

Levy and Safety Net Analysis 13/14 and 14/15

Introduction

The business rates retention scheme provides a safety net for authorities who, in any year, see significant reductions in their income from the scheme. Safety net payments are made to authorities where their retained rates income is less than their safety net threshold for the year. An authority's safety net threshold is set at 92.5% of the authority's baseline funding level for the year.

The safety net is funded by a levy on the disproportionate financial benefits that some authorities will experience as a result of business rates growth, caused by the uneven distribution of business rates bases and the different spending needs of local authorities.

Analysis

This analysis is based on NNDR3's for 13/14 and 14/15.

Under the business rates retention scheme local authorities are able to come together, on a voluntary basis, to pool their business rates. For the purposes of any safety net and levy calculation, a pool of authorities is treated as a single body. Some local authorities may find that an increase in their local business rates income which would otherwise have them make a levy payment, will no longer do so, because overall the pool is below the pool's baseline funding level. For the purpose of this analysis it is assumed that all local authorities are individuals and do not form part of a pool

Which local authorities received a safety net payment?

In 2013/14 59 authorities received a safety net payment, however, a further 9 would have qualified for a safety net payment had they not been in a pool. In 2014/15 42 authorities received a safety net payment but a further 12 would have qualified for a safety net payment had they not been in a pool.

40 authorities qualified to receive a safety net payment in 2013/14 only, 26 authorities qualified to receive a safety net payment in 2014/15 only and 28 authorities qualified to receive a safety net payment in both 2013/14 and 2014/15. A table of all qualifying authorities can be found in annex A.

Which local authorities paid a levy?

In 2013/14 94 authorities made a levy payment, however, a further 44 would have made a levy payment had they not been in a pool. In 2014/15 104 authorities made a levy payment but a further 62 would have made a levy payment had they not been in a pool.

28 authorities qualified to pay a levy in 2013/14 only, 56 authorities qualified to pay a levy in 2014/15 only and 110 authorities qualified to pay a levy in both 2013/14 and 2014/15. A table of all qualifying authorities can be found in annex A.

Levy Account

In 2014-15 the Secretary of State paid £145 million to authorities by way of safety net payments (£69 million in 2013-14). The Levy Account was credited with £120 million (£25 million in 2013-14).

Local Government Finance Reform Analysis

The excess of credits over debits in 2014-15 is £9 million (an excess of debits over credits of £44 million in 2013-14). The cumulative debit balance to take forward into 2015-16 is £35 million (£44 million in 2013-14).

How much each LA received as a proportion of their baseline funding level

Annex A shows for each authority their retained income as a proportion of baseline funding level. In 2013/14 the highest retained income as a proportion of their baseline funding level was 217% in Harborough, had they not been a pool they would have made a levy payment of £5m. The highest retained income as a proportion of their baseline funding level for an authority not in a pool was Winchester with 159%. The highest cash levy payment for a non-pooled authority was made by Bracknell Forest with a Levy payment of £2.9m

In 2014/15 the highest retained income as a proportion of their baseline funding level was in Suffolk Coastal with 489%, had they not been a pool they would have made a levy payment of £0.9m. The highest retained income as a proportion of their baseline funding level for an authority not in a pool was Uttlesford with 260% (£1.1m). The highest cash levy payment for a non-pooled authority was made by City of London with a Levy payment of £4.5m

