Local Government Resource Review: Proposals for Business Rates Retention

Technical paper 2: Measuring business rates

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August 2011
Department for Communities and Local Government

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Chapter 1

Introduction

1.1. On 18 July, the Department for Communities and Local Government (DCLG), published a consultation paper, *Local Government Resource Review: Proposals for Business Rates Retention*.

1.2. This set out proposals for a rates retention scheme to replace the current local government finance system, under which business rates are redistributed as part of formula grant.

1.3. The consultation paper outlined the principal features of the proposed rates retention scheme. It undertook to provide further detail in a series of technical papers, to be published in August.

1.4. Taken together, the consultation paper and technical papers raise a number of questions about the proposed rates retention scheme, on which the Government is seeking views. The **consultation will close on Monday 24 October 2011**. Details of how to respond can be found on page 7 of the main consultation paper[1].

1.5. This is one of eight technical papers. The full list is:

Paper 1:	Establishing the Baseline
Paper 2:	**Measuring Business Rates**
Paper 3:	Non-billing Authorities
Paper 4:	Business Rates Administration
Paper 5:	Tariff, Top Up and Levy Options
Paper 6:	Volatility
Paper 7:	Revaluation and Transition
Paper 8:	Renewable Energy

1.6. All technical terms in the papers appear in italics and are explained in the Glossary of technical terms, which is attached to each technical paper as an annex.

1.7. An outline of the eight papers can be found in *Business Rates Retention – Technical Papers: An Overview*.

[1] www.communities.gov.uk/publications/localgovernment/resourcereviewbusinessrates

Chapter 2

About this paper

2.1 The main consultation paper outlines how, in order to establish a fair starting point for the rates retention scheme, the Government will set *tariffs* and *top ups* for each local authority by comparing its *baseline funding level* with its business rates baseline.

2.2 *Technical Paper 1: Establishing the Baseline* sets out how local authorities' baseline funding levels will be set. This paper considers how an authority's business rates baseline will be calculated.

Establishing the national business rates baseline

2.3 *Technical paper 1: Establishing the Baseline*, explains that, to avoid putting its deficit reduction programme at risk, the Government will *set aside* from the *forecast national business rates* the sum needed to ensure that the business rates retention scheme operates within the expenditure control totals for 2013-14 and 2014-15. It also explains that further adjustments will be made to the *forecast national business rates* to remove the sums required to fund the New Homes Bonus, police authorities and, possibly, single purpose fire and rescue authorities. The remainder of the *forecast national business rates*, after the *set aside* and *adjustments*, will form the *national business rates baseline*.

2.4 Chapter 3 explains the Government's approach to determining the *forecast national business rates.*

Establishing proportionate shares

The *national business rates baseline* will be apportioned between billing authorities, as a first step in determining *individual authority business rates baselines* for all authorities[2], from which *tariffs* and *top ups* will be derived.

2.5 Chapter 4 sets out the Government's proposals for making this apportionment on the basis of *proportionate shares* and sets out how such shares might be based on:

- a billing authority's business rates yield, either calculated as the average of several years' yields, or on the basis of a "spot assessment" at a particular point of time; and
- how, in making such calculations, the Government might provide for a series of *allowable deductions* for costs, such as reliefs, which differ between local authorities

