

Update on Housing and Council Tax Benefit Subsidy Audit

SUMMARY

- 1.1 This report provides an update of the Council's Housing and Council Tax Benefit Subsidy Audit for 2012/13 and of the consequential budget implications relating to potential claw back of Government subsidy.
- 1.2 The Council's audited subsidy claim is subject to review and consideration by the Department of Work and Pensions - DWP - and ultimately a decision by the Secretary of State with regard to the level of any claw back to be made. This often results in considerable elapsed time from the end of the relevant year, completion of audit and receipt of any subsequent recovery decision by the Secretary of State.
- 1.3 The Council has worked extensively with its Auditors and the DWP to increase the level of assurance and minimise financial impacts on the Council. The outcome of the 2012/13 audit is extremely positive and provides a clear endorsement to the continuous improvements achieved by the Council in this significant grant claim.

RECOMMENDATION

- 2.1 To note the conclusion of the 2012/13 audit resulting in minimal adjustments to the original subsidy claim of £109.4M and a small decrease in the total subsidy due, representing a 0.001% variation to the original claim.
- 2.2 To note the continuous improvements of the subsidy audit over the past years:
 - 0.26% variation to the original claim in 2011/12 audit
 - 0.63% variation to the original claim in 2010/11 audit
 - 1.68% variation to the original claim in 2009/10

REASONS FOR RECOMMENDATION

3.1 2012/13 Housing and Council Tax Benefit Claim

The Auditor's report for the 2012/13 claim was submitted to the DWP on 29 November 2013. Following DWP review of the report no further testing was required and it was submitted for Secretary of State decision on 21 March 2014.

3.2 The 2012/13 audit has been robust and balanced with a significantly reduced requirement for extended testing. The Auditors gave due regard to the work undertaken by the Council to improve the accuracy of benefit assessments, including:

- Continued targeted checks on cases with a higher risk of error – this approach was particularly highly regarded by auditors
- Training sessions for all assessment staff to target areas of benefit assessment where there is a higher risk of error
- Procurement of Quality Assurance software to support the checking of claims

3.3 Continuous Improvements

The Auditor team conducting the audit for the 2012/13 claim acknowledged the positive direction of travel and continued level of improvement. The value of error was substantially reduced and although errors were found this is not uncommon in mass volume processing. The audit of the 2012/13 claim found a low number and low value errors on initial testing which led to a lighter proportionate extended testing approach limited to 200 tests. The errors found are typical in most local authorities. The extended testing requirement compared extremely favourably to the 880 overall tests required in the 2011/12 audit.

3.4 The 2009/10 subsidy audit, following significant additional work to minimise the level of claw back, resulted in a revised claw back position of £1.49m, representing a 1.68% variation to the original claim. The 2010/11 audit resulted in the settlement of £610k claw back, representing a 0.63% variation to the original claim, demonstrating a significant improvement on the previous year. The 2011/12 audit resulted in £259k claw back, representing a 0.26% variation to the original claim, demonstrating continuous improvement year on year.

3.5 Future years' audits

The requirement for future years' audits to include additional testing will be subject to outcomes of initial testing together with a review of the actions to improve benefit assessments and maintain accuracy of the subsidy claim. Based on the improved position it is reasonable to expect that future years' audits will continue to be balanced and robust and be subject to a lighter testing regime to give clear and on-going endorsement to the continuous improvement actions undertaken by the Council.

SUPPORTING INFORMATION

4.1 The Council pays Housing and Council Tax Benefit on behalf of the DWP and receives reimbursement for this through a complex subsidy scheme. Each year the Council submits two estimates of the amount of subsidy it requires from the DWP; one before the financial year begins and one mid-year. The DWP then pays the Council interim subsidy instalments each month based on those estimates.

- 4.2 Each year, the final year end claim is audited by the Council's external auditors. Any errors found are examined to determine if they affect the level of subsidy claimed and already paid. Individual errors are extrapolated to arrive at a figure which the auditor determines as over-claimed subsidy in any one particular area of the claim.
- 4.3 The methodology for audit and calculation of extrapolations is governed by guidelines which were set by the Audit Commission. Further guidance is provided to the Council's Auditor's on the level and detail of the tests to be performed, known as Attribute Tests. The Council has little influence on the approach but has to agree the sampling methodology which can either be across the whole claim population i.e. random selection of cases within Housing Benefit or that testing be restricted to a sub-population. Decisions here inform the basis of the extrapolation.
- 4.4 The Auditors findings are detailed in a report to the DWP in a "Qualification Letter". The issues documented may indicate areas requiring further work. All information is provided to the DWP who calculate the subsidy over and under payments and notify this to the Council, alerting it to the recommendation as to the amount of subsidy the Secretary of State must decide on recovery. The notification also provides the Council with an indication of any underpayments the Secretary of State may consider. At this stage the Council may be invited to submit any mitigation against recovery if it hasn't done so already. To determine the level of subsidy overpaid the whole claim then has to be re-worked as errors in one part of the claim may be either beneficial or detrimental when applied to other areas of the claim and relevant formulas.
- 4.5 Over years the administration of Housing and Council Tax Benefit has grown in complexity and as a result the propensity for assessment error has increased. In 2008/09 the volume of checks undertaken in the claim scrutiny was increased. This increase in checks increases the chance of finding error. The impact of this is widespread across all authorities:
- "The number of qualifications on housing and council tax benefits is a particular concern...Overall 85 percent of benefits claims had qualifications or amendments or both...the complexity of the benefits and subsidy arrangements and the large volume of transactions involved, means there is considerable scope for error"
- Source: Local government claims and returns: The Audit Commission's report on certification work 2008/09. July 2010.*

OTHER OPTIONS CONSIDERED

- 5.1 None, this report is for information only.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Peter Shillcock John Massey
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IMPLICATIONS

Financial and Value for Money

- 1.1 Details are contained within the body of this report.

Legal

- 2.1 Housing and Council Benefit is a statutory service.

Personnel

- 3.1 None.

IT

- 4.1 None.

Equalities Impact

- 5.1 None.

Health and Safety

- 6.1 None.

Environmental Sustainability

- 7.1 None.

Property and Asset Management

- 8.1 Corporate Plan – promoting city growth. Efficient payment and increased take-up of benefit helps stimulate the local economy.