



Land & Property Services
Seirbhísí Talún & Maoine
THE LAND REGISTRY | CLÁRLANN NA TALÚN

**TRUST STATEMENT –
RATE LEVY ACCRUALS ACCOUNT**

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2021



Land & Property Services
TRUST STATEMENT – RATE LEVY ACCRUALS ACCOUNT
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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

9th December 2021



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Any enquiries regarding this document should be sent to us at Operational Finance, Land & Property Services, Lanyon Plaza, 7 Lanyon Place, Belfast, BT1 3LP or emailed to operationalfinance.rating@finance-ni.gov.uk or telephone us on (028) 9033 6775

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LAND & PROPERTY SERVICES

Annual Report and Accounts for the year ended 31 March 2021

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DIRECTOR'S REVIEW

FOREWORD

Introduction

I am pleased to present the 2020/21 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 been particularly challenging as a result of the ongoing COVID-19 pandemic. LPS staff has continued to deliver a high level of performance throughout all of its business areas despite almost exclusive remote working during the 2020/21 year. I would also like to thank our Trade Union colleagues for their constructive engagement during the year.

LPS has achieved, or substantially achieved, the majority of our 2020/21 business targets. However, there are some aspects I would particularly like to highlight as follows:

- Reduction of the overall rating debt to £152.7 million against a target of £150 million. This is an increase on the previous Year-End figure due to the impact of the COVID-19 pandemic;
- Positive Penny Product outturns for 10 of the 11 District Councils and total finalisations of 1.81%. This means that the district rate revenue raised during the year was greater than what was forecast during the rate setting process for all but one Council;
- Collecting £1,057 million in rates revenue against a target of £1,020 million;
- Achieved 96.6% accuracy as measured by Standard Assurance Unit in relation to Housing Benefit payment against a target of 96%;
- Paying a total of £376 million to businesses adversely impacted by the pandemic;
- Implementing a new rate holiday to support businesses during the pandemic, which cost almost £290 million and paid for exclusively by the NI Executive.

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; and
- Maintaining and maximising rate collection levels during the COVID-19 pandemic while supporting ratepayers in a suitable and sustainable way.



Colum Boyle
Accounting Officer
2 December 2021

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 2021. 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 (for example mapping and data information datasets).

Our Strategic Goals:

By 2023, 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

LPS Management Board

During this reporting period, Ian Snowden 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 2020/21 is detailed below.

Ian Snowden	Chief Executive
Angela McGrath	Director of Valuation/Commissioner of Valuation
Christine Farrell	Registrar of Titles
Jim Lennon	Chief Survey Officer/Director of Ordnance Survey
Judith Andrews	Director of Revenues and Benefits
Nigel McVittie	Director of Digital Transformation
Alan Bronte	Director of Rating Policy
Helen Toner	Acting Head of Business Support Grant Schemes

Although after the reporting period, Alan Bronte retired from his post in June 2021 and was replaced by Sharon Magee.

COVID-19 Impact and Response

LPS has been at the forefront of assisting the citizens and businesses of Northern Ireland throughout the duration of the COVID-19. This has taken the form of supporting businesses via devising, legislating for and applying a four month rate holiday for all businesses on the rating system (excluding Public Sector properties), and a full annual rate holiday for all businesses engaged in the retail, leisure and hospitality sectors. The cost of this during 2020/21 was almost £290 million and was paid for by the NI Executive meaning District Councils did not face a funding shortfall. An annual rate holiday for industrial businesses and newspaper businesses was added towards the end of the year.

Furthermore, LPS was responsible for the administration of the Localised Restriction Support Scheme (LRSS) which paid out £245.7 million to businesses during 2020/21. LPS also administered the following schemes which were introduced as a direct result of the pandemic: Large NAV Scheme (costing £30.1 million), Small Business Top Up Scheme (costing £78.5 million), Medium Industrial Scheme (costing £21.5 million) and the Soft Play Area Scheme (costing £0.3 million).

Finally, the pandemic undoubtedly had an adverse impact on rate debt and collection, and this can be seen in the discussion below on these two important targets. LPS is now in the process of developing a strategy to recover debt collection performance to pre pandemic levels.

Business Performance and Risk Management

During 2020/21, 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 2020/21 year. These were:

- to collect £1,020 million of rates; and
- to reduce the total rate debt to £150 million by 31 March 2021.

Corporate Target 1: To Collect £1,020 million of Rates by 31 March 2021

Month Ending	Target Rates Collected 2020/21	Actual Rates Collected 2020/21	Variance from Target
	£M	£M	£M
March 2021	1,020	1,057	37

The target of £1,020 million represented a significant reduction on the previous year's collection figure of £1,373 million. This is because the target was set after adjustment for the estimated cost of the new business rate holiday that was implemented during the year (estimated cost of £320 million), as well as an expected adverse impact on collection rates resulting from the pandemic.

