



# Levy 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.





# Levy Account 2023-24

Presented to Parliament pursuant to Schedule 7B, paragraph 19 of the Local Government Finance Act 1988

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Ministry of Housing, Communities & Local Government  
Fry Building, 2 Marsham Street  
London SW1P 4DF  
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## **Foreword**

1. Under the Business Rates Retention (BRR) system introduced on 1st April 2013, local authorities retain at least 50% of the collected business rates. This reduces the payment of business rates to the Consolidated Fund accordingly. The operation of pilot schemes to allow some local authorities to retain a higher percentage of the business rates they collect from 2017-18 does not impact on the Levy Account.
2. The cash flows in respect of Business Rates Retention are reported via two White Paper Accounts: the Main Non-Domestic Rating Account and the Levy Account. Other amounts credited or debited to this Account are included in accordance with the Accounts Direction and legislation.
3. In line with the Accounts Direction, the Levy Account records the cash transactions to and from local authorities and any credit to the account as provided for under paragraph 20(2) of Schedule 7B to the Local Government Finance Act 1988 (See note 1.1). With the exception of the credit to the account (See note 2.1), all of these transactions appear elsewhere in the Trust Statement prepared for business rates or the Ministry of Housing, Communities & Local Government (MHCLG's) Resource Accounts; this account serves to bring them together in accordance with the provisions of legislation and regulations that apply to the Levy Account.
4. The annual business rates retention 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, MHCLG pays and receives amounts to and from local authorities throughout the year on behalf of the Secretary of State. Safety Net and Levy payments are calculated according to a formula set out in the Non-domestic Rates (Levy and Safety Net) Regulations (SI 2013/737) (as amended) from figures submitted by local authorities.
5. Safety Net payments are available to those authorities whose business rates income falls or is set to fall below a set level. They are funded through Levy payments from authorities whose business rates income has grown above a set level. The purpose of this account is to show the operation of these arrangements and any credit to the account made through the Local Government Finance Settlement (note 2.1).

## **The Levy Account and Business Rates Retention**

### How the Levy Works:

6. In accordance with regulations made under schedule 7B of the Local Government Finance Act 1988, some authorities are required to pay a levy to the Secretary of State in respect of their growth in business rates income.

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These payments, together with any sum credited to the Levy account in accordance with paragraph 20(2) of Schedule 7B, are used to fund safety net payments to authorities whose income from business rates in any year is below a baseline level. Safety net payments are made, on account, during the course of a year, on the basis of prior-year estimates of business rates income. They are reconciled in the following year, once outturn data becomes available. Any sums not used for the purpose of funding safety net payments are distributed to local authorities in accordance with regulations made under paragraph 30 of Schedule 7B.

7. Levy payments that are due to Government are paid via the Secretary of State to the Consolidated Fund and reported in the Trust Statement prepared for business rates. Safety Net payments due to local authorities are paid by the Secretary of State from amounts voted by Parliament and are reported in the MHCLG's Resource Accounts.

### **Statutory background**

8. The Account is prepared under paragraph 19(1) of Schedule 7B to the Local Government Finance Act 1988 and in accordance with the provisions of Schedule 7B and regulations that apply to the Levy Account. The Account shows:

- (i) Sums received by the Secretary of State

- levy amounts received from authorities;
- safety net amounts received from authorities in respect of outturn adjustments; and
- credits as per Schedule 7B para 20(2) of Local Government Finance Act 1988

- (ii) Payments made by the Secretary of State

- sums paid to authorities in respect of safety net outturn adjustments;
- sums paid to authorities in respect of safety net on account; and
- sums paid to authorities in respect of distribution of the remaining balances;

- (iii) Opening and closing balances.

### **Review of 2023-24**

9. In 2023-24 the Secretary of State paid £113 million to authorities by way of safety net payments (£99 million in 2022-23). The credit to the Levy Account under paragraphs 4 and 6(i) for 2023-24 is £50 million, (£50 million in 2022-23).
10. In 2023-24 the Secretary of State received £99 million from authorities in Levy payments compared to £217 million in 2022-23.

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11. In accordance with Schedule 7B para 30(1) to the LGFA 1988, the Secretary of State made a Ministerial decision as part of the Local Government Finance Settlement for 2024-25 to distribute £100 million of the remaining surplus balance on the Levy Account to local authorities, the same amount as was distributed in 2022-23).
12. There is an excess of debits over credits of £14 million in 2023-24 (an excess of £78 million of credits over debits in 2022-23). The cumulative credit balance to take forward into 2024-25 is £206 million (£220 million in 2021-22).