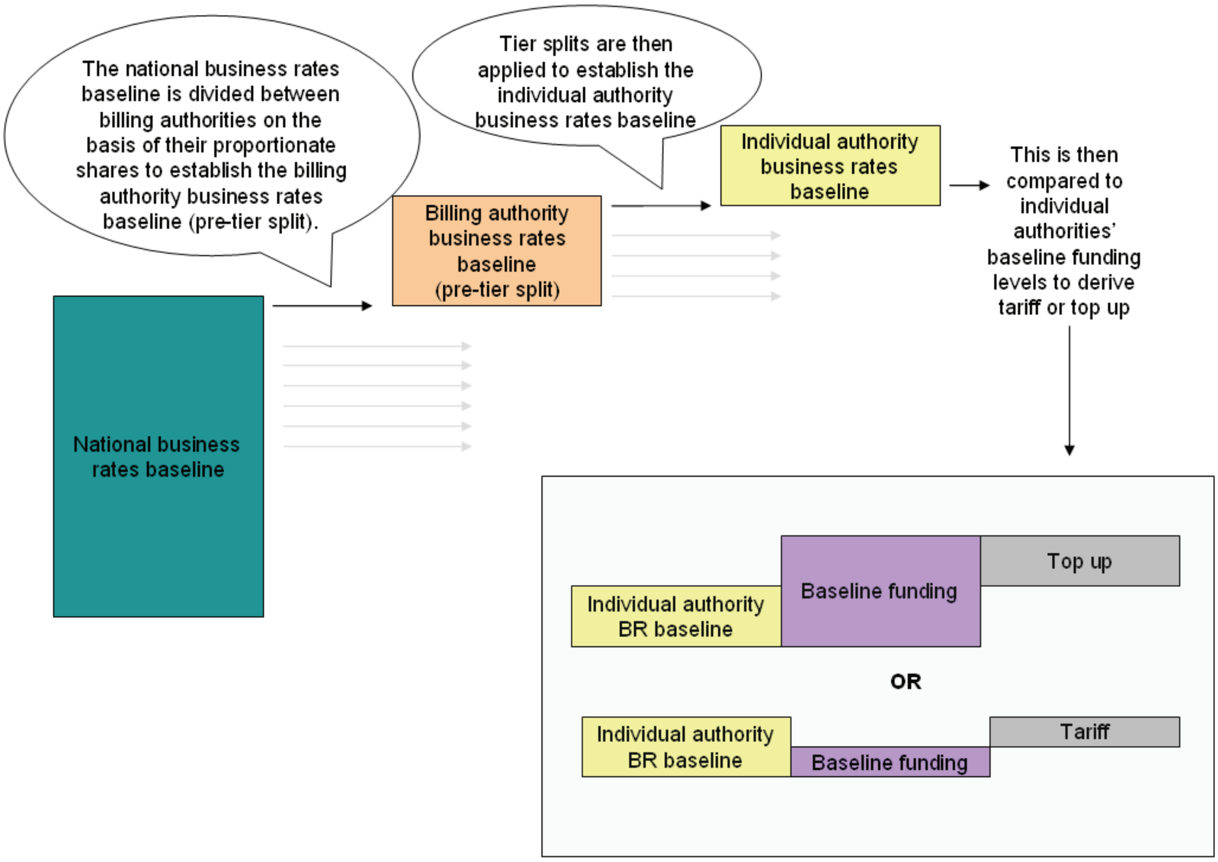
[2] With the exception of police authorities and, possibly, single purpose fire and rescue authorities which the Government proposes should receive fixed funding allocations in 2013-14 and 2014-15, as discussed in *Technical Paper 3: Non-Billing Authorities.*

2.6 The Government also proposes to use *proportionate shares* to determine how much a billing authority is required to contribute to the *set aside* and other *adjustments.*

Determining individual authority business rates baselines

2.7 As discussed above, *proportionate shares* will be used to apportion the *national business rates baseline* and determine, for each billing authority, a *billing authority business rates baseline (pre-tier split)*. For single-tier authorities, this may form their *individual authority business rates baseline* (depending on the treatment of single purpose fire and rescue authorities, which is discussed further in *Technical Paper 3: Non-billing Authorities*). But in two tier areas, the *billing authority business rates baseline (pre-tier split)* will be further apportioned between billing authorities and their county councils to establish their *individual authority business rates baselines.* These will be compared with *individual authorities baseline funding* levels to determine top ups and tariffs, as illustrated in figure 1 below.

Establishing individual authority business rate baselines



2.8 *Technical Paper 4: Business Rates Administration* provides further information about how *individual authority business rates baselines* will be used:

- to determine the flows of money between central and local government and between billing and non-billing authorities; and
- to calculate whether authorities will need to pay a levy, or receive support through the safety net

Resetting the system

2.9 The main consultation paper explained that the rates retention scheme will contain a mechanism that allows the system to be reset if, because of service pressures, or changes to the characteristics of a local area, there was a need to realign resources between authorities. Further information on resets can be found in *Technical Paper 1: Establishing the Baseline*. Chapter 5 of this paper considers whether, at a reset, any changes would need to be made to the way in which business rates were measured.