Corporate Target 2: To Reduce the Total Rating Debt to £150 million by 31 March 2021

Month Ending	Target Debt	Actual Debt	Variance from Forecast
	£M	£M	£M
March 2021	150	152.7	-2.7

Figure1: Trends in Ratepayer Debt

	March 2021	March 2020	March 2019	March 2018	March 2017
	£ million	£ million	£ million	£ million	£ million
Gross Assessments	1,541.4	1,554.5	1,512.2	1,457.3	1,418.1
Net Revenue Collectable	1,089.8	1,377.4	1,333.6	1,275.7	1,232.1
Ratepayer Debt	152.7	124.4	124.5	125.8	131.7
Debt written off	(5.1)	(14.5)	(15.9)	(19.3)	(20.7)
Impaired amount	(51.8)	(38.3)	(36.1)	(36.2)	(36.9)
Write off as a % of Gross Assessments	0.33%	0.9%	1.1%	1.3%	1.5%
Year End Debt as a % of Gross Assessments	9.9%	8.0%	8.2%	8.6%	9.3%

*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.

The Year-End debt position is the highest in a number of years, sitting at £152.7 million after adjusting for unallocated receipts. LPS did not pursue debtors through the Northern Ireland

Courts & Tribunal Service as aggressively as usual due to the pandemic. LPS is currently putting in place a strategy to deal with this position.

Non-Domestic Vacancy Exemptions

There were 12,971 non-domestic properties registered as vacant on the LPS rating system at the beginning of the 2020/21 year. 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 2020/21, the District Councils and LPS suspended property inspections due to health and safety restrictions and the LPS Central Investigation Team (CIT) being deployed to work on Covid-19 related rate reliefs. During 2020/21 a total of 1931 properties were inspected. Of these properties inspected, 31 were found to be occupied which equated to 1.61% (3,015 inspections, with 388 occupied or 12.9% during 2019/20). Note that during the 2020/21 year all of the inspections carried out were desktop inspections. This involves carrying out a detailed online search through social media, estate agents website, google searches and matching to internal systems (e.g. Valuation's Assessment Office).

Going forward, LPS did not have a vacancy inspection target in the 2020/21 year due to the restrictions associated with COVID-19. Vacancy inspections are likely to progress during the 2021/22 rating year however and work is now underway with Council officials to progress this.

Because of the pandemic and the resulting lockdowns, LPS does not expect the usual churn of occupancy/vacancy to have occurred during 2020/21. Furthermore, the business rate holiday is likely to have resulted in a lower level of occupancy changes. This is supported by the very low level of vacancy inspections where an occupier was found discussed above (1.61%).

Outstanding Valuation Caseload

In the normal course of its business, LPS registers cases each day to revalue 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 Derating or Sport and Recreation Relief. As such it is acknowledged that the model overstates the net rate revenue impact of in-hand casework.

The 12 months from 1 April 2020 to 31 March 2021 was uniquely impacted by the Executive's lockdown measures significantly disrupting normal rating valuation operations. In order to comply with Public Health Agency advice on preventing the spread of coronavirus, all physical inspections of property for rating valuation purposes were paused between 23 March 2020 until mid June 2020, albeit desk-based assessments continued throughout. Physical inspections were reintroduced again following full risk assessments and implementation of appropriate protocols by August 2020. There has been an increase in the number of cases in-hand at 31st March 2021 compared to 31st March 2020. The number of domestic cases in-hand was 17,510. This is up from 12,580 in the previous year, accounted for by restrictions on normal rating inspections and by an increase in the number of new build dwellings coming on to the market. The number of non domestic cases in hand was 8,868, up from 5,472 in the

previous year. This increase was expected, as the number of challenges received in the first year after the 2020 revaluation is significantly higher than 'normal' years.

These non domestic challenge cases are being reviewed and considered. Work across other domestic and non domestic case types also continues, with priority given to the oldest cases in progress, and reducing the quantity 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 2019/20 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 2020/21 Trust Statement. LPS monitors Housing Benefit financial accuracy as a key target. From April 2020 to March 2021, 4822 internal quality assurance checks were completed and an accuracy level of 98.86% has been reported.

LPS Housing Benefit Central Unit (HBCU) has continued to see a decrease in skilled staff resources due to the NICS EO2 Promotion competition. HBCU has managed to maintain accuracy levels within target during this period.

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.

The introduction of Universal Credit in September 2017 has resulted in a significant decrease in fresh claims for HBCU as the majority of working age customers who wish to make a new application for help with rates are signposted to the Rate Rebate Scheme. This has resulted in a slow but steady decline in caseload from 53,327 in September 2017 to 44,263 in June 2021.

Due to the Covid 19 Pandemic and the delay in issuing rate bills in 2020/21 HBCU experienced a loss of 7 weeks that prevented HB claims being updated which may, in itself, result in errors being detected in the sample used by Department for Communities Standard Assurance Unit checks. Any errors resulting from these will be rectified when HB assessment activities return to normal levels with no loss in expenditure.

