

TRUST STATEMENT – RATE LEVY ACCRUALS ACCOUNT

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016



Land & Property Services
Seirbhísí Talún & Maoine

Land & Property Services

TRUST STATEMENT – RATE LEVY ACCRUALS ACCOUNT
ANNUAL REPORT & ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

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

16 December 2016



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DIRECTOR'S REVIEW

FOREWORD

Introduction

I am pleased to present the 2015-16 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 2014-15. 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 2015-16 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 £81.2 million, which was an improvement against the target of £87.6 million. This equates to a reduction of £11 million from the previous year end figure;
- Reduction of the overall rating debt to £142.7 million, a reduction of £13.9 million from the previous year end;
- Positive Penny Product outturns (ie more revenue raised than forecast under the rate setting process) for all 11 of the new district councils which were operational from 1 April 2015 in the first year of Local Government Reform and the new non-domestic Valuation List;
- Collecting £1,216 million in rates revenue against a target of £1,200 million;
- Processing 42% of the applications against the new Valuation List (37% of the applications were lodged in the final quarter of the year);
- Achieved 90.8% accuracy as measured by Standard Assurance Unit in relation to Housing Benefit payment against a target of 90%.

Looking Ahead

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

- Welfare Reform, which requires the delivery of a new Rate Rebate scheme;
- The impact of the Voluntary Exit Scheme (VES) on productivity; and

- Dealing with the remainder of the applications following the non-domestic revaluation.

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.



David Sterling
Accounting Officer

12 December 2016

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 2016. 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 and Personnel's (now Department of Finance (DoF)) Accounts Direction issued in compliance with the Government Resources and Accounts Act (Northern Ireland) 2001.

Our Vision is:

'To be a leading provider of high quality, fair and efficient land and property services'

Our Purpose is:

'To collect, process and manage land and property information, which underpins our collection of rates, in support of the Executive's commitment to economic and social development in Northern Ireland'

Our 'CLEAR' Commitment:

Customers	We will ensure that our primary focus is on delivering quality services.
Leadership	LPS managers will demonstrate clarity of purpose and inspire others.
Ethics	We will deliver fair and equitable treatment for all.
Accountability	We will be accountable to our Minister and the Northern Ireland Assembly for the delivery of services and our performance.
Results	We will use our resources efficiently to deliver the results required by our stakeholders.

Our Main Functions

LPS has **six main functions**, which are to:

- Collect rates on behalf of central government and councils;
- Maintain domestic and non-domestic rating valuation lists;
- Record legal interests in land in the Land Registers and provide land information services relating to the Registers for conveyancing purposes;
- Provide mapping services in Northern Ireland;
- Collect, manage and publish spatial data in Northern Ireland for use by the public and private sectors; and
- Deliver a property valuation, estate management and property data service to the public sector.

LPS Management Board

During this reporting period, Colum Boyle was Chief Executive and was responsible to the Minister of Finance and Personnel 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 2015-16 is detailed below.

LPS Management Board in 2014-15

Colum Boyle	Chief Executive
Alan Bronte	Director of Valuation/Commissioner of Valuation
Christine Farrell	Director of OSLR/Registrar of Titles (title changed January 2016) Director of Registration/Registrar of Titles (September 2015-January 2016)
Patricia McAuley	Director of R&B (Reform)/Acting Director of Registration (left August 2015)
Mervyn Adair	Acting Director of R&B (April – September 2015)
Anne Flanagan	Director of Business Services (left November 2015)
Mick Corry	Head of Mapping (left August 2015)
John Deyermond	Acting Head of Mapping (since September 2015)
Ignatius O’Doherty	Head of Data Management (since July 2015)
Judith Andrews	Acting Director of R&B (since October 2015) LPS 2020 Implementation Manager (July – September 2015)
Chris Smart	Head of Organisational Development (since January 2016) LPS 2020 Implementation Manager (October – December 2015)

Business Performance and Risk Management

During 2015-16, 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 Ministerial Targets were identified for the 2015-16 year. These were:

- To collect £1,200 million of rates; and
- To reduce the ‘actionable debt’ (ie debt not in recovery) to £87.6 million by 31 March 2016.

Ministerial Target 1: To Collect £1,200 million of Rates by 31 March 2016

Month Ending	Target Rates Collected 2015-16	Actual Rates Collected 2015-16	Variance from Target
	£m	£m	£m
March 2015	1,200	1,216	16

The target of £1,200 million represented a £25 million (or 2.1%) increase on the 2014-15 outturn, against an overall uplift in the district and regional rate of 2.2%. However, the introduction of the District Rate Convergence Scheme and the discontinuation of the Large Retail Levy resulted in approximately £15 million less potential for cash collection during 2015-16.

