

Main non-domestic rating account in England 2013-14

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Presented to Parliament pursuant to Schedule 7B, paragraph 1 of the Local Government Finance Act 1988

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Foreword

1. Following the passing of the Local Government Finance Act 2012, Business Rates Retention replaced the system for the distribution of National Non-Domestic Rates from 1st April 2013. Under the new system, local authorities retain 50% of the collected business rates. This reduces the payment of business rates to the Consolidated Fund accordingly.
2. The cash flows in respect of Business Rates Retention are reported via two White Paper Accounts; the Main Rating Account; and the Levy Account, both of which are produced for the first time in 2013-14. Other amounts credited or debited to the account are included within the White Paper Account in accordance with the Accounts Direction and legislation.
3. In line with the Accounts Direction, the Main Rating Account records the cash transactions to and from local authorities and any debit to the account as provided for under paragraph 2(3) of Schedule 7B to the Local Government Finance Act 1988. With the exemption of the debit to the account, all these transactions appear elsewhere in the Consolidated Fund Account or the Department for Communities and Local Government's Accounts but this account serves to bring them together and demonstrate the workings of Business Rates Retention.

Statutory Background

4. The Account is prepared under paragraph 1 (1) of Schedule 7B to the Local Government Finance Act 1988.

Business Rates Retention and non domestic rates

5. Non-domestic rates are received:
 - from billing authorities in respect of businesses in their areas other than those on the central non-domestic rating list;
 - directly from businesses on the central non-domestic rating list; and
 - from the Ministry of Defence in respect of contributions in lieu of rates for exempt properties occupied for the purposes of visiting forces, or an international headquarters or defence organisation in pursuance of arrangements made with any Government department ("visiting forces exempt properties").
6. Non-domestic rates that are due to the government and paid to the Secretary of State are credited to the Consolidated Fund. Amounts paid to authorities by the Secretary of State are paid out of monies voted by Parliament. There is no separate fund through which these monies pass. In order to avoid

unnecessary cash transfers between the Secretary of State and authorities, only net payments are made¹. However, the account shows separately the following non-domestic rate entitlements and liabilities which have been discharged, rather than net cash sums received or paid out:

- a. Central rating;
- b. Visiting Forces contributions in aid;
- c. Treatment of surplus or deficit in collection fund;
- d. The central share;
- e. Top Up and Tariff payments;
- f. Transitional protection.

Receipts from local authorities and others

7. Local authorities pay to the government a 50% share of the amount which would be payable by ratepayers in the authority's area on the assumption that the authority acted diligently and after certain prescribed deductions (e.g. for transitional adjustments, costs of collection and recovery). A calculation of non-domestic rating income is made by the authorities before the start of the year on the basis of prescribed assumptions. The amounts paid to the Secretary of State on the basis of these calculations are shown in the Account as "Amounts received from authorities". The Department for Communities and Local Government calculates amounts due to the Secretary of State from ratepayers on the central rating list. Contributions-in-aid in respect of visiting forces' exempt properties are calculated by GVA on behalf of the Valuation Office Agency and paid to the Secretary of State by the Ministry of Defence.
8. Properties occupied for the purposes of a visiting force, or a headquarters or defence organisation designated by an Order in Council under section 1 of the International Headquarters and Defence Organisations Act 1964 are exempt from non-domestic rating, under paragraph 19A of Schedule 5, inserted by the Local Government and Rating Act 1997. Contributions in aid of rates for these exempt properties are made by the Secretary of State for Defence under section 59 of the 1988 Act.

Review of 2013-14

9. In 2013-14 the Secretary of State received £15,471 million of non-domestic rates and paid £3,433 million to local authorities.

Sir Bob Kerslake
Accounting Officer
Department for Communities and Local Government
23 June 2014

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See the Local Government Finance (Payments) (English Authorities) Regulations 1992 (S.I. 1992/2996) made under s 141.

Statement of accounting officer's responsibilities

Under paragraph 1.1 of Schedule 7B to the Local Government Finance Act 1988 the Secretary of State is required to prepare an Account (to be called a Main Non-Domestic Rating Account) for each financial year in the form directed by the Treasury. An Accounting Officer is appointed for the account. The account must properly present the credits and debits for the financial year and the balance held at year-end.

In preparing the Accounts, the Accounting Officer is required to comply with the requirements of the Local Government Finance Act 1988 and, in particular, to observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.

HM Treasury has designated the Permanent Head of the Department as Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, and for keeping proper records are set out in *Managing Public Money* published by HM Treasury.