The National Fraud Initiative (NFI) is run in 2 year cycles. The NFI matches for the 2020/21 year were released to HBCU containing 5,145 cases for potential review. Of these 5,145 cases, NFI identified 3,549 of these as potentially having a higher risk of fraud and/or error leading to overpayments. HBCU investigated these 3,549 claims that had been highlighted by NFI as most at risk plus a further 68 lower risk claims. No overpayments have been identified from the reviews completed of these 3,617 claims.

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.

Administration of COVID-19 Grant Schemes

During the 2020/21 financial year Land and Property Services (LPS) was responsible for administering a number of COVID-19 reacted business support schemes which included the £10K Small Business Grant Scheme, administered on behalf of the Department for Economy (DfE) and the Localised Restrictions Support Scheme (LRSS), administered on behalf of the Department of Finance (DoF).

The LRSS was introduced in October 2020 and to date, a total of 24,322 applications have been received with 15,428 approved, 8,879 rejected and 15 pending further action.

From the total number of LRSS applications received, 71 have been identified by LPS Staff as potential fraud cases, 31 of which have received grant payments to the total value of £465k. These 71 cases have been referred to the Group Internal Audit & Fraud Investigation Services (GIAFIS) for further investigation, however the initial focus is on the 31 cases for which payment has been issued. There were several issues noted with eligibility of payments with respect to COVID-19 schemes and as a result, the DOF Resource Accounts were qualified on this basis. Further information on the basis of these qualifications can be found in the Department of Finance 2021 Resource Accounts ([DoF Annual Report and Accounts | Department of Finance \(finance-ni.gov.uk\)](#))

With the introduction of further business support schemes by the Minister of Finance on 15th March 2021, LPS has also assumed responsibility for the administration of these new schemes which a mixture of both application and automatic payment based schemes with specific risks associated with each individual scheme.

In order to mitigate against potential fraud, the LPS Business Support Grants Team has introduced a number of controls around eligibility cross checks which would identify cases which require further investigations and as such would be placed on hold until all checks were complete.

Additional measures are also currently being developed which include;

- Mandatory online Anti-Fraud Awareness Training to be completed by all LPS Business Support Grants Team;
- Guidance and procedures for all staff where potential fraud cases have been identified;
- Conflict of Interest Declarations to be completed by staff if and when required;
- Fraud Risk Assessments for all schemes; and
- Fraud Risk Response Plan

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 separate LPS ARC was discontinued in 2018/19 and its role was amalgamated with the Departmental ARC. Where the LPS Management Board deem it necessary, a risk can be escalated to the Departmental Risk Register, which is regularly reviewed by the Departmental ARC. The Departmental ARC has considered a number of issues relating to LPS in the past year 'deep dive' reviews.

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 506 complaints in the 2020/21 year compared to 414 complaints in the 2019/20 year. This equates to a 22% increase in complaints received by LPS compared to 2019/20.

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.

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 17-21 and the C&AG's Report is reproduced at the end of these accounts.

A handwritten signature in black ink, appearing to read 'Colum Boyle', with a horizontal line underneath it.

Colum Boyle
Accounting Officer
2 December 2021

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) in the form and on the basis set out in the accounts direction. 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 Interim 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 Department of Finance.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that LPS auditors are 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. He 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 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 2020/21 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 2020/21 working collaboratively with LPS Management Board, 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. Two risk based audits have been completed which resulted in Internal Audit issuing no priority 1 recommendation, 12 Priority 2 recommendations and 35 Priority 3 recommendations, all of which have been accepted by LPS management. Internal Audit also provided advice and guidance to LPS on grant payments made during the COVID 19 pandemic. The Head of Internal Audit provided an overall satisfactory opinion on the governance, risk management and control arrangements across DoF for 2020/21, including LPS.

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. The National Fraud Initiative (NFI) is run in 2 year cycles. The NFI matches for the 2020/21 year were released to HBCU containing 5,145 cases for potential review. Of these 5,145 cases, NFI identified 3,549 of these as potentially having a higher risk of fraud and/or error leading to overpayments. HBCU investigated these 3,549 claims that had been highlighted by NFI as most at risk plus a further 68 lower risk claims. No overpayments have been identified from the reviews completed of these 3,617 claims.

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 Fraud and Error

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. The total value of credits applied to rate accounts is shown in the LPS Trust Statement, while the full value of the credits and the payments to Housing Executive and Housing Association claimants is shown in The Departmental Resource Accounts. The fraud and error figures below refer to the estimation associated with the whole value of Rate Rebate (i.e. credits and payments).

Potential for customer fraud and customer error is minimised due to the policy requirement that awards are based on UC entitlement. LPS make use of the Department for Work and Pensions (DWP) Customer Information Services to verify claimant details. 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 2019/20 year and awarded a satisfactory audit opinion.