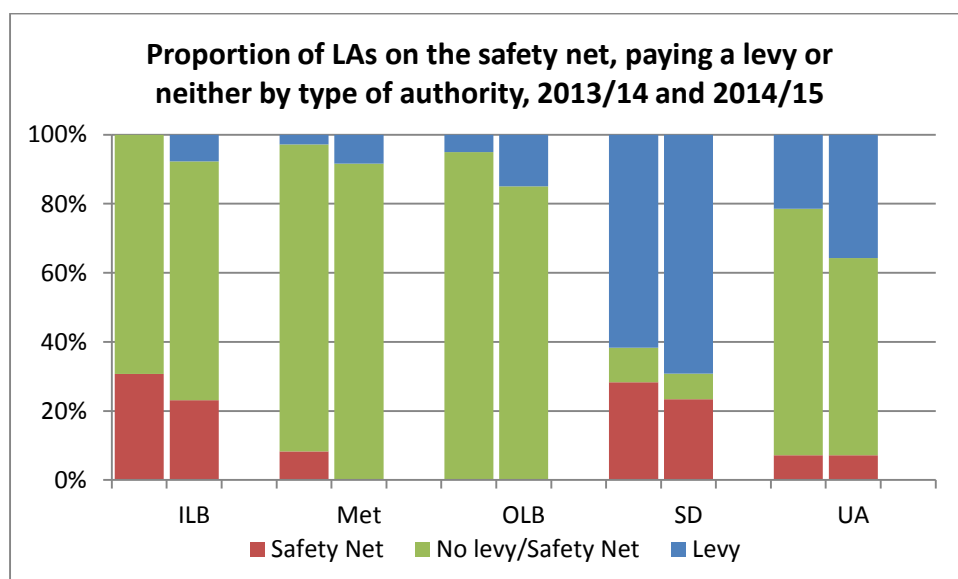
The types of local authorities affected

In 2013/14 90% of qualifying authorities are district councils, 9% Unitary authorities, 1% outer London Boroughs, and 1% Mets. 62% of all district councils and 21% of all unitary authorities qualified for a levy payment.

In 2014/15 84% of the qualifying authorities are district councils, 12% unitary authorities, 2% outer London Boroughs, 2% mets and 1% inner London boroughs. 69% of all district councils and 36% of unitary authorities qualified for a levy payment,

In 2013/14 84% of qualifying safety net authorities are district councils, 6% inner London Boroughs, 6% Unitary authorities and 4% Mets. In 2014/15 87% of the qualifying safety net authorities are district councils, 6% inner London Boroughs, and 7% Unitary Authorities.

The chart below looks at the proportion of LAs qualifying for the safety net, a levy payment or neither for each type of authority. The chart shows that district councils have the highest proportion either on the safety net or making a levy payment.



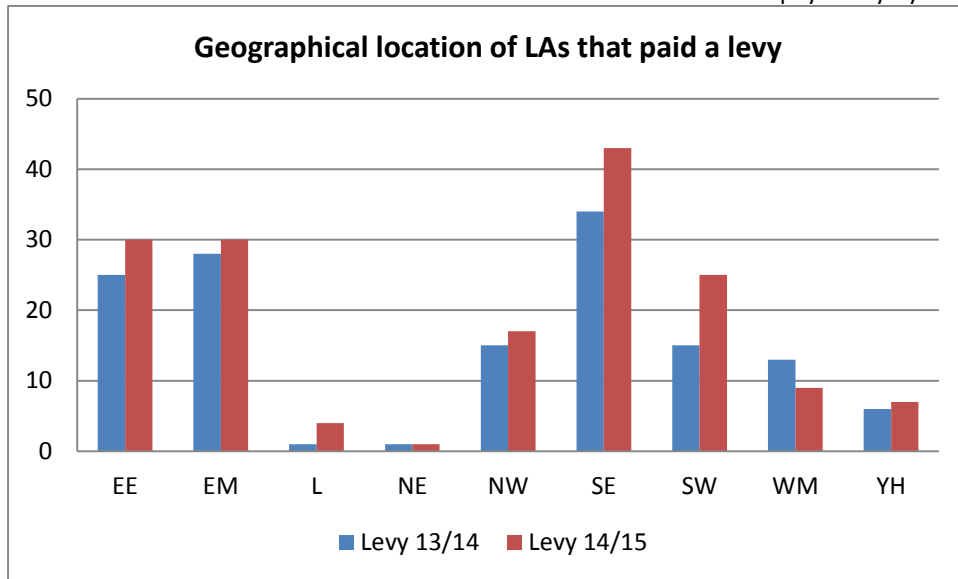
Geographical Location of Authorities

In 2013/14 the region with the highest number of LAs qualifying for a levy payment was the South East with 34 of the 67 LAs qualifying (51%). The second highest area was the East Midlands with 28 of the 40 LAs qualifying for a levy payment (70%).

