



TRUST STATEMENT –
RATE LEVY ACCRUALS ACCOUNT

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED **31 MARCH 2018**



Land & Property Services

TRUST STATEMENT – RATE LEVY ACCRUALS ACCOUNT
ANNUAL REPORT & ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018

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

10 October 2018



© Crown copyright 2018

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence visit www.nationalarchives.gov.uk/doc/open-government-licence/version/3/ or email: psi@nationalarchives.gsi.gov.uk

Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

This publication is also available at www.finance-ni.gov.uk.

Any enquiries regarding this document should be sent to us at Operational Finance, Land & Property Services, Lanyon Plaza, 7 Lanyon Place, Belfast, BT1 3LP

Contents

Director's Review	7
Performance and Accountability Report	8
• Director's Report	8
• Statement of Accounting Officer's Responsibilities	14
• LPS Governance Statement	14
• Certificate of the Comptroller and Auditor General to the Northern Ireland Assembly	18
Statement of Revenue and Expenditure	20
Statement of Financial Position	21
Statement of Cash Flows	22
Notes to the Trust Statement Accounts	23
Annexes	30
Report of the Comptroller and Auditor General	32

DIRECTOR'S REVIEW

FOREWORD

Introduction

I am pleased to present the 2017/18 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 2016/17. 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 2017/18 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 actionable rating debt to £67.6 million, which equates to a reduction of £2.1 million from the previous year end figure but a shortfall of £4.6 million against the target.
- Reduction of the overall rating debt to £125.8 million, a reduction of £5.4 million from the previous year end.
- Positive Penny Product outturns (ie more revenue raised than forecast under the rate setting process) for all of the 11 District Councils and total finalisations of 1.6%, well within the 2% target.
- Collecting £1,276.9 million in rates revenue against a target of £1,275 million.
- Achieved 97.2% accuracy as measured by Standard Assurance Unit in relation to Housing Benefit payment against a target of 92%.

Looking Ahead

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

- Continuation of the roll out of Universal Credit;
- 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.



Sue Gray
Accounting Officer

1 October 2018

PROFORMANCE 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 31 March 2018. 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;
- **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 Ministerial targets. LPS has two Ministerial targets within the DoF 2017/18 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 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 2017/18 is detailed below.

LPS Management Board in 2017/18

Colum Boyle	Chief Executive
Alan Bronte	Director of Valuation/Commissioner of Valuation
Christine Farrell	Director of OSLR/Registrar of Titles
Jim Lennon	Head of Mapping (since 22 May 2017)
John Deyermond	Acting Head of Mapping (until 22 May 2017)
Judith Andrews	Director of Revenues and Benefits (Acting Director until 2 February 2018)
Chris Smart	Head of Organisational Development
Nigel McVittie	Director of Digital Services

Business Performance and Risk Management

During 2017/18, 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 Audit and Risk Committee.

Within the context of implementing our strategic aims with regards to rate collection, two Corporate Targets were identified for the 2017/18 year. These were:

- To collect £1,275 million of rates; and
- To reduce the total rate debt to £125 by 31 March 2018.

Corporate Target 1: To Collect £1,275 million of Rates by 31 March 2018

Month Ending	Target Rates Collected 2017/18	Actual Rates Collected 2017/18	Variance from Target
	£m	£m	£m
March 2018	1,275	1,276.9	1.9

The target of £1,275 million represented a £50 million (or 4.1%) increase on the 2016/17 target, against an overall uplift in the district and regional rate of 1.69%. Despite this, the cash collection increased to £1,276.9 million and represented an increase of £32.4 million (or 2.6%) over the 2016/17 position and £1.9 million (or 0.15%) over the target.

Corporate Target 2: To Reduce the Total Rating Debt to £125 million by 31 March 2018

Month Ending	Target Debt	Actual Debt	Variance from Forecast
	£m	£m	£m
March 2018	125	125.8	(0.8)

For 2014/15 the debt reduction target was changed to focus on the value of 'actionable' debt (ie debt that is not yet in the recovery process). However for 2017/18 the focus of the target reverted back to total rating debt. Although not a Corporate Target between 2014/15 and 2016/17, LPS made good progress and by 31 March 2017 the total rating debt has been reduced to £131.2 million.

It was agreed that the debt target for 2017/18 would be to reduce the total debt to £125 million by Year End. LPS just missed this target as by Year End the total debt stood at £125.8 million. LPS believe that this position was influenced by the delay in issuing rate assessments in 2017/18, and although the target was missed the debt was the lowest since 2008.

