

**2001-2002**

**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)**

**FOREWORD**

**Statutory Background**

1. The account for 2001-2002 shows:

- a) sums received by the National Assembly for Wales in 2001-2002
  - i) under Section 54<sup>1</sup> in respect of non-domestic rates paid by ratepayers on the central rating list;
  - ii) under paragraph 5(5)<sup>2</sup> in respect of the provisional amount of non-domestic rates estimated by billing authorities<sup>3</sup> to be collectable in 2001-2002;
  - 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 2000-2001 and previous years, and from ratepayers on the central rating list following recalculations of amounts due; and
- b) payments made by the National Assembly for Wales in 2001-2002
  - 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 2000-2001 and previous years, and to ratepayers on the central rating list following recalculations of the amounts due; and
  - ii) under paragraph 5(10) in respect on non-domestic rates distributed to receiving authorities in proportion to resident population.

2 Related accounts concerned with this expenditure are the resource accounts for the National Assembly for Wales for the period 1 April 2001 to 31 March 2002

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<sup>1</sup> 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 and the Non-Domestic Rating Act 1994.

<sup>2</sup> Except where otherwise specified all references to "paragraphs" relate to paragraphs of Schedule 8 to the 1988 Act

<sup>3</sup> "Billing authorities" are the County and County Borough Councils. "Receiving authorities" are billing authorities and police authorities.

### **Pooling and Redistribution of Non-Domestic rates**

3. The Assembly received non-domestic rates collected by billing authorities or paid by ratepayers on the central rating list. The Assembly was then required to redistribute the contributions to local authorities and police authorities by head of resident adult population (Local Government Finance Report 2001-2002 Section 78A). 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. Section 84(3) of the Government of Wales Act 1998 states that amounts received by the Assembly under the Local Government Finance Act 1988 in respect of non-domestic rating are not required to be paid into the Consolidated Fund. However, for administrative convenience, and with the approval of the Treasury non-domestic rates paid to and by the Assembly are credited to, or drawn from, the Consolidated Fund. Additionally, 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**

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 Assembly would make its own calculation if it 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 Assembly has 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 Assembly. On receipt of the unaudited claim the Assembly has 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. If the calculation is changed as a result of the audit, the Assembly has then to make further adjustments to agree with the audited calculation. The prior years' adjustments shown in this account relate to 2000-2001 and previous years. The adjustments for 2001-2002 will appear in the 2002-2003 non-domestic rates 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 Assembly'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 Assembly 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 2001 -2002**

9. In 2001-02 the Assembly received £693.9 million of non-domestic rates and paid to authorities £720.3 million. The account for the year shows a deficit of £26.4 million
10. The deficit has been added to the surplus of £7.3 million brought forward. The deficit carried forward to 2002-2003 is therefore £19 million. It is intended that the account will balance over time.
11. The receipts from central list ratepayers include a payment of £11.9 million to a central list ratepayer as a result of a reduction in rateable value dating back to 1995. The reduction was the result of an appeal made to the Valuation Office Agency and was agreed during discussions between the two parties.

### **Auditors**

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

J.D. Shortridge  
Accounting Officer  
Date: 29 November 2002

National Assembly for Wales

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

1. HM Treasury appoints an Accounting Officer for the account. The Accounting Officer's responsibilities are to prepare an account which properly presents the receipts and payments for the financial year, and the balance held at year-end. Separate accounts are prepared for the pooling and redistribution of non-domestic rates in Wales and England.
2. The relevant responsibilities of Accounting Officers, including their responsibility for the propriety and regularity of the public finances, and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued to me by HM Treasury and published in "Government Accounting".

## **STATEMENT ON INTERNAL CONTROL**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control which supports the achievement of the Assembly's policies, aims and objective and for safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in my appointment letter. I have delegated some of these responsibilities to the other Accounting Officers, as explained in the Statement of Assembly Accounting Officers' Responsibilities, the relationship between us being set out in a written statement.

The system of internal control is designed to manage rather than eliminate the 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 a continuing process designed to identify the principal risks to the achievement of the Assembly's policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. I shall have the procedures in place to implement HM Treasury guidance on risk management in March 2003. This will provide the time needed fully to embed the processes which need to be established, and to improve their robustness.

During 2001-2 a risk management workshop was held during which the Executive Board risks were identified. Subsequently the control strategy for each of those risks has been identified.

Risk Management is now considered on a monthly basis by the Executive Board and there will be a full risk and control assessment before reporting on the year ending 31 March 2003.

