

Business Rate Supplements (England and Wales)

Introduction

Business Rate Supplements (BRS) were introduced by the Business Rate Supplements Act 2009 and related regulations and statutory guidance. The Act confers powers on relevant local authorities 'to impose a levy on non-domestic ratepayers to raise money for expenditure on projects expected to promote economic development'. Business Rate Supplements currently apply to England only; although the Act extends to Wales, the Welsh Assembly Government has not enacted regulations to permit Business Rate Supplements to be levied.

A Business Rate Supplement is a non-exchange transaction, and as such is accounted for under *IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

Accounting Requirements

The collection of a Business Rate Supplement by a billing authority that is not a levying authority is in substance an agency arrangement, and shall be accounted for in accordance with section 2.6 of the Code.

BRS income is not the income of the billing authority and shall not be included in its Comprehensive Income and Expenditure Statement. Amounts deducted from BRS income to meet administrative expenses are the billing authority's income and shall be included in the Comprehensive Income and Expenditure Statement on an accruals basis.

Levying authorities shall account for BRS income in the relevant service revenue account(s).

A levying authority may only use BRS income to finance a project to which the Business Rate Supplement relates. A levying authority is also required to refund BRS levies that have not been used to finance a project where the imposition of the Business Rate Supplement has come to an end. BRS income is therefore subject to a condition, and authorities shall initially recognise receipts of BRS levies as a creditor. A levying authority shall recognise BRS levies as income in the Comprehensive Income and Expenditure Account at the point condition is satisfied (ie at the point the related expenditure, whether revenue or capital, is incurred).

Revenue expenditure relating to a BRS project shall be recognised as expenditure in the relevant service revenue account(s) as it is incurred. Capital expenditure relating to a BRS project shall be recognised as an asset. A levying authority shall transfer an amount equal to the capital expenditure from the Business Rate Supplement Account to the Capital Adjustment Account as the capital expenditure is incurred, except where the capital expenditure has been funded from borrowing. In such circumstances, the levying authority shall transfer amounts from the Business Rate Supplement Account to the General Fund to match the Minimum Revenue Provision, and any Voluntary Revenue Provision charged to the General Fund.

Statutory Accounting Requirements

The difference between BRS income and BRS expenditure included in the Comprehensive Income and Expenditure Statement in the year shall be transferred to the Business Rate Supplement Account (within the usable reserves

section of the balance sheet); this transfer shall be reported in the Movement in Reserves Statement. Depreciation and impairment of assets financed from BRS levies are not BRS expenditure.

Where the Business Rate Supplement Account is in deficit, a levying authority shall transfer an amount equivalent to the deficit from its General Fund to the Business Rate Supplement Account; this transfer shall be reported in the Movement in Reserves Statement.

Where the Business Rate Supplement Account is in surplus, a levying authority shall transfer the surplus to its General Fund to the extent that this reverses any amounts charged to that fund in the ten years immediately preceding the financial year; this transfer shall be reported in the Movement in Reserves Statement.

Disclosure Requirements

Transfers to or from the Business Rate Supplement Account shall be reported in the Movement in Reserves Statement. An authority shall consider whether material BRS income and BRS projects require separate disclosure to assist users to understand the financial statements.

Statutory Disclosure Requirements

BRS transactions shall be included in billing authorities' Collection Fund Statements.

A levying authority shall include in the notes to the accounts a Business Rate Supplement Statement, comprising the following items, calculated in accordance with The Business Rate Supplements (Accounting) (England) Regulations 2010:

- a) Balance at the start of the relevant year;
- b) BRS revenues;
- c) Administrative expenses of BRS;
- d) BRS expenditure;
- e) Payments to functional bodies;
- f) Refunds;
- g) Transfers to or from the General Fund; and
- h) Balance at the end of the year.

Changes since the 2010/11 Code

Business Rate Supplements came into force in England after the 2010/11 Code had been prepared. The 2011/12 Code incorporates these regulations for the first time; however the provisions in respect of BRS apply from 1 April 2010.