Despite this, the cash collection increased to £1,216 million and represented an increase of £41 million (or 3.5%) over the 2014-15 position and £16 million (or 1.3%) over the target.

Ministerial Target 2: To Reduce the Actionable Rating Debt to £87.6 million by 31 March 2016

Month Ending	Forecast Debt	Actual Debt	Variance from Forecast
	£m	£m	£m
March 2016	87.6	81.2	6.4

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) and this was retained for the 2015-16 year. The target was to reduce actionable debt to £87.6 million and this was achieved as at 31 March 2016 when actionable debt had been reduced to £81.2 million. This represented an improvement against the target of £6.4 million and an improvement against the 31 March 2015 position of £11 million.

Although total rating debt was no longer a Ministerial Target, LPS continued to monitor total debt as a Key Performance Target. Significant progress was made during 2015-16 and by the end of the year the total rating debt had been reduced to £142.7 million. This shows the progress that LPS has made during 2015-16.

Figure1: Trends in Ratepayer Debt

	March 2016	March 2015	March 2014	March 2013	March 2012
	£ million	£ million	£ million	£ million	£ million
Gross Assessments	1,392.0	1,366.4	1,331.1	1,297.9	1,242.3
Net Revenue Collectable	1,196.3	1,172.5	1,130.6	1,110.7	1,059.8
Cash Receipts	1,231.2	1,197.9	1,158.9	1,125.9	1,084.0
Ratepayer debt	142.7	156.4	162.1	168.3	160.8
Debt written off	(28.6)	(25.3)	(31.6)	(29.1)	(21.8)
Impaired amount	(35.2)	(36.6)	(40.0)	(44.4)	(41.4)
Write off as a % of Gross Assessments	2.1%	1.9%	2.4%	2.2%	1.8%
Year end debt as a % of Gross Assessments	10.3%	11.5%	12.2%	13.0%	12.9%

*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 2009 amounted to 10.3% of the Gross Assessments and the debt written off amounted to 2.1% of Gross Assessments.

This level of performance must also be considered against the current economic climate within Northern Ireland which has not significantly improved. During the reporting period, LPS implemented phase 1 of a new debt strategy that focused on collection rather than moving debt through the recovery process. Despite this, as at 31 March 2016 the debt in the recovery process has increased to 43% (41% as at 31 March 2015), however the amount of debt secured through the Enforcement of Judgment's Office reduced to £13.4 million from £15.9 million at 31 March 2015).

In addition to the new debt strategy mentioned above, LPS implemented several measures during 2015-16 to improve collection including:

- Improvement of customer segmentation;
- Continued data cleansing;
- Increased use of SMS texting to improve levels of customer compliance; and

- New and improved payment channels (including IVR telephone payments and simplified on-line payment systems) were introduced and proved beneficial in terms of cash collection in an effective manner.

Non-Domestic Vacancy Exemptions

There were approximately 15,100 non-domestic properties listed as vacant at April 2016 compared to 15,600 at 14 April 2015. 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 18% of the total number of vacant non-domestic properties. In 2015-16, the new district councils worked in conjunction with LPS to establish whether or not properties are actually vacant and entitled to the vacancy discharge. A total of 2,752 inspections took place and 537 which equated to 19.5% (21.1% during 2014-15) of the properties inspected were found to be occupied. As a result of this, a total of £2.9 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 2016-17.

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. LPS in consultation with NIAO has developed a model to quantify the estimated impact of this outstanding valuation caseload figure on the rate revenue. As at 31 March 2016, LPS estimate that the impact this would have on the rate revenue figure to be no more than £4.8 million. 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.

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 2014-15 LPS Trust Statement due to a limitation in audit scope over the regularity of housing benefit expenditure administered on behalf of the Department for Social Development (now Department for Communities) due to the material levels of fraud and error, and this qualification has been retained for the 2015-16 Trust Statement. LPS monitor Housing Benefit financial accuracy as a key target. LPS throughout 2015-16 reported an average payment accuracy level of 97.4%. This does not account for delays generated by backlogs of work.

Standard Assurance Unit report on Housing Benefit Fraud and Error and during the 2015 calendar year reported a total payment accuracy of 90.8% against the LPS target of 90%.

Housing Benefit stabilised numbers during 2015-16 consolidating staff experience, particularly in assessment and QA training. Improvements to the IT system also helped to relieve the pressure with over 36,500 cases actioned automatically and introducing system suspensions to further reduce turnaround times and resulting overpayments.

