

Land & Property Services

TRUST STATEMENT – RATE LEVY ACCRUALS ACCOUNT
ANNUAL REPORT & ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2019

*Laid before the Northern Ireland Assembly by the Department of
Finance under section 11(3)c of the Government Resources and
Accounts Act (Northern Ireland) 2001
on 4th November 2019*



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LAND & PROPERTY SERVICES

Annual Report and Accounts for the year ended 31 March 2019

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DIRECTOR'S REVIEW

FOREWORD

Introduction

I am pleased to present the 2018/19 Land & Property Services (LPS) Annual Report and Trust Statement Accounts, also known as the LPS Rate Levy Accruals Account.

Firstly, I would like to thank everyone in LPS for their hard work and commitment during the past year, which has meant that we have continued to build on the good progress made in 2017/18. I would also like to thank our Trade Union colleagues for their constructive engagement during the year.

We have achieved, or substantially achieved, the majority of our 2018/19 business targets and the Annexes provide a more detailed summary of our work. However, there are some aspects I would particularly like to highlight as follows:

- Reduction of the overall rating debt to £124.5 million, the lowest level since 31st March 2008;
- Positive Penny Product outturns (ie more revenue raised than forecast under the rate setting process) for 10 of the 11 District Councils and total finalisations of 1.6%, well within the 2% target;
- Collecting £1,343 million in rates revenue against a target of £1,315 million;
- Achieved 95.6% accuracy as measured by Standard Assurance Unit in relation to Housing Benefit payment against a target of 95%;
- Successfully implemented the new Rate Rebate scheme in line with Universal Credit.

Looking Ahead

Looking ahead, we have very substantial challenges to meet, including:

- Maintaining or improving operational performance throughout a period of increasing pressure on resources;
- Preparing for the Non-Domestic Revaluation from April 2020; and
- Replacing the Rating System.

It is also vital that we continue to focus on improving the quality of our service to customers and building and maintaining our partnerships with Councils at this important time. We will also continue to invest in our staff to support the achievement of our business objectives. I look forward to another year of continuing to improve our business performance and meeting the challenges that lie ahead.

A handwritten signature in black ink that reads "Sue Gray". The signature is written in a cursive, slightly slanted style.

Sue Gray
Accounting Officer
Date: 21st October 2019

PERFORMANCE AND ACCOUNTABILITY REPORT

DIRECTOR'S REPORT

Accounts Direction

These are the audited Accounts of LPS Rate Levy Accrual Account in respect of the collection of rates only for the financial year ended 31st March 2019. The production of the Trust Statement was introduced in 2010/11 to comply with the Government Financial Reporting Manual. The Trust Statement shows the revenue collected by Land & Property Services for the Consolidated Fund and falls outside the boundary of the Department's Annual Report and Accounts. These Accounts have been prepared in accordance with the Department of Finance's Accounts Direction issued in compliance with the Government Resources and Accounts Act (Northern Ireland) 2001.

Our Vision is:

"Together delivering excellence and innovation in the provision of land and property services upon which our customers can rely".

Our Purpose is:

We will provide our customers with an effective, efficient, timely and trusted service by:

- **providing** easily **accessible** services underpinned by excellent customer service;
- **mapping a single view** of land and properties accessible in multi-formats;
- **registering** properties **promptly**;
- **accurately valuing** land and buildings; and
- **efficiently collecting** rates from households and businesses

We will invest in our future by seeking opportunities to generate revenue from our land and property information assets.

Our Strategic Goals:

By 2020, we will:

Customers:	Deliver excellent and innovative products and services accessible through digital and other channels
Operations:	Provide technology enabled, world class, end-to-end land and property services which meet the needs of our customers and stakeholders
Business Development:	Optimise revenues from our land and property resources through innovation, partnership and investment in people, processes and technology
Data:	Collect, secure and use data to provide quality services for customer and business needs
Organisation & People:	Be an integrated and cohesive organisation with a highly-skilled, knowledgeable and flexible workforce

High level processes – Build to Bank

The “build-to- bank” process of **map, register, value, bill, collect, recover** is the core of the LPS target operating model. Delivered by our people and technology, this end-to-end process results in the key outcomes that support our Corporate targets. LPS has two Corporate targets within the DoF 2018/19 Business Plan that focus on maximising rate collection.

To help us deliver these targets we will structure our resources to ensure the integrated end-to-end process is delivered in the most efficient and effective manner. All of this is supported by the excellent services delivered by every part of LPS, each vital in their own right, which work together to achieve our goals.

LPS Management Board

During this reporting period, Colum Boyle was Chief Executive and was replaced by Ian Snowden on 3rd September 2018 and was responsible to the Permanent Secretary for the management of LPS performance and operations. He was assisted in the management of LPS by the Management Board. The Management Board meet on a monthly basis.

The Management Board directs the strategic management of LPS by reviewing its strategic options, setting its corporate direction, supporting the transformation plan, monitoring performance at corporate level and ensuring adequate governance controls.

The membership of LPS Management Board in 2018/19 is detailed below.

Colum Boyle	Chief Executive (until September 2018)
Ian Snowden	Chief Executive (since September 2018)
Alan Brontë	Director of Valuation/Commissioner of Valuation
Christine Farrell	Director of OSLR/Registrar of Titles
Jim Lennon	Head of Mapping
Judith Andrews	Director of Revenues and Benefits
Chris Smart	Head of Organisational Development
Nigel McVittie	Director of Digital Services
David Hughes	Head of Rating Policy (since January 2019)

Business Performance and Risk Management

During 2018/19, business performance against key departmental targets was monitored by the Management Board on a monthly basis. Key Departmental targets for the rating service, associated risks and other risks were monitored by the LPS Management Board and the Departmental Audit and Risk Committee.

Within the context of implementing our strategic aims with regards to rate collection, two Corporate Targets were identified for the 2018/19 year. These were:

- to collect £1,315 million of rates; and
- to reduce the total rate debt to £125 million by 31 March 2019.

Corporate Target 1: To Collect £1,315 million of Rates by 31 March 2019

Month Ending	Target Rates Collected 2018/19	Actual Rates Collected 2018/19	Variance from Target
	£M	£M	£M
March 2019	1,315	1,343	28

The target of £1,315 million represented a £40 million (or 3.1%) increase on the 2017/18 target, against an overall uplift in the district and regional rate of 2.8%. Despite this, the cash collection increased to £1,343 million and represented an increase of £66.1 million (or 5.2%) over the 2017/18 position and £28 million (or 2.1%) over the target.