Chapter 3

Forecasting national business rates

3.1 As chapter 2 of this paper explains, in order for the Government to determine *set asides* and *adjustments* and to set a *national business rate baseline*, it will first have to establish the *forecast national business rates* for 2013-14 and 2014-15.

3.2 Billing authorities currently provide estimates of the business rates they expect to collect through their regular National Non-Domestic Rates (NNDR) data returns. However, such estimates for 2013-14 and 2014-15 will not be available in time to use in establishing the *forecast national business rates* for the purposes of the rates retention scheme.

3.3 The Government therefore proposes to set the *forecast national business rates* on the basis of:

- the actual national non-domestic multiplier for 2013-14 (since the retail prices index for September 2012 will have been published in October, in time to determine the actual 2013-14 multiplier)
- an estimated non-domestic multiplier for 2014-15, based on the latest published Office for Budget Responsibility forecast of the retail prices index for quarter three of 2013-14; and
- a mid-year estimate of the rateable value on local rating lists in England for 2013-14 and 2014-15

3.4 On this basis, the Government would propose to:

- apply the multiplier (uprated to reflect anticipated changes in the retail prices index) to the estimated rateable value on local rating lists in England to establish a forecast of the gross business rates yield in both 2013-14 and 2014-15; and then
- make a series of adjustments to the gross business rates yield for reliefs and other items, based on the latest published information available from local authorities' National Non-Domestic Rates data returns

3.5 We would publish the methodology for establishing the *forecast national business rates* as part of the summer consultation on the Local Government Finance Settlement, and would publish the final methodology and the forecast as part of the Local Government Finance Report.

TP2 Q1: In the absence of billing authority estimates for 2013-14 and 2014-15, do you agree with the Government's proposals for setting the *forecast national business rates*?

Chapter 4

Establishing proportionate shares

4.1 As set out in chapter 2, the *national business rates baseline* will be apportioned between billing authorities on the basis of *proportionate shares*. *Proportionate shares* will also be used to determine how much each billing authority will be required to contribute towards the national *set aside* and any *adjustments*. This chapter explains the Government's proposals for establishing *proportionate shares.*

The basis of proportionate shares

4.2 In order to determine a billing authority's *proportionate share*, the Government will first calculate the *individual authority business rates* of each billing authority (at a given point in time, or on the basis of its average income over a number of years, as discussed at paragraphs 4.8 – 4.16 below). A billing authority's *proportionate share* will be its *individual authority business rates* expressed as a percentage of the aggregate of all billing authorities' business rates income.

4.3 In order to calculate each billing authority's *individual authority business rates*, the Government proposes to use as a starting point:

- each authority's gross yield – calculated as the total rateable value in the billing authority's area, multiplied by the small business rates multiplier

4.4 The gross yield would then be adjusted to:

- reflect any net additional or reduced income collected by the authority as a result of businesses paying rates on the basis of the national rating multiplier less any relief granted for Small Business Rates Relief

4.5 We would then make a series of *allowable deductions* for:

- mandatory reliefs
- those elements of discretionary relief for which the Government currently provides some funding through offsets to the rating pool
- hardship relief
- the cost of collection
- interest payments
- any growth in income in Enterprise Zone areas, which the authority is permitted to keep outside the rates retention scheme

4.6 Further details of *allowable deductions* are at paragraphs 4.17 – 4.20 below.

4.7 The Government proposes that the calculation of *proportionate shares* will be exclusive of the impact of transitional relief, which it is proposed should exist outside the rates retention scheme and which is dealt with fully in *Technical Paper 7: Revaluation and Transition*.

TP2 Q2: Do you agree with the proposed basis on which proportionate shares would be calculated?

Whether to use a "spot", or "average" calculation

4.8 As flagged at paragraph 4.2 above, in calculating a billing authority's *proportionate share*, the Government could use:

i. a spot assessment based on authorities' business rates income on one particular day; or

ii. an average of an authority's rates income over two or three years.

4.9 Under either approach, the Government would propose to make the assessment in the summer of 2012. The basis of the calculation would be included as part of the summer consultation on the Local Government Finance Settlement and as part of the Local Government Finance Report.

A spot assessment

4.10 A spot assessment, made in the summer/autumn of 2012, could be based on billing authorities' estimates of their 2012-13 business rates yield, as provided in their NNDR1 returns.

