

2011-2012

LOCAL GOVERNMENT FINANCE ACT 1988

**POOLING OF NON-DOMESTIC RATES AND REDISTRIBUTION TO
LOCAL AUTHORITIES IN WALES**

**Account prepared under paragraph 1 of Schedule 8 to the Local Government
Finance Act 1988 (c.41)**

MANAGEMENT COMMENTARY

Statutory Background

1. The account for 2011-2012 shows:
 - a) sums received by the Welsh Ministers in 2011-2012
 - i) under Section 54¹ in respect of non-domestic rates paid by ratepayers on the central rating list;
 - ii) under paragraph 5(5)² in respect of the provisional amount of non-domestic rates estimated by billing authorities³ to be collectable in 2011-2012;
 - iii) under paragraph 5(9) in respect of the additional rates collected by billing authorities following the calculation of the final amounts of non-domestic rates due for 2011-2012 and previous years, and from ratepayers on the central rating list following recalculations of amounts due; and
 - b) payments made by the Welsh Ministers in 2011-2012
 - i) under paragraph 5(10) in respect of the repayments to billing authorities of excess contributions following the calculation of the final amounts of non-domestic rates due for 2010-2011 and previous years, and to ratepayers on the central rating list following recalculations of the amounts due; and
 - ii) under paragraph 12 in respect on non-domestic rates distributed to receiving authorities in proportion to resident population.

¹ Except where otherwise specified all references to “sections” relate to sections of the Local Government Finance Act 1988. The 1988 Act has been amended in particular by schedule 5 to the Local Government and Housing Act 1989, schedule 12 to the Local Government Finance Act 1992, The Non-Domestic Rating Act 1994 and the Local Government Act 2003.

² Except where otherwise specified all references to “paragraphs” relate to paragraphs of Schedule 8 to the 1988 Act.

³ “Billing authorities” are the County and County Borough Councils. “Receiving authorities” are billing authorities and police authorities.

2 Related accounts concerned with this expenditure are the consolidated resource account for the Welsh Ministers for the period 1 April 2011 to 31 March 2012.

Pooling and Redistribution of Non-Domestic rates

3. The Welsh Ministers receive non-domestic rates collected by billing authorities or paid by ratepayers on the central rating list. The Welsh Ministers are then required to redistribute the contributions to local authorities and police authorities by head of resident adult population (Local Government Finance Report 2011-2012 Section 4.1). The non-domestic rates are thus pooled and redistributed. The operation of the pool is governed by Schedule 8 to the 1988 Act and regulations made under section 141.

4. Sums required for the making of payments by the Welsh Ministers for distribution on non-domestic rates are to be charged on the Welsh Consolidated Fund (paragraph 16). Welsh Ministers' receipts of non-domestic rate are to be surrendered to the Welsh Consolidated Fund (section 120 of the Government of Wales Act 2006). However, in order to avoid unnecessary cash transfers between the Assembly and authorities, only net payments are made. The account does however show as items of account all the non-domestic rate entitlements and liabilities which have been discharged rather than merely the net cash sums received or paid out.

Receipts from Billing Authorities (Receipts less cost of Collection)

5. A billing authority's non-domestic rating contribution into the pool represents the amount which would be payable by ratepayers in the authority's area if the authority acted diligently, after allowing for certain prescribed deductions (e.g. costs of collection and recovery). A provisional calculation of the amount is made before the start of the financial year. The Welsh Ministers would make their own calculation if they believed that the authority's calculation was unlikely to have been made in accordance with regulations (made under paragraph 4). An authority may recalculate its provisional contribution during the year if the amount payable by ratepayers falls below the level of the prescribed threshold. The Welsh Ministers have then to adjust the authority's payments accordingly.

Prior Year Adjustments

6. After the end of the year each authority has to calculate its actual contribution, arrange for it to be audited and send a copy of the unaudited claim form to the Welsh Ministers. On receipt of the audited claim the Welsh Ministers have to adjust the authority's payments to accord with the calculation either by refunding any sum overpaid or requiring additional payments from the authority as appropriate. The prior years' adjustments shown in this account relate to 2010-2011 and previous years. The adjustments for 2011-2012 will appear in the 2012-2013 non-domestic rating account.

7. Any subsequent changes to the amount payable to the authority in the relevant financial year (which might occur for example because of appeals, which

may retrospectively alter rateable values) are treated as prior year adjustments to the pool contribution for a subsequent year.

