

FROM: Audit and Risk Manager **SUBJECT:** National Non Domestic Rates

TO: Head of Finance **REF:** JK/NDR

C.C.: Chief Executive **DATE:** 31 December 2013
Deputy Chief Executive (AJ)
Exchequer Manager
Revenues Officer (PY)

1. Introduction

- 1.1 As part of the 2013/2014 Audit Plan an audit was recently undertaken on the systems and procedures in place to manage certain aspects of National Non Domestic Rates (NNDR).
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

2. Scope and Objectives of the Audit

- 2.1 The approach to the audit was to ascertain and evaluate the controls in place by applying the CIPFA Control Matrices for NNDR. These basically comprise internal control questionnaires which are completed following a discussion with the main audit contact and are designed to identify any control weaknesses. These are followed by the completion of a set of compliance tests that are linked to the ICQs.
- 2.2 The matrices for NNDR comprise five modules, namely –
 - Valuation
 - Liability
 - Billing
 - Collection and refunds and
 - Recovery and enforcement.

There is a phased approach to the audit of NNDR with the aim being to cover all of the modules over a three year cycle. On this occasion the Valuation and Liability modules were applied.

- 2.3 The expected controls under these two modules are categorised into the following areas:

Valuation:

- Procedures and regulations

- New and amended properties
- Notifications to the valuation office
- Valuation office listings
- Reconciliations and checks
- Security of data

Liability:

- Procedures and regulations
- Determination of liability
- Amendments to liability
- Reliefs and exemptions
- Reconciliations and checks
- Security of data

2.4 Since the last audit the Government's Business Rates Retention scheme has been implemented – 1 April 2013. Although this does not feature in the CIPFA matrices it was considered briefly as part of the audit.

3. Background

3.1 The management of NNDR is undertaken by staff in the Revenues Division of Finance. There are currently 3.7 ftes in post who also undertake all of the back office management of NNDR for Stratford on Avon District Council.

3.2 The amount of NNDR to be collected in 2013/14, after allowing for various reliefs and exemptions, is around £68 million pounds. This will be collected from around 4,600 business properties.

3.3 NNDR is a far more complex tax than council tax but collected from far fewer properties. This coupled with the relatively healthy economic environment in the District means that a collection rate of around 98 to 99% is normally achieved.

3.4 NNDR transactions are processed through the Revenues management system "Civica Open Revenues" often referred to as IBS. This has changed little in recent years and coupled with fairly settled, knowledgeable and experienced staff a stable working environment exists.

4. Findings

4.1 Based on the examination of the aspects of NNDR referred to above the audit found that there are sound systems and procedures in place to manage NNDR. This is consistent with previous audits where there are either no recommendations or there are recommendations of a relatively minor nature.

4.2 The findings are summarised below under the headings:

- Procedures and regulations
- Data security
- Valuation
- Liability
- Business Rates retention

4.3 Procedures and regulations

4.3.1 All of the staff in Revenues have electronic access to the legislation governing Rating Law and Practice in England and Wales should they need to refer to them. In addition they have access to the Business Rates Information Letters issued by the Department for Communities and Local Government (DCLG). They also have electronic access to other training and reference material.

4.3.2 Staff also have their own copy of the Civica manual which describes in detail the operation of the system.

4.3.3 The settled nature and experience of the staff means that specific, ongoing training is not required and any system or legislative changes can normally be accommodated in house.

4.4 Data security

4.4.1 This aspect of the audit is periodically covered during audits of the Civica application controls and reviews of Information Governance and Data Protection so it was not examined in any detail.

4.4.2 It was touched on briefly though and it was evident that security of hard copy data is not an issue as, apart from current working documents, virtually all data is held electronically in Civica.

4.4.3 Details of rateable values can be obtained by anyone as they are freely available via the Valuation Office Agency (VOA) website. Business ratepayers can check their account online provided they have registered and received a user name and password.

4.5 Valuation

4.5.1 Property valuations are carried out by the VOA and the process relies on the inspection of properties to identify new ones and alterations or extensions to existing ones.

4.5.2 This relies on the provision of regular and ad hoc information from a number of sources including the council's planning, building control and street numbering functions.

4.5.3 Once the appropriate information has been entered into Civica an electronic process is triggered sending details to the VOA. They respond electronically by the submission of regular schedules of changes that are immediately actioned. Each VOA schedule contains a revised total RV and number of properties resulting from the changes in the schedules.

For each schedule received reconciliation is undertaken between the VOA figures and those contained within Civica.

4.6 Liability

4.6.1 The identification of liability for the rate charge can arise in a number of different ways. Often it is from an application for Small Business Relief (SBR), correspondence from the outgoing or incoming owner / tenant, a site visit or searching for information on websites.

4.6.2 When new accounts are set up with the relevant details including the effective vacation and occupation dates the calculation of charges is carried out by the system using the parameters notified by the DCLG. The input of the parameters is an annual process undertaken by senior staff in Revenues and then tested before going live for the new year.

4.6.3 The amount of the initial liability can change as a result of a change in RV, an application for SBR, the granting of empty property, mandatory or discretionary relief. In all cases supporting evidence, usually application forms, is maintained within the system.

4.7 Business Rates Retention

4.7.1 In 2012 the DCLG consulted on proposed changes to the funding of local authorities by the introduction of Business Rates Retention. The main purpose of the scheme was to encourage authorities to increase their activity in economic development by enabling them to keep a proportion of any increase in business rates.

4.7.2 Within the scheme there was an option for neighbouring authorities to enter into a pooling arrangement if such an arrangement had the potential to be to their mutual benefit.

4.7.3 In July 2012 Executive supported the case for registering an interest in a pooling arrangement with one or more neighbouring authorities. In October 2012 Executive gave approval for the council to participate in a pool comprising the Warwickshire authorities and Coventry City Council subject to an annual review ensuring that it was in the council's best interests to remain a member.

4.7.4 A memorandum of understanding has been made between the seven authorities setting of the purpose and principles of the pool.

4.7.5 Any increase in growth can be offset by successful appeals so appeals are now being analysed in greater detail with information being sought from the VOA of outstanding appeals. At the same time initiatives are being explored to ensure that all business properties are being correctly valued.

5. Conclusion

- 5.1 Based on the aspects of NNDR that were examined the audit concluded that there are sound systems and procedures in place to manage the council's NNDR function.
- 5.2 The audit can therefore give a **SUBSTANTIAL** level of assurance that the systems and procedures in place are appropriate and working effectively.

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