



Main Non-Domestic Rating Account 2020-21

Main Non-Domestic Rating Account 2020-21

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 21 July 2021



© Crown copyright 2021

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at

Ministry of Housing, Communities and Local Government
Fry Building, 2 Marsham Street
London SW1P 4DF
Tel: 0303 444 0000

ISBN 978-1-5286-2538-8

CCS0621778020 07/21

Printed on paper containing 75% recycled fibre content minimum

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

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

Contents

Foreword	2
Statement of Accounting Officer's Responsibilities	7
The Certificate and Report of the Comptroller and Auditor General	8
Statement of amounts debited and credited	13
Statement of Balances	14
Notes to the Account	15

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

Foreword

1. Under the Business Rates Retention (BRR) system introduced on 1st April 2013, local authorities initially retain at least 50% of the business rates they collect locally. The remaining portion is paid to central government for the purpose of funding grant payments back to local authorities. From 2017-18 we began pilot schemes to allow some local authorities to retain a higher percentage of business rates they collect. Where this happens the portion of business rates retained by local authorities increases and the portion paid to central government reduces accordingly.
2. Since 2017-18 there have been changes to how the pilot schemes operates from year to year with differing retention rates. For example for 2018-19 there was a good number of local authorities who retained 100% of business rates. Whereas in 2019-20 most pilots operated under a 75% retention rate. For 2020-21, most local authorities retained a 50% share but 100% pilots continued for devolution authorities. Overall, local authorities retained 62% locally and central government 38% for 2020-21. This reduced the local share compared to 2019-20 and increased the payments to central government which were paid over to the Consolidated Fund, (see note 2.3).
3. 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).
4. 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 and Local Government (MHCLG) pays and receives amounts to and from local authorities throughout the year.
5. 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

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

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.
6. In terms of the payments to local authorities these include:
- Transitional protection payments make up the difference in expected business 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.
7. In addition to the amounts set out above in paragraphs 5 and 6, 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.
8. The debit to the account referred to in paragraph 3 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.
9. 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

10. 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 made¹.

¹ See the Local Government Finance (Payments) (English Authorities) Regulations 1992 (S.I. 1992/2996) made under s141

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

11. Under the usual operation of the scheme local authorities pay to Government a 50% share (the central 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 in 2020-21. These pilot authorities are allowed to retain more business rates in exchange for reduced central government grant funding.
12. 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 "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 Avison Young Limited on behalf of the Valuation Office Agency and paid to the Secretary of State by the Ministry of Defence.

Statutory Background

13. 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.

Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21

Review of 2020-21

14. In 2020-21 the Secretary of State received £14,460 million of non-domestic rates (£12,810 million in 2019-20) and paid £2,066 million to local authorities (£2,045 million in 2019-20). The Main Non Domestic Rating Account was debited £11,679 million as explained under paragraph 11(iii) above (£9,179 million in 2019-20). The cumulative balance to take forward is £6,642 million (£5,928 million in 2019-20). Note 2.4 sets out why there is such a large balance to carry forward.
15. When comparing outturn with the previous year, there are significant variances for the Central Share (£9,739 million in 2020-21, £7,495 million in 2019-20), Tariffs (£2,445 million in 2020-21, £3,147 million in 2019-20) and Top Ups (£1,834 million in 2020-21, £1,557 million in 2019-20). In each case the difference is due to the smaller proportion of locally retained business rates through BR pilot schemes in 2020-21. With fewer pilots there is more income through the Central Share but less Tariffs and more Top Ups.

Covid-19 Impact

16. The Covid pandemic has had a significant impact on the collection of business rates at a local level, but that has not flowed through to the business rates cash transactions between central and local government presented in these accounts. This is largely to do with timing of those transactions, which we anticipate will impact on our accounts in future years. The impact on next year's account, is likely to include a significant increase in deficit on collection fund payments, reflecting that outturn income will be lower than forecast.
17. The transactions that flow into this account are governed by legislation and dictated by the local government finance settlement and the annual national non domestic rating (NNDR1) process which took place prior to March 2020. By law sums had to be paid and collected as if the pandemic had not disrupted the business rates yield. Any other arrangement would have required a change to primary legislation. So instead, other measures were introduced to ease the financial pressure on local authorities with regard to commitments to paying the Central Share of business rates to government. This initially included a 3 month deferral of the Central Share with catch up repayments spread over the final 6 months and was followed by the payment of business rates relief grants worth £10.7 billion. This compensated local authorities for lost BR income for both the local and central share and in effect allowed them to meet their financial commitments for business rates income due to central government.
18. Going forward we expect the loss of business rates income collected in 2020-21 to be reflected in a significant deficit on local authority collection funds. As part of the NNDR1 process for 2021-22, local authorities have estimated this to be in the region of £4 billion. Government will make "on account" payments to

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

local authorities for this during the course of 2021-22 which will be presented in the 2021-22 Main Rating accounts and adjusted once the outturn position is established.

Jeremy Pocklington
Accounting Officer
Ministry of Housing, Communities and Local Government
14 July 2021

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

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 are 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.

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL TO THE HOUSE OF COMMONS**

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 2021 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law, being the Local Government Finance Act 1988.

