

Non-domestic rating levy account in England 2013-14

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Presented to Parliament pursuant to Schedule 7B, paragraph 19 of the Local Government Finance Act 1988

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Foreword

1. From 1 April 2013, following the passing of the Local Government Finance Act 2012, the Business Rates Retention Scheme replaced the previous system for the distribution of National Non-Domestic Rates.
2. The cash transactions in respect of the Business Rates Retention Scheme 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 accordance with provisions introduced into the Local Government Finance Act 1988 by the 2012 Act, levy and safety net payments are made to, or from the Levy Account. The purpose of the Levy Account is to demonstrate that levy payments made by authorities are only used for the purpose of funding safety net payments or, if they are not needed, are distributed to local government, rather than being retained by central government.
4. In line with the Accounts Direction, the Levy Account records the cash transactions to and from local authorities and any credit to the account as provided for under paragraph 20(2) of Schedule 7B to the Local Government Finance Act 1988. With the exception of the credit, all of 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 the Levy Account.

The Levy Account and Business Rates Retention

How the Levy Works:

5. In accordance with regulations made under schedule 7B of the Local Government Finance Act 1988, some authorities are required to pay a levy to the Secretary of State in respect of their growth in business rates income. These payments, together with any sum credited to the Levy account in accordance with paragraph 20(2) of Schedule 7B, are used to fund safety net payments to authorities whose income from business rates in any year is below a baseline level. Safety net payments are made, on account, during the course of a year, on the basis of prior-year estimates of business rates income. They are reconciled in the following year, once outturn data becomes available. Any sums not used for the purpose of funding safety net payments are distributed to local authorities in accordance with regulations made under paragraph 30 of Schedule 7B.
6. Levy payments that are due to the government and paid to the Secretary of State are credited to the Consolidated Fund. Safety Net payments made to local authorities by the Secretary of State are paid from monies voted by Parliament.

Statutory background

7. The Account is prepared under paragraph 19(1) of Schedule 7B to the Local Government Finance Act 1988 and in accordance with paragraph 20 shows:
 - (i) Sums receivable by the Secretary of State
 - a. levy payments from authorities;
 - b. any amount credited to the Levy Account kept for the year following approval of a Local Government Finance Report which provides for this credit.
 - (ii) Payments made by the Secretary of State
 - a. safety net payments on account;
 - b. safety net payments due for a previous year (less any amount given on account in that year);
 - c. any "remaining balance" distributed to local government.

Review of 2013-14

8. In 2013-14 the Secretary of State paid £69 million to authorities by way of safety net payments on account. The Levy Account was credited with £25 million as explained under paragraphs 4, 5 and 7(i)b above.
9. The excess of payments over receipts in 2013-14 is £44 million. This balance will be carried forward into 2014-15.

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

Statement of accounting officer's responsibilities

Under paragraph 19.1 of Schedule 7B to the Local Government Finance Act 1988 the Secretary of State is required to prepare an Account (to be called a Levy 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 debits and credits 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 Levy 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 Levy 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 Levy 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

Levy Account 2013-14

Statement of amounts debited and credited to the Levy Account for the year ended 31 March 2014

	Notes	2013-14 £000
Credits		
Levy amounts received from authorities:		0
Credit as per Schedule 7B, para 20(2) of the LGFA 1988:	2.1	25,000
Balance at 31 March 2014:		44,016
		<hr/> 69,016
		2013-14 £000
Debits		
Sums paid to authorities in respect of the Safety Net:		0
Sums paid to authorities in respect of the Safety Net on Account:		69,016
Sums paid to authorities in respect of the distribution of the remaining balance:		0
		<hr/> 69,016
Statement of Balances as at 31 March 2014		£000
Balance as at 1 April 2013:		0
Excess of debits over credits in 2013-14:		44,016
Balance at 31 March 2014:		<hr/> 44,016

Sir Bob Kerslake
Accounting Officer
Department for Communities and Local Government

23 June 2014

Levy 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.

2. Notes to the Account

- 2.1 £25m was top-sliced from the 2013-14 Revenue Support Grant allocation and credited to the Levy account in order to finance safety net payments made in advance of any levy income being received from local authorities.
- 2.2 The account is audited by the Comptroller and Auditor General. The National Audit Office charges a notional cost of £7,000 to DCLG for the external audit work performed on the Levy Account and this is reported in the DCLG Group Accounts.
- 2.3 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. The 2012 Act also provided for the production of this Levy Account.
- 2.4 Under Business Rates Retention local authorities retain 50% of the collected business rates. The scheme incentivises local growth in business rates income. It also operates a system of safety net and levy payments which are set out in this account.

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