

Birmingham City Council

Report to Cabinet

19TH JANUARY 2021



Subject: Business Rates Income 2021/22
Report of: Interim Chief Finance Officer
Relevant Cabinet Member: Cllr Tristan Chatfield – Cabinet Member for Finance and Resources & Cllr Brigid Jones – Deputy Leader
Relevant O &S Chair(s): Councillor Sir Albert Bore
Report author: Jing Wang, 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: 00818/2021		
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 2021/22 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 2021/22 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 16th December 2020. 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 2021/22. This forecast is based on developments that are ongoing, planning approvals that are in place and expected to be completed in 2021/22 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 far more uncertainty in these forecasts than for any year in the recent past.
- 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 4% for non-collection. The Council has used a more cautious assumption than the 2% made in previous years, because of the current uncertain economic situation due to Covid 19 and Brexit. 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 £17.7m, which is in line with the 2020/21 budget.
- 3.4 It should be noted that it has recently emerged that nationally and in Birmingham, there are a significant number of appeals being made related to a “material changes in circumstances” by businesses affected by Covid 19. At this stage it is not possible to estimate what effect this might have in 2021/22, so the budgeted provision for repaying appeals has been kept in line with the 2020/21 budget. This is a national issue, and on such a scale that individual local authorities will not be able to contain the potential impact should these appeals be accepted by the Valuation Office Agency.
- 3.5 As a result of previous budget announcements, the Government continues to provide a package of measures to support small businesses during 2021/22 along with additional support to retail, leisure and hospitality premises (under £51,000 in Rateable Value). 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.
- 3.6 The significant financial support as a result of Covid 19 provided by Central Government which helped small businesses, retail and hospitality businesses get through the pandemic by offering 100% relief to their business rates was only

applicable for 2020/21. There has been no similar support announced to date for 2021/22 and so the current assumption is that there is no additional business rate relief from the Central Government in 2021/22. However there could be further announcements on extra relief in 2021/22 at a later date.

- 3.7 After allowing for these measures, the City Council's total projected retained income for 2021/22 from Business Rates is expected to be £411.693m. This is a decrease of £29.512m when compared with 2020/21. In addition, the City Council expects to receive compensatory grants of £58.795m which is an increase of £3.178m compared to 2020/21. Taking this into account, overall income from Business Rates related funding is expected to be £470.488m as summarised in the table below. This is a decrease of £26.334m or 5.3% when compared with 2020/21 and is largely a combination of reduction in forecast gross rate yield of 4.3% due to Covid 19, 1.7% effect of reduction in forecast collection rate, slightly offset by 0.6% increase compensatory grants

Retained Income	Outside the Enterprise Zone	Enterprise Zone	
	£	£	£
Total Resources before Funded Reliefs	411,692,750	2,576,319	414,269,069
Enterprise Zone Relief retained in full (included in discretionary relief above)	0	872,371	872,371
Section 31 Grants:			
Small Business Relief	30,466,444	736,472	31,202,916
Supporting Small Business Relief	518,210	0	518,210
Local Discretionary Relief	77,672	0	77,672
New Retail Relief (30%)	7,041,210	5,957,859	12,999,068
Inflation (Multiplier Cap)	18,975,818	118,748	19,094,566
Additional Compensation for Small Business Relief Parameter Changes	1,715,693	50,373	1,766,066
Total	58,795,048	6,863,452	65,658,500
Total Resources Including Funded Reliefs	470,487,798	10,312,142	480,799,940

- 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 Digital and Customer Services and Inclusive Growth Directorates have been consulted in determining the forecast for Business Rates in 2021/22. 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 2021/22.

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 2021/22 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 2022. Under the Business Rates Pilot, which will now be in its fifth year, the City Council will be able to plan for the retention of 99% of this income (£411.693m) in 2021/22 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 16th December 2020	46,636	1,459	48,095
	£	£	£
Aggregate rateable value on the rating list 16th December 2020	1,091,624,954	42,690,215	1,134,315,169
Small Business Non-Domestic Rating Multiplier	0.499	0.499	
Gross Calculated Rate Yield	544,720,852	21,302,417	566,023,269
Less: Mandatory Reliefs	(100,281,223)	(1,686,363)	(101,967,586)
Less: Discretionary Reliefs	(8,199,335)	(6,576,277)	(14,775,612)
Plus: Forecast for Growth	5,687,175	1,846,919	7,534,094
Gross Rate Yield after Reliefs and Growth	441,927,468	14,886,697	456,814,165
Less : Estimate of Losses in Collection for Current Year at 4%	(18,138,375)	(134,191)	(18,272,567)
Less : Allowance for Cost of Collection	(1,822,825)	0	(1,822,825)
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
Net Rate Yield	433,498,179	3,220,594	436,718,773
Less: Allowance for Appeals and Prior Years Adjustments	(17,646,916)	(644,275)	(18,291,191)
Net Rate Yield after Allowance for Appeals to be distributed	415,851,263	2,576,319	418,427,582
0% of Business Rates to be paid over to Central Government	0		0
99% of Business Rates to be retained by Birmingham	411,692,750		411,692,750
1% of Business Rates to be retained by West Midlands Fire and Rescue Authority	4,158,513		4,158,513
100% of Business Rates to be retained by GB&S Local Enterprise Partnership		2,576,319	2,576,319
Total Business Rates Redistributed through Rates Retention Scheme	415,851,263	2,576,319	418,427,582