4.11 Arguably, this would provide the most up-to-date snapshot of authorities' business rates income. However, such estimates have not, in the past, provided accurate forecasts of the business rates income actually collected by an authority, not least because they cannot easily take account of buoyancy, or the natural volatility within the rating system caused by appeals and repayments.

4.12 We might, of course, make an adjustment to reflect the historic difference between authorities' estimates and subsequent outturn data. Whilst it would be relatively easy to make such an adjustment based on a national adjustment factor, it would be more difficult and more controversial to attempt to calculate individual adjustment factors for each billing authority.

4.13 Therefore, whilst a spot assessment might make use of the most up-to-date data available, it may distort the relativities between authorities' business rates by measuring rates yield at a particularly high, or low, point; and may therefore fail to establish a fair starting point for each authority at the outset of the business rates retention scheme.

Using an average

4.14 An alternative, therefore, would be to calculate each *billing authorities' business rates income* on the basis of its average income over a number of years. This could have the effect of smoothing some of the volatility that exists year-on-year.

4.15 At the point that the calculation was made, the Government would have available to it, outturn data provided in authorities' NNDR3 returns for 2010-11 and 2011-12. These would provide an accurate reflection of what authorities had actually collected, allowing for buoyancy and prior year adjustments.

4.16 We would not propose to use data for earlier years, since arguably it would be increasingly obsolescent and would require us to make an adjustment to reflect the impact of revaluation.

TP2 Q3: Which of the options – "spot", or "average" – do you believe would be the fairest means of determining each billing authority's business rate yield, upon which proportionate shares would be based?

Allowable deductions

4.17 As set out at paragraph 4.5 above, in calculating each billing authority's business rates income, the government would make a series of *allowable deductions* (either on the basis of a "spot" assessment, or as an average over a number of years, in the same way as described above) to reflect differences in the local costs of items such as reliefs.

4.18 Deductions will reduce the estimate of a billing authority's *individual authority business rates* and, hence, affect its *proportionate share*. As explained in chapter 2, billing authorities' *proportionate shares* will, ultimately, determine every authority's *individual business rates baseline* and, therefore, its *tariff*, or *top up*. *Proportionate shares* will also determine the amount each billing authority is required to contribute to the *set aside* and other *adjustments*.

4.19 *Technical Paper 5: Tariff, Top Up and Levy Options* explains that *tariffs* and *top ups* will be fixed between resets in order to allow authorities to know the extent of their financial commitment to central government, or central government's financial commitment to them. Because *allowable deductions* could not be changed between resets without also changing *tariffs* and *top ups*, it follows that, once set, *allowable deductions* will be similarly fixed until the next reset.

4.20 The following paragraphs look at the basis on which *allowable deductions* would be calculated.

Mandatory relief

4.21 Sections 43 and 45 of the Local Government Finance Act 1988 provide that, in certain circumstances, the occupier of a rateable property should have their rates bill reduced. In short, the legislation provides for the following:

- property occupied by wholly or mainly for charitable purposes (charitable relief)
- property occupied by community amateur sports clubs
- certain properties in rural areas (rural rate relief)
- partly occupied rateable property; and

- unoccupied property

4.22 The main consultation paper explained that there would be no changes to the current system of reliefs, or to the criteria that determine eligibility. The Government does not believe that, under a rates retention scheme, the cost of mandatory relief should be borne entirely by the authorities in whose area it arises.

4.23 Therefore, as explained in chapter 3, when setting the *forecast national business rates,* the Government proposes to make a downward adjustment to reflect the amount of mandatory relief that will be provided nationally. Similarly, in assessing billing authorities' *proportionate shares*, a deduction would be made to reflect the amount of mandatory relief given by each billing authority.

Discretionary relief

4.24 Under section 47 of the Local Government Finance Act 1988, billing authorities may reduce the rates bills of the occupiers of rateable property. The Localism Bill currently going through Parliament will (subject to its successful passage) widen the circumstances under which such discretionary relief can be granted.