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Main Non-Domestic Rating Account for the year ended 31 March 2014 under the Local Government Finance Act 1988. The financial statements comprise: the Statement of Amounts Debited and Credited to the Account as required by the Act, the Statement of Balances and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Local Government Finance Act 1988 and HM Treasury directions made thereunder. My responsibility is to audit, certify and report on the financial statements in accordance with the Local Government Finance Act 1988. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Main Non-Domestic Rating Account and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the amounts debited and credited as required by the Act and recorded in the financial statements have been applied to the purposes intended by Parliament, and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the amounts debited and credited as required by the Act and recorded in the financial statements have been applied to the purposes intended by Parliament, and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements properly present the amounts debited and credited as required by the Act to the Main Non-Domestic Rating Account for the year ended 31 March 2014; and
- the financial statements have been properly prepared in accordance with the Local Government Finance Act 1988 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date: 25 June 2014

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Main non-domestic rating account 2013-14

Statement of amounts credited and debited to the Main non-domestic rating account for the year ended 31 March 2014

		2013-14 £000
	Notes	
Credits		
Amounts received from ratepayers on the Central non domestic rating list:		1,293,745
Amounts received in respect of contributions in aid of Visiting Forces exempt properties:		11,678
Amounts received in respect of Surplus on collection fund (Secretary of State share):		0
Amounts received from authorities in respect of the Central Share:		10,860,485
Amounts received from authorities in respect of Tariffs:		3,281,901
Amounts received from authorities in respect of Transitional Protection:		23,185
Amounts received in respect of reconciliation of disregarded amounts (Enterprise Zones etc):		0
Total credits		15,470,994
	Notes	2013-14 £000
Debits		
Sums paid to authorites in respect of Deficit on collection fund (Secretary of State share):		0
Sums paid to authorities in respect of Top Ups:		3,292,439
Sums paid to authorites in respect of Transitional Protection:		140,149
Sums paid to authorities in respect of reconciliation of disregarded amounts (Enterprise Zones etc):		0
Debit to the account in accordance with Schedule 7B para 2(3), of the Local Government Finance Act 1988:	2.1	12,038,406
Debit to the account recognised in the Statement of Balances:	2.1	0
Total debits		15,470,994

Main non-domestic rating account 2013-14

Statement of Balances as at 31 March 2014	Notes	2013-14 £000
Balance as at 1 April 2013:		0
Excess of debits over credits in 2013-14:	2.1	0
Balance at 31 March 2014:		0

Sir Bob Kerslake
Accounting Officer
Department for Communities and Local Government

23 June 2014

Main non-domestic rating account for the year ended 31 March 2014

Notes:

1. Accounting Policies

- 1.1 The Account has been prepared in accordance with Schedule 7B to the Local Government Finance Act 1988 as inserted by the Local Government Finance Act 2012 and the HM Treasury Accounts Direction. It records the amounts received in respect of Business Rates Retention, payments to local authorities and any debit to the account as provided under paragraph 2(3) of Schedule 7B to the Local Government Finance Act 1988.
- 1.2 Authorities are required to calculate their non-domestic rate income for the accounting period before the start of the relevant year from which the Government's Central Share is derived. The Central Share is paid during the year in such instalments as the Secretary of State directs (under Schedule 7B). Whilst the account shows the full amounts of contributions from authorities in practice these items are netted off against payments out by the Department and only net payments are received or made by the Department. This avoids unnecessary cash transfers between the Secretary of State and local authorities.

2. Notes to the Account

- 2.1 The debit to the account is the amount that the Government retains from the main rating account. In accordance with the governing legislation, this amount is used for the purposes of Local Government in England. In 2013-14, the full amount was used to finance Revenue Support Grant (RSG) to local authorities. In consequence, the debit to the account recognised in the Statement of Balances for 2013-14 is nil.
- 2.2 The Secretary of State received contributions in aid of non-domestic rating (section 59) totalling a net £12 million from the Ministry of Defence in respect of exempt hereditaments occupied by visiting forces in 2013-14.
- 2.3 All receipts accounted for and collected in year are paid over to the Consolidated Fund in the year of collection and all payments accounted for in year are made to the recipients in year.
- 2.4 The account is audited by the Comptroller and Auditor General. The National Audit Office charges a notional cost of £40,000 to DCLG for the external audit work performed on the Main Rating account and this is reported in the DCLG Group Accounts.

- 2.5 Under the Local Government Finance Act 2012, pooling and the re-distribution of National Non-Domestic Rates was replaced with the Business Rates Retention scheme with effect from 1 April 2013.
- 2.6 The value of the local share of business rates retained by local authorities in 2013-14 is £10,851,030,000. This figure includes £84m in respect of cost of collection allowances. The local share which is a non-cash item is not provided for in the Accounts Direction and is not included in this account.

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