Investigations have been undertaken to look at the potential to target high value cases where potential errors may exist with approximately 4,000 carried out during 2015-16. A high value case where an error exists can have a disproportionate impact on accuracy levels when extrapolated over the entire live load.

It is recognised that the time lapse between implementing improvements and seeing improved results can take between 18 months and 3 years.

Identifying Unknown Ratepayers

LPS participate in the National Fraud Initiative. Under the initiative LPS match 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 make 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 and Personnel (DFP) (now Department of Finance DoF) on 21 January 2016, in accordance with section 11(2) of the Government Resource Act (Northern Ireland) 2001.

Events Occurring after Year-End.

On 9 May 2016 DFP was re-named the Department of Finance (DoF). LPS continued its regular activities as a business area within the new Department.

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 Business Plan. The Chief Executive is responsible for the day-to-day management of the LPS and makes periodic reports to the Minister on performance and progress.

The Permanent Secretary of DFP (now DoF) provides support and guidance to the Chief Executive and advises the Minister on the strategic directions of LPS, the Corporate and Business 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 Services Directorate, which is responsible for developing and agreeing a timetable of events culminating with the production of the forthcoming year's Business 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 Scorecards.

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 challenge the Board if it considers action is required.

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.

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. 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 378 complaints in the 2015-16 year compared to 517 complaints in the 2014-15 year. This equates to a 27% reduction in complaints compared to the previous year.

Employee Policies and Involvement

We recognise that our staff continue to be our most valuable asset. We are committed to DFP's (now DoF) 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.

Our Human Resources Strategy recognises the importance of a healthy and safe working environment and we are committed to adhering to all existing legislation on health and safety. We have introduced a new Health and Safety Policy Statement, and 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 follow the DFP (now DoF) 'Health & Safety at Work Policy Statement' which was made available to staff on the 1 January 2016. We updated the 'Lone Working Policy' this year and it has been agreed with TUS and made available to all staff. This document covers 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 14-15 and the C&AG's Report is reproduced at the end of these accounts.



David Sterling
Accounting Officer

12 December 2016

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, DFP (now 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 DFP (now 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.

DFP (now 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 the Accounting Officers' Memorandum issued by DFP (now DoF) and published in Managing Public Money in Northern Ireland (MPMNI).

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 DFP (now DoF) is the Accounting Officer. He is responsible to the Minister of DFP (now DoF) 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 Minister 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 DFP (now DoF). The overall aim of DFP (now 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 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.

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 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 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;

- The 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 2015-16 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 DFP (now 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 DFP's (now DoF) 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 2015-16. 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 seventh successive year that LPS has received this level of assurance from Internal Audit on its systems of control and governance. A synopsis of the main findings from each audit was provided to ARC, and all audits, with the exception of one were provided with a satisfactory audit opinion.

Internal Audit gave one limited opinion over the Customer Information Centre during 2015-16. Appropriate action is being taken to address the issues raised.

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 an 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 2014-15 LPS Trust Statement due to a limitation in audit scope over the regularity of Housing Benefit expenditure administered on behalf of the Department for Social Development (now Department for Communities) due to the material levels of fraud and error, and this qualification has been retained for the 2015-16 Trust Statement. LPS monitor 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.

Fraud

During December 2015 LPS discovered and reported to DoF Internal Audit and NIAO an incidence of suspected fraud carried out by one member of staff. The case was referred to Internal Audit Fraud Investigation Unit, who subsequently passed the details to the PSNI for investigation. The total amount under investigation was £129,772 misappropriated between May 2013 and September 2015. A full PSNI investigation was conducted and the staff member pleaded guilty to two charges of fraud by abuse of position and converting criminal property (money laundering). The staff member was sentenced to a two and a half year prison sentence, suspended for two years. An internal investigation and control review has also been ongoing and the resultant paper has been presented to the ARC and Management Board. A number of recommendations for control improvements have been noted and some have already been implemented with the remainder being consulted on at present with Senior Management.

4.8 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 2015-16.



David Sterling

Accounting Officer

12 December 2016

LAND & PROPERTY SERVICES' TRUST STATEMENT – RATE LEVY ACCRUALS ACCOUNT

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

I certify that I have audited the financial statements of the Land & Property Services' Trust Statement – Rate Levy Accruals Account for the year ended 31 March 2016 under the Government Resources and Accounts Act (Northern Ireland) 2001. These 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.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's 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. 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 conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining 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. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Land & Property Services' Trust Statement – Rate Levy Accruals Account and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Land & Property Services; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

Basis for Qualified Opinion on regularity arising from erroneous Housing Benefit awards and payment of fraudulent claims

The total amount paid in Housing Benefit is £40.7 million. As reported in Note 11 to the financial statements the level of error is estimated to be £5.6 million and the level of fraud is estimated to be £2.5 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 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.