Corporate Target 2: To Reduce the Total Rating Debt to £125 million by 31 March 2019

Month Ending	Target Debt	Actual Debt	Variance from Forecast
	£M	£M	£M
March 2019	125	124.5	0.5

Figure1: Trends in Ratepayer Debt

	March 2019	March 2018	March 2017	March 2016	March 2015
	£ million	£ million	£ million	£ million	£ million
Gross Assessments	1,512.2	1,457.3	1,418.1	1,392.0	1,366.4
Net Revenue Collectable	1,333.6	1,275.7	1,232.1	1,196.3	1,172.5
Ratepayer Debt	124.5	125.8	131.7	142.7	156.4
Debt written off	(15.9)	(19.3)	(20.7)	(28.6)	(25.3)
Impaired amount	(36.1)	(36.2)	(36.9)	(35.2)	(36.6)
Write off as a % of Gross Assessments	1.1%	1.3%	1.5%	2.1%	1.9%
Year End Debt as a % of Gross Assessments	8.2%	8.6%	9.3%	10.3%	11.5%

*Note that the figures included in the table above are those from the Revenue & Benefit's system without the Year End accounting adjustments (eg accrued income & losses) and as such differ slightly from the figures in the Financial Statements.

It is important that the year-end debt and write off position is considered in light of the overall collection challenge. The year-end debt which was the lowest position it had been since March 2008 amounted to 8.2% of the Gross Assessments and the debt written off amounted to 1.1% of Gross Assessments.

This level of performance must also be considered against the current economic climate within Northern Ireland which has shown signs of improvement in the recent years. During the reporting period, LPS continued to focus on recovery of debt. However, as at 31 March 2019 the debt in the recovery process has stayed in line at 44.4% (46.5% as at 31 March 2018),

however the amount of debt secured through the Enforcement of Judgment's Office again reduced to £7.6 million (from £8.8 million at 31 March 2018).

In addition to the continued implementation of a new debt management strategy, LPS implemented several measures during 2018/19 to improve collection including:

- Continued use of a debt collection agent towards the end of the financial year focusing on business ratepayers;
- Continuing improvements to customer segmentation, aligned with appropriate collection and recovery strategies;
- Continued data cleansing;
- Ongoing promotion of the Direct Debit mandate form which allows ratepayers to register online;
- An interactive Direct Debit mandate form which allows ratepayers to register online.

Non-Domestic Vacancy Exemptions

There were approximately 13,865 non-domestic properties listed as vacant at April 2019 compared to 14,253 at April 2018. These properties receive either 100% relief, 50% relief or are exempt from rates whilst vacant. In order to maximise the rate revenue and ensure the accuracy of discharge awarded, LPS established a programme of inspections of vacant non-domestic properties in partnership with local councils and had a target to inspect 15% of the total number of vacant non-domestic properties. In 2018/19, the new District Councils continued to work in conjunction with LPS to establish whether or not properties are actually vacant and entitled to the vacancy discharge. A total of 2,861 inspections took place and 446 which equated to 15.6% (19.6% during 2017/18) of the properties inspected were found to be occupied. As a result of this, a total of £9.7 million rates demands were raised.

Going forward, LPS has a target to inspect 15% of the total number of non-domestic properties that are listed as vacant during 2019/20

There is natural buoyancy in the non-domestic property market with properties becoming vacant/occupied on a regular basis. Since LPS began a programme of inspections in 2012/13 there has been variance in the level of occupied properties found as part of the vacancy inspections. There are many reasons for the variance including the number of properties inspected, the make-up of properties inspected, local cultures towards paying rates and natural fluctuation in the property market. LPS attributes some of the increase in 2017/18 to the increased volume of inspections carried out and the targeting of properties with an NAV under £2,000. These had not been targeted for inspection in recent years and as a result it was likely a greater percentage of them would now be found occupied. LPS plans to continue its existing programme of inspections and partnership working with Councils to visit as many properties as possible. Furthermore, LPS is working in partnership with one Council who to make use of data analytics to assist with identifying properties for inspection on a probability of occupation matrix. These inspections are being commenced during 2019/20 and LPS expects to report on the outcome in due course.

Outstanding Valuation Caseload

In the normal course of its business, LPS registers cases each day to re-value domestic and non-domestic properties, bring new properties into the Valuation List and to remove properties from the Valuation List. As such, the Valuation List tax base and, therefore the rate revenue figure in the financial statements, can never be absolutely complete. A model has been developed to quantify the estimated impact of this outstanding valuation caseload figure on the rate revenue. It is important to note that this model as developed assumes that all

properties would be fully occupied from the beginning of the financial year and would not be entitled to reliefs such as Industrial De-rating or Sport and Recreation Relief. As such it is acknowledged that the model overstates the net rate revenue impact of in hand casework.

As a consequence of the significant work on-going on Revaluation 2020 there has been an increase in the number of cases in hand at 31st March 2019 compared to 31st March 2018. That said the total number of in hand cases remains at low levels relative to previous years over the last decade with the number of Domestic cases in hand standing at 11,054 and Non-Domestic cases at 3,973.

LPS continues to prioritise work across both domestic and non-domestic case types focusing on reducing the number and age profile of work in hand at year end. It must be noted also that the date of the valuation adjustment is reflected in the rate revenue when it is processed and as such no amount of revenue is lost.

Housing Benefit Fraud and Error

The NI Comptroller and Auditor General qualified his opinion on the 2016/17 LPS Trust Statement due to a limitation in audit scope over the regularity of housing benefit expenditure administered on behalf of the Department for Communities due to the material levels of fraud and error, and this qualification was retained for the 2017/18 Trust Statement. LPS monitors Housing Benefit financial accuracy as a key target. Throughout 2018/19, 11,149 internal quality assurance checks were completed and an accuracy level of 99.02% was reported.

Standard Assurance Unit report on Housing Benefit Fraud and Error and during the 2018 calendar year reported a payment accuracy of 95.6% which was above the LPS target of 95%.

LPS Housing Benefit Central Unit (HBCU) seen a decrease in skilled staff resources due to the NICS EO2 Promotion competition and the loss of an internal training officer, contributing to the dip in accuracy levels. LPS has invested in replacing the training officer and anticipate this will result in improvements moving forward.

Previous investment in system automation in relation to changes in circumstance notifications as well as an automatic suspension on Housing Benefit awards following receipt of notifications continue to assist in reducing case load volumes, reducing risks of overpayment.

In the year 2018/19, 52,612 notifications were system automated. LPS continues invest in opportunities to enhance system automation processes.

The introduction of Universal Credit in September 2017 has resulted in a significant decrease in fresh claims for Housing Benefit being received by LPS. This steady decline in caseload volumes will continue until the full move to UC occurs from January 2021. The reduction in fresh claims has enabled LPS to restructure to focus on case reviews.

Through the National Fraud Initiative, 8,636 cases were identified and reviewed by LPS, no fraud was detected in these reviews. LPS did detect 62 cases with accuracy issues that had been corrected within the 2018/19 year. LPS will continue to engage with the National Fraud Initiative investigations and will continue to increase Housing Benefit case reviews.

A new NFI report for the 2019 was sent to HB containing 5,396 cases for review, to date HB have reviewed 1726 and completed 1722 this produced 20 Overpayments with the value of £8,889.03. The breakdown of these overpayments are as follows:

Report Title	Total Overpaid Amount
Housing Benefit Claimants to Payroll	£4,172.76
Housing Benefit Claimants to Payroll - address	£1,785.27
Housing Benefit Claimants to Housing Benefit Claimants	£1,694.84
Housing Benefit Claimants to Housing Tenants	£1,236.16
Total	£8,889.03

Identifying Unknown Ratepayers

LPS participates in the National Fraud Initiative. Under the initiative LPS matches data with the Electoral Register to identify domestic properties where the owner or occupier is unknown to LPS but is recorded on the electoral register. LPS also makes use of tracing services to identify the owner or occupier of properties where this information is unknown to LPS. This enables more effective billing and collection of rates.

