

Non-Domestic Rating Transition
Account 2013-14

Non-Domestic Rating Transition Account 2013-14

Presented to Parliament pursuant to Article 2, of the Local Government Finance Act 2012
(Transitional Provisions) Order 2014

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Foreword

Prior to the financial year commencing on 1 April 2013, the Local Government Act 1988 ('LGFA 1988') required non-domestic rates collected by local authorities to be paid over to the Secretary of State who then redistributed them. The operation of this pooling system was governed by Schedule 8 to the LGFA 1988. The Local Government Finance Act 2012 replaced this system in England with a system for the local retention of non-domestic rates. Statutory Instrument 2014 No.939 makes provision for the accounting arrangements for the last year of accounts under the National Non Domestic Rates (NNDR) pooling system.

Under Part 1 of Schedule 8 to the LGFA 1988, the Secretary of State was required to keep an account for each financial year, called the non-domestic rating account. The purpose of this account was to demonstrate the operation of the pool by recording all payments into and out of it. At the end of each year any balance on the account was transferred to the account for the following year. Each account was audited by the Comptroller and Auditor General.

Statutory Instrument 2014 No.939 requires the Secretary of State to record payments that relate to years in which the pooling system was in place, but are not made until the financial year commencing on 1 April 2013 in an account, to be called the non-domestic rating transition account. It makes arrangements for the audit of this account and the laying of the account before Parliament. Article 4 provides for the balance on the non-domestic rating account for 2012-13 to be transferred to this transition account.

Non-domestic rates

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').

Until 2013-14, an amount equivalent to the estimated total of these sums was distributed to receiving local authorities in the same way as the Revenue Support Grant.

Under the NNDR Pooling system, non-domestic rates paid to the Secretary of State were credited to the Consolidated Fund and amounts paid to authorities by the Secretary of State were paid out of monies provided by Parliament. There was no separate fund through which these monies passed. In order to avoid unnecessary cash transfers between the Secretary of State and authorities, only net payments were made¹. However, the account shows separately all the non-domestic rate entitlements and liabilities which have been discharged, rather than net cash sums received or paid out.

The accounts show comparatives but these are for information purposes only. See note 2.6.

¹ See the Local Government Finance (Payments) (English Authorities) Regulations 1992 (S.I. 1992/2996) made under s 141.

Receipts from billing authorities and others

Under the NNDR Pooling system, a billing authority's non-domestic rating contribution to the pool represented the amount payable by ratepayers in the authority's area on the assumption that the authority acted diligently, and after allowing for certain prescribed deductions (e.g. for costs of collection and recovery). A provisional calculation of the amount was made by the authorities before the start of the year on the basis of prescribed assumptions. The Secretary of State could have made his own calculation if he believed that the authority's calculation was unlikely to have been made in accordance with regulations (made under paragraph 4(1) of Schedule 8). An authority could have recalculated its provisional contribution up to once per quarter during the year if the difference between the recalculated amount and the previously calculated amount exceeded a prescribed threshold. The Secretary of State, if he believed that the recalculated amount was likely to have been calculated in accordance with the relevant regulations, then adjusted the authority's payments accordingly. The amounts paid to the Secretary of State on the basis of these calculations and recalculations are shown in the Account as 'Contributions from authorities'. The Department for Communities and Local Government calculated amounts due to the Secretary of State from ratepayers on the central rating list. Contributions in aid in respect of visiting forces' exempt properties were calculated by GVA on behalf of the Valuation Office Agency and paid to the Secretary of State by the Ministry of Defence.

Distribution of the pool

An amount equivalent to the Secretary of State's estimate of the yield of non-domestic rates was distributed to receiving authorities each year. The sum distributed (the "distributable amount") was calculated by the Secretary of State before the financial year using estimates of the items to be credited and certain items to be debited to the account in the year (paragraph 9 of Schedule 8). However, the aggregate of payments into the pool in any one year did not exactly equal the distributable amount. Any surplus or deficit on the account was carried forward.

Outturn adjustments

After the end of the year, each authority was required to calculate its required contribution and arranged for it to be audited and a copy of the unaudited claim form sent to the Secretary of State. On receipt of the unaudited claim, the Secretary of State was required to adjust the authority's payments to accord with this calculation, either by refunding any sums overpaid by the billing authority or requiring additional payments from the authority as appropriate. If the calculation changed as a result of the audit, the Secretary of State had to make further adjustments to agree with the audited calculation. It was also possible to make adjustments in respect of earlier years.

Statutory background

This Account is prepared under article 2(1) of the Local Government Finance Act 2012 (Transitional Provisions) Order 2014 and shows:

- i sums received by the Secretary of State in 2013-14
 - a in respect of the additional rates collected by billing authorities in respect of 2012-13 and previous years, following the calculation of the final amounts of non-domestic rates due for those years under paragraph 5, or regulations under paragraph 5(15), of Schedule 8.
- ii payments made by the Secretary of State in 2013-14
 - a in respect of the repayments to billing authorities of excess contributions following the calculation of the final amounts of non-domestic rates due for 2012-13 and previous years under paragraph 5(10), 5(14) or regulations under paragraph 5(15) of Schedule 8.

Review of 2013-14

In 2013-14, the Secretary of State received £298 million (2012-13 £571 million) of non-domestic rates and paid £262 million (2012-13 £138 million) to authorities in respect of NNDR outturn adjustments for 2012-13 and earlier years.

At the end of 2013-14, amounts of non-domestic rates due for 2012-13 and earlier years had been determined in respect of all authorities.