Qualified Opinion on regularity

In my opinion, except for the £8.1 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.

Opinion on financial statements

In my opinion:

- The financial statements give a true and fair view of the state of affairs of Land and Property Services' Trust Statement – Rate Levy Accruals Account as at 31 March 2016 and of the net revenue for the Consolidated Fund for the year then ended; and
- The financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance (formerly Department of Finance and Personnel) directions issued thereunder.

Opinion on other matters

In my opinion:

The information given in the Performance 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

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

16 December 2016

STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2016

		2015-16	2014-15
	Note	£'000	£'000
REVENUE:			
Rate Revenue	1.3	1,392,001	1,366,351
Other Revenue		3	2
Total Revenue		1,392,004	1,366,353
EXPENDITURE:			
Reliefs and Discharges			
Vacancies	1.4, 2	44,994	56,101
Housing Benefit	1.4, 11	40,669	42,350
Rate Reliefs and Discharges	1.4, 2	43,250	43,909
Transitional Relief	1.4	(6)	(14)
Maximum Capital Value	1.4	7,777	7,520
Allowances	1.4	10,573	10,730
Discounts	1.4	5,258	4,961
District Rate Convergence	1.4	10,471	-
Credit Losses – debts written off or otherwise impaired	3	27,824	21,898
Rating of Empty Homes Discharge	1.4, 1.10	2,380	1,500
Total Reliefs and Discharges		193,190	188,955
Net Revenue for Consolidated Fund		1,198,814	1,177,398

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	31 March 2016	31 March 2015
		£'000	£'000
Non-Current Assets:			
Receivables falling due after more than one year	4	294	236
Current Assets:			
Receivables	5	109,910	121,842
Cash and Cash Equivalents	6	<u>2,166</u>	<u>6,555</u>
Total Current Assets		112,076	128,397
Total Assets		112,370	128,633
Current Liabilities	7	(16,183)	(15,332)
Net Asset		96,187	113,301
Total Assets less Current Liabilities		96,187	113,301
Represented by:			
Balance on Consolidated Fund Account	8	96,187	113,301

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



David Sterling
Accounting Officer
12 December 2016

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

		2015-16	2014-15
	Note	£'000	£'000
Net Cash flow from operating activities	A below	1,211,539	1,179,106
Cash paid to Consolidated Fund	8	(1,215,928)	(1,175,133)
(Decrease)/Increase in cash in this period		(4,389)	3,973
Notes to the Cash Flow Statement			
A: Reconciliation of Net Cash Flow Movement in Net Funds			
Net Revenue for the Consolidated Fund	8	1,198,814	1,177,398
Decrease/(Increase) in Non-Cash Assets		11,874	1,604
Increase/(Decrease) in Liabilities		851	104
Net Cash Outflow from Operating Activities		1,211,539	1,179,106
B: Analysis of Changes in Net Funds			
(Decrease)/Increase in cash in this period	6	(4,389)	3,973
Net Funds at 1st April (Net Cash at Bank)	6	6,555	2,582
Net Funds at 31st March (Closing Balance)		2,166	6,555

The notes on pages 23 to 29 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 require 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's 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 assess 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's 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 have used judgements based on the latest available, reliable information. Management continually review 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 2014-15 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:

	2015-16	2014-15
	£'000	£'000
Vacancies		
Non Domestic Vacant Rating	44,301	55,427
Domestic Vacant Rating	(12)	5
Empty Property Relief	705	669
	44,994	56,101
Rate Reliefs and Other Discharges		
Disabled Persons Allowance	3,136	3,093
Residential Home Relief	8,469	9,384
Domestic Rate Relief	7,992	8,051
Low Carbon Homes Scheme	23	28
Full Time Education Relief	-	2
Non Domestic Hardship Relief	3	3
Small Business Rate Relief	17,998	18,086
Lone Pensioners Allowance	5,629	5,262
	43,250	43,909

3. CREDIT LOSSES

	2015-16	2014-15
	£'000	£'000
Bankruptcies*	8,272	7,809
Liquidations	3,350	4,366
Other Irrecoverables	17,500	13,138
Change in the value of impairments	(1,298)	(3,415)
	27,824	21,898

*Includes Individual Voluntary Arrangements of £1,185,825 in 2015-16 (£770,156 in 2014-15).