Figure1: Trends in Ratepayer Debt

	March 2018	March 2017	March 2016	March 2015	March 2014
	£ million	£ million	£ million	£ million	£ million
Gross Assessments	1,457.3	1,418.1	1,392.0	1,366.4	1,331.1
Net Revenue Collectable	1,275.7	1,232.1	1,196.3	1,172.5	1,130.6
Ratepayer Debt	125.8	131.7	142.7	156.4	162.1
Debt written off	(19.3)	(20.7)	(28.6)	(25.3)	(31.6)
Impaired amount	(36.2)	(36.6)	(35.2)	(36.6)	(40.0)
Write off as a % of Gross Assessments	1.3%	1.5%	2.1%	1.9%	2.4%
Year End Debt as a % of Gross Assessments	8.6%	9.3%	10.3%	11.5%	12.2%

*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 8.6% of the Gross Assessments and the debt written off amounted to 1.3% 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 last two years. During the reporting period, LPS continued to focus on recovery of debt. Despite this, as at 31 March 2018 the debt in the recovery process has stayed in line at 46.5% (47% as at 31 March 2017), however the amount of debt secured through the Enforcement of Judgment's Office reduced to £8.8 million (from £9.9 million at 31 March 2017).

In addition to the new debt strategy mentioned above, LPS implemented several measures during 2017/18 to improve collection including:

- Improvement of customer segmentation.
- A pilot with external collection agencies such as Stubbs Gazette to target uncollectable debt.
- Continued data cleansing.
- An interactive Direct Debit mandate for customers.

Non-Domestic Vacancy Exemptions

There were approximately 14,253 non-domestic properties listed as vacant at April 2018 compared to 14,531 at April 2017. 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 2017/18, the 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 2,540 inspections took place and 498 which equated to 30.8% (21.5% during 2016/17) of the properties inspected were found to be occupied. As a result of this, a total of £5.7 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 2018/19.

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. Levels

have varied from a high of 31% in 2017/18 to a low of 18.25% in 2014/15. 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. We are also working with councils to trial new methods of data sharing and collection to identify vacant properties that have become occupied at the earliest opportunity.

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 rate revenue impact of in hand casework.

As at 31 March 2018 the number of valuation cases in hand is at the lowest level for well over a decade. As at 31 March 2018 the level of domestic cases had fallen to 9,226 from 50,332 in 2007/08 and non-domestic had fallen to 3,138 from 4,869 in the same timeframe. 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 has been retained for the 2017/18 Trust Statement. LPS monitors Housing Benefit financial accuracy as a key target. Throughout 2017/18, 8,627 quality assurance checks were completed and an average payment accuracy level of 99.21% was reported.

Standard Assurance Unit (SAU) report on Housing Benefit Fraud and Error and during the 2017 calendar year reported a total payment accuracy of 97.2% against the LPS target of 92%.

LPS Housing Benefit Central Unit (HBCU) maintained stable staffing levels during 2017/18 consolidating experience and knowledge within this area. 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 has assisted in reducing case load volumes, improved turnaround times and reduced the risk of overpayments. In the year 57,825 notifications were automated.

HBCU has also continued to engage with the National Fraud Initiative and conduct internal investigations and reviews of housing benefit claims. Approximately 4,830 reviews were carried out during 2017/18.

SAU reports indicate that the actions taken by LPS over the last 18 months to three years are showing sustained improvement.

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

The LPS Audit and Risk Committee (ARC) exists to expose existing arrangements to greater scrutiny by independent and external experts, thereby improving advice to the Accounting Officer and Management Board as well as raising risk management, control and governance standards across the organisation.

Our business planning cycle is a fundamental part of the work carried out by the Business Development 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 ARC provides assurance to the Board that risks are being adequately managed, but will advise and inform the Board if it considers action is required. Owners of risks deemed to be serious are asked to attend ARC meetings, to provide detail of action being taken to mitigate them.

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 Corporate 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 two 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. Then a comprehensive review of each case is carried out before a response is drafted. If LPS is unable to reply within the original timeframe we will write to inform the customer. Where a satisfactory resolution to the complaint has not been achieved in Stage 1, the complaint escalates to the Chief Executive (a "Stage 2" complaint).

In total LPS received 391 complaints in the 2017/18 year compared to 497 complaints in the 2016/17 year. This equates to a 21% decrease in complaints compared to the previous year. This is the second lowest total for complaints in the past nine years. 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 decreases across several business areas compared to the volumes received in 2016/17.

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 clients, 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

1 October 2018

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, DoF requires 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 required to be prepared on an accruals basis and to give a true and fair view of the Trust's state of affairs, revenues, expenditure and cashflows 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; and
- Prepare the financial statements on the going concern basis.
- Confirm that, as far as she is aware, there is no relevant audit information of which the Department's auditors are unaware, and she has taken all the steps she ought to have taken to make herself aware of any relevant audit information and to establish that the Department's auditors are aware of that information; and
- Confirm that the annual report and accounts as a whole is fair, balanced and understandable and that she take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

DoF has designated the Permanent Head of the Department as the Accounting Officer for 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 of proper records and for safeguarding LPS's assets, are set out in Managing Public Money in Northern Ireland (MPMNI) published by DoF.

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 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 we do makes a significant and positive difference to the everyday lives of all the citizens in Northern Ireland. We provide and support important public services by:

- Collecting over £1 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 Persons 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 LPS Corporate Risk Register is regularly reported to and monitored by the Board and LPS ARC. The ARC is chaired by one of its three independent members and functions in accordance with best practice contained in the Audit and Risk Assurance Committee Handbook (NI) issued March 2014.