4.25 In certain circumstances, central government funds a proportion of the cost of discretionary relief by allowing authorities to deduct these sums from their contribution to the rating pool. Currently, central government meets the cost of:

- twenty-five per cent of any "top up" to charitable mandatory relief
- twenty-five per cent of any "top up" to the mandatory relief of community amateur sports clubs
- fifty per cent of any "top up" to mandatory rural rate relief
- one hundred per cent of relief given to certain rural properties that are ineligible for mandatory relief; and
- seventy-five per cent of relief granted to "not-for-profit" organisations

4.26 In the same way as for mandatory relief, the Government proposes to make a deduction for these proportions of any discretionary relief given locally, when calculating a billing authority's p*roportionate share*.

Hardship relief

4.27 Under section 49 of the Local Government Finance Act, an authority may reduce the rates bill of any ratepayer facing "hardship". Unlike discretionary relief, hardship relief is only given in exceptional circumstances where a ratepayer would face particular hardship if required to pay their full rates bill. Unlike discretionary relief, therefore, the extent to which an authority has granted hardship relief in the past is not a good guide to the likelihood that it will grant such relief in the future.

4.28 Whilst therefore the Government is minded to make a deduction for hardship relief when setting billing authorities' *proportionate shares*, it does not believe that this should be on the basis of past spend in individual billing authority areas. Instead, we propose to make an *allowable deduction* based upon the national amount of hardship relief granted, apportioned between billing authorities on the basis of their share of the aggregate rates yield.

Transitional relief

4.29 *Technical Paper 7: Revaluation and Transitional Relief* sets out in more detail the Government's proposals for dealing with transitional relief outside the main rates retention scheme. Therefore, the calculation of a billing authority's proportionate *share* will be exclusive of the effect of transitional relief. In other words, the business rates yield used to calculate *proportionate shares* will be set as if transitional relief did not exist.

Other allowable deductions

4.30 Schedule 8 of the Local Government Finance Act and the secondary legislation made under that schedule currently allows local authorities to deduct the costs of a series of other items from their contributions to the central business rates pool.

4.31 When establishing each billing authority's *proportionate share* of the aggregate business rates yield, the Government proposes to make *allowable deductions* for some of these other items, in addition to those proposed for the costs of reliefs discussed above, as follows:

- *Charges on property*: A billing authority is able to reduce their contribution to the central business rates pool in respect of amounts for which recovery has been deferred by an agreement with the ratepayer and where a charge has been made upon the property. Since billing authorities enter into such an agreement entirely at their own discretion, we do not propose to make an *allowable deduction* for charges on property.

- *Costs of collection*: Currently the Government provides an allowance to local authorities for the costs they incur in collecting business rates. In 2011-12 this allowance was £84m. The apportionment of the £84m is determined by a formula, which is set out in the Non-Domestic Contributions (England) Regulations 1992. The Government believes that, under a rates retention scheme, the allowance for the costs of collection should continue to be apportioned in this way. It therefore proposes to make an *allowable deduction* for the costs of collection, which would be the sums determined by this formula, when determining the *proportionate shares* of each billing authority.

- *Interest payments:* Currently, a billing authority is required to make an interest payment when refunding business ratepayers in certain cases where there is an alteration to the rating list which reduces their business rates liability with backdated effect. Since this is a mandatory requirement, the Government does not believe it would be appropriate for the cost of interest payments to be borne entirely by the authorities in whose area it arises. Similarly to hardship relief, the extent to which an authority has been required to make interest payments on refunds to ratepayers in the past is not a good guide to whether it will be required to do so in future. Therefore, the Government proposes to make an *allowable deduction* for interest payments in the same way as for hardship relief, by apportioning a national figure between billing authorities in proportion to their share of the aggregate rates yield.

- <u>*Losses in collection:*</u> Currently billing authorities can reduce their contribution to the central business rates pool to reflect any losses in collection resulting from bad debts, provided they can demonstrate that they have acted diligently in seeking to recover those debts. Since the extent to which an authority has been required to make interest payments on refunds to ratepayers in the past is not a good guide to whether it will be required to do so in future, and the *forecast national business rates* will be adjusted to reflect collection rates, the Government does not propose to make an *allowable deduction* for losses in collection.

- <u>*The City of London offset:*</u> *D*ue to its unique circumstances, the City of London is currently permitted to retain part of its business rate income. The City of London "offset" is £10.2m for 2011-12. Decisions on the offset for 2013/14 will be taken at a later date. Any offset in that year will be an *allowable deduction* for the purposes of determining the City's *proportionate share*.