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

	2015-16	2014-15
	£'000	£'000
Rate assessments receivable >1 year	287	229
Interest accrued on rate assessment debt	7	7
	294	236

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

	2015-16	2014-15
	£'000	£'000
Rate Debtors before estimated impairments	142,320	156,423
Less: estimated impairments (see note 5.2)	(35,269)	(36,567)
	107,051	119,856
Other Debtors	2	2
Accrued Income	2,847	1,974
Due from LPS business account	10	10
	109,910	121,842

Rate debtors represent the amount due from ratepayers where assessments have been raised but not paid for as at 31 March 2016.

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:

	2015-16	2014-15
	£'000	£'000
Balance as at 1 April	36,567	39,982
(Decrease)/Increase in estimated value of impairments	(1,298)	(3,415)
Balance as at 31 March	35,269	36,567

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

	2015-16	2014-15
	£'000	£'000
Balance as at 1 April	6,555	2,582
Net change in cash and cash equivalent balances	(4,389)	3,973
Balance as at 31 March	2,166	6,555
The following balances at 31 March were held at Commercial banks and cash in hand		
Balance as at 31 March	2,166	6,555

7. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2015-16	2014-15
	£'000	£'000
Rating Creditors	8,053	9,142
Other Creditors	3,194	1,842
Accruals	634	962
Due to LPS business account	302	386
Deferred Income*	4,000	3,000
Total	16,183	15,332

*The deferred income relates to a payment that was made by a ratepayer against their 2016-17 rate liability

8. BALANCE ON CONSOLIDATED FUND ACCOUNT

	2015-16	2014-15
	£'000	£'000
Balance on Consolidated Fund Account as at 1 April	113,301	111,036
Net Revenue for the Consolidated Fund	1,198,814	1,177,398
Less: Amount paid to Consolidated Fund	(1,215,928)	(1,175,133)
Balance on Consolidated Fund Account as at 31 March	96,187	113,301

9. RELATED PARTY TRANSACTIONS

LPS is a business group within DoF, DoF is regarded as a related party. During the year, LPS paid £1.216 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. In addition, LPS paid £4,061,866 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 16 December 2016.

11. FRAUD AND ERROR

LPS administer Housing Benefit on behalf of the Department of Social Development (DSD) now 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 Social Security Agency through Benefit Reviews, which measure Official Error, Customer Fraud and Customer Error.

DSD (now 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 2015 to 31 December 2015 in March 2016. These reports highlighted errors amounting to £5.6 million (£1.7 million customer error overpayment, £0.3 million official error underpayment and £3.6 million official error overpayment) and £2.5 million customer fraud in Housing Benefit for owner occupiers. This represents approximately 19.5% 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 2015.

ANNEXES

ANNEX 1: Summary statement of rate levy and collection

	2015-16		2014-15	
	£m	£m	£m	£m
Debtors at 1 April				
Prior year adjustment – debits brought forward				
Amended Debits brought forward		156.8		162.3
Assessments during year		1,390.6		1,366.4
Credit carried forward to next period		8.2		9.1
		1,555.6		1,537.8
Less: Discharged during the year				
Credits brought forward from last year				
Prior year adjustment – credit brought forward				
Amended credit brought forward	9.1		11.6	
Net receipts (i.e. receipts less refunds)	1,209.8		1,175.5	
Vacancies	0.2		0.3	
Rebates/Rate Relief/DPA/LPA/EEHS	89.9		82.0	
Residential Home Relief	8.5		9.4	
Non-Domestic Vacant Rating Relief	41.1		52.2	
Allowances	10.5		10.7	
Discounts	5.3		5.0	
Written-off as Irrecoverable	28.7		25.3	
Transitional Relief/Capping	7.8		7.5	
Rating of Empty Homes	2.4		1.5	
		1,413.3		1,381.0
Debtors at 31 March		142.3		156.8

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 2015-16 has been included in this Annual Report for information purposes only.

ANNEX 2: Summary of 2015-16 rate collection

Target: 96.5% of the net collectable rate collected based on April 2015 assessments (as at 31 March 2016)

