



# Main Non-Domestic Rating Account 2021-22



# Main Non-Domestic Rating Account 2021-22

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

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**Main Non-Domestic Rating Account 2021-22**

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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 business rates they collect locally. The remaining portion is paid to central government for the purpose of funding grant payments back to local authorities. In 2017-18 we began pilot schemes to allow some local authorities to retain a higher percentage of the 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 were 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 2021-22, most local authorities reverted to a 50% share, except for devolution deal authorities who continue to retain 100% of locally retained business rates. Overall, local authorities retained 62% locally and central government 38% for 2021-22 – the same as for 2020-21.
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 Department for Levelling Up, Housing and Communities (DLUHC), 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 authority area, such as pipelines appear on the Central Rating list. These

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rates are paid directly to the Secretary of State for Levelling Up, Housing and Communities. 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 DLUHC'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 DLUHC'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>.

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

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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 2021-22. 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 Department for Levelling Up, Housing and Communities 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.



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**Review of 2021-22**

14. In 2021-22 the Secretary of State received £15,399 million of non-domestic rates (£14,460 million in 2020-21) and paid £7,478 million to local authorities (£2,066 million in 2020-21). The Main Non Domestic Rating Account was debited £7,103 million as explained under paragraph 11(iii) above (£11,679 million in 2020-21). The cumulative balance to take forward is £7,459 million (£6,642 million in 2020-21). 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 Tariffs (£3,693 million in 2021-22, £2,445 million in 2020-21) and Top Ups (£3,072 million in 2021-22, £1,834 million in 2020-21). In both cases, the increase is largely due to the reduction in the number of local authorities in business rate pools. The aggregate position is broadly the same across both years. The decision to leave a pool is taken locally.

**Covid-19 Impact**

16. The introduction of additional business rate reliefs in 2020-21 in response to the Covid pandemic, which was made after local authorities had submitted their estimate of non-domestic rating income for the year, had a significant impact on the collection of business rates at a local level and that is reflected in a large increase in deficit on collection fund payments (£4,243 million in 2021-22, £53 million in 2020-21) with outturn from 2020-21 being lower than the forecast made prior to the pandemic.
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.
18. To help local authorities manage the financial impact, the on account additional business rate relief grant payments to them were deliberately inflated to help with shortfalls resulting from the announcement of additional reliefs in year. A total of £10.7 billion was paid to local authorities. This led to significant adjustments at year end with the return of £5.6 billion from local authorities and additional payments of over £1.5 billion, mainly major precepting authorities. These transactions pass through the department's resource accounts, not through these accounts. At 31st March 2022, £5.3 billion of the £5.6 billion total had been returned to the Exchequer.
19. Going forward we expect the loss of business rates income collected in 2021-22 to be reflected in another large deficit on local authority collection funds. This is

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due to the extension of the additional business rates reliefs in response to the Covid pandemic for 2021-22 again being announced following the submission of local authority NNDR1 forms. In total, local authorities received over £5.8 billion in additional business rate relief grant payments in 2021-22. As part of the NNDR1 process for 2022-23, local authorities have estimated the latest deficit on collection to be in the region of £1.8 billion. Government will make “on account” payments to local authorities for this amount during the course of 2022-23 which will be presented in the 2022-23 Main Rating accounts and adjusted once the outturn position is established.

Jeremy Pocklington  
Accounting Officer  
Department for Levelling Up, Housing and Communities  
15 July 2022

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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 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.

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**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 2022 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, the Statement of material transactions inconsistent with the Act and the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and Local Government Finance Act 1988.

In my opinion:

- properly present the amounts debited and credited to the Main Non-Domestic Rating Account for the year ended 31 March 2022; and
- 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 income and expenditure 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 (UK) (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 Department for Levelling Up, Housing and Communities 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.

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## **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 Main Non-Domestic Rating 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.

The going concern basis of accounting for the Main Non-Domestic Rating Account is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## **Other information**

The other information comprises information included in the foreword and the Statement of Accounting Officer Responsibilities, but does not include the financial statements nor my auditor's certificate and report. 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.

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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:

- I have not received all of the information and explanations I require for my audit; or
- 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.

## **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:

- maintaining proper accounting records;
- ensuring the financial statements and foreword are properly presented in accordance with the applicable financial reporting framework;
- ensuring that the foreword and accounts as a whole is fair, balanced and understandable;
- 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; and
- assessing the appropriateness of preparing the Main Non-Domestic Rating Account 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 provided by will not continue to be provided in the future.

