Income above baseline funding level since 2013-14

This analysis is based on local authority estimates of business rates income, including Section 31 grants, tariffs and top-ups, levy and safety net payments, the previous year's surplus/deficit payments and also taking into account the pilots in later years.

Chart 1: Total income above baseline funding level since 2013-14

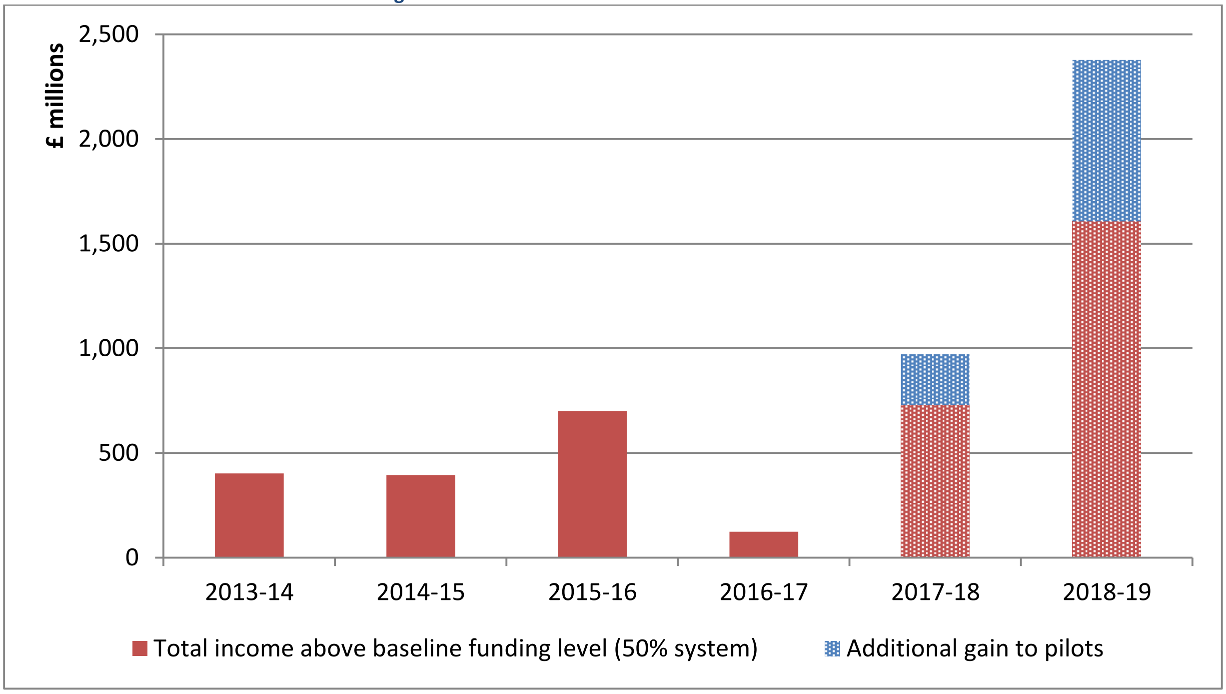

Chart 1 above shows total income above baseline funding level since 2013-14. The figures from 2013-14 to 2016-17 are calculated using a combination of estimate and outturn data, whereas for 2017-18 and 2018-19, figures are based on estimates only and are subject to change once outturn data becomes available (see Annex A for more detail on methodology).

The patterned blue bars above show the additional income to pilot authorities; in 2017-18, 27 authorities are 100% pilots and the GLA is a 67% pilot, rising to 152 100% pilot authorities in 2018-19. 100% pilot authorities will be keeping 100% of income above their baseline funding levels (instead of 50%) and will receive broadly twice as much in Section 31 grants. The patterned red bars show what income would have been if all local authorities still operated under the 50% system (67% in London) – the sum of the two represents total forecasted growth in 2017-18 and 2018-19.

Components of income above baseline funding level

Table 1: Breakdown of income for all local authorities

	2013-14	2014-15	2015-16	2016-17	2017-18[1]			2018-19[1]		
	All local authorities	All local authorities	All local authorities	All local authorities	All local authorities under 50%	Additional gain to pilots	Total	All local authorities under 50%[2]	Additional gain to pilots[2]	Total
Estimated business rates income above the baseline funding level (inc. tariffs and top-ups)	-18	93	248	347	496	96	592	658	302	960
s.31 grants	248	498	630	493	583	121	704	1,010	331	1,341
Total safety net payments	197	115	114	13	11	0	11	4	0	4
Total levy	-25	-53	-68	-96	-111	25[3]	-86	-185	139[3]	-46
Net surplus and deficit payments	0	-259	-224	-634	-250	0	-250	119	0	119
Total income above baseline funding level	**402**	**394**	**701**	**125**	729	242	**971**	1,606	772	**2,378**

[1] Based on forecasts only; subject to change once outturn data becomes available
[2] In 2018-19, London is compared to 67% retention
[3] This "additional gain" comes from pilots not having to pay the levy for which they would be liable for if they were not a pilot

Table 1 above shows a breakdown of the figures presented in Chart 1. For 2017-18 and 2018-19, income is shown across three columns: firstly, what it would be if all local authorities operated under the 50% system, followed by what the additional income is for pilots; the third column, which is sum of the first two columns, gives total forecasted income above baseline funding level for those years.

Tariffs/top-ups:
A local authority must pay a tariff if its individual authority business rate baseline is greater than its baseline funding level. Conversely, a local authority will receive a top-up if its baseline funding level is greater than its individual authority business rate baseline.

Section 31 grants:
Authorities receive Section 31 grants as compensation for the reduction in their business rates income caused by Government initiatives to reduce ratepayers' bills (e.g. the under-indexation of the business rates multiplier, or the doubling and extension of small business rates relief).

Safety net and levy payments:
Under the rates retention system, authorities whose income is more than 7.5% below their baseline funding level will receive a "safety net payment". This affects just 6 authorities in 2018-19, who will receive £3.9 million of safety net payments. 77 authorities are forecasted to pay a "levy" – effectively, a tax on their growth designed to pay for safety net payments. The levy in 2018-19 is forecasted to total £46 million.

Surplus/deficit payments from the previous year:
Billing authorities are expected to estimate whether they will have collected more, or less business rates in the previous year than they forecast in that year's NNDR1 – a so-called "surplus", or "deficit". Each year, local authorities budget to spend their share of business rates income, which will include their share of the previous year's estimated surplus/deficit.

Annex A: Methodology

The methodology aims to represent the amount of money available to spend in each financial year. To do this we take the following components:

<u>Non-domestic rating income</u>
Before the start of a financial year billing authorities are required to complete data returns (NNDR1s), setting out how much they expect to collect in business rates during the forthcoming year. Under the business rates retention scheme, this estimate becomes their "non-domestic rating income" for the year.

<u>Section 31 grants</u>
For 2013-14 to 2016-17, Section 31 grants are calculated from their outturn data; although this data is not known until the following year, it is accounted for in the year to which it relates. For 2017-18 and 2018-19, estimated Section 31 grants are taken from the NNDR1 form.

<u>Safety net and levy payments</u>
For 2013-14 to 2016-17 the safety net and levy payments are based on the actual figures for those years. For 2017-18 and 2018-19, the safety net is what is paid on account for that year, and the forecasted levy payments are based on the NNDR1 forms, taking into account pooling arrangements in those years.

<u>Surplus/deficit payments from the previous year</u>
The surplus/deficit figures are taken as reported in each year's NNDR1 form.