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;
- LPS ARC formally reviews risks and controls on a regular basis;

- ARC assesses the continued appropriateness of the respective risks and the means through which they are managed. The need to add, delete, delegate or promote risks is also determined in order to reflect the current business environment;
- 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 2017/18 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.

As part of the Corporate Performance Reports, the Board also receives, thoroughly reviews and seeks improvement to information on key organisational statistics. This relates to LPS performance in responding to Assembly Questions, Freedom of Information and Data Protection requests, prompt payment to suppliers, workforce planning, resourcing, absence management, procurement, contract activity and expenditure on areas of interest such as external consultancy and hospitality.

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 2017/18 working collaboratively with LPS Audit and Risk Committee (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.

In his Annual Assurance Report, the Head of Internal Audit provides LPS with a satisfactory level of assurance. This is the ninth successive year that LPS has received this level of assurance from Internal Audit on its systems of control and governance. Four risk based audits have been completed and in all four areas a satisfactory audit opinion was provided.

A synopsis of the main findings from each audit was provided to ARC.

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.

As a NIAO recommendation, a quarterly standard assurance report on Housing Benefit Fraud and Error is now a standing item at LPS ARC.

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.

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

Significant Internal Control Problems

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 has been retained for the 2017/18 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 which include:

- Stabilising staff numbers and consolidating staff experience.
- Improvements to the IT system which helped relieve pressure (36,500 cases actioned automatically).
- Introduction of system suspensions to further reduce turnaround times and resulting overpayments.

Fifteen recommendations were made following this audit, two were Priority 1 in relation to credit and payments and the mapping archive. Five for Priority 2 and eight were Priority 3.

Fraud

In December 2015 a fraud was detected in Land & Property Services, totalling £130k, which led to the charging and conviction of a member of staff. They received a suspended sentence and were formally dismissed from their position. A confiscation Order was also put in place to retrieve the misappropriated funds and to date £97,500 has been received. Any remaining monies will be sought by the Courts on an ongoing basis.

As a consequence of the fraud, the Department undertook a detailed review of relevant processes. A number of lessons learnt were identified in relation to managerial issues, key control weaknesses, and systems and processes which were discussed at Management Board of the 12 recommendations made, five have been implemented. The remaining seven are all ongoing as they were longer term recommendations. A number of managerial and system changes were already in the process of being amended so in relation to these areas no further additional remediation was deemed necessary.

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 2017/18.



Sue Gray
Accounting Officer

1 October 2018

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 2018 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 2018 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 £4.5 million of estimated fraud and error in housing benefit expenditure, 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 for Opinions

The total amount paid in Housing Benefit is £38.2 million. As reported in Note 11 to the financial statements the level of error is estimated to be £2.2 million and the level of fraud is estimated to be £2.3 million. The Housing Benefit overpayments are irregular as the expenditure has not been applied in accordance with the purposes intended by the Assembly and also because fraudulent transactions are by definition irregular since they are without proper authority. In addition both over and under payments arising from official error are irregular because they have not been calculated in accordance with the primary legislation which specifies the entitlement criteria for this benefit and the method used to calculate the amount to be paid.

I have therefore qualified my opinion on the regularity of Housing Benefit expenditure because of the estimated levels of overpayments attributable to fraud and error which have not been applied to the purposes intended by the Assembly and because of the level of overpayments and underpayments due to official error in such benefit expenditure which are not in conformity with the authorities which govern them.

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.

I am required 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 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.

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 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

2 October 2018

STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2018

		2017-18	2016-17
	Note	£'000	£'000
REVENUE:			
Rate Revenue	1.3	1,455,720	1,418,157
Other Revenue		4	3
Total Revenue		1,455,724	1,418,160
EXPENDITURE:			
Reliefs and Discharges			
Vacancies	1.4, 2	43,026	45,493
Housing Benefit	1.4, 11	38,177	39,157
Rate Reliefs and Discharges	1.4, 2	46,479	44,615
Transitional Relief	1.4	(2)	(2)
Maximum Capital Value	1.4	8,489	8,005
Allowances	1.4	11,461	11,085
Discounts	1.4	5,797	5,550
District Rate Convergence	1.4	5,287	7,871
Credit Losses – debts written off or otherwise impaired	3	18,600	23,034
Rating of Empty Homes Discharge	1.4, 1.10	3,112	3,441
Total Reliefs and Discharges		180,426	188,249
Net Revenue for Consolidated Fund		1,275,296	1,229,911

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 2018

	Note	31 March 2018	31 March 2017
		£'000	£'000
Non-Current Assets:			
Receivables falling due after more than one year	4	371	330
Current Assets:			
Receivables	5	91,655	97,453
Cash and Cash Equivalents	6	<u>1,915</u>	<u>1,275</u>
Total Current Assets		93,570	98,728
Total Assets		93,941	99,058
Current Liabilities			
	7	(13,985)	(17,499)
Net Asset		79,956	81,559
Total Assets less Current Liabilities		79,956	81,559
Represented by:			
Balance on Consolidated Fund Account	8	79,956	81,559

The notes on pages 23 to 29 form part of these financial statements.