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 2021; 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 amounts debited and credited 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), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Ministry of Housing, Communities and Local Government in accordance with the ethical requirements that are relevant to my audit of 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.

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Accounting Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the appropriateness of preparing the account on a going concern basis for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other information

The other information comprises information included in the foreword but does not include the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 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.

Matters on which I report by exception

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 material misstatements in the foreword. 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

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

- 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.

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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- assessing the appropriateness of preparing the financial statements on a going concern basis, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services accounted for within these financial statement will not continue to be provided.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Ministry of Housing, Communities and Local Government's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Ministry of Housing, Communities and Local Government's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

- whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Ministry of Housing, Communities and Local Government's controls relating to the Local Government Finance Act 1988 and Local Government Finance Act 2012.
- discussing among the engagement team and involving relevant internal specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals;
 - obtaining an understanding of the Ministry of Housing, Communities and Local Government's framework of authority as well as other legal and regulatory frameworks that the Ministry of Housing, Communities and Local Government operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Ministry of Housing, Communities and Local Government. The key laws and regulations I considered in this context included the Local Government Finance Act 1988 and Local Government Finance Act 2012
 - assessing the nature of the control environment of the Ministry of Housing Communities and Local Government, its business performance and performance targets.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud, reviewing internal audit reports as well as continuous risk assessment procedures performed relating to fraud, non-compliance with laws and regulation or regularity as appropriate; and

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

- substantive analytical procedures and tests of detail to confirm compliance with the requirements of the Local Government Finance Act 1988.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the amounts debited and credited in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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.

Report

I have no observations to make on these financial statements.

Gareth Davies **16 July 2021**
Comptroller and Auditor General

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

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

**Statement of amounts debited and credited to the Main Non-Domestic Rating
Account for the year ended 31st March 2021.**

Credits	Note	2020-21 £'000	2019-20 £'000
Balance at 1 April		5,927,549	4,341,608
Amounts received from rate payers on the Central non domestic rating list		1,822,745	1,764,413
Amounts received in respect of contributions in aid of Visiting Forces exempt properties		14,802	14,803
Amounts received in respect of Surplus on collection fund (Secretary of State share)		167,126	82,415
Amounts received in respect of Final Surplus on collection fund from 19-20 and 18-19 (Secretary of State share)		49,714	73,366
Amounts received from authorities in respect of the Central Share		9,739,321	7,494,823
Amounts received from authorities in respect of Tariffs		2,445,150	3,146,981
Amounts received from authorities in respect of Transitional Protection		128,239	185,085
Amounts received from authorities in respect of Transitional Protection outturn adjustments		91,485	46,854
Amounts received in respect of reconciliation of disregarded amounts (Enterprise Zones etc)		1,260	1,179
Total credits		20,387,391	17,151,527
Debits	Note	2020-21 £'000	2019-20 £'000
Sums paid to authorities in respect of Deficit on collection fund		53,203	70,035
Sums paid to authorities in respect of Final Deficit on collection fund for 19-20 and 18-19		58,940	179,026
Sums paid to authorities in respect of Top Ups		1,834,356	1,556,517
Sums paid to authorities in respect of Transitional Protection outturn adjustments		37,350	79,808
Sums paid to authorities in respect of reconciliation of disregarded amounts (Enterprise Zones etc)		3,354	3,119
Sums paid to authorities in respect of Transitional Protection		78,595	156,653
Debit to the account in accordance with Schedule 7B paragraph 2(3) of the Local Government Finance Act 1988	2.1	11,679,472	9,178,820
End of year debit item as per Schedule 7B para 3(2) of the Local Government Finance Act 1988:	2.4	6,642,121	5,927,549
Total debits		20,387,391	17,151,527

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

Statement of Balances as at 31st March 2021

	Note	2020-21 £'000	2019-20 £'000
Balance as at 1 April		(5,927,549)	(4,341,608)
Excess of credits over amounts collected	2.4	(714,572)	(1,585,941)
Balance as at 31 March 2021		(6,642,121)	(5,927,549)

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

14 July 2021

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

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 2020-21, it was used to finance Revenue Support Grant (RSG) and other local authority grants. Overall, there is a credit balance of £6,642 million in the Statement of Balances (£5,928 million in 2019-20), the movement from the prior year includes a debit to the account for 2020-21 of £11,679 million (£9,179 million in 2019-20). Note 2.4 below sets out the reason for the changes to these two items over 2019-20.

**Ministry of Housing, Communities and Local Government Main
Non-Domestic Rating Account 2020-21**

- 2.2. The account is audited by the Comptroller and Auditor General. The National Audit Office charges a notional fee of £41,000 (2019-20 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. The value of the Local Share of business rates retained by local authorities in 2020-21 is £16,345 million (£17,812 million in 2019-20). 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 2020-21 over 2019-20 is due to the smaller proportion of retained business rates through BR pilots.
- 2.4. There is a credit balance of £6,642 million (£5,928 million in 2019-20) 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 2020-21 the application of this formula limits the debit to £11,679 million which is £6,642 million lower than the debit that would have been required to balance the account for the year. The credit balance in the Statement of Balances 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 in the Statement of Balances will be carried forward to 2021-22.

CCS0621778020
ISBN 978-1-5286-2538-8