

Main Non-Domestic Rating Account 2014-15

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

Ordered by the House of Commons to be printed on 25 June 2015



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Print ISBN 9781474121996

Web ISBN 9781474122009

ID 16061508 06/15

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

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Foreword

1. Following the passing of the Local Government Finance Act 2012, Business Rates Retention (BRR) replaced the system for the distribution of National Non-Domestic Rates from 1st April 2013. Under the BRR 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 Non-Domestic Rating Account and the Levy Account. Other amounts credited or debited to this Account are included 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 (see note 1.1). With the exception of the debits (see note 2.1) to the account, all these transactions appear elsewhere in the Trust Statement prepared for business rates or the Department for Communities and Local Government's Group Accounts; this account serves to bring them together in accordance with the provisions of legislation and regulations that apply to the Main Non-Domestic Rating Account.

Business Rates Retention and non-domestic rates

4. Non-domestic rates that are due to Government are paid via the Secretary of State to the Consolidated Fund and reported in the Trust Statement prepared for business rates. Amounts due to local authorities are paid by the Secretary of State from amounts voted by Parliament and are reported in the Department for Communities and Local Government's Group Accounts. There is no separate fund through which these amounts pass. In order to avoid unnecessary cash transfers between the Secretary of State and authorities, only net payments are made¹.
5. Local authorities pay to 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 amounts shown as received also include Tariffs as determined in the relevant year's Local Government Finance Report, and outturn reconciliation receipts from the previous year. 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 Grimley Limited on behalf of the Valuation Office Agency and paid to the Secretary of State by the Ministry of Defence.

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

Statutory Background

6. The Account is prepared under paragraph 1 (1) of Schedule 7B to the Local Government Finance Act 1988 and in accordance with the provisions of Schedule 7B and regulations that apply to the Main Non-Domestic Rating Account. The Account shows:
- (i) Sums received by the Secretary of State
 - from rate payers on the Central non-domestic rating list;
 - contributions-in-aid of Visiting Forces exempt properties ;
 - surplus on collection fund;
 - central Share;
 - tariffs;
 - transitional protection; and
 - disregarded amounts.
 - (ii) Payments made by the Secretary of State
 - deficit on collection fund;
 - top ups;
 - transitional protection; and
 - disregarded amounts.
 - (iii) A debit to the account in accordance with Schedule 7B paragraph 2(3) of the Local Government Finance Act 1988.
 - (iv) Opening and closing balances.

Review of 2014-15

7. In 2014-15 the Secretary of State received £15,863 million of non-domestic rates (£15,471 million in 2013-14) and paid £3,573 million to local authorities (£3,433 million in 2013-14). The Main Non Domestic Rating Account was debited £12,225 million as explained under paragraph 6 (iii) above (£12,038 million in 2013-14). The cumulative balance to take forward is £66 million (nil in 2013-14).

Melanie Dawes
Accounting Officer
Department for Communities and Local Government
22 June 2015

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 Account, 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 2015 under the Local Government Finance Act 1988. The financial statements comprise: the Statement of Amounts Debited and Credited to the 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 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 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 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 to be debited and credited to the Main Non-Domestic Rating Account for the year ended 31 March 2015; 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: 23 June 2015

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

Statement of amounts debited and credited to the Main Non-Domestic Rating Account for the year ended 31st March 2015.

Credits	Note	2014-15 £'000	2013-14 £'000
Amounts received from rate payers on the Central non domestic rating list		1,287,077	1,293,745
Amounts received in respect of contributions in aid of Visiting Forces exempt properties		10,187	11,678
Amounts received in respect of Surplus on collection fund (Secretary of State share)		38,788	-
Amounts received from authorities in respect of the Central Share		11,187,155	10,860,485
Amounts received from authorities in respect of Tariffs		3,155,487	3,281,901
Amounts received from authorities in respect of Transitional Protection		9,046	23,185
Amounts received from authorities in respect of Transitional Protection outturn adjustments		173,259	-
Amounts received in respect of reconciliation of disregarded amounts (Enterprise Zones etc)		2,109	-
Total credits		15,863,108	15,470,994
Debits	Note	2014-15 £'000	2013-14 £'000
Sums paid to authorities in respect of Deficit on collection fund (Secretary of State share)		298,162	-
Sums paid to authorities in respect of Top Ups		3,166,230	3,292,439
Sums paid to authorities in respect of Transitional Protection		82,920	140,149
Sums paid to authorities in respect of Transitional Protection outturn adjustments		22,667	-
Sums paid to authorities in respect of reconciliation of disregarded amounts (Enterprise Zones etc)		2,527	-
Debit to the account in accordance with Schedule 7B paragraph 2(3) of the Local Government Finance Act 1988	2.1	12,224,627	12,038,406
End of year debit item as per Schedule 7B para 21(2) of LGFA 1988:	2.5	65,975	-
Total debits		15,863,108	15,470,994

Statement of Balances as at 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
Balance as at 1 April		-	-
Excess of credits over amounts collected	2.5	(65,975)	-
Balance as at 31 March		(65,975)	-

Melanie Dawes
Accounting Officer
Department for Communities and Local Government

22 June 2015

Notes to the Account:

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, reconciliation payments and receipts and any debit to the account as provided under paragraph 2(3) of Schedule 7B to the Local Government Finance Act 1988. Other amounts credited or debited to the account are included in accordance with the Accounts Direction and legislation.
- 1.2. Authorities are required to calculate their non-domestic rating 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, the cash amounts are netted off against payments due from the Department and only net cash payments are received or made by the Department. This avoids unnecessary cash transfers between the Secretary of State and local authorities.
- 1.3. In line with the Non-Domestic Rating (Rates Retention) Regulations 2013 and Accounting Policy (see 1.4), estimated amounts in respect of collection fund surplus and deficits included on local authority returns received in January of any year are not eligible for recognition as credits and debits until the year following the accounting period.
- 1.4. Demonstration of eligibility of amounts reported in local authority (NNDR3) returns arises at the point at which these returns are received, that is, at the earliest, in May and June of any year.
- 1.5. All receipts accounted for and collected in year, with the exception of Tarrif receipts, are paid to the Consolidated Fund in the year of collection and all payments accounted for in year are made to the recipients in year.

2. Notes to the Account

- 2.1. The debit to the account is the amount that the Government retains from the Main Non-Domestic Rating Account. In accordance with the governing legislation, this amount is used for the purposes of Local Government in England. In 2014-15, the full amount was used to finance Revenue Support Grant (RSG) to local authorities. The debit to the account for 2014-15 is £12,225 million (£12,038 million in 2013-14).
- 2.2. The account is audited by the Comptroller and Auditor General. The National Audit Office charges a notional fee of £38,000 (2013-14 cost of £40,000) to the Department for the external audit work performed on the Main Non-Domestic Rating Account and this is reported in the Department's 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.
- 2.4. The value of the Local Share of business rates retained by local authorities in 2014-15 is £10,761,083,000 (£10,851,030,000 in 2013-14). The local share is a non-cash item and is not included in this account.
- 2.5. There is a credit balance of £66 million (nil in 2013-14) in the Statement of Balances. This balance item follows the requirements of the legislation that sets out by formula the maximum amount of the debit to the account in any given year. For 2014-15 the application of this formula limits the debit to £12,225 million which is £66 million lower than the sum required to bring the total sum of debits for the year up to the sum of credits for the year. This does not reflect a hold back of funding. The credit balance will be carried forward to 2015-16.

ISBN 978-1-4741-2199-6



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