## **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.

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**Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud**

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

**Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud**

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I considered the following:

- the nature of the sector, control environment and operational performance including the design of the Department for Levelling Up, Housing and Communities' accounting policies for the Main Non-Domestic Rating Account;
- Inquiring of management, the Department for Levelling Up, Housing and Communities' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department for Levelling Up, Housing and Communities' policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and 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 controls relating to the Department for Levelling Up, Housing and Communities' compliance with the Local Government Finance Act 1988 and Local Government Finance Act 2012.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department of Levelling Up, Housing and Communities for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals and complex transactions. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Department for Levelling Up, Housing and Communities' framework of authority as well as other legal and regulatory frameworks in which the Department for Levelling Up, Housing and Communities operates, focusing on those laws and regulations that had a direct effect on material



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amounts and disclosures in the Main Non-Domestic Rating Account financial statements or that had a fundamental effect on the operations of the Department for Levelling Up, Housing and Communities. The key laws and regulations I considered in this context included the Local Government Finance Act 1988 and Local Government Finance Act 2012.

In addition, I considered the nature of the control environment of the Department for Levelling Up, Housing and Communities, its business performance and performance indicators.

**Audit response to identified risk**

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; 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 and continuous risk assessment procedures relating to fraud, non-compliance with laws and regulation or regularity; and
- substantive analytical procedures and tests of detail to confirm compliance with the requirements of the Local Government Finance Act 1988 and Local Government Finance Act 2012.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

**Other auditor's responsibilities**

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes



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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**  
**Comptroller and Auditor General**

**15 July 2022**

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

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**Statement of amounts debited and credited to the Main Non-Domestic Rating Account for the year ended 31st March 2022.**

<b>Credits</b>	<b>Note</b>	<b>2021-22</b> £'000	<b>2020-21</b> £'000
<b>Balance at 1 April</b>		6,642,121	5,927,549
Amounts received from rate payers on the Central non domestic rating list		1,776,808	1,822,745
Amounts received in respect of contributions in aid of Visiting Forces exempt properties		8,003	14,802
Amounts received in respect of Surplus on collection fund (Secretary of State share)		0	167,126
Amounts received in respect of Final Surplus on collection fund (Secretary of State share)		83,205	49,714
Amounts received from authorities in respect of the Central Share		9,585,975	9,739,321
Amounts received from authorities in respect of Tariffs		3,693,488	2,445,150
Amounts received from authorities in respect of Transitional Protection		97,502	128,239
Amounts received from authorities in respect of Transitional Protection outturn adjustments		152,779	91,485
Amounts received in respect of reconciliation of disregarded amounts (Enterprise Zones etc)		800	1,260
<b>Total credits</b>		<b>22,040,681</b>	<b>20,387,391</b>
<b>Debits</b>	<b>Note</b>	<b>2021-22</b> £'000	<b>2020-21</b> £'000
Sums paid to authorities in respect of Deficit on collection fund		4,243,477	53,203
Sums paid to authorities in respect of Final Deficit on collection fund		105,607	58,940
Sums paid to authorities in respect of Top Ups		3,071,985	1,834,356
Sums paid to authorities in respect of Transitional Protection outturn adjustments		14,973	37,350
Sums paid to authorities in respect of reconciliation of disregarded amounts (Enterprise Zones etc)		2,455	3,354
Sums paid to authorities in respect of Transitional Protection		39,735	78,595
Debit to the account in accordance with Schedule 7B paragraph 2(3) of the Local Government Finance Act 1988	2.1	7,103,252	11,679,472
End of year debit item as per Schedule 7B para 3(2) of the Local Government Finance Act 1988:	2.4	7,459,197	6,642,121
<b>Total debits</b>		<b>22,040,681</b>	<b>20,387,391</b>

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**Statement of Balances as at 31st March 2021**

Statement of Balances as at 31 March 2022	Note	2021-22 £'000	2020-21 £'000
Balance as at 1 April		(6,642,121)	(5,927,549)
Excess of credits over amounts collected	2.4	(817,076)	(714,572)
<b>Balance</b>		<b>(7,459,197)</b>	<b>(6,642,121)</b>

Jeremy Pocklington  
Accounting Officer  
**Department for Levelling Up, Housing and Communities**

15 July 2022

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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 on a cash basis 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 2021-22, it was used to finance Revenue Support Grant (RSG) and other local authority grants. Overall, there is a credit balance of £7,459 million in the Statement of Balances (£6,642 million in 2020-21), the movement from the prior year includes a debit to the account for 2021-22 of £7,103 million

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(£11,679 million in 2020-21). The difference between the years is largely due to the large increase of Deficit on Collection payments (£4,243 million in 2021-22, £53 million in 2020-21) which limits, by formula the amount that can be debited to the account for the year (Note 2.4 below sets this out in more detail).

- 2.2. The account is audited by the Comptroller and Auditor General. The National Audit Office charges a notional fee of £41,000 (2020-21 cost of £41,000) 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 2021-22 is £7,482 million (£16,345 million in 2020-21). 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 2021-22 over 2020-21 is due to the impact of Covid-19 on retained business rates.
- 2.4. There is a credit balance of £7,459 million (£6,642 million in 2020-21) 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 2021-22 the application of this formula limits the debit to £7,103 million which is £7,459 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 2022-23.

**Statement of material transactions inconsistent with the Act**

There were no material transactions which were inconsistent with the requirement of the Local Government Finance Act 1988.











