



# Main Non-Domestic Rating Account 2019-20



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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. Under the Business Rates Retention (BRR) system introduced on 1st April 2013, local authorities initially retain at least 50% of the collected business rates. This reduces the payment of business rates to the Consolidated Fund accordingly. From 2017-18 we began piloting 100% business rates retention. The locally retained proportion of business rates reduced in 2019-20 compared to 2018-19, this followed the introduction of 75% pilots. 100% pilots continued for devolution authorities but overall, payments to the Consolidated Fund increased compared to 2018-19. (see note 2.3).
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. 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).
3. The annual cycle operates on the basis of local authorities providing estimates of the expected yield of business rates for the year ahead which are then reconciled with actual outturn at year end. On the basis of these estimates and outturn and amounts determined as part of the local government finance settlement, the Ministry of Housing Communities Local Government (MHCLG) pays and receives amounts to and from local authorities throughout the year.
4. In terms of the payments to Government these include:
  - The Central Share representing the exchequer's share of the collected business rates;
  - Surplus on collection fund payments is an expected or actual outturn position where local authorities have previously under estimated the amount of business rates for a relevant year;
  - Transitional protection receipts arise from the additional amounts paid in respect of hereditaments (properties) that have a higher initial bill under the transitional arrangements than would otherwise be the case;
  - Most non-domestic hereditaments in England appear on the local rating list for the local authority area in which they are situated and rates are paid to that local authority. However, some hereditaments that go beyond one local authority area, such as pipelines appear on the Central Rating list. These rates are paid directly to the Secretary of State for Housing, Communities and Local Government. These hereditaments include gas, electricity, railways and communication networks;
  - Rates paid by the Ministry of Defence in respect of properties occupied by Visiting Forces, these typically include RAF bases.
5. In terms of the payments to local authorities these include:
  - Transitional protection payments make up the difference in expected business

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rates income for local authorities who have hereditaments that have a lower initial bill under the transitional arrangements than would otherwise be the case;

- Deficit on collection fund payments is an expected or actual outturn position where local authorities have previously over estimated the amount of business rates for a relevant year.
6. In addition to the amounts set out above in paragraphs 4 and 5, this account records the Top Up and Tariff payments to and from local authorities as set out in paragraph 14 of Schedule 7B to the Local Government Finance Act 1988. The amounts payable are determined against a business rates baseline and a baseline funding level. If an individual local authority's business rate baseline is greater than the baseline funding level, the difference will be paid to central government as a tariff. If the individual authority business rate baseline is less than the baseline funding level, the difference will be paid to the authority by central government as a top up payment.
7. The debit to the account referred to in paragraph 2 above is a non cash item. A formula sets out the maximum amount of the debit to the account in any given year. The Government will have paid at least an equivalent amount in grant to local authorities during the financial year.
8. With the exception of the debits to the account (see note 2.1), all these transactions appear elsewhere in the Trust Statement prepared for business rates or the MHCLG's Resource 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**

9. 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 MHCLG'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 made<sup>1</sup>.
10. Local authorities pay to Government a 50% share of the amount payable by ratepayers in the authority's area less certain allowable adjustments. This does not apply to those authorities who piloted business rates retention of 75% and 100% (for devolution deal authorities) in 2019-20. These pilot authorities are allowed to retain more business rates in exchange for reduced central government grant funding. A calculation of non-domestic rating income is made by the authorities before the start of the year and the gross amounts paid to the Secretary of State on the basis of these calculations are shown in the Account as

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

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"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 Ministry of Housing, 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.

## **Statutory Background**

11. 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 ratepayers 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 2019-20**

12. In 2019-20 the Secretary of State received £12,810 million of non-domestic rates (£12,628 million in 2018-19) and paid £2,045 million to local authorities (£2,509 million in 2018-19). The Main Non Domestic Rating Account was debited £9,179 million as explained under paragraph 11(iii) above (£6,306 million in 2018-19). The cumulative balance to take forward is £5,928 million (£4,342 million in 2018-19). Note 2.4 sets out why there is such a large balance to carry forward.