Distribution of the Pool

8. An amount equivalent to the Welsh Minister's estimate of the yield of non-domestic rates is distributed to receiving authorities each year. The sum to be distributed is calculated by the Welsh Ministers before the financial year using estimates of the items to be credited and debited to the account in the year. However, it is unlikely that the aggregate of payments into the pool in any one-year would exactly equal the distributable amount. Any surplus or deficit on the account is carried forward.

Review of 2011-2012

9. In 2011-2012 the Welsh Ministers received £982.6 million of non-domestic rates and paid to authorities £787 million. The account for the year shows a surplus of contributions over amounts distributed of £139.1 million.

10. The surplus for the year has been added to the deficit of £53.7 million brought forward. The surplus carried forward at 31 March 2012 is therefore £85.4 million. It is intended that the account will balance over time.

11. Receipts from central list ratepayers during 2011-2012 totalled £72.5 million. £0.9 million was paid back to central list ratepayers during 2011-2012 as a result of reductions in rateable value of British Telecommunications plc, and ESP Networks Ltd made by the Valuation Office Agency.

Auditors

12. The non-domestic rating account is audited by the Auditor General for Wales.

David Richards
Principal Accounting Officer
Welsh Assembly Government

28 August 2012

Statement of Accounting Officer's Responsibilities with respect to the Account

1 Section 129(6) of the Government of Wales Act 2006 has designated the Permanent Secretary as Principal Accounting Officer (PAO) for the Welsh Ministers. The PAO is responsible for the overall organisation, management and staffing of the Welsh Assembly Government. This includes responsibility for Assembly Government--wide systems in finance and other matters, where these are appropriate, and for the management of the Welsh Ministers' net cash requirement.

2 Under Schedule 8 of the Local Government Finance Act 1988, the Welsh Ministers are required to produce a non-domestic rating account in accordance with directions made by the Treasury. Responsibility for preparing and signing the account rests with the PAO. The account is required to properly present the receipts and payments for the financial year, and the balance held at year end.

3 Under Section 133 of the Government of Wales Act 2006 the PAO may designate other members of the Welsh Ministers' staff as additional Accounting Officers. The PAO has designated the Director General of the Public Services and Local Government Delivery Directorate as the Additional Accounting Officer for the Directorate. This appointment does not detract from the Permanent Secretary's overall responsibility as regards the Non-Domestic Rating Account.

4 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, for safeguarding the Assembly Government's assets, and for taking reasonable steps to prevent and detect fraud and other irregularities, are set out in the Accounting Officers' Memorandum, issued by HM Treasury.

5 The relationship between the PAO and the additional Accounting Officers as described in paragraph 3 above, and their respective responsibilities, is set out in a written agreement between the officials concerned.

GOVERNANCE STATEMENT 2011-2012

Scope of Responsibility

On 10 July 2012, I took on the Principal Accounting Officer responsibility for the Welsh Government from Dame Gillian Morgan.

The governance controls in operation for this Account are reviewed and governed as part of the Welsh Government main controls, and are therefore covered by assurances previously provided to me by Dame Gillian Morgan. The relevant controls specific to the operation of this account are outlined below.

As Principal Accounting Officer, I am responsible for maintaining a sound system of internal control that supports the achievement of the Welsh Government's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Welsh Public Money.

To ensure that I obtained the necessary assurance with regard to my responsibilities I have the following assurance and accountability arrangements:

- the appointment of Non-Executive Directors to the Welsh Government's Strategic Delivery and Performance Board (SDPB) which considers strategic policy and management issues;
- Corporate Governance Committee, chaired by a Non-Executive Director, reporting to the SDPB and advises on risk management, audit, internal controls and corporate governance;
- A Remuneration Committee, chaired by a Non-Executive Director, reporting to the SDPB and responsible for Senior Civil Service pay and conditions and senior succession planning and recruitment;
- An Operations Group comprised of senior officials tasked with running internal business more efficiently;
- A Finance Network comprising central and DG Heads of Finance to provide greater co-ordination and collaboration of business planning and budgetary control;
- work of both Internal & External Audit;
- regular meetings with/and reports from Additional Accounting Officers;
- assurance gained from annual internal control questionnaires completed by Directors General/Directors;
- the role of Operations Teams in supporting Additional Accounting Officers which have grown in strength;
- provision of training for Accounting Officers and for all staff exercising financial responsibilities; and
- provision of training for Non-Executive Directors.