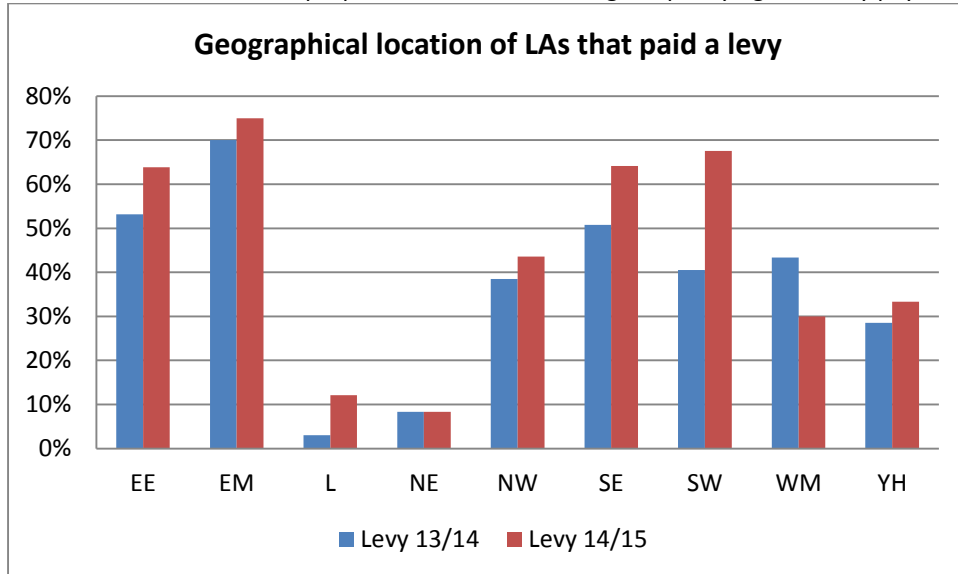
In 2014/15 the South East had the highest number of LAs qualifying for a levy payment with 43 out of 67 LAs qualifying (64%). The joint second highest areas were the East Midlands and East of England with 30 LAs qualifying for a levy payment

The East Midlands had the highest proportion of LAs qualifying for a levy payment in both 13/14 (70%) and 14/15 75% of authorities.

The chart below show the absolute numbers of LAs that would have to pay a levy by area



The chart below shows the proportion of LAs in each region qualifying for a levy payment



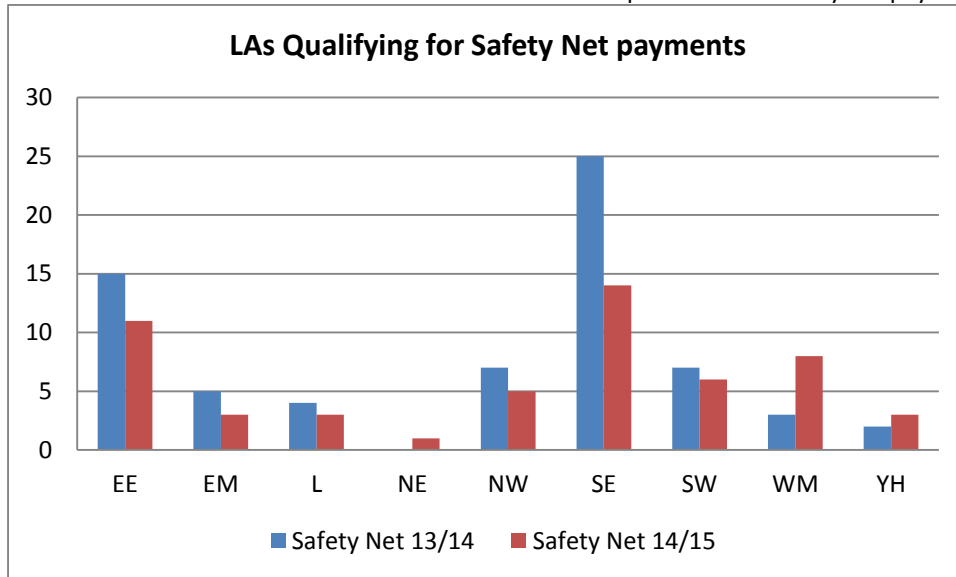
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In 2013/14 the region with the highest number of LAs qualifying for a safety net payment was the South East with 25 of the 67 LAs qualifying (37%). The second highest area was the East of England with 15 LAs qualifying for a safety net payment.