LPS have an established independent Quality & Governance (Q&G) team to assess official error internally. NIAO also independently review the Q&G assessment to verify the reasonableness of the estimate of official error. The level of official error in 2020-21 in rate rebate has been estimated to be £95k (£56k overpayments and £39k underpayments). To ascertain the level of customer fraud and error, LPS used as a proxy the percentage of customer fraud and error found in Universal Credit estimated by SAU. This has given rise to an estimate of £1,421k (£1,101k customer fraud, £244k customer error overpayments and £76k customer error underpayments). The total level of fraud and error in rate rebate is estimated to be £1,517k. This expenditure is irregular, although not considered material to the LPS Trust Statement. Note that these estimated value of fraud and error figures are that associated with the full amount of the expenditure as disclosed in the DoF Resource Accounts ([DoF Annual Report and Accounts | Department of Finance \(finance-ni.gov.uk\)](#))

Significant Internal Control Problems

Housing Benefit Fraud and Error

The NI Comptroller and Auditor General qualified his opinion on the 2019/20 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 2020/21 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. Refer to note 11 for more detail.

Internal Fraud

Following on from the discovery of suspected fraudulent activity by an employee in June 2019, LPS continued to carry out an investigation in conjunction with the PSNI. This investigation discovered a total of £125k of refunds which were suspected of being issued fraudulently. The investigation also led to the PSNI passing information to LPS leading to the discovery of further fraudulent activity, which involved the same member of staff writing-off debt on ratepayer accounts. This came to a total of £64k.

During the 2020/21 year the investigation was completed and the PSNI passed the case to the Public Prosecution Service (PPS). The PPS decided to take the case forward and initiated legal proceedings. The case was completed in June 2021 when the ex-employee issued a guilty plea to all of the charges brought. The hearing took place in November 2021 and the

former employee was sentenced to two years (one year in prison and one year on license). LPS was also awarded a compensation order of £89k.

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 2020/21.

A handwritten signature in black ink, appearing to read 'Colum Boyle', with a horizontal line underneath it.

Colum Boyle
Accounting Officer
2 December 2021

LAND AND PROPERTY SERVICES TRUST STATEMENT-RATE LEVY ACCRUALS ACCOUNT

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 the Land and Property Services (LPS) Trust Statement- Rate Levy Accruals Account for the year ended 31 March 2021 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Revenue and Expenditure, Financial Position, Cash Flows; and the related notes including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and interpreted by the Government Financial Reporting Manual.

In my opinion the financial statements:

- give a true and fair view of the state of LPS Trust Statement-Rate Levy Accruals Account's affairs as at 31 March 2021 and of the LPS Trust Statement-Rate Levy Accruals Account's net Revenue for 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.

Opinion on regularity

In my opinion, except for the estimated fraud and error in housing benefit expenditure as described in the basis for 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 for opinions

The total amount included in expenditure for housing benefit relief is £34.6 million. As reported in Note 11 to the financial statements the level of error is estimated to be £2.0 million, (£1.8 million overstatement, and £0.2 million understatement) and the level of fraud is estimated to be £2.2 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 error 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), applicable law 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 LPS Trust Statement (Rate Levy Accruals Account) in accordance with the ethical requirements of the Financial Reporting Council’s Revised Ethical Standard 2019, 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.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that LPS Trust Statement-Rate Levy Accruals Account’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the LPS’ ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The going concern basis of accounting for LPS Trust Statement-Rate Levy Accruals Account’s is adopted in consideration of the requirements set out in the Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

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

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.

Matters on which I report by exception

In the light of the knowledge and understanding of the LPS Trust Statement-Rate Levy Accruals Account and its environment obtained in the course of the audit, I have not

identified material misstatements in the Performance Report and Accountability Report. 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.

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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the Land and Property Services (LPS) Trust Statement- Rate Levy Accruals Account's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Land and Property Services (LPS) Trust Statement- Rate Levy Accruals Account will not continue to be provided in the future.

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 reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Land and Property Services (LPS) Trust Statement- Rate Levy Accruals Account through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Rates (Northern Ireland) Order 1977; the Rates (Regional Rates) Order (Northern

Ireland) 2020; the Rates (Coronavirus) (Emergency Relief) Regulations (Northern Ireland) 2020; and the Rates (Coronavirus) (Emergency Relief) (No.2) Regulations (Northern Ireland) 2020;

- making enquires of management and those charged with governance on Land and Property Services (LPS) Trust Statement- Rate Levy Accruals Account's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of LPS Trust Statement-Rate Levy Accruals Account's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: Housing Benefit expenditure, Rate Rebate Expenditure, Refunds of rate payments, revenue recognition, expenditure recognition and posting of unusual journals;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, a review of the methodology and results in respect of fraud and error measurement in Housing Benefit and Rate Rebate expenditure, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
 - performing analytical procedures to identify unusual or unexpected relationships or movements;
 - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
 - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
 - investigating significant or unusual transactions made outside of the normal course of business

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.

