

Levy 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 9781474122016

Web ISBN 9781474122023

ID 16081504 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 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 (See note 1.1). With the exception of the credit (See note 2.1) to the account, all of 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 Levy Account.

The Levy Account and Business Rates Retention

How the Levy Works:

4. 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.
5. Levy payments 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. Safety Net payments 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.

Statutory background

6. The Account is prepared under paragraph 19(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 Levy Account. The Account shows:
- (i) Sums received by the Secretary of State
 - levy amounts received from authorities;
 - safety net amounts received from authorities in respect of outturn adjustments; and
 - credits as per Schedule 7B para 20(2) of LGFA 1988
 - (ii) Payments made by the Secretary of State
 - sums paid to authorities in respect of safety net outturn adjustments;
 - sums paid to authorities in respect of safety net on account; and
 - sums paid to authorities in respect of distribution of the remaining balances
 - (iii) Opening and closing balances.

Review of 2014-15

7. In 2014-15 the Secretary of State paid £145 million to authorities by way of safety net payments (£69 million in 2013-14). The Levy Account was credited with £120 million under paragraphs 4 and 6(i) as explained above (£25 million in 2013-14).
8. The excess of credits over debits in 2014-15 is £9 million (an excess of debits over credits of £44 million in 2013-14). The cumulative debit balance to take forward into 2015-16 is £35 million (£44 million in 2013-14).

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

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 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 Levy 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, 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 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 Levy 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 Levy Account for the year ended 31st March 2015

Credits	Note	2014-15 £'000	2013-14 £'000
Levy amounts received from authorities		25,047	-
Safety net amounts received from authorities in respect of outturn adjustments		9,183	-
Credits as per Schedule 7B, para 20(2) of LGFA 1988:	2.1	120,000	25,000
End of year credit item as per Schedule 7B para 21(3) of LGFA 1988:	2.5	34,776	44,016
Total credits		189,006	69,016

Debits	Note	2014-15 £'000	2013-14 £'000
Balance at 1 April		44,016	-
Sums paid to authorites in respect of safety net outturn adjustments		137,120	-
Sums paid to authorities in respect of safety net on Account		7,870	69,016
Sums paid to authorities in respect of distribution of the remaining balances		-	-
End of year debit item as per Schedule 7B para 21(2) of LGFA 1988:	2.5	-	-
Total debits		189,006	69,016

Statement of Balances as at 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
Balance as at 1 April		44,016	-
Excess of (credits) / debits over amounts collected		(9,240)	44,016
Balance as at 31 March	2.5	34,776	44,016

Melanie Dawes
Accounting Officer
Department for Communities and Local Government

22 June 2015

Levy account for the year ended 31 March 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 levies on retained Business Rates, payments to local authorities, reconciliation payments and receipts and any credit to the account as provided under paragraph 20(2) 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.

2. Notes to the Account

- 2.1. £120m was top-sliced from the 2014-15 Revenue Support Grant allocation (£25m in 2013-14) 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 fee of £7,000 (in 2013-14 £7,000) to the Department for the external audit work performed on the Levy 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. The 2012 Act also provided for the production of this Levy Account through amendment to the 1988 Act.
- 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.
- 2.5. There is a debit balance of £35 million (£44 million in 2013-14) which will be taken forward into 2015-16.

ISBN 978-1-4741-2201-6



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