

Levy Account 2015-16

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

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Department for Communities and Local Government Levy Account 2015-16

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Foreword

1. Under the BRR system introduced on 1st April 2013, local authorities retain 50% of the collected business rates. This reduces the payment of business rates to the Consolidated Fund accordingly.
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 (See note 2.1) to the account, all of these transactions appear elsewhere in the Trust Statement prepared for business rates or the Department for Communities and Local Government's Group Accounts; this account serves to bring them together in accordance with the provisions of legislation and regulations that apply to the Levy Account.

The Levy Account and Business Rates Retention

How the Levy Works:

4. 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. 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.
5. 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 Department for Communities and Local Government's Group Accounts.

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Statutory background

6. 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 LGFA 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 2015-16

7. In 2015-16 the Secretary of State paid £112 million to authorities by way of safety net payments (£145 million in 2014-15). The Levy Account was credited with £50 million under paragraphs 4 and 6(i) as explained above (£120 million in 2014-15).
8. The excess of debits over credits in 2015-16 is £6 million (an excess of credits over debits of £9 million in 2014-15). The cumulative debit balance to take forward into 2016-17 is £41 million (£35 million in 2014-15).

Melanie Dawes
Accounting Officer
Department for Communities and Local Government
4 July 2016

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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 (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.

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

I certify that I have audited the financial statements of the Levy Account for the year ended 31 March 2016 under the Local Government Finance Act 1988. The financial statements comprise: the Statement of Amounts Debited and Credited, the Statement of Balances and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Local Government Finance Act 1988 and HM Treasury directions made thereunder. My responsibility is to audit, certify and report on the financial statements in accordance with the Local Government Finance Act 1988. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Levy Account and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the amounts debited and credited and 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.

Opinion on financial statements

In my opinion:

- the financial statements properly present the amounts to be debited and credited to the Levy Account for the year ended 31 March 2016; and
- the financial statements have been properly prepared in accordance with Local Government Finance Act 1988 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

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Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date 05 July 2016

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 2016

Credits	Note	2015-16 £'000	2014-15 £'000
Levy amounts received from authorities		52,546	25,047
Safety Net receipts from outturn adjustments		2,625	9,183
Credits as per Schedule 7B, para 20(2) of LGFA 1988:	2.1	50,000	120,000
End of year credit item as per Schedule 7B para 21(3) of LGFA 1988:	2.4	41,236	34,776
Total Credits		146,407	189,006

Debits	Note	2015-16 £'000	2014-15 £'000
Balance at 1 April		34,776	44,016
Sums paid to authorities in respect of Safety Net from outturn adjustments		110,214	137,120
Sums paid to authorities in respect of Safety Net on Account		1,417	7,870
Sums paid to authorities in respect of distribution of the remaining balances		-	-
Total debits		146,407	189,006

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Statement of Balances as at 31 March 2016

Statement of Balances as at 31 March 2016	Note	2015-16 £'000	2014-15 £'000
Balance as at 1 April		34,776	44,016
Excess of (credits) / debits over amounts collected for the period		6,460	(9,240)
Balance Carried Forward at 31 March		41,236	34,776

Melanie Dawes
Accounting Officer
Department for Communities and Local Government

04 July 2016

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Levy account for the year ended 31 March 2016

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 £50m was top-sliced from the 2015-16 Revenue Support Grant allocation (£120m in 2014-15) and credited to the Levy account in order to 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 £7,000 (in 2014-15 £7,000) to the Department for the external audit work performed on the Levy Account and this is reported in the Department's Group Accounts.

2.3 Under Business Rates Retention local authorities retain 50% of the collected business rates. The scheme incentivises local growth in business rates income. It also operates a system of safety net and levy payments which are set out in this account.

2.4 There is a debit balance of £41 million (£35 million in 2014-15) which will be taken forward into 2016-17.

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