Accounts

The Accounts at the end of this report have been prepared in accordance with the Accounts Direction given by the Department of Finance (DoF), in accordance with Section 11(2) of the Government Resource Act (Northern Ireland) 2001.

Events Occurring after Year-End.

There were no events occurring post Year End.

Corporate Governance Report.

The Chief Executive of LPS is responsible to the Permanent Secretary for the performance and operations in accordance with its Framework Document and its Operating Plan. The Chief Executive is responsible for the day-to-day management of LPS and makes periodic reports to the Permanent Secretary on performance and progress.

The Permanent Secretary of DoF provides support and guidance to the Chief Executive and advises on the strategic directions of LPS, the Corporate and Operating Plan, the organisation's Key Performance Targets and the resources needed to achieve them.

Corporate Governance and Risk

Our business planning cycle is a fundamental part of the work carried out by the Transformational and Organisational Services Directorate, which is responsible for developing and agreeing a timetable of events culminating with the production of the forthcoming year's Operating Plan.

Staff are involved in collating a wide range of information from across the Directorates. This includes drafting the content of the Business Plan and developing the organisation's Corporate and Directorate Operating Plans.

Risk Management

The LPS Management Board is responsible for risk management and ensuring that an effective management process is in place and that it is regularly reviewed. The LPS ARC was

discontinued during the year, however where LPS Management Board deem it necessary, a risk can be escalated to the Departmental ARC.

The Management Board collectively agrees the risks to be included in the LPS Corporate Risk Register and assigns ownership of each risk to enable the organisation to improve its performance.

The Risk Register is created at the beginning of the financial year. It highlights the risks to LPS business as seen by the Directors and Chief Executive. The Risk Register is agreed by Management Board in April and issued to risk owners for quarterly updates during the year.

Directors will assume responsibility for risks across their own Directorates, which may have a major impact upon the delivery of service or achievement of LPS objectives. Directors will assume responsibility for those risks which might impact on the delivery or timescale of their business activities. If any significant risks arise, the Director will raise these for consideration by Management Board.

Reporting procedures for complaints

LPS has a comprehensive complaints process which follows the principles of effective complaint handling developed by The Northern Ireland Public Services Ombudsman. The process involves 2 stages of complaint.

All complaints received in LPS are registered and an acknowledgement letter is issued informing the customer that they can expect a reply within 10 working days. A comprehensive review of each case is carried out before the response is drafted and issued. If LPS is unable to reply within the original timeframe we will write to inform the customer. If the complainant remains unhappy following receipt of their Stage 1 reply they can choose to escalate the matter to the Chief Executive. This is the second stage of the process.

In total LPS received 441 complaints in the 2018/19 year compared to 391 complaints in the 2017/18 year. This equates to a 13% increase in complaints when compared to the previous year however it is 11% less than the total complaints of 497 received in the 2016/17 year. There have been no business areas in LPS which have experienced a large or unexplained numerical increase in the volume of complaints received. There have been small increases across most of the business areas compared to the volumes received in 2017/18.

Employee Policies and Involvement

We recognise that our staff continue to be our most valuable asset. We are committed to DoF's policies on equal opportunity and responsibility for the employment and career development of all staff, regardless of gender, ethnic background or disability.

We seek to increase the potential of all our staff and operational managers through the implementation of our Human Resources and Training Strategy.

We continue to engage with our staff on a regular basis through team briefs, intranet, and management meetings. In addition, there were regular meetings between management and local employee representatives in line with our Whitley Constitution.

Equality of Opportunity

We follow the Northern Ireland Civil Service policy that all eligible persons should have equal opportunity for employment and advancement on the basis of ability, qualifications and aptitude for work.

Employees with Disabilities

We follow the Northern Ireland Civil Service Code of Practice for the employment of people with disabilities. We aim to make sure that disability is not a bar to recruitment or advancement.

Health and Safety

LPS continues to pay special attention to the welfare of staff and customers, including matters relating to their health and safety.

LPS recognises the importance of a healthy and safe working environment and is committed to adhering to all existing legislation on health and safety. We continue to monitor and review existing policies to improve the health, safety and welfare of staff.

The LPS Health and Safety Committee is comprised of representatives from Trade Union and Management and meets four times a year. The Committee advises the Management Board and as such, it is the responsibility of Management Board to consider the advice provided and to action as appropriate.

LPS follows the DoF 'Health & Safety at Work Policy Statement' which was made available to staff on 1 January 2016. The 'Lone Working Policy' was updated during 2016 and the revised version was agreed with TUS and made available to all staff. This document covers information and advice for those LPS staff working in the field. Both of these documents can be viewed through the Intranet site.

Political and Charitable Donations

LPS made no political or charitable donations during the year.

Auditors

The financial statements are audited by the Comptroller and Auditor General (C&AG) in accordance with the Government and Resources and Accounts Act (Northern Ireland) 2001. All relevant information was made available to the Auditors. The Audit Certificate is reproduced on pages 16-17 and the C&AG's Report is reproduced at the end of these accounts.



Sue Gray
Accounting Officer

Date: 21st October 2019

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, DoF has directed LPS to prepare for each financial year a Trust Statement ("the Statement") for the revenue and other income collected by the organisation. The Statement is prepared on an accruals basis and must give a true and fair view of the state of affairs of LPS and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the DoF, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis;
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The DoF has appointed the Permanent Head of the Department as Accounting Officer of LPS. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for the keeping proper records and for safeguarding LPS's assets, are set out in Managing Public Money published by the HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

GOVERNANCE STATEMENT

LPS was formed as an Executive Agency in April 2007, initially from the merger of the former Rate Collection Agency and the Valuation and Lands Agency. This was followed in April 2008 by the addition of the Land Registers of Northern Ireland and Ordnance Survey of Northern Ireland. In February 2013 the then Minister for Finance and Personnel (now DoF) announced that LPS would cease to be an Executive Agency of the Department from 1 April 2013. From this date, LPS has continued its branding and delivered the same services, but as a business group within the department. The Permanent Secretary of DoF is the Accounting Officer. She is responsible for the organisation's performance and operates in accordance with the LPS Framework document and its Business Plan.

The Chief Executive of LPS has, however, responsibility for the overall day-to-day leadership and management of LPS, making regular reports to the Permanent Secretary on performance and progress. LPS Management Board is responsible for the strategic direction of the organisation by reviewing its strategic direction, monitoring performance at corporate level and ensuring that adequate governance controls are in place.

The Governance Statement sets out how LPS has monitored and evaluated the effectiveness of its governance arrangements.

