



Main Non-Domestic Rating Account 2023-24

This report is filed in respect of the accounts up to 31st March 2024 prepared by the Ministry of Housing, Communities & Local Government (MHCLG) on behalf of the Secretary of State. On 10th of July, the Department for Levelling Up, Housing and Communities (DLUHC) was renamed as MHCLG, so this report is filed by MHCLG in respect of the department formerly known as DLUHC.



Main Non-Domestic Rating Account 2023-24

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 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. Since 2020-21 most local authorities received a 50% share, except for devolution deal authorities who continued to retain 100% of locally retained business rates. Overall, local authorities retained 62% locally and central government 38% for 2023-24 – the same as for 2022-23.
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 & Local Government (MHCLG), pays and receives amounts to and from local authorities throughout the year on behalf of the Secretary of State.
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;

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- 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 & 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

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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.

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 28 authorities who retain 100% of locally-collected 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 & 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.

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

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(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 2023-24

14. In 2023-24 the Secretary of State received £15,653 million of non-domestic rates (£13,813 million in 2022-23) and paid £4,950 million to local authorities (£5,022 million in 2022-23). The Main Non Domestic Rating Account was debited £18,816 million as explained under paragraph 11(iii) above (£8,137 million in 2022-23). The cumulative balance to take forward is £0 (£8,114 million in 2022-23). Note 2.4 sets out why there is no longer a large balance on the account.
15. When comparing outturn with the previous year, there are significant variances for Deficit on Collection Fund payments (£177 million in 2023-24, £1,765 million in 2022-23) and for Transitional Protection Payments (£1,795 million in 2023-24 and £0 in 2022-23). The difference for Deficit on Collection Fund payments represents a reduction in deficits which had previously increased due to the introduction of measures introduced as a result of Covid19. The difference for Transition Protection Payments represent how this relief measure has been used by the Exchequer across both years with there being no relief available in 2022-23 and its re-introduction for 2023-24.

Covid-19 and Other Changes to BR Reliefs

16. The reconciliation of the business rate reliefs awarded in 2022-23 resulted in the department reclaiming £1.3bn from local authorities. This related to two reliefs in particular. The Retail, Hospitality and Leisure (RHL) relief and the Covid-19 Additional Relief Fund (CARF). RHL relief included a cash cap, making it more uncertain for authorities to predict the impact of it in advance and as a result they needed to return £741m at outturn of the £1.83bn paid to them on account.
17. The £1.5bn for CARF was awarded in-year which resulted in the billing authorities bearing 100% of the cost of the relief until the reconciliation process. At the reconciliation in 2023-24, £650m of CARF funding was returned. Together and with other smaller adjustments, this led to significant adjustments at year end 2023-24 with the return of £1.3 billion from local authorities and additional payments of £17 million, mainly to major precepting authorities. These transactions pass through the department's resource accounts, not through these accounts. At 31st March 2024, £1.1 billion of the £1.3 billion total had been returned to the Exchequer.

Sarah Healey
Accounting Officer
Ministry of Housing, Communities & Local Government
23 July 2024

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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 she ought to have taken to make herself 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 2024 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.

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, the financial statements:

- properly present the Main Non-Domestic Rating Account's receipts and payments for the year ended 31 March 2024; 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 for 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 and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 am independent of the Secretary of State and their department² 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.

² On 10 July 2024, the Department for Levelling Up, Housing and Communities (DLUHC) was renamed the Ministry of Housing, Communities and Local Government (MHCLG). Where this audit certificate refers to the department, it means this body.

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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

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 adopting the going concern basis of accounting for the Main Non-Domestic Rating Account 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 and Statement of Accounting Officer's Responsibilities, but does not include the financial statements and my auditor's certificate and report 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.

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, based on the work undertaken in the course of the audit:

- the information given in the Foreword and Statement of Accounting Officer's Responsibilities for the financial year for which the financial

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statements are prepared is consistent with the financial statements and is 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 and Statement of Accounting Officer's Responsibilities.

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 with regards to the Main Non-Domestic Rating Account by the department or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the department from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements, Foreword and Statement of Accounting Officer's Responsibilities which are in accordance with the applicable financial reporting framework; and

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- assessing the appropriateness of adopting the going concern basis of accounting for the Main Non-Domestic Rating Account, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, 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.