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



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
1 Bradford Court
Galwally
BELFAST
BT8 6RB

6 December 2021

STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2021

		2020/21	2019/20
	Note	£'000	£'000
<u>REVENUE</u>			
Rate Revenue	1.3	1,539,304	1,556,385
Other Revenue		5	4
Total Revenue		1,539,309	1,556,389
<u>EXPENDITURE</u>			
Reliefs and Discharges			
Vacancies	1.4, 2	34,010	42,264
Housing Benefit	1.4, 11	34,616	36,006
Rate Rebate	1.4, 11	7,076	3,290
Rate Reliefs and Discharges	1.4, 2	48,721	49,237
Rate Holiday	1.4	288,256	-
Maximum Capital Value	1.4	9,902	9,608
Allowances	1.4	12,941	12,817
Discounts	1.4	6,931	6,531
District Rate Convergence	1.4	55	18
Credit Losses – debts written off or otherwise impaired	3	18,457	16,660
Rating of Empty Homes Discharge	1.4 1.10	3,399	3,502
Total Reliefs and Discharges		464,364	179,933
Net Revenue for Consolidated Fund		1,074,945	1,376,456

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

The notes on pages 25 to 33 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

		2020/21	2019/20
	Note	£'000	£'000
Non-Current Assets			
Receivables falling due after more than one year	4	460	401
Current Assets			
Receivables	5	101,952	88,228
Cash and Cash Equivalents	6	<u>1,772</u>	<u>780</u>
Total Current Assets		103,724	89,008
Total Assets		104,184	89,409
Current Liabilities			
	7	<u>(13,622)</u>	<u>(16,736)</u>
Net Assets		90,562	72,673
Total Assets less Current Liabilities			
		90,562	72,673
Represented by:			
Balance on Consolidated Fund Account	8	90,562	72,673

The notes on pages 25 to 33 form part of these financial statements.



Colum Boyle

Accounting Officer

2 December 2021

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

		2020/21	2019/20
	Note	£'000	£'000
Net Cash flow from operating activities	A below	1,058,048	1,372,773
Cash paid to Consolidated Fund	8	(1,057,056)	(1,373,252)
Increase/(Decrease) in cash in this period		992	(479)

Notes to the Cash Flow Statement

A: Reconciliation of Net Cash Flow Movement in Net Funds

Net Revenue for the Consolidated Fund	8	1,074,945	1,376,456
(Increase) / Decrease in Non-Cash Assets		(13,783)	1,154
(Decrease)/ Increase in Liabilities		(3,114)	(4,837)
Net Cash Flow from Operating Activities		1,058,048	1,372,773

B: Analysis of Changes in Net Funds

(Decrease)/Increase in cash in this period	6	992	(479)
Net Funds at 1 st April (Net Cash at Bank)	6	780	1,259
Net Funds at 31st March (Closing Balance)		1,772	780

The notes on pages 25 to 33 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.

The income and associated expenditure contained in these statements are those flows of funds which LPS handles on behalf of the consolidated fund and where it is acting as agent rather than principal. The financial information contained in the statements and in the notes is rounded to the nearest £'000.

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. The tax gap (i.e. the difference between the hypothetical amount of revenue due and revenue receivable) is not recognised in the financial statements.

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; Rating of Empty Homes Discharge, and the Business Rate Holiday that was introduced for the 2020/21 rating year to assist businesses through the Covid-19 pandemic.

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;
- Farm Diversification; and

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 2019/20 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.

	2020/21	2019/20
	£'000	£'000
<u>VACANCIES</u>		
Non-Domestic Vacant Rating	34,010	42,287
Domestic Vacant Rating	-	-
Empty Property Relief	-	(23)
	34,010	42,264
<u>RATE RELIEFS AND OTHER DISCHARGES</u>		
Disabled Persons Allowance	4,081	3,937
Residential Home Relief	10,567	9,460
Domestic Rate Relief	6,648	7,524
Low Carbon Homes Scheme	-	-
Full Time Education Relief	-	-
Non-Domestic Hardship Relief	4	396
Small Business Rate Relief	19,703	20,524
Lone Pensioners Allowance	7,718	7,396
	48,721	49,237

3. CREDIT LOSSES

	2020/21	2019/20
	£'000	£'000
Bankruptcies*	332	4,489
Liquidations	457	1,956
Other Irrecoverables	4,186	8,035
Change in the value of impairments	13,482	2,180
	18,457	16,660

*Includes Individual Voluntary Arrangements of £160,449 in 2020/21 (£699,192 in 2019/20)

During 2020/21 there has been no loss identified that was in excess of £250,000. (In 2019/20 there was one loss identified in excess of £250,000, at £268,684)