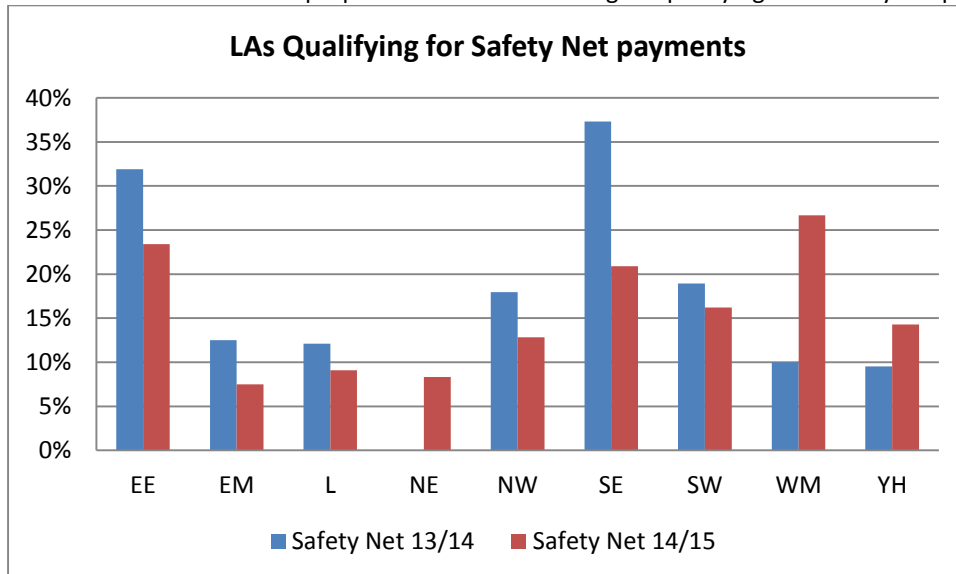
In 2014/15 the South East had the highest number of LAs qualifying for a safety net payment with 14 out of 67 LAs qualifying (21%). The second highest areas were the East of England of England with 11 LAs qualifying for a safety net payment.

The South East had the highest proportion of LAs qualifying for a safety net payment in 13/14 (37%) and the West Midlands in 14/15 with 27% of authorities.

The chart below show the absolute numbers of LAs that qualified for a safety net payment by area



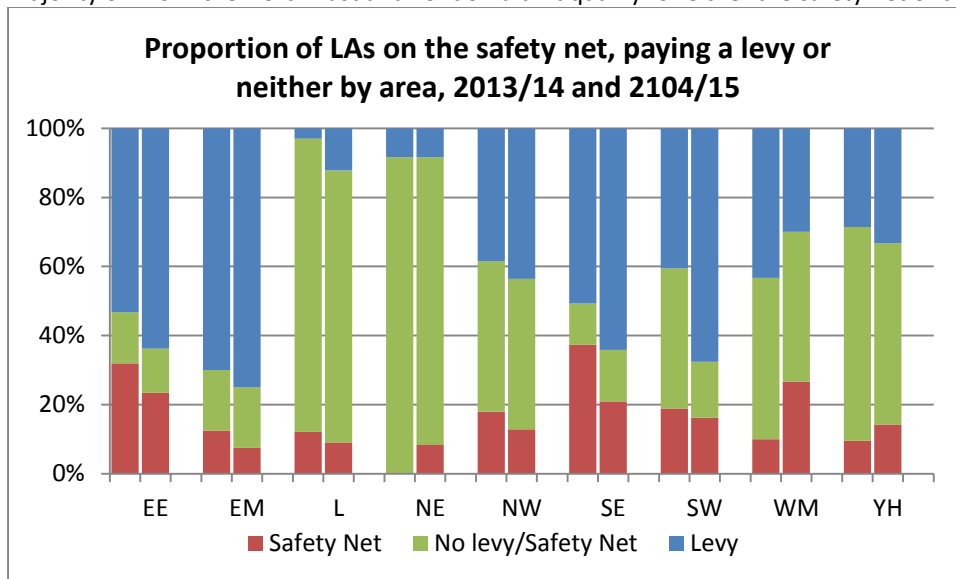
The chart below shows the proportion of LAs in each region qualifying for a safety net payment



The chart below looks at the proportion of LAs qualifying for the safety net, a levy payment or neither for each geographical area. The only area that shows an increase in the percentage of LAs qualifying for a safety net payment and a reduction in the percentage qualifying for the levy payment is the West Midlands. The only other two areas that saw an increase in the percentage of LAs qualifying for a safety net payment between 13/14 and 14/15 was the North East and the Yorkshire and Humber. In the Yorkshire and Humber the LAs