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13. When comparing outturn with the previous year, there are significant variances for the Central Share (£7,495 million in 2019-20, £4,527 million in 2018-19), Tariffs (£3,147 million in 2019-20, £5,460 million in 2018-19) and Top Ups (£1,557 million in 19-20, £1,803 million in 2018-19). In each case the difference is due to the smaller proportion of locally retained business rates through BR pilot schemes in 2019-20. With fewer pilots there is more income through the Central Share but less Tariffs and Top Ups.
14. The majority of this report relates to a period when I was not the Accounting Officer. My predecessor, Melanie Dawes left at the end of February 2020. Prior to being appointed Permanent Secretary, I was the Director General for Housing and Building Safety for MHCLG. I was a member of the Executive Team throughout the reporting year. In addition, in the period between my appointment and Melanie Dawe's departure, I met with her and with the Head of Internal Audit and received appropriate assurances that the system of internal controls was sound and effective prior to my appointment as Accounting Officer. Therefore, I consider that I have sufficient knowledge and have had sufficient involvement to take responsibility for this statement.

**Covid-19**

15. A number of business rate measures have been introduced in 2020-21 to help support local authorities and businesses. For MHCLG this has included a 3 month deferral of Central Share payments to government and business rate reliefs worth £9.7 billion in 2020-21. These measures did not impact on the Main Rating Account for 2019-20. Similarly, the expectation is that there will be no impact on the Main Rating Account for 2020-21.

Jeremy Pocklington  
Accounting Officer  
Ministry of Housing, Communities and Local Government  
29 October 2020

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**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, prepared on a cash basis (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 as set out in Managing Public Money published by HM Treasury.

So far as the Accounting Officer is aware, there is no relevant audit information of which the external auditors are unaware. The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

Furthermore, the foreword and accounts as a whole is fair, balanced and understandable and the Accounting Officer takes personal responsibility for the foreword and accounts and the judgements required for determining that it is fair, balanced and understandable.

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**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR  
GENERAL TO THE HOUSES OF PARLIAMENT**

**Opinion on financial statements**

I certify that I have audited the financial statements of the Main Non-Domestic Rating Account for the year ended 31 March 2020 under the Local Government Finance Act 1988. The financial statements comprise: the Statements of Amounts Debited and Credited to the Account, the Statement of Balances and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- the financial statements properly present the amounts debited and credited to the Main Non-Domestic Rating Account for the year ended 31 March 2020; 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 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.

**Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Ministry of Housing, Communities and Local Government in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

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- the Ministry of Housing, Communities and Local Government's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Ministry of Housing, Communities and Local Government have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the use of the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

**Auditor's responsibilities for the audit of the financial statements**

My responsibility is to examine, certify and report on the financial statements in accordance with the Local Government Finance Act 1988.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry of Housing, Communities and Local Government's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial

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statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- conclude on the appropriateness of the Ministry of Housing, Communities and Local Government use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of the use of the going concern basis. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the use of the going concern basis of accounting to cease to be appropriate.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

### **Other information**

The Accounting Officer is responsible for the other information. The other information comprises information included in the foreword, but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- in the light of the knowledge and understanding of the Main Non-Domestic Rating Account and its environment obtained in the course of the audit, I have not identified any material misstatements in the foreword; and
- the information given in the foreword for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

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**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.

**Gareth Davies                      2 November 2020**  
**Comptroller and Auditor General**

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**Statement of amounts debited and credited to the Main Non-Domestic Rating Account for the year ended 31st March 2020.**