**Covid-19 and Other Changes to BR Reliefs**

13. The reconciliation of the business rate reliefs awarded in 2022-23 resulted in the department reclaiming £1.3bn. 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.
14. 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 19(1) of Schedule 7B to the Local Government Finance Act 1988 the Secretary of State is required to prepare an Account, prepared on cash basis (to be called a Levy Account) for each financial year in the form directed by the Treasury. An Accounting Officer is appointed for the Account. The Account must properly present the credits and debits for the financial year and the balance held at year end.

In preparing the Account, the Accounting Officer is required to comply with the requirements of the Local Government Finance Act 1988 and in particular to observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis.

HM Treasury has designated the Permanent Head of the Department as Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable and for keeping proper records, are set out in Managing Public Money published by HM Treasury.

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 Levy Account for the year ended 31 March 2024 under the Local Government Finance Act 1988.

The financial statements comprise the Levy Account's:

- Statement of Amounts Debited and Credited to the Levy Account;
- 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 the Local Government Finance Act 1988.

In my opinion, the financial statements:

- properly present the Levy 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 department<sup>1</sup> 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.

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<sup>1</sup> 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 Levy 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 statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

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## **Matters on which I report by exception**

In the light of the knowledge and understanding of the Levy 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 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
- assessing the appropriateness of adopting the going concern basis

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of accounting for the Levy 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 Levy 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 Levy Account on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the

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

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- 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 compliance 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 including 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 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**  
**Comptroller and Auditor General**

**24 July 2024**

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

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**Statement of amounts debited and credited to the Levy Account for the year ended 31st March 2024**

<b>Credits</b>	<b>Note</b>	<b>2023-24</b> £'000	<b>2022-23</b> £'000
Balance at 1 April		220,097	141,733
Levy amounts received from authorities		98,566	217,027
Safety net amounts received from authorities in respect of outturn adjustments		50,668	10,597
Credit as per Schedule 7B, para 20(2) of Local Government Finance Act (LGFA) 1988:	2.1	50,000	50,000
End of year credit item as per Schedule 7B para 21(3) of LGFA 1988:			-
<b>Total credits</b>		<b>419,331</b>	<b>419,357</b>
<b>Debits</b>	<b>Note</b>	<b>2023-24</b> £'000	<b>2022-23</b> £'000
Balance at 1 April			
Sums paid to authorities in respect of safety net outturn adjustments		66,612	11,791
Sums paid to authorities in respect of safety net on Account		46,377	87,470
Sums paid to authorities in respect of distribution of the remaining balances	2.3	100,000	100,000
End of year debit item as per Schedule 7B para 21(2) of LGFA 1988:	2.4	206,342	220,096
<b>Total debits</b>		<b>419,331</b>	<b>419,357</b>



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**Statement of Balances as at 31 March 2023**

	Note	2023-24 £'000	2022-23 £'000
Balance as at 1 April		(220,097)	(141,733)
Excess of (credits) / debits over amounts collected for the period		13,755	(78,363)
<b>Balance as at 31 March 2024</b>	2.4	<b>(206,342)</b>	<b>(220,097)</b>

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

23 July 2024

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**Levy account for the year ended 31 March 2024**

**Notes to the Account**

**1. Accounting Policies**

- 1.1. The Account has been prepared in accordance with Schedule 7B to the Local Government Finance Act 1988 as inserted by the Local Government Finance Act 2012 and the HM Treasury Accounts Direction. It records the amounts received in respect of levies on retained Business Rates, payments to local authorities, reconciliation payments and receipts and any credit to the account as provided under paragraph 20(2) of Schedule 7B to the Local Government Finance Act 1988. Other amounts credited or debited to the account are included in accordance with the Accounts Direction and legislation.

**2. Notes to the Account**

- 2.1. There was a top-slice credit of £50 million from Revenue Support Grant in 2023-24 (£50 million in 2022-23) to help finance safety net payments made in advance of any levy income being received from local authorities.
- 2.2. The account is audited by the Comptroller and Auditor General. The National Audit Office charges a notional fee of £9,500 (in 2022-23 £9,000) to the Department for the external audit work performed on the Levy Account and this is reported in the Department's Resource Accounts.
- 2.3. In accordance with Schedule 7B para 30(1) to the LGFA 1988, the Secretary of State made a Ministerial decision as part of the Local Government Finance Settlement for 2024-25 to distribute £100 million of the remaining surplus balance on the Levy Account to local authorities.
- 2.4. There is a remaining credit balance of £206 million (£220 million in 2022-23) which will be taken forward into 2024-25. In accordance with Schedule 7B para 30(1) to the LGFA 1988, the Secretary of State will then consider whether an amount equal to the whole or part of the remaining balance on the account at the end of 2024-25 is to be distributed among one or more relevant authorities.

**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.