During the coming year the Assembly will:-

- Publish a risk management policy document approved by the Executive Board;
- Ensure each division develops, monitors and takes ownership of its own risk register;
- Establish a system for review of risk management; and
- Incorporate into its business planning the concept of risk.

The Assembly has an Internal Audit Unit which operates to standards defined in the Government Internal Audit Manual. They submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement to the Corporate Governance Committee. The Corporate Governance Committee reports to the Executive Board.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, and the executive managers who have responsibility for the development and maintenance of the internal control framework and who are required to provide certificates of assurance relating their system of internal financial control. These include identification of areas which may need to be strengthened, and comments made by the external auditors in their management letter and other reports.

During 2001-02 my internal auditors and executive managers identified a number of instances where the Assembly's procurement procedures had not been followed. In response to this I have made a number of significant improvements to existing controls and procedures.

J.D. Shortridge  
Accounting Officer

National Assembly for Wales

Date: 29 November 2002

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

I certify that I have audited the financial statements on pages 8 to 10 under the Local Government Finance Act 1988.

### **Respective responsibilities of the Accounting Officer and Auditor**

As described on page 4, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Local Government Finance Act 1988 and Treasury directions applied thereunder, and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the account properly presents the payments and receipts of the National Assembly for Wales in respect of non-domestic rating, and whether in all material respects the payments and receipts have been applied to the purposes intended by the National Assembly for Wales and conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 5 reflects compliance with Treasury's guidance 'Corporate governance: statement on internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

### **Basis of audit opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the payments and receipts have been applied to the purposes intended by the National Assembly for Wales and conform to the authorities which govern them. In forming my

opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In my opinion:

- the account properly presents the payments and receipts of the National Assembly for Wales in respect of non-domestic rating for the year ended 31 March 2002 and has been properly prepared in accordance with Schedule 8 to the Local Government Finance Act 1988 and directions made thereunder by the Treasury; and
- in all material respects the payments and receipts have been applied to the purposes intended by the National Assembly for Wales and conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn  
Auditor General for Wales  
9 December 2002

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## NON DOMESTIC RATING ACCOUNT (WALES)

### Receipts and Payments Account for the Year Ended 31 March 2002

	Notes	2001-02	2000-01
<b><u>Receipts</u></b>		£'000	£'000
Contributions from authorities	2	618,117	570,557
Contributions from Ratepayers on the central Non-domestic rating list	5	57,623	72,556
Gross additional receipts as a result of the final recalculations for 2000-01 and previous years	3	<u>18,185</u>	<u>4,529</u>
Total Contributions		<u>693,925</u>	<u>647,642</u>
<b><u>Payments</u></b>			
Sums paid to receiving authorities as the distributable amount for 2001-02	4	697,000	638,000
Sums paid to billing authorities as a result of the final recalculations for 2000-01 and previous years	3	<u>23,298</u>	<u>14,671</u>
Total Distributions		<u>720,298</u>	<u>652,671</u>
(Deficit) of contributions over amounts distributed for the year	6	<u>(26,373)</u>	<u>(5,029)</u>

J.D. Shortridge  
Accounting Officer  
Date:

National Assembly for Wales

The notes on page 10 form part of this account

**Statement of balances**

	(2001-02)	(2000-01)
	<u>£'000</u>	<u>£'000</u>
Balance at 1 April	<u>7,321</u>	12,350
(less deficit) / of contributions over amounts distributed for the year	<u>(26,373)</u>	<u>(5,029)</u>
Balance as at 31 March <u>7,321</u>	<u>(19,052)</u>	

J.D. Shortridge  
Accounting Officer  
Date:

National Assembly for Wales

The notes on page 10 form part of this account.

## **NON-DOMESTIC RATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002**

### **NOTES:**

1. Under paragraph 1 of the 1988 Act the National Assembly for Wales is 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 Assembly and local authorities.
3. The out-turn adjustments made for 2000-2001 comprised of receipts from local authorities of £18.2 million. There were two outstanding adjustment payments made to local authorities of £0.9 million. Payments made to local authorities totalled £22.4 million, which, together with the outstanding adjustment payments from 2000/01 of 0.9million gave a total payments to authorities of £23.3million.
4. The Assembly paid out the distributable amount of £697 million for 2001-02 (£638 million for 2000-2001) as set out in the Local Government Finance Report (Wales) 2001-02. The distributable amount was paid to receiving authorities in proportion to their resident population.
5. The receipts from central list ratepayers of £57.623 million is net of £11.9 million which was a payment made to a central list ratepayer as a result of a reduction in rateable value dating back to 1995. The reduction was the result of an appeal made to the Valuation Office Agency and was agreed during discussions between the two parties.
6. 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.