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

	2020/21	2019/20
	£'000	£'000
Rate assessments receivable >1 year	436	382
Interest accrued on rate assessment debt	24	19
	460	401

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

	2020/21	2019/20
	£'000	£'000
Rate Debtors before estimated impairments	152,282	124,331
Less: estimated impairments (see note 5.2)	(51,780)	(38,298)
	100,502	86,033
Other Debtors	20	2
Accrued Income	1,429	2,193
Due from LPS business account	-	-
	101,952	88,228

Rate debtors represent the amount due from ratepayers where assessments have been raised but not paid for as at 31 March 2021. 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:

	2020/21	2019/20
	£'000	£'000
Balance as at 1 April	38,298	36,118
Increase/(Decrease) in estimated value of impairments	13,482	2,180
Balance as at 31 March	51,780	38,298

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

	2020/21	2019/20
	£'000	£'000
Balance as at 1 April	780	1,259
Net change in cash and cash equivalent balances	992	(479)
Balance as at 31 March	1,772	780
The following balances at 31 March were held at Commercial banks and cash in hand		
Balance as at 31 March	1,772	780

7. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2020/21	2019/20
	£'000	£'000
Rating Creditors	4,385	4,029
Bank Overdraft	-	4,724
Other Creditors	7,588	6,771
Accruals	291	257
Due to LPS business account	1,358	955
Total	13,622	16,736

8. BALANCE ON CONSOLIDATED FUND ACCOUNT

	2020/21	2019/20
	£'000	£'000
Balance on Consolidated Fund Account as at 1 April	72,673	69,469
Net Revenue for the Consolidated Fund	1,074,945	1,376,456
Less: Amount paid to Consolidated Fund	(1,057,056)	(1,373,252)
Balance on Consolidated Fund Account as at 31 March	90,562	72,673

9. RELATED PARTY TRANSACTIONS

LPS is a business group within DoF, DoF is regarded as a related party. During the year, LPS paid £1.057 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 £204.6m for 100 Public Bodies and the largest five assessments issued were:

Government Department/ Central Government Bodies	2020/21 Assessment £m
Education Authority	£49.1
NI Water Service	£28.3
Properties Division - DoF	£16.1
Police Service of Northern Ireland	£11.3
Belfast Health and Social Care Trust	£9.6

In addition, LPS paid £4,454,662 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

The accounts were authorized for issue on 6 December 2021.

LPS has now legislated for extending the annual rate holiday for businesses in the retail, hospitality, leisure and manufacturing sectors for the 2021/22 rating year.

11. FRAUD AND ERROR

Housing Benefit

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 Professional Services Unit of the DfC through Benefit Reviews, which measure Official Error, Customer Fraud and Customer Error.

Levels of fraud and error in Housing Benefit for owner occupiers are reported by the Standards Assurance Unit (SAU) within the Department for Communities (DfC). During the year ended 31 December 2020 the SAU did not estimate total losses of which may have arisen through over and under payments of benefits to claimants due to fraud and error, due to the ongoing impact of the pandemic. In order to estimate potential levels of fraud and error associated with the rating element of Housing Benefit for Owner Occupiers, LPS used the figures reported for the year ended 31 December 2019. Based on this estimation a total of £3.3 million of expenditure was paid incorrectly. This consisted of £2.2 million of Customer fraud and £1.1 million of Customer Error (£0.8 million overpayments and £0.3

million underpayments). The SAU did however report on an estimated level of official error for the year ended 31 December 2020. Based on this a further £1.2 million was paid out in error (£1.0 million overpayments and £0.2 million underpayments). Note that the figures above are determined by applying the appropriate 2019 customer fraud and error rate and the 2020 official error rate to the 2020/21 Housing Benefit expenditure (i.e. £34.6 million)

As a result of this the Comptroller and Auditor General is expected to qualify his opinion on regularity due to material levels of fraud and error.

The table below shows the estimated levels of fraud and error with the relevant upper and lower confidence intervals as reported by SAU.

	Monetary Value (£'000)	Upper Confidence Interval (£'000)	Lower Confidence Interval (£'000)
Customer Fraud Overpayments	2,216	3,046	1,488
Customer Error Overpayments	831	1,281	450
Customer Error Underpayments	277	554	69
Official Error Overpayments	956	1,433	552
Official Error Underpayments	214	313	124
Total	4,494	6,627	2,684

Rate Rebate

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.

LPS has developed a robust process to assess the accuracy of rate rebate claims. During the year ended 31 March 2021, LPS estimates that a total of £50k of rate rebate was paid in error due to official error (£20k underpayments and £30k overpayments). LPS currently has no means to assess customer fraud and error internally, so due to the nature of rate rebate criteria being linked to UC, LPS used as a proxy the percentage of customer fraud and error found in Universal Credit estimated by SAU. This has given rise to an estimate of £670k (£519k customer fraud overpayments, £115k customer error overpayments and £36k customer error underpayments). The total value of fraud and error is therefore £720k (i.e. the £670k customer fraud and error plus the £50K official error).