<b>Credits</b>	<b>Note</b>	<b>2019-20</b> £'000	<b>2018-19</b> £'000
<b>Balance at 1 April</b>		4,341,608	528,421
Amounts received from rate payers on the Central non domestic rating list		1,764,413	1,685,010
Amounts received in respect of contributions in aid of Visiting Forces exempt properties		14,803	16,047
Amounts received in respect of Surplus on collection fund (Secretary of State share)		82,415	201,964
Amounts received in respect of Final Surplus on collection fund from 18-19 and 17-18 (Secretary of State share)		73,366	231,449
Amounts received from authorities in respect of the Central Share		7,494,823	4,527,018
Amounts received from authorities in respect of Tariffs		3,146,981	5,460,000
Amounts received from authorities in respect of Transitional Protection		185,085	334,801
Amounts received from authorities in respect of Transitional Protection outturn adjustments		46,854	169,069
Amounts received in respect of reconciliation of disregarded amounts (Enterprise Zones etc)		1,179	2,558
<b>Total credits</b>		<b>17,151,527</b>	<b>13,156,337</b>
<b>Debits</b>	<b>Note</b>	<b>2019-20</b> £'000	<b>2018-19</b> £'000
Sums paid to authorities in respect of Deficit on collection fund		70,035	197,509
Sums paid to authorities in respect of Final Deficit on collection fund for 18-19 and 17-18		179,026	158,757
Sums paid to authorities in respect of Top Ups		1,556,517	1,803,476
Sums paid to authorities in respect of Transitional Protection outturn adjustments		79,808	40,817
Sums paid to authorities in respect of reconciliation of disregarded amounts (Enterprise Zones etc)		3,119	2,228
Sums paid to authorities in respect of Transitional Protection		156,653	306,390
Debit to the account in accordance with Schedule 7B paragraph 2(3) of the Local Government Finance Act 1988	2.1	9,178,820	6,305,552
End of year debit item as per Schedule 7B para 3(2) of the Local Government Finance Act 1988:	2.4	5,927,549	4,341,608
<b>Total debits</b>		<b>17,151,527</b>	<b>13,156,337</b>

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**Statement of Balances as at 31 March 2020**

<b>Statement of Balances as at 31 March 2020</b>	<b>Note</b>	<b>2019-20</b> £'000	<b>2018-19</b> £'000
Balance as at 1 April		(4,341,608)	(528,421)
Excess of credits over amounts collected	2.4	(1,585,941)	(3,813,187)
<b>Balance</b>		<b>(5,927,549)</b>	<b>(4,341,608)</b>

Jeremy Pocklington  
Accounting Officer  
Ministry of Housing, Communities and Local Government

29 October 2020



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**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 Tariff 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 2019-20, it was used to finance Revenue Support Grant (RSG) and other local authority grants. Overall, there is a credit balance of £5,928 million (£4,342 million in 2018-19), this includes a debit to the account for 2019-20 of £9,179 million (£6,306 million in 2018-19). Note 2.4 below sets out the reason for the changes to these two items over 2019-20.

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- 2.2. The account is audited by the Comptroller and Auditor General. The National Audit Office charges a notional fee of £40,000 (2018-19 cost of £38,000) 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. The value of the Local Share of business rates retained by local authorities in 2019-20 is £17,812 million (£20,119 million in 2018-19). The local share is a non-cash item for the Department as it is retained by local authorities and is not included in this account. The reduction in 2019-20 over 2018-19 is due to the smaller proportion of retained business rates through BR pilots.
- 2.4. There is a credit balance of £5,928 million (£4,342 million in 2018-19) in the Statement of Balances. The balance has been calculated in accordance with the requirements of Paragraphs 2 and 3 of Schedule 7B to the Local Government Finance Act 1988. Sub paragraphs 2(3) and (4) limit, by formula, the maximum amount that can be debited to the account in any given year. For 2019-20 the application of this formula limits the debit to £9,179 million which is £5,928 million lower than the debit that would have been required to balance the account for the year. The credit balance does not reduce the funding for local authorities under the business rates retention scheme. It is simply a result of the way in which the legislation requires the balance on the main rating account to be calculated. The legislation was enacted before the implementation of the business rates retention scheme and needs amending to reflect the realities of the way in which the scheme has been implemented. The intention is to amend the calculation through primary legislation as Parliamentary time permits. The credit balance will be carried forward to 2020-21.