Context

LPS is part of DoF. The overall aim of DoF is “to help the Executive secure the most appropriate and effective use of resources and services for the benefit of the community”. The work LPS does makes a significant and positive difference to the everyday lives of all the citizens in Northern Ireland. LPS provide and support important public services by:

- collecting over £1.3 billion in rates for the NI Executive and District Councils to fund important public services provided by central and local government;
- providing mapping services which are used widely across the public and private sectors informing policy development and enhancing service delivery;
- administering various rate related reliefs including Housing Benefit, Rate Relief, Lone Pensioners Allowance, Disabled Pensioners Allowance and a number of business related reliefs to help those in need pay their rates and provide assistance to business;
- monitoring domestic and non-domestic Valuation Lists;
- providing a registration service for recording legal interests in land and providing land information for conveyancing purposes; and
- delivering property valuations, estate management and property data services to the public sector.

Financial Management

Financial Management requires the LPS Board to play a significant part in the effective monitoring and management of the organisation’s financial performance. LPS regularly reviews actual income and expenditure against budget to form the basis of collective Board decisions about the allocation and use of resource to ensure that the LPS financial management target of avoiding overspend and managing under spend within a tolerance of 1.5% is met.

The LPS Finance Business Partnering Team of the Departmental Finance Division provides a monthly support function to the LPS Management Board by issuing monthly financial management reports to the Board, and providing advice and recommendations in the allocation of resources. LPS Directorates are responsible for managing their budgets and reviewing actual and forecast information and analysis of variance against budgets. This enables the LPS Board to assess the extent to which corrective action is needed to address the organisation’s financial position.

The information provided by the LPS Finance Business Partnering Team is in the form of monthly LPS Management Accounts to each Directorate and LPS management members to show the spend against budget for the period and year, variances to date, and total budget for the year. The LPS Management Board is also supplied with a monthly finance report which provides high level finance information on spend against budget, and highlights areas of concern. LPS Management Board is satisfied with the quarterly financial report which is used to note strategic decisions on priority spend.

Risk and Control Framework

Risk management within LPS continues to be an integral part of our business planning process. This includes identification of risk, assignment of ownership, presentation of the risk, mitigation, management, evaluation and review.

The LPS Corporate Risk Register is an integral part of LPS Risk Management policy and approach. The Risk Register records the status of each high level risk and the actions being taken to address the risk.

The Management Board ensures the risk management and internal control are regularly reviewed and reported on in the following manner.

- all business areas use predetermined weightings and a standardised approach to risk assessment;
- key risks identified at organisational level are documented on Risk Registers and are reviewed on a formal basis by the Management Board at least four times during the course of a year;
- by escalating any risk to the Departmental ARC where it is considered necessary by Management Board;
- Directors complete Stewardship Statements at the end of each financial year. Mid-year reports are the vehicle for ensuring the continued maintenance of registers during the year;
- adherence to the Department's 'Whistle Blowing' policy;
- the Management Board receives periodic reports concerning internal control. The appropriate steps have been taken to manage risks in significant areas of responsibility and to monitor progress reports on key projects; and
- key projects are managed within a programme environment. Each project is owned by the appropriate member of the Management Board and managed within the Prince2 project structure by a project manager who has been trained in this and risk analysis. The Gateway Review process has been implemented for priority projects.

The main risks associated with LPS are around not achieving the two key targets referred to in the Director's Report.

Organisation Performance

The LPS Business Plan 2018/19 sets out the targets and objectives for the year against which performance is reported and monitored. Progress has been reported monthly to the Board, as part of the Corporate Performance using a Red/Amber/Green status assessment of each target and narrative on the actions taken to deliver the expected outcomes.

Progress against Key Departmental targets is also reported on a quarterly basis to DoF.

Level of Assurance

The Accounting Officer has responsibility for ensuring that a robust risk management system is in place, so that risks faced by LPS are identified and managed accordingly. The Accounting Officer is also responsible for reviewing the effectiveness of the system of internal control. The review is informed by the work of DoF's Internal Audit and Board members who have responsibility for ensuring that the controls and actions recommended are implemented.

The Department's Internal Audit has carried out an extensive programme of work during 2018/19 working collaboratively with LPS Audit and Risk Committee (ARC) (later the DoF ARC), LPS Senior Management, external stakeholders and with the Northern Ireland Audit Office. These reports provide an objective and widespread assessment of the systems of internal control in operation across LPS, together with prioritised recommendations to strengthen controls and implement further improvements. Six risk based audits have been completed, five of which received a satisfactory audit opinion and one limited audit opinion was issued. The limited audit opinion was issued in relation to the audit of Rating Procedures. Internal Audit issued four Priority 1 recommendations, three Priority 2 recommendations and two Priority 3 recommendations, all but two of which have been accepted by LPS management. The two recommendations that have been rejected are due to limitations in the ABBACUS functionality, but will be considered as part of the rate replacement system project.

Fraud Prevention and Assurance

LPS takes a zero tolerance approach to fraud and will report instances of fraud to the PSNI, if necessary. LPS also participates fully in the National Fraud Initiative by investigating matches in relation to payroll, pensions, trade creditors, rates and Housing Benefit data. HB have also increased the reviews carried out on current HB customers that have had no manual intervention over the last few years and of the 2,559 already reviewed 16 Overpayments were identified totalling £3,168.37.

The Standard Assurance Unit (SAU) of the Department for Communities (DfC) provide a quarterly report on the financial accuracy and levels of fraud and error within Housing Benefit expenditure. This focuses on quality checks, assessor support, remedial training, improved caseload and management through risk based reviews and interventions, benefit uprating and cleansing, training in decision making appeals and fraud awareness. This report is reviewed regularly by LPS Senior Management and presented to Management Board.

Whistle blowing arrangements are in place and can be used to raise concerns about alleged impropriety, wrongdoing, corruption, fraud or malpractice.

Rate Rebate Financial Accuracy

The Rate Relief Regulations (Northern Ireland) 2017 came into operation on 27 September 2017 aligning with the introduction of Universal Credit (UC) and sets the policy for LPS to administer a Rate Rebate Scheme for claimants in receipt of UC.

The regulations provide that the Rate Rebate Scheme is only available to claimants in receipt of UC. Those entitled to Rate Rebate receive a credit to the Rate Account to offset rating liability. The only exception to this is in respect to claimants who live in Housing Executive or Housing Association properties. Awards in these cases are made by a monthly payment to the Social Landlord through DoF Account NI.

As at 31st March 2019, LPS had received 13,199 claims for Rate Rebate, of which 7,219 claims were in payment equating to a value of £2.1m rate relief being paid (£2.3 million including a provision for pending claims as at 31 March 2019).

Potential for customer fraud and customer error is minimised due to the policy requirement that awards are based on UC entitlement, using UC award details and verification of claimant details using the Department for Work and Pensions (DWP) Customer Information Services. LPS is aware of the potential risk for fraud and error within UC and has reported this to DfC. LPS attends the UC Programme Board and UC Risk Review Board to ensure continued awareness of the consequential outcomes stakeholders face due to UC being a gateway for fraud and error to enter LPS systems. Internal Audit carried out a review of Rate Rebate Central Unit during the year and awarded a satisfactory audit opinion.