Sue Gray
Accounting Officer
1 October 2018

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

		2017-18	2016-17
	Note	£'000	£'000
Net Cash flow from operating activities	A below	1,277,539	1,243,648
Cash paid to Consolidated Fund	8	(1,276,899)	(1,244,539)
(Decrease)/Increase in cash in this period		640	(891)
Notes to the Cash Flow Statement			
A: Reconciliation of Net Cash Flow Movement in Net Funds			
Net Revenue for the Consolidated Fund	8	1,275,296	1,229,911
Decrease/(Increase) in Non-Cash Assets		5,757	12,421
Increase/(Decrease) in Liabilities		(3,514)	1,316
Net Cash Outflow from Operating Activities		1,277,539	1,243,648
B: Analysis of Changes in Net Funds			
(Decrease)/Increase in cash in this period	6	640	(891)
Net Funds at 1st April (Net Cash at Bank)	6	1,275	2,166
Net Funds at 31st March (Closing Balance)		1,915	1,275

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 IAS 39. 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 2016/17 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:

	2017-18	2016-17
	£'000	£'000
Vacancies		
Non Domestic Vacant Rating	42,900	44,761
Domestic Vacant Rating	5	3
Empty Property Relief	121	729
	43,026	45,493
Rate Reliefs and Other Discharges		
Disabled Persons Allowance	3,402	3,273
Residential Home Relief	9,289	8,603
Domestic Rate Relief	8,084	8,198
Low Carbon Homes Scheme	1	22
Full Time Education Relief	-	-
Non Domestic Hardship Relief	-	3
Small Business Rate Relief	19,407	18,530
Lone Pensioners Allowance	6,296	5,989
	46,479	44,615

3. CREDIT LOSSES

	2017-18	2016-17
	£'000	£'000
Bankruptcies*	4,519	6,477
Liquidations	2,748	2,117
Other Irrecoverables	12,050	12,783
Change in the value of impairments	(717)	1,657
	18,600	23,034

*Includes Individual Voluntary Arrangements of £682,537 in 2017/18 (£881,223 in 2016/17)

During 2017/18 there were no losses identified that were in excess of £250,000, in 2016/17 one loss was identified totalling £254,635.49.

Credit Losses are the amounts reportable to the NI Assembly under rules on disclosure of Losses and Write-Offs in Managing Public Money

4. NON CURRENT ASSETS

	2017-18	2016-17
	£'000	£'000
Rate assessments receivable >1 year	358	320
Interest accrued on rate assessment debt	13	10
	371	330

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

	2017-18	2016-17
	£'000	£'000
Rate Debtors before estimated impairments	125,716	131,139
Less: estimated impairments (see note 5.2)	(36,209)	(36,926)
	89,507	94,213
Other Debtors	2	2
Accrued Income	2,142	3,230
Due from LPS business account	4	8
	91,655	97,453

Rate debtors represent the amount due from ratepayers where assessments have been raised but not paid for as at 31 March 2018.

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:

	2017-18	2016-17
	£'000	£'000
Balance as at 1 April	36,926	35,269
(Decrease)/Increase in estimated value of impairments	(717)	1,657
Balance as at 31 March	36,209	36,926

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

	2017-18	2016-17
	£'000	£'000
Balance as at 1 April	1,275	2,166
Net change in cash and cash equivalent balances	640	(891)
Balance as at 31 March	1,915	1,275
The following balances at 31 March were held at Commercial banks and cash in hand		
Balance as at 31 March	1,915	1,275

7. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2017-18	2016-17
	£'000	£'000
Rating Creditors	4,607	5,479
Bank Overdraft	1,473	1,877
Other Creditors	5,683	4,635
Accruals	689	731
Due to LPS business account	1,533	302
Deferred Income*	-	4,475
Total	13,985	17,499

*The deferred income relates to a payment that was made by a ratepayer against future rate liability

8. BALANCE ON CONSOLIDATED FUND ACCOUNT

	2017-18	2016-17
	£'000	£'000
Balance on Consolidated Fund Account as at 1 April	81,559	96,187
Net Revenue for the Consolidated Fund	1,275,296	1,229,911
Less: Amount paid to Consolidated Fund	(1,276,899)	(1,244,539)
Balance on Consolidated Fund Account as at 31 March	79,956	81,559

9. RELATED PARTY TRANSACTIONS

LPS is a business group within DoF, DoF is regarded as a related party. During the year, LPS paid £1.276 billion to the Consolidated Fund Account.

During the year, LPS issued material rating invoices to various other government departments and central government bodies in the normal course of its business. These invoices totalled £192.2m for 115 Public Bodies and the largest five assessments issued were:

Government Department/Central Government Bodies	2017-18 Assessmnt £m
Education Authority	£42.3
NI Water	£26.4
Properties Division - DoF	£18.1
Police Service of Northern Ireland	£12.4
Belfast Health and Social Care Trust	£8.2

In addition, LPS paid £4,154,668 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

There were no events after the reporting date and the date when the Accounts were signed which require adjustment to the financial statements or disclosure within them.