After taking account of the accumulated surplus of £117 million carried forward from the previous financial year, the overall balance on the account at the end of 2013-14 is a cumulative surplus of £153 million. The surplus is being retained within the Consolidated Fund on the basis that over time and in respect of the previous pooling arrangements, local authorities would have received the sums due to them through a mixture of redistributed NNDR and Revenue Support Grant. This ensured that local authorities received at least, an amount equivalent to the NNDR collected.

Future developments

The Transition Account ended on 31 March 2014 and all future business rate transactions will be accounted for under Business Rates Retention in the Main Rating Account, the Levy Account and the Trust Statement.

Sir Bob Kerslake
Accounting Officer
Department for Communities and Local Government

23 June 2014

Statement of Accounting Officer's responsibilities

Under article 2 (1) of the Local Government Finance Act 2012 (Transitional Provisions) Order 2014 the Secretary of State is required to prepare an Account (to be called the Non-Domestic Rating Transition Account) for 2013-14 in the form directed by the Treasury. An Accounting Officer is appointed for the account. The account is prepared on a cash basis and must properly present the receipts and payments 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 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 Non-Domestic Rating Transition Account for the year ended 31 March 2014 under the Local Government Finance Act 2012 (Transitional Provisions) Order 2014. The financial statements comprise: the Receipts and Payments Account, 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 2012 (Transitional Provisions) Order 2014 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 2012 (Transitional Provisions) Order 2014. 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 Non-Domestic Rating Transition 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 receipts and payments 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 receipts and payments 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 receipts and payments of the Non-Domestic Rating Transition Account for the year ended 31 March 2014; and
- the financial statements have been properly prepared in accordance with the Local Government Finance Act 2012 (Transitional Provisions) Order 2014 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 KCB
Comptroller and Auditor General

25 June 2014

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Receipts and Payments for the year ended 31 March 2014

Receipts	Notes	2013-14 £000	2012-13 £000
Balance as at 1 April 2013		116,704	219,559
Contributions from authorities:		–	21,317,613
Contributions from ratepayers on the central non-domestic rating list:		–	1,273,385
Contributions in aid in respect of visiting forces exempt properties:		–	12,040
Gross additional receipts as a result of the final recalculations for 2012-13 and previous years:	2.1	297,750	570,672
		(152,718)	(116,704)
Balance as at 31 March 2014		<u>261,736</u>	<u>23,276,565</u>

Payments	Notes	2013-14 £000	2012-13 £000
Sums paid to receiving authorities as the distributable amount for 2012-13:		–	23,119,000
Sums paid to billing authorities as a result of the final recalculations for 2012-13 and previous years:	2.1	261,736	138,434
Sums paid to Central List ratepayers on the central non-domestic rating list as a result of in-year and previous year adjustments:		–	19,131
Sums paid to visiting forces for exempt properties as a result of in year and previous year adjustments:		–	–
		<u>261,736</u>	<u>23,276,565</u>

Notes:

- 1 Excess of receipts over payments in 2013-14 is £36,013,773
- 2 Excess of payments over receipts in 2012-13 is £102,854,987
- 3 The 2012-13 comparatives are taken from the financial statements of the Pooling of Non-Domestic Rates and Redistribution to Local Authorities in England Account 2012-13. See Note 2.6.

Statement of Balances as at 31 March 2014

	Notes	2013-14 £000	2012-13 £000
Cumulative total of receipts over payments as at 1 April 2013:		116,704	219,559
Plus excess receipts collected over amounts distributed for the year		36,014	(102,855)
Cumulative total of receipts over payments at 31 March 2014	2.3	<u>152,718</u>	<u>116,704</u>

Notes:

- 1 The 2012-13 comparatives are taken from the financial statements of the Pooling of Non-Domestic Rates and Redistribution to Local Authorities in England Account 2012-13. See Note 2.6.

Sir Bob Kerslake

23 June 2014

Accounting Officer

Department for Communities and Local Government

Notes

1 Accounting Policies

- 1.1 The Account has been prepared in accordance with Article 2(1) of the Local Government Finance Act 2012 (Transitional Provisions) Order 2014 and HM Treasury Direction. It has been prepared on a cash basis with no provision for accruals and in a form directed by the Treasury.
- 1.2 2013-14, was the final year of the outturn adjustment process under the NNDR system. The transitional account records the final NNDR outturn adjustments in respect of 2012-13 and earlier years.

2 Notes to the Account

- 2.1 The outturn adjustments made for 2012-13 and earlier years comprised payments of £262 million and receipts of £298 million.
- 2.2 Any excess of receipts collected over payments made is represented on the account as a cumulative total of receipts over payments at the accounting date. This is purely a notional representation. 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.
- 2.3 After taking account of the accumulated surplus of £117 million carried forward from the previous financial year, the overall balance on the account at the end of 2013-14 is a cumulative surplus of £153 million. The surplus is being retained within the Consolidated Fund on the basis that over time local authorities would have received the sums due to them through a mixture of redistributed NNDR and Revenue Support Grant. This ensured that local authorities received at least, an amount equivalent to the NNDR collected.
- 2.4 The account is audited by the Comptroller and Auditor General. The National Audit Office charges a notional cost of £6,000 to DCLG for the external audit work performed on the non domestic rating transition account and this is reported in the DCLG Group Accounts.
- 2.5 Under the Local Government Finance Act 2012 as inserted by the Local Government Finance Act 2012, the distribution of National Non Domestic Rates was replaced with the Business Rates Retention scheme with effect from 1 April 2013.
- 2.6 The 2012-13 comparatives are taken from the financial statements of the Pooling of Non-Domestic Rates and Redistribution to Local Authorities in England Account 2012-13.
- 2.7 Going Concern: although this is the final account under the NNDR Pooling system, the going concern concept is not applicable as the account only serves to bring together transactions reported elsewhere to demonstrate the workings of the pool.

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