

## GLOSSARY OF TERMS

(As supplied by DCLG in their business rates retention technical consultation document)

### **Baseline funding level**

The amount of a local authority's *start up funding allocation* which is provided through the *local share* of the estimated business rates aggregate (England) at the outset of the scheme. It will form the baseline against which *tariffs* and *top-ups* will be calculated.

### **Billing authority**

A local authority which bills and collects business rates, for example a district council or unitary council.

### **Billing authority business rates baseline**

Determined by dividing the *local share* of the estimated business rates aggregate (England) between billing authorities on the basis of their *proportionate shares*, before the payment of any *major precepting authority share*.

### **Central share**

The percentage share of locally collected business rates that will be paid to central government by billing authorities. This will be set at 50%. The *central share* will be re-distributed to local government through grants including the *Revenue Support Grant*. This replaces the previous 'set-aside' policy.

### **Estimated Business Rates Aggregate**

The total business rates forecast to be collected by all billing authorities in England. This will include an adjustment for appeals losses.

### **Individual authority business rates baseline**

Derived by apportioning the *billing authority business rates baseline* between billing and major precepting authorities on the basis of *major precepting authority shares*.

### **Levy**

Mechanism to limit disproportionate benefit. This will be set on a proportionate basis so that an authority never sees more than a 1% increase in its *baseline funding level* for each 1% increase in its *individual authority business rates baseline*.

### **Local government spending control total**

The total amount of expenditure allocated to the local government sector by HM Treasury for each year of a Spending Review.

### **Local share**

The percentage share of locally collected business rates that will be retained by local government. This will be set at 50%. At the outset, the *local share* of the estimated business rates aggregate will be divided between billing authorities on the basis of their *proportionate shares*.

### **Proportionate Share**

This is the percentage of the actual national business rates which it has collected - on the basis of the average rates collected by authorities over the five years to 2011-12. This percentage will be applied to the *local share* of the estimated business rates aggregate to determine the *billing authority business rates baseline*.

### **Rate reliefs**

The rating system currently provides mandatory relief to charities and other categories of ratepayer (e.g. certain rural ratepayers) and permits authorities to grant discretionary relief to other rate payers. There will be no changes to mandatory and discretionary reliefs as a result of the introduction of the business rates retention scheme.

### **Reset**

New *baseline funding levels*, new *individual authority business rates baselines* (and therefore new *tariffs* or *top-ups*) are set for each authority to take account of changes in relative need and resource.

### **Reset period**

The years between *resets* in which local authorities are able to retain (after taking into account the *levy* and payments owing to *relevant shares*) the growth in business rates income. It is the Government's ambition that the initial *reset period* will last between 2013 and 2020.

### **Safety net**

Mechanism to protect any authority which sees its *retained rates income* drop, in any year, by more than a set percentage (final percentage will be set between 7.5% and 10%) below their *baseline funding level* (with baseline funding levels being uprated by RPI for the purposes of assessing eligibility for support).

### **Safety net payment**

A payment made by central government to local authorities who are eligible for safety net support. These will be made at the end of the financial year.

### **Start-up funding allocation**

A local authority's share of the *local government spending control total* which will comprise its *Revenue Support Grant* for the year in question and its *baseline funding level*.

### **Tariffs and top-ups**

Calculated by comparing an *individual authority business rates baseline* against its *baseline funding level*. *Tariffs* and *top-ups* will be self-funding, fixed at the start of the scheme and index linked to RPI in future years.

### **Tariff authority**

An authority with a higher *individual authority business rates baseline* than its *baseline funding level*, and which therefore pays a *tariff*.

### **Top-up authority**

An authority with a lower *individual authority business rates baseline* than its *baseline funding level*, and which therefore receives a *top-up*.