4.32 Finally, the Government proposes to make a further *allowable deduction* for any uplift in business rates revenues within the Enterprise Zones announced by the Government at the 2011 Budget. The Government has committed that the uplift in business rates revenues (above the current baseline) within Enterprise Zones will be retained in full for 25 years from April 2013 to support the priorities of the local economic partnership. As explained in *Technical Paper 4: Business Rates Administration*, to meet the Government's commitment, the business rates income in an Enterprise Zone will be measured when it is first set up and will become the *baseline Enterprise Zone business rates* against which growth is measured. In setting *proportionate shares*, we propose to make an *allowable deduction* for any increase against *baseline Enterprise Zone business rates* achieved in 2012-13.

Fixing allowable deductions between resets

4.33 Once set, *proportionate shares* would be fixed between resets, meaning that the *allowable deductions* for the items listed above, including reliefs, would similarly be fixed. An alternative approach might be to take some, or all, reliefs outside the business rates retention scheme (similar to the approach proposed for the transitional relief scheme in *Technical Paper 7: Revaluation and Transition*). However, unlike transitional relief, most other reliefs are not self-funding, so this alternative approach would likely require a further *adjustmen*t to the *forecast national business rates* to remove a sufficient amount to fund reliefs.

TP2 Q4: Do you agree with the *allowable deductions* the Government proposes to make to each billing authority's business rates yield, to reflect differences in the local costs of items such as reliefs, in establishing *proportionate shares*?

Chapter 5

Measuring business rates at a reset

5.1 As set out in the main consultation paper and in further detail in *Technical Paper 1: Establishing the Baseline*, the Government proposes to retain an option to reset the rates retention system, if it believed that the resources in authorities had diverged significantly from service pressures in individual local authority areas, for example because of demographic change.

5.2 At a reset, the Government would need to establish new baseline funding levels and new business rates baselines for all authorities, from which their new tariffs and top ups would be derived.

5.3 In doing so, the Government envisages it would adopt a similar methodology for establishing *individual authority business rates baselines* as that set out in chapters 3 and 4 of this paper. It would also adopt a similar methodology for establishing the *proportionate shares* of billing authorities, using updated *allowable deductions* to reflect the latest published data on, for example, reliefs.

Annex A

Business Rates Retention: Glossary of technical terms

Adjustments
After deducting the *set aside* from the *forecast national business rates* further adjustments will be made to fund the New Homes Bonus, police authorities and potentially single purpose fire and rescue authorities.

Reference: *Technical Paper 1: Establishing the Baseline*, Chapter 4

Allowable deductions
A deduction made to a billing authority's business rates income, when calculating its *proportionate share*. Examples of where allowable deductions will be made are for rate reliefs and cost of collections.

Reference: *Technical Paper 2: Measuring Business Rates*, Chapter 4

Banded levy
Authorities assigned to their different levy bands with different pence in the pound levy rates based on the ratio of their *individual authority business rates baseline* and their *baseline funding level*.

Reference: *Technical Paper 5: Tariff, Top Up and Levy Options*, Chapter 4

Baseline funding level (or **individual authority baseline funding level**)
A fair starting point based on formula grant distribution, within the overall expenditure controls set out in Spending Review 2010.

Reference: *Technical Paper 1: Establishing the Baseline*, Chapter 5

Billing authority business rates baseline (pre-tier split)
Derived by dividing the *national business rates baseline* between *billing authorities* on the basis of their *proportionate shares*.

Reference: *Technical Paper 2: Measuring Business Rates*, Chapter 5

Flat rate levy
The same pence in the pound levy rate for all authorities.

Reference: *Technical Paper 5: Tariff, Top Up and Levy Options*, Chapter 4

Forecast national business rates
Forecast of national business rates for England in 2013/14 and 2014/15. Based on the 2012/13 national non-domestic multiplier, uprated for *Retail Prices Index* and the latest published information from the national non-domestic rates returns.

Reference: *Technical Paper 2: Measuring Business Rates*, Chapter 3

Gearing effect
The relationship between *individual authority business rates baseline* and the *individual authority baseline funding level*.