As allowed for in s133 (2) of the Government of Wales Act 2006, I have designated Directors General (DGs) with responsibility for programme expenditure as Additional Accounting Officers (AAO). These responsibilities are set out in a formal memorandum and strengthen corporate governance and accountability arrangements further by placing personal responsibility with the designated AAOs for the propriety and regularity of the public finances for which they are answerable. The AAOs also have responsibility to see that appropriate advice is provided to Welsh Ministers on all matters of financial propriety and regularity and more broadly as to all considerations of prudent and economical administration, efficiency and effectiveness.

All Directors General are supported by their own corporate governance committees, chaired by a Non-Executive Director, which monitor and review the risk, control and governance processes that have been established in each department and the associated assurance processes. There are mechanisms in place which ensure effective communication between departmental corporate governance committees and the Welsh Government's overarching corporate governance committee. These arrangements include training, frequent interaction and reporting between the committee chairs.

The Welsh Government delivers its aims and objectives in partnership with Welsh Government Sponsored Bodies (WGSBs), subsidiary companies and other public bodies. Accounting officers appointed to sponsored public bodies are responsible for their organisation's system of internal control and are required to sign a statement on internal control which is reproduced in the body's annual accounts. The Accounting Officers of these bodies participate in training sessions arranged by the Welsh Government, and I met them and their Chairs on a regular basis.

Their relationship with the Welsh Government is defined in the respective framework document in place with each sponsored body. Following a review of the governance arrangements for our sponsorship of these bodies, all framework documents have been or are currently being reviewed. A set of governing principles has been agreed and are being reflected in the revised framework documents with each body.

I, however, retain overall responsibility for ensuring that appropriate internal controls are in place.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Welsh Government policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Welsh Government for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity to Handle Risk

As Principal Accounting Officer, I took personal responsibility for improving the Welsh Government's capacity to handle risk. We continue to work with HM Treasury to share good practice via the Risk Improvement Group. My Risk Improvement Manager supports senior management in ensuring that there is a clear and balanced account of risk judgements and management actions. To further build the capacity training has also occurred throughout the year, and business areas have consulted my Risk Improvement Manager for advice on specific issues. There is a risk management area on the Welsh Government's intranet site, which acts as the focal point for written advice, guidance and good practice on risk management.

I have in place a risk management policy. It outlines the process of risk management that aims to:

- ensure that the Welsh Government's objectives are not adversely affected by significant risks that have not been anticipated;
- ensure achievement of outputs and outcomes and provide reliable contingency arrangements to deal with the unexpected which might put service delivery at risk;
- promote a more innovative, less risk averse culture in which the taking of appropriate risks in pursuit of opportunities to benefit the Welsh Government is encouraged;
- provide a sound basis for integrating risk management into our day to day decision making; and
- promote excellent corporate governance and management practices.

Our approach to risk management is set out in our framework document, Risk Essentials, which sets out in detail the processes by which risks are identified and managed within the Welsh Government. This is currently being reviewed, and the updated version will include more detailed guidance on "Risk Appetite". It is important that the Welsh Government is not unduly risk averse and, in pursuit of its objectives, is prepared to take risks which have been properly assessed, evaluated and managed. This will ensure more effective exploitation of opportunities as they arise whilst accepting that some failures might occur.

Under this framework, departments are required to capture information on known risks on departmental risk registers (which include details of the risks, proximity, countermeasures and residual risk) and escalate concerns up the management chain as appropriate. Each department assigns risks to those officials who have knowledge of the issues and can best manage risk and mitigate their potential impact.

The Risk and Control Framework

The main processes that we have in place for identifying, evaluating, and managing risk are:

- Strategic Delivery and Performance Board's risk register – which sets out the corporate risks facing the Welsh Government;
- departmental risk registers – showing key risks across all areas of the Welsh Government. Each department has developed, monitors and takes ownership of its own risk register, underpinned by lower level risk registers;
- regular review and update of departmental risk registers by the departments themselves;
- the SDPB's Corporate Governance Committee and each of the DG Corporate Governance Committees monitor the operation and effectiveness of risk management processes; and
- the establishment of Information Asset Owners (IAO) responsible for identifying and managing information within each department and addressing information risks as they are identified.