Council	April 2015 Assessments	Balance	Collected/ Discharged	% Collected/ Discharged
	£	£	£	
Antrim	44,544,670	1,092,813	43,451,857	97.5
Ards	47,933,170	1,158,603	46,774,567	97.6
Armagh	37,557,458	1,638,490	35,918,968	95.6
Ballymena	48,147,964	1,039,802	47,108,162	97.8
Ballymoney	14,928,691	466,117	14,462,574	96.9
Banbridge	26,923,391	912,043	26,011,348	96.6
Belfast	327,474,318	11,264,475	316,209,843	96.6
Carrickfergus	24,678,213	489,597	24,188,616	98.0
Castlereagh	45,960,455	811,024	45,149,431	98.2
Coleraine	45,657,331	988,592	44,668,739	97.8
Cookstown	23,108,886	752,094	22,356,792	96.7
Craigavon	58,867,653	1,748,277	57,119,376	97.0
Derry	79,083,519	2,395,585	76,687,934	97.0
Down	44,290,894	1,540,981	42,749,913	96.5
Dungannon & South Tyrone	31,345,402	1,227,234	30,118,168	96.1
Fermanagh	40,426,846	1,381,840	39,045,006	96.6
Larne	19,525,058	381,526	19,143,532	98.0
Limavady	17,379,970	563,769	16,816,201	96.8
Lisburn	76,476,574	2,194,214	74,282,360	97.1
Magherafelt	21,512,644	680,231	20,832,413	96.8
Moyle	12,769,116	235,468	12,533,648	98.2
Newry & Mourne	64,498,324	3,325,349	61,172,975	94.8
Newtownabbey	58,077,093	814,542	57,262,551	98.6
North Down	59,791,182	2,576,927	57,214,255	97.4
Omagh	31,641,117	962,790	30,678,327	97.0
Strabane	20,561,998	663,604	19,898,394	96.7
Total	1,323,161,937	41,305,987	1,281,855,950	97.0

April 2015 Assessments represent rating assessments for the 2015-16 year.

Balance represents the balance still outstanding from these assessments as at 31 March 2016.

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

Report by the Comptroller and Auditor General
Land & Property Services
Trust Statement – Rate Levy Accruals Account 2015-16

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 2015-16 Trust Statement prepared by LPS in respect of the Rate Levy Accruals Account;
 - Actions LPS is taking to reduce levels of fraud and error; and
 - Progress on some other matters previously considered by the Public Accounts Committee in 2012.
2. I am required under the Accounts Direction given by the Department of Finance (formerly Department of Finance and Personnel) 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 benefit¹ for rates of owner occupiers on behalf of the Department for Communities (DfC) (formerly a function of the Department of Social Development). Unlike all other Social Security benefits where payments are made, LPS administers £40.7 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 19.5% of LPS total Housing Benefit expenditure (compared to 20.4% last year).
4. I consider the level of fraud and error in housing benefit expenditure 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 Analytical Services Unit randomly select samples of ongoing benefit claims and SAU subject them to detailed examination for evidence of official error², 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.
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.

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

Basis of Qualification

8. SAU reported in March 2016 the extrapolated levels of fraud and error for Housing Benefit administered by LPS during the calendar year 1 January 2015 to 31 December 2015. This report highlights estimated levels of fraud and error amounting to £2.5 million and £5.6 million respectively.
9. Figure 1 and Figure 2 below show that the level of error has increased from £4.1m in 2011 to £5.6m in 2015, an increase of 37% over the five year period, although there has been a reduction of 23% when compared to the previous year 2014.
10. They also show increases of 200% in overpayments³ and 50% in underpayments attributable to official error over the same five year period. I am pleased to note, however, that there has been a decrease in official error, for both over and underpayments, of approximately 15% in total, when compared to the previous year 2014. Likewise, customer error has shown a 37% decrease over the five year period and when compared to 2014.
11. Furthermore, there has been a significant rise in customer fraud of 400%, whilst overpayments attributable to customer error have fallen by 37%. Overpayments attributable to customer error have been fluctuating between £1.7 million and £2.7 million, whereas the incidence of customer fraud has shown sustained growth.
12. Despite a decrease in the overall levels of fraud and error in 2015 when compared to 2014, I am disappointed the efforts of LPS, to identify the reasons and put appropriate countermeasures in place, have not had a more significant impact over the last five years. However, LPS has advised that it expects the measures put in place to take up to three years to have a significant impact on the accuracy, and the improvement in the current year demonstrates this.