Reference: *Technical Paper 5: Tariff, Top Up and Levy Options*, Chapter 2

Individual authority business rates baseline
Derived by apportioning the *billing authority business rates baseline (pre-tier split)* between billing and non-billing authorities on the basis of *tier splits*.

Reference: *Technical Paper 2: Measuring Business Rates*, Chapter 5

Individual authority business rates
The amount of business rates income which each authority receives before payment of *tariffs and top ups*.

Reference: *Technical Paper 2: Measuring Business Rates*, Chapter 5

Interactive Calculator
Enables users to explore the principal features of the proposed rate retention scheme by entering their own inputs and varying components.

Reference: *Technical Paper 5: Tariff, Top Up and Levy Options*, Chapter 7

Levy
To manage the possibility that some local authorities could see disproportionate financial gains, the *levy* will recoup a share of this disproportionate benefit. Applied to the change in *pre-levy income* (either all growth or growth above *Retail Prices Index*), as measured against the *individual authority baseline funding level*.

Reference: *Technical Paper 5: Tariff, Top Up and Levy Options*, Chapter 4

National business rates baseline
The *forecast national business rates* less *set aside* and *adjustments*.

Reference: *Technical Paper 1: Establishing the Baseline*, Chapter 5 and
Technical Paper 2: Measuring Business Rates, Chapter 5

Post-levy income
Individual authority business rates minus/plus the *tariff* or *top up*, minus any *levy*.

Reference: *Technical Paper 5: Tariff, Top Up and Levy Options*, Chapter 3

Pre-levy income
Individual authority business rates minus/plus the *tariff or top up*.

Reference: *Technical Paper 5: Tariff, Top Up and Levy Options*, Chapter 3

Proportional levy
Individual pence in the pound levy rate for each authority so that percentage growth in *retained income* is proportional to growth in *individual authority business rates*.

Reference: *Technical Paper 5: Tariff, Top Up and Levy Options*, Chapter 4

Proportionate shares
Used to apportion the *set aside*, *adjustments* and *national business rates baseline* between billing authorities. Equals a billing authority's business rates income (after *allowable deductions*) as a proportion of total business rates yield (after *allowable deductions* and exclusive of the impact of transitional relief).

Reference: *Technical Paper 2: Measuring Business Rates*, Chapter 4

Retail Prices Index
A measure of inflation in the UK.

Reference: *Technical Paper 5: Tariff, Top Up and Levy Options*, Chapter 2

Retained income
Individual authority business rates minus/plus *tariff* or *top up*, minus any *levy*, plus any *safety net* payments.

Reference: *Technical Paper 5: Tariff, Top Up and Levy Options*, Chapter 4

Revaluation adjustment
An adjustment to tariffs and top ups to ensure that authorities do not experience gains or losses as a consequence of a revaluation.

Reference: *Technical Paper 7: Revaluation and Transition*, Chapter 3

Safety net
The safety net offers: i) annual protection against a decline in *retained income* and ii) protection against a decline in *retained income* relative to the *individual authority baseline funding level*.

Reference: *Technical Paper 5: Tariff, Top Up and Levy Options*, Chapter 5

Set aside
The share of the *forecast national business rates* that will be set aside to meet the overall expenditure controls set out in Spending Review 2010. The set aside will be apportioned between billing authorities and non-billing authorities on the basis of their *proportionate shares*.

Reference: *Technical Paper 1: Establishing the Baseline*, Chapter 3

Tier splits or **tier split shares**
Applied to *billing authority business rates baseline (pre-tier split)* to establish the *individual authority business rates baseline.*

Reference: *Technical Paper 3: Non-Billing Authorities*, Chapter 3

Tariffs and top ups
Assigned to a local authority to achieve a fair starting point. An authority will pay a *tariff* if their *individual authority business rate baseline* is more than their *baseline funding level*. An authority will receive a *top up* if their *individual authority business rate baseline* is less than their *individual authority baseline funding level*.

Reference: *Technical Paper 5: Tariff, Top Up and Levy Options*, Chapter 3

Transitional adjustment
An adjustment to ensure that authorities do not experience gains or losses as a consequence of granting transitional relief.

Reference: *Technical Paper 7: Revaluation and Transition*, Chapter 4

Volatility
The degree to which individual authority business rates in a particular area may change.

Reference: *Technical Paper 6: Volatility*, Chapter 3