The Accounts were authorised for issue on 2 October 2018.

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 2017 to 31 December 2017 in March 2018. These reports highlighted errors amounting to

£2.2 million (£1.1 million customer error overpayment, £0.2 million official error underpayment and £0.9 million official error overpayment) and £2.3 million customer fraud in Housing Benefit for owner occupiers. This represents approximately 12.7% 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 2017.

ANNEXES

ANNEX 1: Summary statement of rate levy and collection

	2017-18		2016-17	
	£m	£m	£m	£m
Debtors at 1 April				
Prior year adjustment – debits brought forward				
Amended Debits brought forward		131.2		142.3
Assessments during year		1,457.3		1,417.0
Credit carried forward to next period		4.6		5.7
		1,593.1		1,565.0
Less: Discharged during the year				
Credits brought forward from last year				
Prior year adjustment – credit brought forward				
Amended credit brought forward	5.7		8.2	
Net receipts (ie receipts less refunds)	1,279.9		1,240.6	
Vacancies	0.1		0.2	
Rebates/Rate Relief/DPA/LPA/EEHS	84.3		86.6	
Residential Home Relief	9.3		8.6	
Non-Domestic Vacant Rating Relief	39.7		40.9	
Allowances	11.5		11.1	
Discounts	5.8		5.5	
Written-off as Irrecoverable	19.3		20.7	
Transitional Relief/Capping	8.5		8.0	
Rating of Empty Homes	3.1		3.4	
		1,467.2		1,433.8
Debtors at 31 March		125.9		131.2

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 2017/18 has been included in this Annual Report for information purposes only.

ANNEX 2: Summary of 2017-18 rate collection

Percentage of the net collectable rate collected based on April 2017 assessments (as at 31 March 2018)

Council	April 2017 Assessments	Balance	Collected/ Discharged	% Collected/ Discharged
	£	£	£	
Antrim and Newtownabbey	103,784,593	1,533,254	102,251,339	98.5%
Ards and North Down	110,297,750	2,493,647	107,804,104	97.7%
Armagh City, Banbridge and Craigavon	127,968,335	3,684,215	124,284,120	97.1%
Belfast	352,204,101	10,140,005	342,064,097	97.1%
Causeway Coast and Glens	92,848,091	1,868,312	90,979,779	98.0%
Derry City and Strabane	104,664,261	2,642,105	102,022,157	97.5%
Fermanagh and Omagh	75,985,257	1,829,445	74,155,812	97.6%
Lisburn and Castlereagh	106,461,482	1,952,060	104,509,422	98.2%
Mid and East Antrim	95,050,323	1,498,839	93,551,483	98.4%
Mid Ulster	78,810,771	2,204,247	76,606,524	97.2%
Newry, Mourne and Down	113,673,130	4,336,702	109,336,429	96.2%
Total	1,361,748,095	34,182,830	1,327,565,265	97.5%

April 2017 Assessments represent rating assessments for the 2017/18 year.

Balance represents the balance still outstanding from these assessments as at 31 March 2018.

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
Trust Statement – Rate Levy Accruals Account 2017-18

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Land & Property Services

Introduction

1. This report sets out:

- The background to the levels of fraud and error in housing benefit expenditure administered by Land & Property Services (LPS);
- The basis of my qualified audit opinion on the 2017-18 Trust Statement prepared by LPS in respect of the Rate Levy Accruals Account;
- Actions LPS is taking to reduce levels of fraud and error;
- Progress on other matters previously considered by the Public Accounts Committee in 2012; and
- The implementation of recommendations arising out of the LPS investigation and C&AG's report on the Application Based Rate Rebate fraud identified in December 2015.

2. 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'.

3. LPS administers housing benefit 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 £38.2 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 11.9 per cent of LPS total housing benefit expenditure. This is however reduced compared to 14.8 per cent last year.

4. I consider the level of fraud and error in Housing Benefit expenditure, by its nature, continues to be material. Therefore, as in previous years, my opinion on the regularity of this benefit expenditure is qualified.

Arrangements for Monitoring and Reporting Housing Benefit Fraud and Error

5. DfC's Standards Assurance Unit (SAU) regularly monitors and measures the estimated levels of fraud and error within the benefit system, including Housing Benefit. In order to do this, statisticians from its SAU randomly select samples of ongoing benefit claims and SAU subjects them to detailed examination for evidence of official error, customer error and customer fraud. The results of this testing are then used to estimate the total level of fraud and error.

6. DfC points out that the estimation of fraud and error is by its nature subject to uncertainty because it is based on sample testing. Estimates do, however, represent the best measure of fraud and error available at present. In order to facilitate the timetable for the production of financial statements, SAU's testing on benefit claim accuracy is reported on a calendar year rather than a financial year basis. I am satisfied this is reasonable. benefit claim accuracy is reported on a calendar year rather than a financial year basis. I am satisfied this is reasonable.