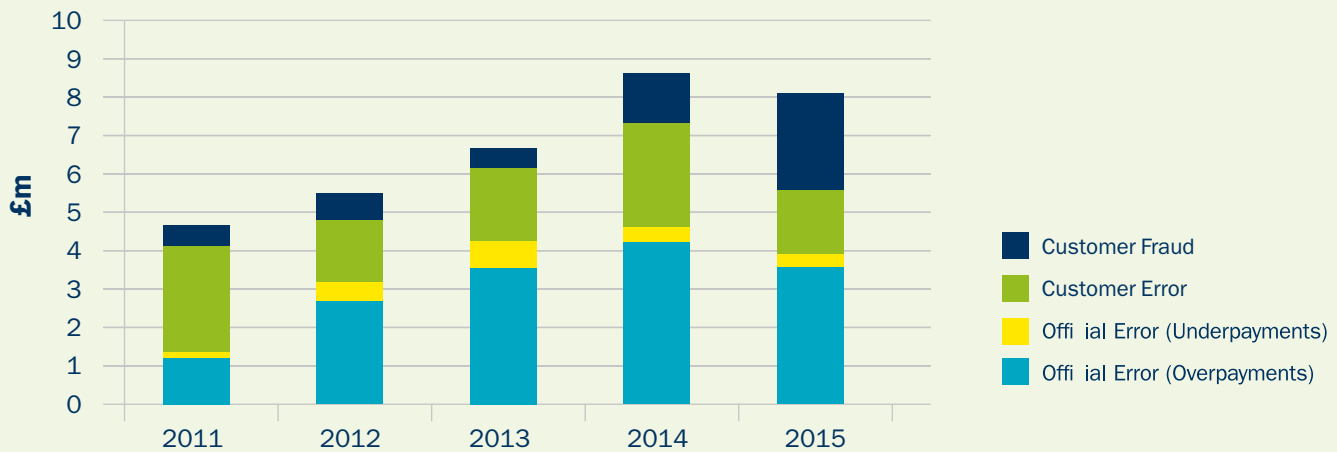
Figure 1: Estimated fraud and error in Housing Benefit administered by LPS (Note 11) deemed to be irregular

	2011	2012	2013	2014	2015
	£ million	£ million	£ million	£ million	£ million
HB Administered	40.1	41.2	40.7	42.2	41.5
Error					
Official Error (Overpayment)	1.2	2.8	3.5	4.2	3.6
Customer Error (Overpayment)	2.7	1.7	1.9	2.7	1.7
Official Error (Underpayment)	0.2	0.5	0.7	0.4	0.3
Total	4.1	5.0	6.1	7.3	5.6
% of Housing Benefit	10.2%	12.1%	15.0%	17.3%	13.5%
Fraud					
Customer Fraud	0.5	0.7	0.5	1.3	2.5
Total	0.5	0.7	0.5	1.3	2.5
% of Housing Benefit	1.3%	1.7%	1.2%	3.1%	6.0%

Source: Analytical Services Unit, DfC (formerly DSD)

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 - 2014⁴



Levels of fraud and error

13. LPS advised me that the decrease in the official error rate in 2015 compared to 2014, was a reflection of the following measures:

- LPS Housing Benefit has undergone a period of stabilisation over the last number of years both in workload and in retention of experienced staff;
- The impact of real time Change in Circumstances (CiCs) from ATLAS since 2012 has been diminishing through effective application of resources. LPS Housing Benefit is working towards achievement of normalised resource workloads and a reduction in backlog cases. LPS anticipates continued improvement in financial accuracy and a reduction in the levels of fraud and error as SAU fraud and error measurements penalise LPS Housing Benefit for delayed action on information received;
- Retention of experienced staff is also considered to be a contributory factor to the reduction of fraud and error, since the risk of error reduces as staff knowledge and skills increase.
- Significant quality assurance checks enable the identification of training needs as well as enabling prompt remedial action to be taken where errors have been identified; and
- Automation of ATLAS notifications stands at 33.7% of all notifications received in the current year (40,644 received of which 13,689 were automated). This has assisted in reducing the impact of delayed action and has enabled better management of the volume of claims where automation is not possible.

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 has identified that fraudulent income comprises the greatest percentage of customer fraud in LPS data. This is where the claimant has failed to declare or provide evidence to the Social Security Agency on earnings or other income that would reduce their entitlement to Housing Benefit/Rate Relief. To address this LPS will be introducing a review of existing claims to obtain updates from claimants to reassess Housing Benefit/Rate Relief. There will be a particular focus on claimants who have declared a level of income in previous years but have not been asked to provide recent details to verify entitlement.

15. 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 for the rating year in which the award is made with a maximum of one year in advance.
16. 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.
17. LPS considers the results of its own Housing Benefit Quality Assurance Team's checks are more appropriate than those of SAU. LPS throughout 2015-16 reported an average payment accuracy level of 97.4% compared to 90.8% reported by SAU.