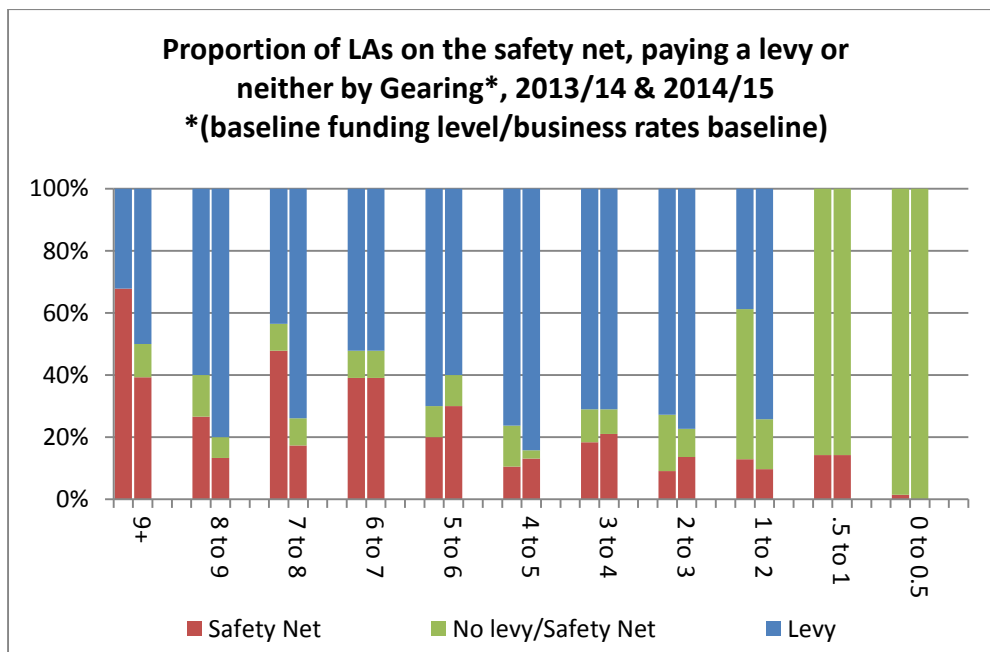
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qualifying to pay a levy also increased and in the North East the percentage remained the same. The vast majority of LAs in the North East and London didn't qualify for either the safety net or a levy payment.



Gearing

An authority's gearing – the relationship between its baseline funding level and its business rates baseline - will affect its balance of risk and reward within the scheme. The chart below looks at the relationship between gearing and whether an authority is on the safety net or paying a levy. The chart shows that the majority of those authorities who have a gearing ratio of under 1 neither paid a levy or received a safety net.



Local Government Finance Reform Analysis

Annex A

Area	Pool 13/14	Pool 14/15	Type of Authority	Retained income as a proportion of baseline funding level	Total safety net due to the authority	Retained income as a proportion of baseline funding level	Total safety net due to the authority
				2013/14	2013/14	2014/15	2014/15
Aylesbury Vale			SD	79%	469,733	135%	-
Basildon		Yes	SD	65%	1,374,851	92%	16,179
Basingstoke & Deane			SD	45%	1,274,294	81%	314,835
Bassetlaw	Yes	Yes	SD	56%	1,278,191	193%	-
Blaby	Yes		SD	88%	90,818	121%	-
Boston		Yes	SD	85%	174,497	95%	-
Brentwood			SD	50%	610,295	128%	-
Bromsgrove	Yes	Yes	SD	113%	-	85%	123,050
Burnley			SD	104%	-	69%	884,547
Cambridge			SD	50%	1,570,388	108%	-
Camden			ILB	92.3%	142,965	84%	7,062,704
Canterbury			SD	111%	-	79%	558,571
Castle Point			SD	119%	-	83%	191,312
Charnwood	Yes		SD	85%	281,342	115%	-
Chelmsford			SD	76%	491,895	0%	2,807,667
Chiltern			SD	90%	36,137	117%	-
Christchurch			SD	62%	268,563	148%	-
City of London			ILB	-5%	14,249,714	160%	-
Copeland			SD	-243.3%	7,397,713	-35%	2,871,108
Cotswold	Yes	Yes	SD	91.6%	14,855	104%	-
Crawley			SD	79%	442,706	119%	-
Dacorum			SD	61%	831,812	34%	1,562,789
Dartford			SD	10%	1,965,719	146%	-
Dover			SD	63%	945,086	51%	1,380,938
East Dorset			SD	91.6%	10,321	146%	-
East Hertfordshire			SD	86%	165,152	35%	1,395,965
Eastleigh			SD	45%	1,070,813	86%	157,411
Elmbridge			SD	155%	-	41%	1,067,150
Epsom & Ewell			SD	68%	309,956	110%	-
Fareham			SD	15%	1,309,408	46%	797,313
Fylde			SD	103%	-	74%	323,117
Gosport			SD	65%	596,952	137%	-
Gravesham			SD	93%	-	86%	169,534
Great Yarmouth			SD	-12%	3,506,729	76%	563,866
Hammersmith and Fulham			ILB	75%	9,255,962	90%	1,451,348
Harlow			SD	7%	2,330,573	63%	807,699