Our awareness and management of risk is embedded in policymaking, planning and delivery by:

- awareness raising through delivery of a training module to all staff, which has been developed with Eliesha, our training provider;
- development of a suite of policy skills and knowledge training courses;
- continuation and expansion of a community of practice for programme and project management experiences and good practice to be exchanged;
- training for programme and project managers and other staff who have an involvement in the management of risk;
- development of common project management tools, standard templates, guidelines;
- raising awareness of risk management with Welsh Ministers;
- linking risk to the Welsh Government's Operational Plan and ultimately to the programme of government;
- health and safety risk assessments, which are being embedded in divisional and departmental activity; and
- oversight of the Welsh Government's compliance with statutory functions by my Corporate Governance Committee.

To review the control environment I require DGs/Directors within the Welsh Government to complete an internal control questionnaire to provide assurance that key internal controls are in place and operating effectively in every department.

Developments to improve the Control Framework

Enabling Government is a simple framework which sets out what we are doing to help us achieve our vision. It is based on three values: valuing people, delivering results and achieving excellence. This year we have taken a different approach to renewing the framework by making it simpler and longer-term. The new framework shows our top priorities for improving the organisation in the next 3-5 years. Behind the framework we are developing an action plan. This will involve investing in a portfolio of projects designed to improve process, achieve efficiencies, achieve compliance and deliver better value for money. Our approach in the management of the Enabling Government Portfolio has been further strengthened by the creation of a Programme and Project Management Office.

The programmes currently underway are:

- the Grants Management project to establish an effective and sustainable grant management framework;
- the People project which will deliver a new system bringing together HR, payroll, performance and skills data and be linked with our financial system;
- the Online Services project to enable businesses and citizens to complete transactions with the organisation online.

Towards the end of 2009-10, we commissioned a CIPFA FM review of the financial management capabilities within the Welsh Government utilising the CIPFA Financial Management Toolkit. The findings of this review were presented to the Finance Network and the short and medium term actions identified. A number of the required improvements identified by the review were implemented in 2011-2012 and further work is underway on taking these forward.

One year in, our Head of Counter Fraud has strengthened our policies, procedures and investigative capability for fraud. The workload has increased as we would have expected and several cases referred to the police are under investigation whilst others have been successfully prosecuted. The introduction of Fraud and Corruption Risk Assessments has established the foundations for compliance with the Bribery Act; and enhanced the identification and management of our risk to fraud. The Counter Fraud preventative measures although in the early stages of development have been recognised at National level by the Cabinet Office Fraud Task Force and the National Fraud Authority. There are further developments planned to enhance our controls for fraud and corruption. These include working with the Grants Project Team, improving our preventative measures and increasing awareness.

Review of Effectiveness

As Principal Accounting Officer, I was responsible for reviewing the effectiveness of the system of internal control. I took assurance from a wide spectrum of activities and my review of the effectiveness of the system of internal control is informed by the work of the internal auditors; and the executive managers within the

Welsh Government who have responsibility for the development and maintenance of the internal control framework, and for acting on comments made by the external auditors in their management letter and other reports. I was advised of the implications of the result of my review of the effectiveness of the system of internal control by the SDPB and the Corporate Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Welsh Government has an Internal Audit Service, which operates to standards defined in the Government's Internal Audit Standards. They undertake a full programme of work based upon an analysis of the major risks facing the organisation. The Head of Internal Audit submits regular reports to the Corporate Governance Committee on progress in implementing the plan. He also prepares an annual independent opinion on the adequacy and effectiveness of the system of internal control. I regularly meet with him to discuss the current activity and specific internal control issues.

Internal Audit Service continues to co-ordinate their work with that of WAO. An updated joint working protocol has been agreed to underpin the approach taken and quarterly liaison meetings held to share information and agree joint assignments.

The opinion of the Head of Internal Audit, set out in his annual assurance report, is that the Welsh Government has a sound framework of control which provides substantial assurance regarding the effective and efficient achievement of its objectives.

The Corporate Governance Committee arrangements continue to develop positively with greater input from independent members. In addition to the main CGC, all parts of the organisation are covered by a Departmental CGC. All CGCs have met regularly to advise the Accounting Officer and DGs throughout the year. I am satisfied that these committees are operating in an effective manner and provide good support to both me and DGs in the monitoring and review of risk, control and governance processes.