Further Actions to reduce levels of fraud and error

18. I asked LPS what steps it is currently taking to address the significant levels of fraud and error that remain and to comment on the results of these efforts to date. LPS told me that:
 - It has fully engaged with the National Fraud Initiative (NFI) and reviewed details of 10,199 cases in January 2015, identified as being of potential risk by the process. This highlighted 252 cases, with a value of approximately £130,000, where entitlement was incorrect. These overpayments are to be recovered through LPS billing and recovery procedures.
 - It has a team responsible for reviewing potentially high risk cases in respect of claimants in receipt of occupational pensions. 9,183 cases were identified as high risk. To date 3,073 of these cases have been reviewed and a further 88 cases were reviewed but awaiting customer response. Of the cases reviewed 142 required amendment. LPS expects that this will assist in the reduction of customer fraud and error as LPS proactively clarifies anomalies identified in claims.
 - It has been working closely with DfC in reconciling differences between data held on respective IT systems. Again this enables LPS to proactively identify and rectify anomalies.

LPS advised that the success of these actions have contributed towards the improvement of the SAU financial accuracy position of 92.8% at June 2016 against the target of 91% in the LPS Operating Plan 2016-17 a 2% improvement from the 90.8% reported by SAU in December 2015.
19. LPS was also asked whether they had any new measures proposed for 2016-17 to further reduce the levels of fraud and error. I was informed, as per paragraph 14 above, that LPS is implementing a review of cases, where no manual intervention has been applied since the initial claim, when the claimant declared income. In this area potentially claimants' circumstances may have changed since their initial claim but LPS has not been updated. In addition, LPS is going to review cases where the claimant is over a particular age (initially 90 years old). It is considered another area of potential risk as a number of claims may continue to be paid even when the claimant is deceased.
20. As the backlog in outstanding claim actions reduces, LPS anticipates that the existing resource complement will have the capacity to conduct further case reviews of existing claims assuming there is no increase in workload or reduction in resources.
21. Despite these actions, I am concerned that the level of fraud and error has continued to remain significantly high over the past five years. However, LPS has advised that it expects the measures put in place to take up to three years to have a significant impact on the accuracy, and the improvement in the current year demonstrates this.

Other Matters

22. 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 23-27 I have, therefore, provided an update on particular issues raised in the report.

Outstanding Valuation Caseload

23. There has been a further rise in the outstanding non-domestic valuation caseload with 6,629 cases outstanding at 31 March 2016 (5,041 cases at 31 March 2015). However, this must be set in the context of the additional work LPS was required to undertake in preparation for Revaluation 2015 which involved the revaluation of approximately 73,000 non-domestic properties, and addressing the challenges arising from that work.
24. I note, however, that the estimated impact on the rate revenue figure of the outstanding domestic and non-domestic caseload at 31 March 2016 is no more than £4.8 million (£5.9 million at 31 March 2015). This reflected the limited growth or buoyancy in the non-domestic Valuation List during 2015 -16.

Vacancy Discharges

25. LPS continues to undertake a programme of inspections of vacant properties in conjunction with the new local councils. The percentage of properties inspected was increased to 18%, in line with LPS targets, and achieved despite the introduction of the new council structures under the Review of Public Administration and the impact of the NICS Voluntary Exit Scheme.
26. The results of the inspection programme indicate the level of error in vacancy discharges, applied by LPS to ratepayer accounts, was no more than £1.81 million (£1.645 million in 2014-15). This level of error remains relatively high in terms of the overall vacancy discharge figure.

Ratepayer Debt

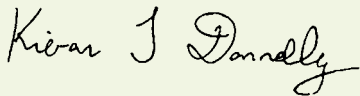
27. The level of ratepayer debt at year end has fallen for the third consecutive year from £156.6million at 31 March 2015 to £142.7 million at 31 March 2016. However the debt written off in year has risen from £25.3 million in 2014-15 to £28.6 million in 2015-16 whilst the impairment of debt also fell by £1.4 million in year from £36.6 million at 31 March 2015 to £35.2 million at 31 March 2016. This is an encouraging development.

Internal Fraud Case

28. During December 2015 LPS discovered and reported an incidence of suspected fraud carried out by one member of staff. I welcome the disclosure of progress in relation to this matter in the Governance Statement. Now that the case has been concluded it is my intention to review this matter more closely and I may issue a public interest report at a later point.

Conclusion

29. I consider the estimated levels of fraud and error in Housing Benefit expenditure, administered by LPS, to be exceptionally high. I have therefore qualified my audit opinion on the regularity of this benefit expenditure contained within the LPS Trust Statement – Rate Levy Accruals Account 2015-16.
30. LPS has put in place a number of practices designed to reduce the overall level of debt. However, debt levels remain significant and I would urge LPS to continue these practices to maximise the revenue available to the Northern Ireland Executive in pursuit of its commitment to economic and social development in Northern Ireland.



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16 December 2016