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 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 12.1 per cent² of LPS total housing benefit expenditure of £34.6 million as per Figure 1. This is an increase of 1.5 per cent compared to the 10.6 per cent recorded last year.
3. I consider the level of fraud and error in housing benefit expenditure to be material. Therefore my opinion on the regularity of this benefit expenditure is qualified.

Basis of Qualification

Fraud and Error- Housing Benefit

4. DfC's Standards Assurance Unit (SAU) reported in March 2021 the extrapolated levels of fraud and error for housing benefit administered by LPS during the calendar year 1st January to 31st December 2020. This report highlights estimated levels of fraud and error amounting to £2.2 million and £2.0 million respectively.
5. **Figure 1** below shows that the level of fraud and error has decreased from £5.8 million in 2016 to £4.2 million in 2020 over the five year period.

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.

² Customer Error (underpayments) are not considered irregular by the C&AG and are therefore excluded from the figures included in the Audit Certificate and C&AG's report.

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

	2020	2019	2018	2017	2016
	£ million	£ million	£ million	£ million	£ million
HB Administered	34.6	37	37.5	37.9	39.1
Error					
Official Error (Overpayment)	1	0.4	1.3	0.9	1.7
Customer Error (Overpayment)	0.8	0.9	1.6	1.1	1.3
Official Error (Underpayment)	0.2	0.2	0.4	0.2	0.3
Total Error	2.0	1.5	3.3	2.2	3.3
% of Housing Benefit	5.80%	4.10%	8.80%	5.80%	8.40%
Fraud					
Customer Fraud	2.2	2.4	1.6	2.3	2.5
Total Customer Fraud	2.2	2.4	1.6	2.3	2.5
% of Housing Benefit	6.40%	6.50%	4.30%	6.10%	6.40%

Source: Analytical Services Unit, DfC

6. I recognise that over a number of years LPS has made considerable efforts to improve fraud and error rates. However, overpayments due to Official Error have more than doubled since 2019. While I am sympathetic to the unique and challenging circumstances LPS faced as a result of the Coronavirus pandemic in 20-21, I am concerned at this significant increase in error. My opinion on the regularity of fraud and error in Housing Benefit administered by LPS remains qualified.

Other Matters Arising from the Audit of Land & Property Services Accounts

7. 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:

Rate Rebate Fraud and Error

8. The Rate Relief Regulations (Northern Ireland) 2017 came into operation on 27 September 2017 aligning with the operation of Universal Credit³. This legislation introduced a new Rate Rebate Scheme administered by LPS to support tenants or home owners in receipt of Universal Credit. This new Rate Rebate Scheme will ultimately replace the existing Housing Benefit for rates.
9. In 2020-21 LPS administered £7.1 million of rate rebate that is reflected in the LPS Trust Statement. LPS estimated the amount of fraud and error within these transactions to be 9.7 per cent of LPS total rate rebate expenditure. This is an

³ 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. Any working age person making a new claim for social security now claims universal credit instead. Aligned with the benefit is a new rate rebate scheme which provides rates support for tenants or home owners who are entitled to universal credit. The managed migration of all claimants previously in receipt of Housing Benefit commenced in 2020, with the aim to have this completed by the end of 2023.

increase of 2.5 per cent compared to the 7.2% recorded last year.

10. I do not consider the level of fraud and error in rate rebate expenditure to be material for the year ended 31 March 2021. However, this will be kept under consideration as more claimants migrate to Universal Credit and new claims for Universal Credit increase, particularly due to the impact of COVID-19, resulting in greater eligibility for the Rate Rebate Scheme.

Outstanding Valuation Caseload

11. There has been an increase in the outstanding non-domestic valuation caseload with 8,868 cases outstanding at 31 March 2021 (5,472 cases at 31 March 2020). There has also been a rise in the number of domestic cases outstanding, 17,510 at 31 March 2021 compared to 12,580 at 31 March 2020.
12. The estimated impact on the rate revenue figure of the outstanding domestic and non-domestic caseload at 31 March 2021 is £10.6 million. This is an increase of £2.7 million from 31 March 2020.
13. The estimated impact of outstanding valuations is not material, therefore I have not qualified my opinion in this regard.
14. LPS have informed me that the increase in caseload numbers in 2021 is as a result of a legacy from lockdown measures significantly disrupting normal rating valuation operations, as well as an increase in the number of challenges received in 2020 and 2021 due to the recently completed Reval 2020 exercise. I will keep this under review in my 2021-22 audit.