Based on my review of internal controls and all other information available to me, I am satisfied, subject to the issues raised in the following paragraphs, that the Welsh Government had in place during the year appropriate controls to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources.

During 2011-2012, the focus of our risk management centred on the requirement to make reductions in our budget whilst still delivering the key objectives and priorities of the Welsh Government. A key feature of this has been the operation of a voluntary exit policy which has resulted in a significant reduction in the number of staff employed in the organisation. The related risk of loss of corporate knowledge faced has been managed and mitigated through a range of measures including the implementation of workforce plans within each DG area.

Information Governance

As Principal Accounting Officer I was responsible for ensuring that appropriate arrangements are in place to comply with the core set of mandatory minimum measures to protect information in Government Departments, which require me to assess our risk and ensure appropriate mitigation strategies are in place.

Information risk continues to have a high priority throughout the Welsh Government featuring in both corporate and departmental risk registers. Throughout the year there have been some important enhancements to information security governance and processes:

- Privacy Impact Assessments have been introduced to ensure compliance with the mandatory requirement that government departments carry out formal assessments for all new activities which involve the use of personal data.
- The introduction of the Knowledge and Information Management Security Group which replaced a number of other groups will ensure visible and effective leadership for setting and overseeing the corporate strategic direction of knowledge, information management and information security. This group will support my Senior Information Risk Owner in discharging his duties and complying with appropriate legislation.

In line with Cabinet Office requirements, the Welsh Government has participated fully in the government departments' Information Risk Return. This process has a particular emphasis on information governance within the Welsh Government and instances where personal information is shared with third parties. The process will allow my Senior Information risk Owner to provide the Cabinet Office with high level summaries of our information risks and examples of best practice as well demonstrating continuous improvement against the Information Security Maturity Model.

Information risk continues to be supported by the Welsh Government's accreditation against ISO 27001 – the international standard for information security management. This provides assurances that the corporate IT system and associated security polices comply with the requirements of the standard and are aligned with recommended procedures. The Internal Compliance Programme for 2011-2012, conducted by Internal Audit Services, and the external accreditation inspections concluded that the Welsh Government has robust processes in place and has met its commitments under the standard.

The Non Domestic Rates Control Environment

The Non Domestic Rate (NDR) account represents a significant element of Welsh Government funding to local government in Wales so is subject to a number of regulatory and internal control checks.

The estimated collectable amounts for each financial year are set out in the local government 'Green Book' which is subject to Cabinet approval and laid before

the Assembly Government. Throughout the financial year the Welsh Government must also set out adjustments to the legislative requirements for the collection of business rates. These adjustments are subject to Ministerial approval and must be laid before Assembly Members.

Other specific controls that apply include:

- The identification of estimated NDR amounts are included as part of the Final Budget motion as a direct charge on the Welsh Consolidated Fund. Although not subject to specific approval by Assembly Members the collectable amounts have material effects on the resources voted to Ministers which are themselves subject to approval.
- The estimates of NDR cash collected for the forthcoming year is approved by HM Treasury as part of the funding arrangements for the Welsh Government. These amounts are included in the Main Parliamentary Estimates laid each year and Supplementary Estimates produced during the financial year.
- Throughout the financial year the amounts of NDR collected by local authorities are reported to the Welsh Government via formal submissions. These submissions are subject to checks undertaken by the Wales Audit Office.
- Income and Expenditure relating to NDR is monitored throughout the financial year as part of the month end financial monitoring procedures employed by the Welsh Government.

From my own review of the matters required to be included within this Governance Statement, I am satisfied that for the 2011-2012 financial year a sound governance framework and system of internal control were in place. They supported the achievement of the Welsh Government policies, aims and objectives; facilitated effective exercise of Welsh Ministers' functions; and safeguarded public funds and assets for which the former Principal Accounting Officer was personally responsible. These matters of governance and control are in accordance with the responsibilities that had been assigned to the former Principal Accounting Officer, and now to me, in HM Treasury's Welsh Government Accounting Officers' Memorandum.

David Richards
Director of Governance and Principal Accounting Officer

28 August 2012

THE CERTIFICATE AND REPORT OF THE AUDITOR GENERAL FOR WALES TO THE NATIONAL ASSEMBLY FOR WALES

I certify that I have audited the financial statements for the Non-Domestic Rating account of Welsh Ministers for the year ended 31 March 2012 under the Local Government Finance Act 1988. These comprise the Receipts and Payments Account, Statement of Balances and the related notes. These financial statements have been prepared on a cash basis under Schedule 8 to the Local Government Finance Act 1988.

