

2002-2003

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 2002-2003 shows:

- a) sums received by the National Assembly for Wales in 2002-2003
 - 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 2002-2003;
 - 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 2001-2002 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 2002-2003
 - 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 2001-2002 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 account for the National Assembly for Wales for the period 1 April 2002 to 31 March 2003.

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 and the Non-Domestic Rating Act 1994.

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.

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 2002-2003 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 2001-2002 and previous years. The adjustments for 2002-2003 will appear in the 2003-2004 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 2002 -2003

9. In 2002-03 the Assembly received £ 674 million of non-domestic rates and paid to authorities £674 million. The account for the year shows a surplus of £0.209 million.
10. The surplus for the year has been added to the deficit of £19.052 million brought forward. The deficit carried forward to 2002-2003 is therefore £18.843 million. It is intended that the account will balance over time.
11. The receipts from central list ratepayers is net of a payment of £0.443 million to British Telecom 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
26th November 2003

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

1 As Principal Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Assembly'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 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.

2 The system of internal control is designed to manage to a reasonable level rather than to eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to:

- Identify the principal risks to the achievement of the Assembly's policies, aims and objectives;
- Evaluate the nature and extent of those risks being realised and the impact should they be realised; and
- Manage them efficiently, effectively and economically.

4 This process has been in place for the year ended 31 March 2003 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

5 The Assembly has a Corporate Governance Committee, chaired by a non-executive member, which supports me as Accounting Officer by offering objective advice on issues concerning the risk, control and governance of the Assembly. Its role is to consider whether the management and governance arrangements are sufficient to support the Accounting Officer's responsibilities. The Corporate Governance Committee reports to the Executive Board.

6 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.

7 The review of the effectiveness of the system of internal control includes identification of areas that may need to be strengthened and comments made by the external auditors in their management letter and other reports. My review is also informed by the work of the internal auditors and by 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 to their system of internal control.

8 During 2002-03 a number of risk management activities took place:

- The Executive Board approved and published the Assembly's Risk Management Policy.
- The Executive Board established a Risk Register, and also receives "Risk of the Month" reports which focus on a particular risk area from within the register.
- A complete risk assessment of the Assembly has been undertaken and each division has developed a Risk Register, setting out the top risks (financial and non-financial) as identified within the division, ranked on likelihood and impact. These help the management of risk at divisional level and create a link from operational level to the Executive Board's strategic level risks.
- Divisional Risk Registers have now been integrated into the Assembly's business planning process through links to the Operational Plan and Divisional Plans.
- Risk awareness has been reinforced by a series of presentations to executive managers.

9 Internal control processes will continue to be developed through 2003-04. Planned activity on risk management includes:

- Publication of a risk management framework; and
- Contracting professional advice to review the progress that the Assembly and all its ASPBs have made on the introduction of risk management procedures.

10 My Statement on Internal Control for 2001-02 noted that a number of instances had been identified where the Assembly's procurement procedures had not been followed. In response to this I have made a number of significant improvements to reinforce existing controls and procedures. A series of awareness raising courses were delivered to senior staff during 2002-03 in addition to the suite of procurement training courses that were already available, and the Assembly's induction training programme was enhanced to include additional guidance on procurement for new entrants. Only officials who have undertaken training in Assembly procurement procedures are authorised to let contracts and place purchase orders.

J.D. Shortridge
Accounting Officer
26th November 2003

National Assembly for Wales

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 * to * 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 pages 5 and 6 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 2003 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
8 December 2003

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NON-DOMESTIC RATING ACCOUNT (WALES)

Receipts and Payments Account for the Year Ended 31 March 2003

	Notes	2002-03	2001-02
		£000	£000
<u>Receipts</u>			
Contributions from authorities	2	604,087	618,117
Contributions from 57,623 Ratepayers on the central Non-domestic rating list	5	68,707	
Gross additional receipts as a 18,185 result of the final recalculations for 2001-02 and previous years	3	1,385	
Total Contributions		<u>674,179</u>	<u> </u>
		<u>693,925</u>	
<u>Payments</u>			
Sums paid to receiving authorities 697,000 as the distributable amount for 2002-03	4	643,000	
Sums paid to billing authorities as a 23,298 result of the final recalculations for 2001-02 and previous years	3	30,970	
Total Distributions		<u>673,970</u>	<u>720,298</u>
(Surplus/Deficit) of contributions over amounts distributed for the year	6	<u>209</u>	<u>(26,373)</u>

J.D. Shortridge
Accounting Officer
26th November 2003

National Assembly for Wales

The notes on page 10 form part of this account

Statement of balances

	(2002-03) £000	(2001-02) £000
Balance at 1 April	(19,052)	7,321
(less deficit) / of contributions over amounts distributed for the year	209	(26,373)
	<hr/>	<hr/>
Balance as at 31 March <u>(19,052)</u>	<u>(18,843)</u>	

Accounting Officer
26th November 2003

The notes on page 10 form part of this account.

NON-DOMESTIC RATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2003

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 2001-2002 comprised of receipts from local authorities of £1.3million. Payments made to local authorities totalled £30.9 million.
4. The Assembly paid out the distributable amount of £ 643 million for 2002-03 (£697 million for 2001-2002) as set out in the Local Government Finance Report (Wales) 2002-03. The distributable amount was paid to receiving authorities in proportion to their resident population.
5. The receipts from central list ratepayers of £ 68.707 million is net of £0.443 million which was a payment made to British Telecom 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.