LPS has engaged the use of DfC Standard Assurance Unit (SAU) to conduct quarterly independent reviews of the Rate Rebate caseload, using similar methodology currently used in determining levels of fraud and error within the Housing Benefit caseload. LPS has also developed internal procedures to identify and reduce the risk of fraud and error. These procedures do not provide the statistical assurance or an estimated monetary value that will be gained from SAU reports. However, of 890 quality assurance checks completed, 173 were identified as requiring amendment.

Significant Internal Control Problems

Housing Benefit Fraud and Error

The NI Comptroller and Auditor General qualified his opinion on the 2017/18 LPS Trust Statement due to a limitation in audit scope over the regularity of housing benefit expenditure administered on behalf of the Department for Communities due to the material levels of fraud and error, and this qualification has been retained for the 2018/19 Trust Statement. LPS monitors Housing Benefit financial accuracy as a key target and several actions have been instigated in order to reduce the level of fraud and error including allocating additional staff resources to perform customer reviews.

During June 2019 LPS discovered a suspected fraud whereby a rate refund was issued to a person who is not the appropriate ratepayer. LPS is carrying out an investigation and has passed details to the PSNI who is also carrying out an investigation.

Conclusion

Taking into account all of the arrangements set out in this Governance Statement, LPS has an effective governance structure in place and has satisfactory systems of internal control which have operated effectively throughout 2018/19.



Sue Gray
Accounting Officer

Date: 21st October 2019

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Opinion on financial statements

I certify that I have audited the financial statements of Land & Property Services Trust Statement (Rate Levy Accruals Account) for the year ended 31 March 2019 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statement of Revenue and Expenditure, the Statement of Financial Position, the Statement of Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

In my opinion the financial statements:

- give a true and fair view of the state of Land & Property Services Trust Statement – Rate Levy Accruals Account's affairs as at 31 March 2019 and of the net revenue for the Consolidated Fund for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Qualified opinion on regularity

In my opinion, except for the estimated fraud and error in housing benefit expenditure as described in the basis of opinions section, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of Opinions arising from erroneous housing benefit awards and payment of fraudulent claims

The total amount paid in housing benefit is £37.5 million. As reported in Note 11 to the financial statements the level of error is estimated to be £3.3 million (£2.9 million overstatement, £0.4 million understatement) and the level of fraud is estimated to be £1.6 million. Where fraud and error results in housing benefit relief overstatements and understatements, the transactions do not conform to the relevant primary legislation specifying housing benefit relief entitlement and calculation criteria. The expenditure is therefore irregular. I consider these levels of fraud and error to be material to my opinion on the accounts.

I have therefore qualified my opinion on the regularity of housing benefit relief expenditure because of the estimated levels of overstatement due to fraud and where expenditure has not been made for the purposes intended by the Assembly and the estimated level of overstatements and understatements in such housing benefit relief which do not conform to the relevant authorities.

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of Land & Property Services in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

The Accounting Officer is responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001.

My objectives are to obtain 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

My detailed observations are included in my report attached to the financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
28th October 2019

**STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED 31
MARCH 2019**

		2018/19	2017/18
	Note	£'000	£'000
<u>REVENUE</u>			
Rate Revenue	1.3	1,511,107	1,455,720
Other Revenue		4	4
Total Revenue		1,511,111	1,455,724
<u>EXPENDITURE</u>			
Reliefs and Discharges			
Vacancies	1.4, 2	42,257	43,026
Housing Benefit	1.4, 11	38,132	38,177
Rate Reliefs and Discharges	1.4, 2	48,776	46,479
Transitional Relief	1.4	-	(2)
Maximum Capital Value	1.4	9,094	8,489
Allowances	1.4	12,034	11,461
Discounts	1.4	6,173	5,797
District Rate Convergence	1.4	2,850	5,287
Credit Losses – debts written off or otherwise impaired	3	15,810	18,600
Rating of Empty Homes Discharge	1.4 1.10	3,451	3,112
Total Reliefs and Discharges		178,577	180,426
Net Revenue for Consolidated Fund		1,332,534	1,275,296

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes on pages 21 to 28 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

		31 March 2019	31 March 2018
	Note	£'000	£'000
Non-Current Assets			
Receivables falling due after more than one year	4	408	371
Current Assets			
Receivables	5	89,375	91,655
Cash and Cash Equivalents	6	<u>1,259</u>	<u>1,915</u>
Total Current Assets		90,634	93,570
Total Assets		91,042	93,941
Current Liabilities	7	<u>(21,573)</u>	<u>(13,985)</u>
Net Assets		69,469	79,956
Total Assets less Current Liabilities		69,469	79,956
Represented by:			
Balance on Consolidated Fund Account	8	69,469	79,956

The notes on pages 21 to 28 form part of these financial statements.

Sue Gray

Sue Gray

Accounting Officer

Date: 21 October 2019

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

		2018/19	2017/18
	Note	£'000	£'000
Net Cash flow from operating activities	A below	1,342,365	1,277,539
Cash paid to Consolidated Fund	8	(1,343,021)	(1,276,899)
(Decrease)/Increase in cash in this period		(656)	640

Notes to the Cash Flow Statement

A: Reconciliation of Net Cash Flow Movement in Net Funds

Net Revenue for the Consolidated Fund	8	1,332,534	1,275,296
Decrease /(Increase) in Non-Cash Assets		2,243	5,757
Increase/(Decrease) in Liabilities		7,588	(3,514)
Net Cash Flow from Operating Activities		1,342,365	1,277,539

B: Analysis of Changes in Net Funds

(Decrease)/Increase in cash in this period	6	(656)	640
Net Funds at 1 st April (Net Cash at Bank)	6	1,915	1,275
Net Funds at 31st March (Closing Balance)		1,259	1,915

The notes on pages 21 to 28 form an integral part of these financial statements.

NOTES TO THE TRUST STATEMENT ACCOUNTS

1.0 STATEMENT OF ACCOUNTING POLICIES

1.1 Basis of Accounting

The Trust statement is prepared in accordance with the accounts direction issued by the Department of Finance (DoF) under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been developed with reference to the Government Financial Reporting Manual (FReM) issued by DoF. The accounting policies contained in FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the one judged to be the most appropriate to the particular circumstances of LPS for the purpose of giving a true and fair view has been selected. The particular policies adopted by LPS have been applied consistently in dealing with items that are considered material to the accounts.

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early, for these Accounts. Management consider that these are unlikely to have any significant impact on the Accounts in the period of initial application.

1.2 Accounting Convention

The Trust Statement has been prepared under the historical cost convention, modified by the revaluation of certain assets and liabilities to fair value as determined by the relevant accounting standards, and subject to the interpretations and adaptations of those standards in FReM.

1.3 Revenue Recognition

Revenue is measured at the fair value of the amounts received and receivable. Revenue is recognised in the year in which it is assessed on ratepayer properties when revenue can be measured reliably and it is probable that the economic benefits from the Rates Revenue will flow to the Consolidated Fund. The revenue figure is also adjusted for Certificates of Revision which are received from Valuations with an effective date of revision.

