

## Audit Committee – 30 September 2022

<b>Title of paper:</b>	Business Rates Limited Assurance Internal Audit Report (2020-21) – Improvement Plans	
<b>Director(s)/ Corporate Director(s):</b>	Interim Corporate Director – Finance and Resources Interim Director of Finance Head of Customer Services	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Debbie Middleton – Interim Director of Finance, email: Debbie.middleton@nottinghamcity.gov.uk Lucy Lee – Head of Customer Services, email: Lucy.Lee@nottinghamcity.gov.uk	
<b>Other colleagues who have provided input:</b>	Lisa Black – Director of Operations, Nottingham Revenues and Benefits Ltd.	
<b>Does this report contain any information that is exempt from publication?</b>		
<p><b>YES</b> The information in the Appendix of this report has been identified as exempt under paragraph 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information). It is not in the public interest to disclose this information because it contains commercially sensitive information that may be used to prevent the Council from achieving its legitimate aims in respect of business rates income.</p>		
<b>Recommendation(s):</b>		
<b>1.</b>	That the Committee note the progress made in addressing the Internal Audit Recommendations and plans to stabilise the service and develop plans to establish a robust, efficient and cost-effective service.	

### 1. Reasons for recommendations

- 1.1 The report sets out the actions taken by the new management to address the Internal Audit recommendations, stabilise the service and actions to strengthen the service going forward as required by the Committee.

### 2. Background

- 2.1 Internal Audit issued a 'Limited Assurance' Audit report on 16 August 2021 incorporating findings and recommendations from both the 2019/20 and 2020/21 audit of the Business Rates systems. A total of 12 recommendations are outstanding of which 2 are high priority, 6 are medium priority and 4 are low priority.
- 2.2 Internal Audit have not received a management response from the former Head of Commercial Finance and former Business Support Manager who were responsible and accountable for the performance of this service. The Audit Committee has invited the current officers responsible for the Business Rates service to present to the Committee:
- A high level overview of the service
  - An explanation of the current position including key issues

- Controls in place within the service, governance arrangements and risk management including any gaps in the service
  - The plan for improvement.
- 2.3 The Business Rates Service is concerned with billing and collecting Non-Domestic Rates (NNDR) Income from businesses within the City. In 2020-21, the gross income of circa £182.2m collected on behalf of Government from more than 11,500 businesses, resulting in circa £144m of income to the City Council. As a major source of income to fund the Council's service delivery it is important that the Council has robust processes and procedures in place to ensure the timely billing and collection of all income due from business rate payers.
- 2.4 The Business Rates Service is currently delivered as an in-house service and the staffing establishment comprises 7.13 FTE. The service currently has 5.33 FTE vacant posts and lacks adequate management and technical capacity to ensure deliver all of the functions required of the service. The service has been subject to volatility over recent years due to the turnover of staff, inability to recruit to vacancies and the deletion of a number of posts to deliver budget savings. This has resulted in some aspects of the service not being delivered to the standards or timescales that would be expected from an adequate service. This coupled with the pandemic, administration of numerous Government Business Grant initiatives, has resulted in limited recovery activity.
- 2.5 The Corporate Director of Finance and Resources (s151 Officer) has taken action to strengthen the management of the Business Rates Service through a partnership arrangement with Nottingham Revenues & Benefits Ltd, Director of Operations on a temporary basis in order to stabilise the service. This will enable a comprehensive review of the service to be undertaken to develop long term plans for establishing and delivering a robust, efficient and cost-effective Business Rates function.
- 2.6 To achieve the latter, the Head of Customer Services is liaising with the interim Director of Finance (deputy s151 officer) in relation to this work and is benefitting from the advice and support of the Director of Operations within Nottingham Revenues and Benefits Services as a Subject Matter Expert for the Business Rates in order to assess the adequacy of the function, systems and processes to ensure robust internal control and effective customer service going forward.
- 2.7 The improvements for the Business Rates service will be phased under 2 categories:
- Stabilise: - This work stream focusses on establishing the resources in the team based on current structure. Current progress includes:
    - Recruitment to the vacant Team leader post. This exercise concluded on 25 August 2022 and the successful candidate is being on-boarded. It is expected that the new post holder will take up the position early November (subject to notice period).
    - Recruitment to operational grades: Approval has been granted to approve to the next level of grade in the structure (Grade F). Adverts for 2 FTE will be placed in September with a view to the recruitment exercise concluding by 31 October 22.
    - Recruitment to the remaining posts will be concluded by end of December 2022, subject to the necessary approval.
    - In addition to the above, the interim management is preparing recommendations for specialist posts that the team has not had in place previously to support effective collection and build workforce resilience.

These recommendations will be available by end of November 2022, to enable the newly appointed team leader to have input and influence.

- Transform: - This work stream will commence once the service has resources in place to support the following:
  - Process mapping and review to identify opportunities to improve administration and recovery routines
  - Digital developments to improve the level of access to service for business and automation where appropriate
  - Service developments to modernise the approach to identify, maximise and prevent fraud for business rates in the City.

2.8 A review of the internal control weaknesses and recommendations included in the 20-21 Internal Audit report has been undertaken and the recommendations together with the management response is set out at Appendix A.

3. **Background papers other than published works or those disclosing exempt or confidential information**

3.1 None

4. **Published documents referred to in compiling this report**

4.1 None.