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 2017-18.

7. As part of my audit of DfC, I examine the work undertaken by SAU to assess the levels of fraud and error within the benefit system, including Housing Benefit. My staff examine and re-perform a sample of their case work carried out during the year and review the methodologies applied in carrying out these exercises. I am content the results produced by SAU are a reliable estimate of the total fraud and error in the benefit system.

Basis of Qualification

8. SAU reported in March 2018 the extrapolated levels of fraud and error for Housing Benefit administered by LPS during the calendar year 1 January 2017 to 31 December 2017. This report highlights estimated levels of fraud and error amounting to £2.2 million and £2.3 million respectively.
9. **Figure 1** and **Figure 2** below show that the level of error has decreased from £6.1 million in 2013 to £2.2 million in 2017, a decrease of 64 per cent over the five year period, highlighted by a reduction of 33 per cent when compared to the previous year 2016.
10. They also show decreases of 74 per cent in overpayments and 71 per cent in underpayments attributable to official error over the same five year period. I am pleased to note the continued reduction in official error, for both over and underpayments, which has been sustained and continues to be improved upon. Likewise, customer error has shown a 42 per cent decrease over the five year period. This consistent improvement in performance is encouraging.
11. I note however that customer fraud, whilst it shows a small decrease of 8 per cent in 2017 compared to the previous year, has remained fairly constant over the last 3 years at £2.3-£2.5 million which is considerably higher than £0.5 million in 2013, the start of the five year review period. It is also noteworthy that the percentage of customer fraud in Housing Benefit administered has actually increased due to the level of Housing Benefit expenditure reducing over the five year period.
12. I am pleased to note an overall fall in the levels of fraud and error to £4.5 million in 2017 from the high point of £8.6 million in 2014 and commend LPS for the actions implemented to bring about this improvement.

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

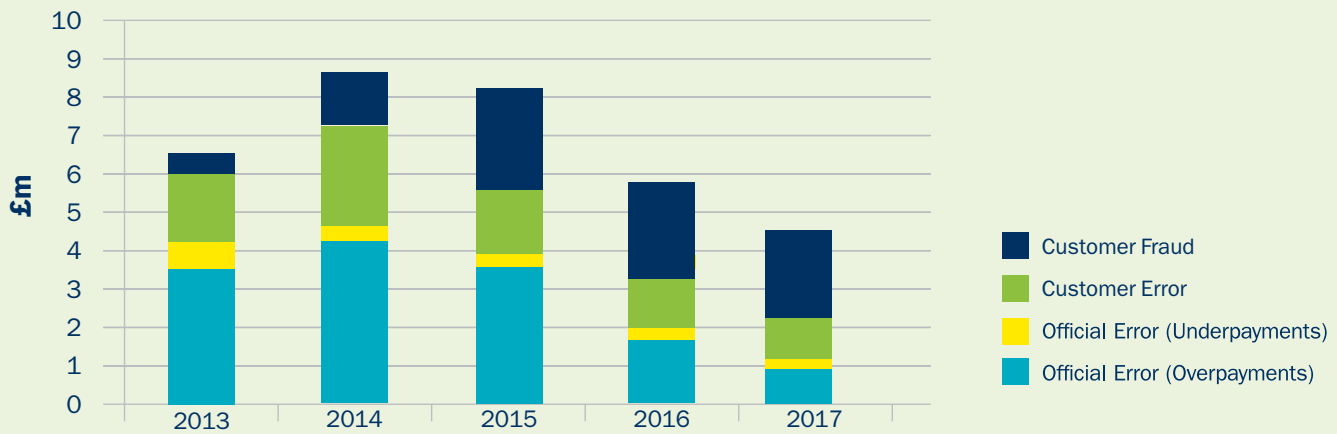
	2013	2014	2015	2016	2017
	£ million	£ million	£ million	£ million	£ million
HB Administered	40.7	42.2	41.5	39.1	37.9
Error					
Official Error (Overpayment)	3.5	4.2	3.6	1.7	0.9
Customer Error (Overpayment)	1.9	2.7	1.7	1.3	1.1
Official Error (Underpayment)	0.7	0.4	0.3	0.3	0.2
Total	6.1	7.3	5.6	3.3	2.2
% of Housing Benefit	15.0%	17.3%	13.5%	8.4%	5.8%
Fraud					
Customer Fraud	0.5	1.3	2.5	2.5	2.3
Total	0.5	1.3	2.5	2.5	2.3
% of Housing Benefit	1.2%	3.1%	6.0%	6.4%	6.1%

Source: Analytical Services Unit, DfC

² The SAU methodology does not take into account the effect a reduction in entitlement to Housing Benefit has on the ratepayer's entitlement to Rate Relief.

³ Overpayments are added back onto the rate account and collected as part of the normal rating process.