1.4 Reliefs and Discharges

Reliefs and Discharges are recorded in the year based on the information received from ratepayers. Accrued estimates of Reliefs and Discharges are calculated at the year end based on the amount of Reliefs outstanding at the year end.

The types of Reliefs and Discharges included in the Statement of Revenue and Expenditure are: Exemptions from Vacancies; Housing Benefits; Transitional Reliefs; Maximum Capital Value; Discounts; Article 20 and 21 Landlord Allowances; Rate Reliefs and Discharges; and Rating of Empty Homes Discharge.

Rate Reliefs and Discharges include:

- Disabled Persons Allowances (DPA);
- Owner Occupier Lone Pensioner Allowance (LPA), Private Rented LPA, Northern Ireland Housing Executive (NIHE) LPA and NIHE Housing Association LPA;

- Owner Occupier Rate Relief, Private Rented Rate Relief, NIHE Rate Relief and NIHE Housing Association Rate Relief;
- Residential Home Relief;
- Small Business Rate Relief;
- District Rate Convergence;
- Full Time Education Relief; and
- Farm Diversification.

1.5 Receivables

Receivables are shown net of impairment in accordance with the requirements of IFRS 9. With the exception of Cash Receivables as a result of the Rates Deferment Scheme, all Cash Receivables have been disclosed as collectable within 12 months after the reporting period. This disclosure does not currently meet the requirements of IAS 1 which requires disclosure of amounts expected to be recovered:

- no more than 12 months after the reporting period; and
- more than 12 months after the reporting period;

as the IT system used for Rate Levy and Collection by LPS does not currently have the capability to provide this information. This reporting requirement will be addressed in any future rating IT replacement system.

1.6 DoF Resource Accounts

Administration costs and transactions (Non-Current Assets, Payment of Interest to Ratepayers; Legal Costs and Fees, and Cost of Collection) are accounted for in the DoF Resource Accounts and are covered by its related accounting policies. These transactions do not form a part of the Trust Statement.

1.7 Financial Instruments

Financial assets and liabilities are recognised in LPS Statement of Financial Position when the organisation becomes party to the contractual provisions of the instrument.

Financial Assets

Financial assets are classified into the following specified categories: 'fair value through profit or loss' ('FVTPL'); 'available-for-sale' ('AFS') financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets at the time of initial recognition. LPS' financial assets are classified as Loans and Receivables and are initially measured at fair value and are subsequently measured at the undiscounted amount of the cash consideration expected to be received.

LPS assesses at each Statement of Financial Position date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. Based on historic experience, receivables that are past due beyond 365 days are generally recoverable.

Impairment losses are assessed individually for financial assets that are individually significant and collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk

characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics.

Impairment losses are recognised in the Statement of Revenue and Expenditure and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If, in a subsequent period, the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. When a financial asset is deemed irrecoverable, the amount of the asset is reduced directly and the impairment loss is recognised in the Statement of Revenue and Expenditure to the extent that a provision was previously recognised.

Financial Liabilities

Financial Liabilities are initially measured at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

1.8 NIHE Administration Expenses

A new rate relief scheme was introduced in Northern Ireland on 1 April 2007. Legislation provided that the relief would be administered by the Northern Ireland Housing Executive (NIHE) on the LPS' behalf for its own tenants, private tenants or tenants of registered housing associations. LPS meets the administration costs of the scheme which are included in the DoF resource account.

1.9 Accounting Estimates

As a result of the uncertainties inherent in all business activities, many items in financial statements cannot be measured with precision but can only be estimated. Where estimates have been required in order to prepare these financial statements in conformity with FReM, management has used judgements based on the latest available, reliable information. Management continually reviews estimates to take account of any changes in the circumstances on which the estimate is based or as a result of new information or more experience.

1.10 Rating of Empty Homes

On 1 October 2011, Rating of Empty Homes went live. Before this date, vacant domestic properties were assessed and fully discharged so no liability arose on the owner. However, since the new policy went live all vacant domestic properties are assessed in the usual way and assessments are issued to property owners.

There are several application based and automatic exclusions attached to the scheme and the discharge is shown in the Statement of Revenues, Reliefs and Discharges.

1.11 Comparatives

The 2017/18 comparatives are shown within these Accounts.

2. VACANCY DISCHARGE AND RATE RELIEF

Below is a detailed analysis of the vacancy discharge and Rate Relief and Other Discharge figures in the statement of Income and Expenditure.

	2018/19	2017/18
	£'000	£'000
<u>VACANCIES</u>		
Non-Domestic Vacant Rating	42,268	42,900
Domestic Vacant Rating	(2)	5
Empty Property Relief	(9)	121
	42,257	43,026
<u>RATE RELIEFS AND OTHER DISCHARGES</u>		
Disabled Persons Allowance	3,661	3,402
Residential Home Relief	9,821	9,289
Domestic Rate Relief	8,200	8,084
Low Carbon Homes Scheme	-	1
Full Time Education Relief	-	-
Non-Domestic Hardship Relief	160	-
Small Business Rate Relief	19,927	19,407
Lone Pensioners Allowance	7,007	6,296
	48,776	46,479

3. CREDIT LOSSES

	2018/19	2017/18
	£'000	£'000
Bankruptcies*	3,710	4,519
Liquidations	2,057	2,748
Other Irrecoverables	10,134	12,050
Change in the value of impairments	(91)	(717)
	15,810	18,600

*Includes Individual Voluntary Arrangements of £372,956.97 in 2018/19 (£682,537 in 2017/18)

During 2018/19 and 2017/18 there were no losses identified that were in excess of £250,000.

Credit Losses are the amounts reportable to the NI Assembly under rules on disclosure of Losses and Write-Offs in Managing Public Money Northern Ireland (MPMNI) Annex A.4.10.24 under the 'Claims waived or abandoned'.

4. NON CURRENT ASSETS

	2018/19	2017/18
	£'000	£'000
Rate assessments receivable >1 year	391	358
Interest accrued on rate assessment debt	17	13
	408	371

During the year ended 31 March 2011, LPS implemented a new 'rate deferral' scheme which allowed ratepayers to enter into a legal agreement with LPS to defer payment of rate assessments until a later date. Rate assessments receivable > 1 year represent assessments raised against ratepayers who have legally entered into this scheme.

LPS holds security by way of a statutory charge over the property for which the rate assessments are deferred. Therefore, there has been no provision for bad debt against these rate assessments.

All debt is due to the Consolidated Fund when realised.

5. RECEIVABLES AND OTHER CURRENT ASSETS

5.1 Amounts Due

	2018/19	2017/18
	£'000	£'000
Rate Debtors before estimated impairments	124,099	125,716
Less: estimated impairments (see note 5.2)	(36,118)	(36,209)
	87,981	89,507
Other Debtors	2	2
Accrued Income	1,392	2,142
Due from LPS business account	-	4
	89,375	91,655

Rate debtors represent the amount due from ratepayers where assessments have been raised but not paid for as at 31 March 2019. All debt will be due to the Consolidated Fund when realised.