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Area	Pool 13/14	Pool 14/15	Type of Authority	Retained income as a proportion of baseline funding level	Total safety net due to the authority	Retained income as a proportion of baseline funding level	Total safety net due to the authority
				2013/14	2013/14	2014/15	2014/15
Hart			SD	47%	549,024	102%	-
Hertsmere			SD	38%	1,307,969	205%	-
Huntingdonshire			SD	89%	141,906	74%	772,730
Kings Lynn and West Norfolk		Yes	SD	65%	1,311,475	117%	-
Knowsley			Met	88%	2,234,401	102%	-
Lancaster			SD	100%	-	22%	3,591,130
Lichfield		Yes	SD	95%	-	87%	112,659
Malvern Hills	Yes	Yes	SD	89%	56,305	12%	1,314,560
Manchester			Met	68%	37,650,177	96%	-
Medway			UA	99%	-	92%	240,658
Milton Keynes			UA	83%	3,735,269	107%	-
New Forest			SD	50%	1,500,109	115%	-
North Dorset			SD	82%	147,419	92%	13,196
North East Lincolnshire			UA	101%	-	84%	3,115,055
Oadby and Wigston	Yes		SD	88%	60,672	87%	79,739
Oxford			SD	100%	-	55%	2,076,609
Portsmouth			UA	85%	2,982,935	100%	-
Preston			SD	70%	1,081,462	92%	35,288
Purbeck			SD	144%	-	-43%	1,391,631
Redcar and Cleveland			UA	105%	-	89%	1,039,271
Redditch	Yes	Yes	SD	82%	206,650	72%	407,705
Richmondshire		Yes	SD	96%	-	32%	815,005
Runnymede			SD	77%	257,710	75%	294,410
Rushcliffe	Yes	Yes	SD	99%	-	77%	332,570
Rushmoor			SD	-69%	3,358,854	258%	-
Ryedale		Yes	SD	70%	324,825	134%	-
Selby			SD	28%	1,387,729	67%	567,029
Sevenoaks			SD	87%	101,306	93%	-
South Bucks			SD	53%	380,443	20%	709,176
South Gloucestershire			UA	100%	-	92%	301,634
South Hams	Yes	Yes	SD	84%	141,467	108%	-
South Northamptonshire			SD	125%	-	85%	130,260
South Oxfordshire			SD	92.0%	12,162	108%	-
South Ribble			SD	91.8%	13,599	200%	-
South Staffordshire	Yes	Yes	SD	119%	-	75%	374,626
Southampton			UA	89%	1,593,162	104%	-

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				2013/14	2013/14	2014/15	2014/15
St Albans			SD	42%	1,107,625	16%	1,716,929
Surrey Heath			SD	89%	47,134	106%	-
Taunton Deane			SD	63%	703,613	67%	619,117
Tewkesbury	Yes	Yes	SD	150%	-	-147%	3,937,585
Thanet			SD	100%	-	67%	1,170,028
Three Rivers			SD	113%	-	27%	1,168,819
Thurrock		Yes	UA	89%	1,068,514	93%	-
Tonbridge and Malling			SD	59%	668,835	24%	1,407,590
Trafford			Met	54%	12,206,865	110%	-
Uttlesford			SD	-165%	3,496,231	260%	-
Vale of White Horse			SD	-58%	3,115,810	60%	688,960
Warwick	Yes	Yes	SD	84%	256,708	119%	-
Watford			SD	-55%	3,663,868	-70%	4,113,460
West Lancashire			SD	74%	538,087	102%	-
West Somerset			SD	144%	-	-21%	1,216,477
Westminster			ILB	20%	56,964,471	12%	64,632,244
Weymouth and Portland			SD	70%	398,801	123%	-
Woking			SD	38%	1,024,473	98%	-
Worcester	Yes	Yes	SD	116%	-	54%	896,394
Wychavon	Yes	Yes	SD	118%	-	61%	746,601
Wycombe			SD	56%	1,074,226	117%	-
Wyre Forest	Yes	Yes	SD	94%	-	91%	47,243