Figure 2: Breakdown of over/underpayments 2010 - 2016



Levels of fraud and error

13. LPS advised me that through a range of targeted measures adopted by LPS Housing Benefit there has been substantial reduction in official error which reflects very positively on LPS performance, paving the way for a sustained improvement in the reduction of error rates moving forward. These include:

- Retention of experienced staff and workforce stabilisation;
- A reduction in the turnaround target;
- Internal quality control checks; and
- Automation of ATLAS notifications.

Levels of Customer Fraud

14. I asked LPS if they had identified any specific reasons for the ongoing increase in customer fraud. LPS told me that:

- SAU identified in Quarter 4 that fraudulent/undeclared income was the main contributory factor (6 per cent) of customer fraud in LPS data. This is where the claimant has failed to declare or provide evidence to the DfC on earnings or other income that would reduce their entitlement to Housing Benefit Rate Relief;
- LPS piloted the Wider Use of Real Time Information (WURTI), a data feed from HMRC in November 2017 and this has allowed LPS to check income on customer claims. LPS has seen advantages of the system and since the full roll out in February 2018, 642 claims have been reviewed specifically to identify earnings, this has resulted in 618 of these cases having undeclared change of circumstances; and
- LPS intends to increase the use of the facility to assist in identifying potential customer fraud before it enters the LPS HB system as well as improving new claim processes.

15. I note the success LPS has achieved in identifying undeclared changes in circumstances through the use of WURTI and understand that as the use of WURTI continues to embed and is further extended to existing caseload there is the potential for greater customer fraud detection. I will continue to monitor the impact of WURTI going forward.

16. My previous reports detailed particular differences between Housing Benefit for owner occupiers and all other ‘means tested’ social security benefits. I acknowledge that, in particular, all other ‘means tested’ social security benefits have a maximum two week payment period , whereas LPS awards are credited against rating accounts for the rating year in which the award is made.

17. Where an overpayment has occurred, LPS will reassess the liability for the rating year and issue the customer with a revised rate bill once the change has been processed. I note that ratepayers’ entitlement to rate relief may increase if their Housing Benefit reduces.

18. LPS continues to undertake Housing Benefit Quality Assurance checks on claims assessed by its staff. These checks monitor the actions taken on HB claims at the point of change and have assisted in driving the improvement in SAU reported Financial Accuracy. The accuracy figures are therefore a measure of the processing accuracy by LPS during the period rather than of payments made. SAU checks identify claims currently in payment and LPS accepts that this will result in the detection of customer fraud and error which internal quality assurance measures cannot easily detect.

Further Actions to reduce levels of fraud and error

19. LPS advised that the success of actions taken in the previous years have contributed towards the improvement of the SAU financial accuracy position of 97.2 per cent at December 2017. This compares with the LPS Business Plan 2017-18 target of 92 per cent and is a 2.5 per cent improvement on the 94.7 per cent reported by SAU in December 2016.
20. Going forward LPS have advised that they will continue to build on the work of the Benefit Compliance Team which will be targeting the review of high risk cases. The introduction of WURTI is proving to be advantageous when reviewing claims and LPS will continue to roll out the use of this data source. Housing Benefit now also has access to the LPS Land Registry information (LandWeb and Data Spine) and will continue to use these sources as a means of obtaining confirmation of property owners.
21. LPS experienced a minor delay in processing caseloads at May 2018. As a result a backlog in outstanding claim actions was generated which was actively targeted and cleared by August 2018. LPS has indicated that working towards reducing backlog impacts the ability to provide resource for claim reviews. LPS considers claim reviews as the most appropriate method to reduce potential customer fraud and error.
22. Through a range of new measures introduced over the last four years, LPS has significantly reduced levels of fraud and error. I recognise the considerable efforts made by LPS to improve fraud and error. My opinion on regularity is qualified given the nature of these transactions.

PAC Matters 2012

23. I gave an undertaking to the Public Accounts Committee at its meeting on 24 October 2012 to monitor progress on the recommendations made in its report. In the following paragraphs 24 to 31 I have, therefore, provided an update on particular issues raised in the report.

Outstanding Valuation Caseload

24. There has been a further fall in the outstanding non-domestic valuation caseload with 3,138 cases outstanding at 31 March 2018 (4,750 cases at 31 March 2017). I noted at 31 March 2017 there was an increase in the number of Stage 2 cases in hand at year end (Appeals to Commissioner of Valuations). LPS advised me that this would be a temporary situation arising from appeals made following Revaluation 2015 and that the number of non-domestic cases in hand would continue to reduce going forward. There has been a 36 per cent reduction in the number of these cases outstanding at 31 March 2018 from 1,170 to 751. I also note a further fall in the number of domestic cases in hand at 31 March 2018 to 9,226 compared to 10,679 at 31 March 2017. LPS told me they introduced a target for cases to be completed within 90 days across their primary work streams in 2017-18. The outstanding domestic caseload is now at its lowest level in the last ten years, 82 per cent lower than the corresponding figure in 2008. I welcome this development and look forward to continued improvement in average case processing times.
25. The estimated impact on the rate revenue figure of the outstanding domestic and non-domestic caseload at 31 March 2018 is no more than £5.6 million (£2.7 million at 31 March 2017). This increase reflects growth in both the non-domestic and domestic valuation lists (two per cent) during 2017-18 as a result of recovery in the property market rather than an increase in the outstanding LPS valuation caseload which continues to fall as noted above.