5.2 IMPAIRMENT OF TRADE RECEIVABLES

The following table shows the impairment of trade receivables at the Statement of Financial Position date:

	2018/19	2017/18
	£'000	£'000
Balance as at 1 April	36,209	36,926
(Decrease)/Increase in estimated value of impairments	(91)	(717)
Balance as at 31 March	36,118	36,209

Debtors in the Statement of Financial Position are reported after the deduction of the estimated value of Impairments. This provision has been set using analysis of the quality, type of debt and its likelihood of collectability. The assessment of collectability is supported by management judgement

6. CASH AND CASH EQUIVALENTS

	2018/19	2017/18
	£'000	£'000
Balance as at 1 April	1,915	1,275
Net change in cash and cash equivalent balances	(656)	640
Balance as at 31 March	1,259	1,915

The following balances at 31 March were held at Commercial banks and cash in hand

Balance as at 31 March	1,259	1,915
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7. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2018/19	2017/18
	£'000	£'000
Rating Creditors	11,558	4,607
Bank Overdraft	2,443	1,473
Other Creditors	6,205	5,683
Accruals	201	689
Due to LPS business account	1,166	1,533
Total	21,573	13,985

8. BALANCE ON CONSOLIDATED FUND ACCOUNT

	2018/19	2017/18
	£'000	£'000
Balance on Consolidated Fund Account as at 1 April	79,956	81,559
Net Revenue for the Consolidated Fund	1,332,534	1,275,296
Less: Amount paid to Consolidated Fund	(1,343,021)	(1,276,899)
Balance on Consolidated Fund Account as at 31 March	69,469	79,956

9. RELATED PARTY TRANSACTIONS

LPS is a business group within DoF, DoF is regarded as a related party. During the year, LPS paid £1.343 billion to the Consolidated Fund Account.

During the year, LPS issued material rating invoices to central and local government and health bodies in the normal course of its business. These invoices totalled £193.7m for 113 Public Bodies and the largest five assessments issued were:

Government Department/ Central Government Bodies	2018/19 Assessment £m
Education Authority	£43.6
NI Water Service	£26.8
Properties Division - DoF	£17.9
Police Service of Northern Ireland	£12.7
Belfast Health and Social Care Trust	£8.7

In addition, LPS paid £4,274,513 to the Northern Ireland Housing Executive (NIHE) acting as a landlord under Article 21 in respect of payment of rates on properties owned by the NIHE.

During the period, none of the board members, members of the key management staff or other related parties have undertaken any material transactions with the organisation.

10. EVENTS AFTER THE REPORTING PERIOD

During June 2019 LPS discovered a suspected fraud whereby a rate refund was issued to a person who is not the appropriate ratepayer. LPS is carrying out an investigation and has passed details to the PSNI who is also carrying out an investigation.

There were no other events after the reporting date and the date when the Accounts were signed, and no adjustments are required to the financial statements or disclosure within them.

The Accounts were authorised for issue on 28 October 2019.

11. FRAUD AND ERROR

LPS administers Housing Benefit on behalf of the Department for Communities (DfC). Levels of fraud and error in Housing Benefit for owner occupiers are reported by the Disability, Incapacity & Benefit Security Directorate Standards Assurance Unit of the DfC through Benefit Reviews, which measure Official Error, Customer Fraud and Customer Error.

DfC issued two reports 'Housing Benefit Review (Customer Error and Customer Fraud)' and 'Housing Benefit Review Financial Accuracy Official Error' for the calendar year 1 January 2018 to 31 December 2018 in March 2019. These reports highlighted errors amounting to £1.8 million (£1.6 million customer error overpayment, £0.2 million customer error underpayment) and £1.6 million customer fraud overpayments in Housing Benefit for owner occupiers. The level of total Official Error was £1.6m (£1.3 million official error overpayment, £0.4 million official error underpayment) This represents approximately 13.6% of the related expenditure for the calendar year. Customer Error and Customer Fraud estimates for Housing Benefit for owner occupiers are based on the results of Benefit Reviews in 2018.

ANNEXES

ANNEX 1: SUMMARY STATEMENT OF RATE LEVY AND COLLECTION

	2018/19		2017/18	
	£M	£M	£M	£M
Debtors at 1 April				
Prior year adjustment – debits brought forward				
Amended Debits brought forward		125.9		131.2
Assessments during year		1,512.3		1,457.3
Credit carried forward to next period		11.5		4.6
		1,649.7		1,593.1
Less: Discharged during the year				
Credits brought forward from last year				
Prior year adjustment–credit brought forward				
Amended credit brought forward	4.6		5.7	
Net receipts (ie receipts less refunds)	1,341.4		1,279.9	
Vacancies	0.0		0.1	
Rebates/Rate Relief/DPA/LPA/EEHS	84.2		84.3	
Residential Home Relief	9.8		9.3	
Non-Domestic Vacant Rating Relief	37.9		39.7	
Allowances	12.0		11.5	
Discounts	6.2		5.8	
Written-off as Irrecoverable	15.9		19.3	
Transitional Relief/Capping	9.1		8.5	
Rating of Empty Homes	3.5		3.1	
		1,524.6		1,467.2
Debtors at 31 March		125.1		125.9

Note 1: The Statement of Rate Levy and Collection (SRLC) forms the basis of the Rate Levy Accruals Account, which has become the official accounting record from 2010/11, and replaces the SLRC. The SLRC 2018/19 has been included in this Annual Report for information purposes only.

ANNEX 2: SUMMARY OF 2018/19 RATE COLLECTION

Percentage of the net collectable rate collected based on April 2018 assessments (as at 31 March 2019)

Council	April 2018 Assessments	Balance	Collected/ Discharged	% Collected/ Discharged
	£	£	£	
Antrim and Newtownabbey	114,419,837	1,619,066	112,800,771	98.6%
Ards and North Down	118,810,959	2,533,928	116,277,031	97.9%
Armagh City, Banbridge and Craigavon	140,782,396	3,649,135	137,133,260	97.4%
Belfast	380,617,341	10,126,492	370,490,849	97.3%
Causeway Coast and Glens	100,203,266	1,736,582	98,466,684	98.3%
Derry City and Strabane	113,845,143	2,485,464	111,359,679	97.8%
Fermanagh and Omagh	82,518,284	1,858,715	80,659,569	97.7%
Lisburn and Castlereagh	117,344,197	2,033,082	115,311,115	98.3%
Mid and East Antrim	86,043,362	2,182,267	83,861,095	97.5%
Mid Ulster	103,303,313	1,405,990	101,897,323	98.6%
Newry, Mourne and Down	122,713,498	4,387,511	118,325,986	96.4%
Total	1,480,601,593	34,018,233	1,446,583,360	97.7%

April 2018 Assessments represent rating assessments for the 2018/19 year.

Balance represents the balance still outstanding from these assessments as at 31 March 2019.