Vacancy Discharges

15. The estimated level of error in the overall vacancy discharge figure of £34.0 million is 3.21% of total Net Asset Values (NAV) of vacant properties in 2020-21. The error rate for number of vacant properties found to be occupied in 2020-21 is 1.61%. 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.
16. I have noted that there was significant disruption to the inspection process in 2020-21 as a result of the Coronavirus pandemic. All inspections carried out in this financial year were desk top inspections and there was no assistance given by the District Councils due to health and safety restrictions. LPS have informed me that inspections are progressing in 2021-22 and it is intended that councils will resume inspections shortly before the end of the financial year, although it is likely that property inspections in 21-22 will continue to be below previously existing levels. I intend to keep this matter under review.

Ratepayer Debt

17. **Figure 2** below shows the level of ratepayer debt has increased to £152.7 million at 31 March 2021. Debt written off in year was £5.1 million and impaired debt, which is

unlikely to be repaid in full, amounted to £51.8 million at 31 March 2021.

Figure 2: Trends in Ratepayer Debt

	March 2021	March 2020	March 2019	March 2018	March 2017
	£ million	£ million	£ million	£ million	£ million
Gross Assessments	1,541.4	1,554.5	1,512.2	1,457.3	1,418.1
Net Revenue Collectable	1,089.8	1,377.4	1,333.6	1,275.7	1,232.1
Ratepayer Debt	152.7	124.4	124.5	125.8	131.7
Debt written off	(5.1)	(14.5)	(15.9)	(19.3)	(20.7)
Impaired amount	(51.8)	(38.3)	(36.1)	(36.2)	(36.9)
Write off as a % of Gross Assessments	0.33%	0.9%	1.1%	1.3%	1.5%
Year End Debt as a % of Gross Assessments	9.9%	8.0%	8.2%	8.6%	9.3%

*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.

18. The level of outstanding ratepayer debt has increased significantly since 2019-20. I realise this is because LPS suspended legal recovery action in 2020-21 due to restricted access to the Courts and Enforcement of Judgements offices, as well as uncertainty around how the pandemic would impact on citizens and businesses in Northern Ireland. This has also impacted on the significantly reduced level of debt write-offs in 2020-21. In addition, the normal billing cycle for rates was disrupted by the pandemic with rate bills issuing in June rather than April and LPS have informed me that a further £11 million was collected between 1 April 2021 and the end of May 2021, when this year's bills were issued. The level of ratepayer debt is nonetheless concerning.
19. I note that LPS has recently implemented a 3-year Post Pandemic Rating debt recovery strategy, with a view to returning ratepayer debt to 2019-20 levels. LPS plans to achieve this through a combination of measures to tackle new debt, aged debt, unenforced debt and cases where the ratepayer is involved in insolvency proceedings.
20. I will review progress on this strategy as part of my 2021-22 audit.

COVID-19 Related Issues

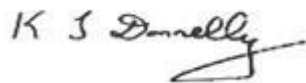
21. The minister for finance announced a rate support package for businesses as a result of COVID-19. This package was in the form of an 18% reduction in the non-domestic Regional Rate, a rates holiday for the first four months of the 2020-21 year for all non-domestic properties (with the exception of Utilities and public bodies) and a full year's holiday for all non-domestic properties in the retail, hospitality, leisure and tourism sectors. The introduction of the business rate holiday resulted in a reduction in rate revenue collected from £1,373 million in 2019-20 to £1,057 million in 2020-21. As a result of the rate support package for businesses, the total amount collected in

2020/21 was 23.03% less than the previous year.

22. Legislation has now been introduced to provide a further rates holiday for applicable businesses in 2021-22.

Additional Fraud Occurrence in 2019

23. In recent years there have been two significant fraud cases in LPS involving employees. Details on the first fraud case are contained in my report attached to the 2016-17 LPS accounts. <https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/LPS%20Annual%20report%20and%20accounts%202016-17.pdf>
24. Following on from the discovery of suspected fraudulent activity by an employee in June 2019, LPS continued to carry out an investigation in conjunction with the PSNI. This investigation discovered a total of £125k of refunds which were suspected of being issued fraudulently. The investigation also led to the PSNI passing information to LPS leading to the discovery of further fraudulent activity, which involved the same member of staff writing-off debt on ratepayer accounts. This came to a total of £64k.
25. During the 2020/21 year the investigation was completed and the PSNI passed the case to the Public Prosecution Service (PPS). The PPS decided to take the case forward and initiated legal proceedings. The case was completed in June 2021 when the ex-employee issued a guilty plea to all of the charges brought. The hearing took place in November 2021 and the former employee was sentenced to two years (one year in prison and one year on license). LPS was also awarded a compensation order of £89k.
26. As the judicial process is now complete in respect of this case, I intend to produce a separate report on this fraud in order to highlight weaknesses of internal control and to identify any lessons learnt. This report is due to be published in 2022.
27. I will also revisit the other matters noted in my report as part of the 2021-22 audit of the LPS Rate Levy Accruals Account.



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

6 December 2021



Department of

Finance

An Roinn

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www.finance-ni.gov.uk