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 nature of the sector, control environment and operational performance including the design of the Main Non-Domestic Rating Account accounting policies;
- inquired of management, the department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the department's policies and procedures relevant to the Main Non-Domestic Rating Account on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and

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- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the controls relating to the department's compliance with the Local Government Finance Act 1988.
- inquired of management, the department's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with 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 for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals and complex transactions. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Main Non-Domestic Rating Account's framework of authority and other legal and regulatory frameworks in which the department operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Non-Domestic Rates system. The key laws and regulations I considered in this context included the Local Government Finance Act 1988 and Managing Public Money.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the departmental Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments, assessing whether the judgements on estimates are indicative of potential

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bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;

- I performed 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
- I performed substantive analytical procedures and tests of detail to confirm that the amounts debited and credited to the Main Non-Domestic Rating account have been calculated in accordance with the requirements of the Local Government Finance Act 1988.

I communicated relevant identified laws and regulations and potential risks of fraud 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. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate evidence to give reasonable assurance that the expenditure and income 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.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

24 July 2024

Comptroller and Auditor General

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 2024

Credits	Note	2023-24 £'000	2022-23 £'000
Balance at 1 April		8,113,543	7,459,197
Amounts received from rate payers on the Central non domestic rating list		1,954,686	1,770,409
Amounts received in respect of contributions in aid of Visiting Forces exempt properties		0	12,393
Amounts received in respect of Surplus on collection fund (Secretary of State share)		278,413	50,119
Amounts received in respect of Final Surplus on collection fund (Secretary of State share)		266,576	37,036
Amounts received from authorities in respect of the Central Share		9,585,078	8,637,512
Amounts received from authorities in respect of Tariffs		3,438,975	3,167,655
Amounts received from authorities in respect of Transitional Protection		0	0
Amounts received from authorities in respect of Transitional Protection outturn adjustments		127,299	137,529
Amounts received in respect of reconciliation of disregarded amounts (Enterprise Zones etc)		1,551	605
Total credits		23,766,121	21,272,455
Debits	Note	2023-24 £'000	2022-23 £'000
Sums paid to authorities in respect of Deficit on collection fund		176,584	1,764,618
Sums paid to authorities in respect of Final Deficit on collection fund		238,348	602,470
Sums paid to authorities in respect of Top Ups		2,725,230	2,637,160
Sums paid to authorities in respect of Transitional Protection outturn adjustments		11,765	13,678
Sums paid to authorities in respect of reconciliation of disregarded amounts (Enterprise Zones etc)		2,918	4,388
Sums paid to authorities in respect of Transitional Protection		1,795,171	0
Debit to the account in accordance with Schedule 7B paragraph 2(3) of the Local Government Finance Act 1988	2.1	18,816,105	8,136,597
End of year debit item as per Schedule 7B para 3(2) of the Local Government Finance Act 1988:	2.4	0	8,113,543
Total debits		23,766,121	21,272,455

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Statement of Balances as at 31 March 2024

	Note	2023-24 £'000	2022-23 £'000
Balance as at 1 April		(8,113,543)	(7,459,197)
Excess of (credits) / debits over amounts collected for the period	2.4	8,113,543	(654,346)
Balance as at 31 March 2024		0	(8,113,543)

Sarah Healey
Accounting Officer
Ministry of Housing, Communities & Local Government

23 July 2024

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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 (as amended by the Non-Domestic Rating Act 2023) 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. Following amendments made by the Non-Domestic Rating Act 2003, paragraph 2(3) of Schedule 7B to the LGFA 1988 gives the Secretary of State discretion to debit, or credit an amount to the Main Rating Account for a year. The maximum amount that can be debited in any year is limited by virtue of paragraph 2(4). An amount can be debited only insofar as the balance on the account at year-end is not less than zero. In accordance with paragraph 2(3), any amount that is debited is to be used for the purposes of Local Government in England. In 2023-24, £18,816 million was debited and used to finance Revenue Support

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Grant (RSG) and other local authority grants. Overall, there is a credit balance of £0 million in the Statement of Balances (£8,114 million in 2022-23). (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 £45,500 (2022-23 cost of £43,000) 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 2023-24 is £14,730 million (£11,744 million in 2022-23). 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 increase in 2023-24 over 2022-23 is due to the continued recovery following the easing of the impact of Covid-19 measures on retained business rates.
- 2.4. In accordance with paragraph 3 of Sch. 7B to the LGFA 1988, the closing balance on the 2023-24 Account has been calculated. The balance is £0 (£8,114 million credit balance in 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.