Collected/Discharged represents the amount of the assessments that have been collected from ratepayers or discharged through one of the reliefs.

The figures above are prepared to two decimal places but rounding due to formatting may occur.

Report by the Comptroller and Auditor General

Land & Property Services

Introduction

1. I am required under the Accounts Direction given by the Department of Finance in accordance with Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001 to report my opinion as to whether the financial statements give a true and fair view. I am also required to satisfy myself that, in all material respects, expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and conform to the authorities which govern them; that is, they are 'regular'.
2. LPS administers housing benefit¹ for rates of owner occupiers on behalf of the Department for Communities (DfC). Unlike all other Social Security benefits where payments are made, LPS administers £38.1 million of housing benefit in Northern Ireland by offsetting housing benefit against the rate accounts of people who own their own house but are entitled to apply for a reduction as they are on low income and suffering financial hardship. There is estimated to be a substantial amount of fraud and error within these transactions amounting to 13.1 per cent of LPS total housing benefit expenditure as per Figure 1. This is an increase of 1.2 per cent compared to the 11.9 per cent recorded last year.
3. I consider the level of fraud and error in housing benefit expenditure, by its nature, continues to be material. Therefore my opinion on the regularity of this benefit expenditure is qualified.

Basis of Qualification

4. DfC's Standards Assurance Unit (SAU) reported in March 2019 the extrapolated levels of fraud and error for Housing Benefit administered by LPS during the calendar year 1st January to 31st December 2018. This report highlights estimated levels of fraud and error amounting to £1.6 million and £3.3 million respectively.
5. **Figure 1** below shows that the level of error has decreased from £7.3 million in 2014 to £3.3 million in 2018 over the five year period. However, there has been an increase of 50 per cent in 2018 when compared to 2017.

¹ Housing Benefit is a means tested benefit administered by LPS to people who own their homes and are on low incomes with savings and capital below the £16,000 eligibility threshold. This includes but is not limited to those in receipt of means tested benefits such as Job Seeker's Allowance/Income Support/Pension Credit/ Employment and Support Allowance.

From September 2017 Northern Ireland introduced a new payment for working age people who are on low income or out of work known as Universal Credit. It is being rolled out across Northern Ireland on a phased geographical basis. By December 2018 any working age person making a new claim for social security will claim universal credit instead of some of the current benefits, including housing benefit. A new rate rebate scheme will provide rates support for tenants or home owners who are entitled to universal credit. The impact of this change has been minimal in 2018-19. The managed migration of all claimants which was due to commence in July 2019 will not now commence until 2020, with the aim to have this completed by the end of 2023.

Figure 1: Estimated fraud and error in Housing Benefit administered by LPS deemed to be irregular

	2014	2015	2016	2017	2018
	£ million	£ million	£ million	£ million	£ million
HB Administered	42.2	41.5	39.1	37.9	37.5
Error					
Official Error (Overpayment)	4.2	3.6	1.7	0.9	1.3
Customer Error (Overpayment)	2.7	1.7	1.3	1.1	1.6
Official Error (Underpayment)	0.4	0.3	0.3	0.2	0.4
Total	7.3	5.6	3.3	2.2	3.3
% of Housing Benefit	17.3%	13.5%	8.4%	5.8%	8.8%
Fraud					
Customer Fraud	1.3	2.5	2.5	2.3	1.6
Total	1.3	2.5	2.5	2.3	1.6
% of Housing Benefit	3.1%	6.0%	6.4%	6.1%	4.3%

Source: Analytical Services Unit, DfC

- I recognise that over a number of years LPS has made considerable efforts to improve fraud and error rates but the increase in both customer and official error in 2018 is concerning. My opinion on regularity therefore remains qualified.

Other Matters

- There are a number of matters referenced in the Performance and Accountability Report and the Governance Statement in the accounts. I note specifically the following matters:

Outstanding Valuation Caseload

- There has been an increase in the outstanding non-domestic valuation caseload with 3,973 cases outstanding at 31 March 2019 (3,138 cases at 31 March 2018). There has also been a rise in the number of domestic cases outstanding, 11,054 at 31 March 2019 compared to 9,226 at 31 March 2018.
- The estimated impact on the rate revenue figure of the outstanding domestic and non-domestic caseload at 31 March 2019 is up to £8.7 million.

Vacancy Discharges

- The estimated level of error in the overall vacancy discharge figure of £42.3 million is 8.65 per cent, although this is likely to be overstated due to inspections being targeted

at higher value properties. When LPS find that a ratepayer has been in occupation of a property (whether via a vacancy inspection or otherwise), the correct assessment is back-dated to when occupation began and therefore no revenue is lost.

11. LPS plans to continue their existing inspection programme in partnership with Councils and to trial new methods of data sharing and collection to identify at the earliest opportunity vacant properties that have become occupied. Currently, data is being provided by LPS to assist with a data matching and analytics Council-led initiative to identify properties for inspection with a high probability of occupancy.

Ratepayer Debt

12. **Figure 2** below shows the level of ratepayer debt has reduced to £124.5 million at 31 March 2019. Debt written off in year was £15.9 million and impaired debt, which is unlikely to be repaid in full, amounted to £36.1 million at 31 March 2019.

Figure 2 – Analysis of Ratepayer Debt

	March 2015	March 2016	March 2017	March 2018	March 2019
	£ million	£ million	£ million	£ million	£ million
Gross Assessments	1,366.4	1,392.0	1,418.1	1,457.3	1,512.2
Net Revenue Collectable	1,172.5	1,196.3	1,232.1	1,275.7	1,333.6
Ratepayer Debt	156.4	142.7	131.7	125.8	124.5
Debt written off	(25.3)	(28.6)	(20.7)	(19.3)	(15.9)
Impaired amount	(36.6)	(35.2)	(36.9)	(36.2)	(36.1)
Write off as a % of Gross Assessments	1.9%	2.1%	1.5%	1.3%	1.1%
Year End Debt as a % of Gross Assessments	11.5%	10.3%	9.3%	8.6%	8.2%

*Note that the figures included in the table above are those from the Revenue & Benefit's system without the Year End accounting adjustments (e.g. accrued income & losses) and as such differ slightly from the figures in the Financial Statements.

13. I recognise the improvement by LPS through its debt management strategy but there is still £125 million ratepayer debt outstanding which is not available for public use. LPS has pointed out this includes late rate assessments and debt that is under a payment arrangement and the majority of the debt outstanding at year end is expected to be recovered. It is therefore important that all necessary steps are taken to maximise recovery.

Update on Application Based Rebate Fraud

14. I have previously provided details on a fraud perpetrated by a member of LPS staff in 2014. The total value of the fraud was £130,000 and to date LPS has retrieved £97,500. I would impress upon LPS the importance of the outstanding amount being pursued.

Additional Fraud Occurrence in 2019

15. LPS has informed me of a recently discovered fraud relating to the misappropriation of refunds due on customer accounts. LPS has commenced its own investigation to establish the full circumstances and the amount involved. The PSNI has been informed. I will keep this matter under review and will report on the outcome in due course.



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28th October 2019