Respective responsibilities of the Principal Accounting Officer and the Auditor

As explained more fully in the Statement of the Principal Accounting Officer's Responsibilities, the Principal Accounting Officer is responsible for preparing the financial statements, in accordance with the Local Government Finance Act 1988 and HM Treasury directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Auditing Practice 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.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I read all the financial and non-financial information in the Management Commentary to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on Financial Statements

In my opinion the financial statements:

- properly present the balances, receipts and payments of the Non Domestic Rating Account for the year ended 31 March 2012; and
- have been properly prepared, in accordance with Schedule 8 to the Local Government Finance Act 1988 and directions made there under by HM Treasury.

Opinion on Regularity

In my opinion, in all material respects, the receipts and payments have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Opinion on other matters

In my opinion the information in the Management Commentary is consistent with the financial statements.

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:

- the Annual Governance Statement does not reflect compliance with HM Treasury guidance;
- proper accounting records have not been kept;
- 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.

Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ

29 August 2012

NON-DOMESTIC RATING ACCOUNT (WALES)

Receipts and Payments Account for the Year Ended 31 March 2012

	2011-12 £000	2010-11 £'000
Receipts		
Contributions from Local Authorities	896,645	825,879
Contributions from Central List Ratepayers	72,524	69,166
Gross Additional Receipts as a result of final recalculations for 2010-11 and previous years	13,428	1,372
Total Receipts	982,597	896,417
Payments		
Sums paid to Local Authorities as the Distributable Amount for 2011-12	787,000	935,000
Sums paid to Local Authorities as a result of the final recalculations for 2010-11 and previous years	55,608	60,169
Sums paid to central list as a result of final recalculations	885	539
Total Distributions	843,493	995,708
Surplus/(Deficit) of contributions over amounts distributed for the year	139,104	(99,291)

The notes below form part of this account

Statement of balances

	2011-12 £000	2010-11 £'000
Balance at 1 April	(53,671)	45,620
Less (deficit) or plus surplus of contributions over amounts distributed for the year	139,104	(99,291)
Balance as at 31 March	<u>85,433</u>	<u>(53,671)</u>

David Richards
Principal Accounting Officer
Welsh Assembly Government

28 August 2012

NON-DOMESTIC RATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

NOTES:

1. Under paragraph 1 of Schedule 8 of the Local Government Finance Act 1988, the Welsh Ministers are required to prepare an account (to be called a non-domestic rating account) for each financial year in the form and on the basis directed by HM Treasury. The account is prepared on a cash basis and must properly present the receipts and payments for the financial year and the balance held at the year-end.

2. Authorities are required to calculate their non-domestic rate contribution for the year before it begins on the basis of certain prescribed assumptions (the provisional amount: paragraph 5(2) and to make their contribution in regular instalments during the year (paragraph 5(5)). After the year end, the contribution is recalculated on the basis of outturn information (paragraph 5(6)) and adjustment payments made to or by authorities as appropriate. Whilst the account shows the full amount of contributions from authorities and the distributable amount, in practice these items are netted off against each other and only net payments are made. This avoids unnecessary cash transfers between the Welsh Ministers and local authorities.

3. The out-turn adjustments made comprised receipts from local authorities of £13.428 million. Payments made to local authorities totalled £55.608 million.

4. The Welsh Ministers paid out the distributable amount of £787 million for 2011-2012, (£935 million 2010-2011) as set out in the Local Government Finance Report (Wales) 2011-12. The distributable amount was paid to receiving authorities in proportion to their resident population.

5. Surpluses at the end of the year are carried forward by debiting the account for the year and crediting next year's account. Deficits at the end of the year are carried forward to the following year by crediting this year's account and debiting next year's. This is to ensure that when years are taken together all non-domestic rates paid to the pool are equivalent to the sums distributed to authorities.

6. As at 31 March 2012, the Central List Receipts Account showed a balance of nil, the total receipts of £72,523,783.50 for the year having been surrendered to the Welsh Consolidated Fund. The Central List Payments account also showed a nil balance, the 3 payments made during the year as a result of re-calculated bills being offset by funding from the Welsh Consolidated Fund.