/19. Taking this into account, overall income from Business Rates related funding is expected to be £483.901m as summarised in the table below. This is an increase of £30.168m or 6.6% when compared with 2018/19 and is a combination of an increase in the Business Rates multiplier of 2.4% and associated compensation of 0.9% for the use of CPI instead of RPI, plus a forecast increase of 3.3% that reflects both the net real terms growth and the impact of work to ensure the rating list is fully up to date.

<b>Retained Income</b>	<b>Outside the Enterprise Zone</b>	<b>Enterprise Zone</b>
<b>Total Resources before Funded Reliefs</b>	<b>437,068,989</b>	<b>3,933,223</b>
Enterprise Zone Relief retained in full (included in discretionary relief above)	<b>0</b>	<b>886,357</b>
Section 31 Grants:		
Small Business Relief	26,006,311	549,849
Supporting Small Business Relief	530,016	2,731
Local Discretionary Relief	536,687	0
New Retail Relief (30%)	3,813,002	80,869
Inflation (Multiplier Cap)	14,242,574	128,170
Additional Compensation for Small Business Relief Parameter Changes	1,703,331	50,010
<b>Total</b>	<b>46,831,921</b>	<b>811,629</b>
<b>Total Resources Including Funded Reliefs</b>	<b>483,900,910</b>	<b>5,631,209</b>

- 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 Internal**

- 5.1.1 Officers in the Strategic Services Directorate have been consulted in determining the forecast for Business Rates in 2019/20. The Assistant Director – Revenues and Benefits and the Cabinet Member for Finance and Resources have been consulted in the preparation of this report.

##### **5.2 External**

- 5.2.1 No public consultation is required on the Business Rates Income projection. It is a statement of fact supplemented by the City Council's estimate likely growth and other changes in Business Rates in 2019/20.

#### **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 2019/20, 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 2020. Under the Business Rates Pilot, which will now be in its third year, the City Council will be able to plan for the retention of 99% of this income (£437.069m) in 2019/20 when setting its budget.

### **7.4 Procurement Implications (if required)**

- 7.4.1 Arrangements for the procurement of a contract to support the identification of additional Rateable Value are included within the Planned Procurement Activity Report (PPAR).

### **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 30th November 2018	45,141 £	2,162 £
Aggregate rateable value on the rating list 30th November 2018	1,095,369,508	30,403,315
Small Business Non-Domestic Rating Multiplier	0.491	0.491
<b>Gross Calculated Rate Yield</b>	<b>537,826,428</b>	<b>14,928,028</b>
Less: Mandatory Reliefs	(88,237,856)	(4,188,243)
Less: Discretionary Reliefs	(5,673,445)	(956,437)
Plus: Forecast for Growth	15,237,576	6,379,406
<b>Gross Rate Yield after Reliefs and Growth</b>	<b>459,152,703</b>	<b>16,162,754</b>
Less : Estimate of Losses in Collection for Current Year at 2%	(9,409,995)	(96,314)
Less : Allowance for Cost of Collection	(1,843,987)	0
Enterprise Zone Baseline	11,347,031	(11,347,031)
Less: Estimate of Rates to be Retained due to Renewable Energy Schemes	0	0
<b>Net Rate Yield</b>	<b>459,245,752</b>	<b>4,719,409</b>
Less: Allowance for Appeals and Prior Years Adjustments	(17,761,925)	(786,186)
<b>Net Rate Yield after Allowance for Appeals to be distributed</b>	<b>441,483,827</b>	<b>3,933,223</b>
0% of Business Rates to be paid over to Central Government	0	
<b>99% of Business Rates to be retained by Birmingham</b>	<b>437,068,989</b>	
1% of Business Rates to be retained by West Midlands Fire and Rescue Authority	4,414,838	
<b>100% of Business Rates to be retained by GB&amp;S Local Enterprise Partnership</b>		<b>3,933,223</b>
<b>Total Business Rates Redistributed through Rates Retention Scheme</b>	<b>441,483,827</b>	<b>3,933,223</b>