⁴With the introduction of Universal Credit the payment period in Northern Ireland will generally remain 2 weeks.

Vacancy Discharges

26. LPS continues to undertake a programme of inspections of vacant properties in conjunction with the local Councils. The percentage of properties inspected was 18 per cent, which exceeded LPS' target of 15 per cent. It should be noted that during 2016-17 LPS's vacancy inspection strategy in addition to high value empty property, also focussed on low value properties with an NAV less than £2,000, which when empty attract a full exemption from rating liability. LPS advised me this strategy was further extended during the 2017-18 inspection programme and, as many of these smaller properties had not been inspected for a prolonged period, a higher level of occupancy was expected.
27. The results of the inspection programme indicate the estimated level of error in vacancy discharges, applied by LPS to ratepayer accounts, was no more than £3.55 million (£2.43 million in 2016-17). The level of error has increased from 2016-17 due to the targeted nature of the vacancy inspection programme which increases the likelihood of detecting occupied properties and makes the estimation of error more difficult to determine. The estimated level of error in the overall vacancy discharge figure of £42,027,000 is 8.4 per cent, although this is likely to be overstated. The level of error has increased due to the targeted nature of inspections therefore LPS should continue to keep this area under review and consider the following actions:
- Pursuing legislation to place a statutory obligation on business to declare occupancy; and
 - Further analysis and refinement of the processes used to target properties for inspection, including co-operation between LPS and councils in the development and utilisation of data analytics.

Ratepayer Debt

28. **Figure 3** below shows the level of ratepayer debt at year end has fallen for the fifth consecutive year from £131.7 million at 31 March 2017 to £125.8 million at 31 March 2018. The debt written off in year has also fallen from £20.7 million in 2016-17 to £19.3 million in 2017-18, and the impairment of debt also fell by £0.7 million in year from £36.9 million at 31 March 2017 to £36.2 million at 31 March 2018. It is encouraging that both the overall level of ratepayer debt and the levels of write-off/impairment have fallen in year.

Figure 3 – Analysis of Ratepayer Debt

	2014	2015	2016	2017	2018
	£ million	£ million	£ million	£ million	£ million
Gross Assessments	1,331.1	1,366.4	1,392.0	1,418.1	1,457.3
Net Revenue Collectable	1,130.6	1,172.5	1,196.3	1,232.1	1,275.7
Ratepayer Debt	162.1	156.4	142.7	131.7	125.8
Debt written off	(31.6)	(25.3)	(28.6)	(20.7)	(19.3)
Impaired amount	(40.0)	(36.6)	(35.2)	(36.9)	(36.2)
Write off as a % of Gross Assessments	2.4%	1.9%	2.1%	1.5%	1.3%
Year End Debt as a % of Gross Assessments	12.2%	11.5%	10.3%	9.3%	8.6%

*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.

⁵ Evidence on the Northern Ireland Audit Office Report 'Statement of Rate Levy and Collection 2009/10 and 2010/11'. Public Accounts Committee Report together with Minutes of Proceedings of the Committee relating to the report and the Minutes of Evidence printed 12 December 2012- NIA 88/11-15.

29. LPS told me that the improvement is a reflection of the continued impact of its debt management strategy, combined with several measures first implemented during 2016-17 to improve collection. LPS has also trialled the use of external agents as an additional debt collection option.

Update on Application Based Rebate Fraud

30. In my report on the 2016-17 LPS accounts I provided details on a fraud perpetrated by a member of LPS staff. 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. I note the collection of this debt remains the responsibility of the Public Prosecution Service (PPS), however, as the perpetrator's circumstances change and additional assets become available, the outstanding amount should be recouped.
31. As part of the fraud investigation a number of recommendations were made. LPS has advised that of the 12 recommendations made, five have been implemented. The remaining seven are all ongoing. I welcome LPS's disclosure on this matter in the Governance Statement. I will however continue to keep progress under review.

Other Matters

32. In recent months concern has been raised with me about the value for money of the LandWeb system operated by LPS. I intend to look at this matter as part of my audit of the Department of Finance.

Conclusion

33. I welcome the considerable progress made by LPS to reduce the levels of fraud and error in housing benefit expenditure, administered by LPS. However, I consider the estimated levels of fraud and error to be material by nature and have qualified my audit opinion on the regularity of this benefit expenditure.
34. LPS has put in place a programme of inspections to identify properties listed as vacant but actually occupied. This targeted programme has been effective in detecting such properties although it has resulted in an increase in the level of estimated error in the vacancy discharge figure, although this figure is likely to be overstated. I would therefore encourage LPS to continue with this approach in order to maximise the level of detection. Over time I would expect to see a resultant reduction in the vacancy discharge level of error. LPS should keep this area under review.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
25 October 2017



Department of

Finance

An Roinn

Airgeadais

www.finance-ni.gov.uk

