

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

19 MARCH 2013

SUBJECT	HOUSING AND COUNCIL TAX BENEFITS SUBSIDY CLAIM 2011/12
WARD/S AFFECTED	ALL
REPORT OF	INTERIM DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 This report gives further information on the issues behind the external audit qualification of the Housing and Council Tax Benefits Subsidy Claim. This was part of Grant Thornton Certification Work 2011/12 report considered at this Committee on 31 January 2013 (minute 44). The report is for noting.

2.0 BACKGROUND AND KEY ISSUES

INTRODUCTION

2.1 Local Authorities manage the assessment, payment and maintenance of Housing and Council Tax Benefit (HB/CTB) awards on behalf of the Department for Work and Pensions (DWP). The local authority is then reimbursed by DWP through the Subsidy arrangements for some of the administration costs and most of the benefits award costs.

2.2 The Subsidy arrangements collect financial and other data before, during and after each financial year. Any costs incurred by the authority that are not reimbursed become a charge on the General Fund so all payments made to claimants have to be recorded accurately and correctly.

THE AUDIT REQUIREMENT

2.3 On behalf of the DWP, the Audit Commission is responsible in England and Wales for auditing the Final Subsidy Claim via external auditor. Grant Thornton are the appointed auditors for Wirral. The annual audit focuses on the financial transactions that create the records used for subsidy purposes and also has a role in verifying compliance with the various legal prescriptions that define the administration and payment of HB/CTB.

2.4. The Claim Instructions followed by Auditors are prescriptive. Although the auditors discuss their findings with officers and may accept the actions taken by the local authority, they are bound to report and raise any issues via the qualification letter. It is then for DWP to decide whether or not to take further action which may include the recovery of sums from the local authority.

CLAIM DETAILS

- 2.5. The Final HB / CTB Subsidy Claim is one of the largest value claims made annually by each local authority. Wirral's average caseload for 2011/12 was over 42,000 individual claimants and included the processing of 17,871 new claims and 132,838 changes relating to claimant circumstances. In total this generated over two million payment transactions. The total Subsidy claimed against payments made in 2011/12 was £162.5 million with these payments being analysed over more than 200 cells in the end of year claim.

AUDIT FINDINGS 2011/12

- 2.6. The following is a breakdown of specific issues from that claim reported by the individual cells or areas they reflect along with an explanation of what each means and what action has been taken;

Cell 11 –Rent Rebates

- 2.6.1. Minor errors, in five cases totalling £1,151 from a total claim value of £151,618, were identified in one of the most confusing subsidy schemes which applies to housing benefit which is paid to those in different types of accommodation, largely homeless placements. The largest error (£1,085) was due to there being no evidence the claimant was receiving income support. The claimant was a homeless placement and had to leave the property due to violence and there was involvement from the authority's own ASBO team. Housing benefit was correctly being paid but this illustrates the lack of flexibility to the auditors within the Grant Instructions.

Cell 094 –Rent Allowances

- 2.6.2. Minor amounts were identified, in six cases with a value of £31 in a total claim of 35,979 with a value of £132,449,081, due to income being incorrectly recorded. Most had no effect on entitlement, as each customer would still be under the Applicable Amount (needs threshold) so would qualify for the maximum amount of housing benefit. Similarly the other identified issue related to child benefit which is ignored. With regards to the issue of Statutory Maternity Pay being used as income in excess of 39 weeks, the related income code will be targeted for additional sampling prior to submission of the 2012/13 claim.

Cell 096 – expenditure above Rent Officer's determination with no restriction

- 2.6.3. The claimant's housing benefit entitlement is not affected in this but the subsidy category (cell for recording) changes based on the presence of a claim marker. These cases predominately involve hostel cases, which are quite transient cases involving a higher number of transactions related to a number of short periods and it is possible to leave a marker unchecked. This has been highlighted to processing staff and further additional checking of this case type has been undertaken to ensure the marker is applied correctly.

Cell 103 – Local Housing Allowance (LHA) expenditure

- 2.6.4 One case was found to have an error value of £15. This will no longer be an issue due to changes relating to anniversary dates.

Cell 131 –Backdated expenditure & Cell 159 Backdated Council Tax Benefit

- 2.6.5. Backdated benefits have always been a contentious issue as the decision on whether or not to make the award is subjective. There are no regulations around this, only non-prescriptive guidance. Whilst the aim is to check all backdated awards this is not always possible due to the volumes of cases and resources. Improvements have been made year on year and this year no error was found in the auditor's initial sample. However because of issues raised in previous years, the auditor requested an additional sample which found minimal error, in three cases total value £440 in a total claim base of 432 with a value of £178,479.

Cell 142 – Council Tax Benefit

- 2.6.6. The main issue here was that some overpayments were classed as claimant error (40% subsidy), when they were technical error (no subsidy), in seven cases, total value £299 in a total claim base of 46,531, value £37,274,804. The reason for the error was established and an immediate change to working procedures issued. Further additional sampling has been undertaken to ensure compliance and any errors corrected. This is now included as a standard check within the Quality Assurance process. Other Local Authorities have also had this issue which is due to a lack of validation. The software supplier has offered to address this.

Cell 214 –Modified Scheme Subsidy

- 2.6.7. The Regulations permit local authorities to operate a local or modified scheme in relation to war pensioners and war widows. The standard disregard applied to war pensions is £10 but under the local scheme 100% of the income is disregarded. When this is applied to the calculation, the entitlement is split between the standard and local scheme and the amount which falls under the local scheme attracts no subsidy.
- 2.6.8. This calculation is driven by a parameter within the benefits processing system. Investigation found that this is the only Income parameter on the system that is updated on the code itself unlike with other incomes which are updated automatically for April. This had been overlooked for the April 2011 updating and Officers identified all 28 cases affected by this issue and calculated the financial value of the error, £492 in a total claim base of 353 with a total value of £286,916. The results mentioned in the Qualification Letter are actual figures and not extrapolated. End of Year working procedures have been strengthened to ensure that parameters are verified by a second officer.

SUBSIDY MAXIMISATION EXERCISE

- 2.7. For clarification this did not relate to payments to claimants. It was a Subsidy Maximisation Exercise, in order that the Council was seeking reimbursement for all eligible spend as explained below.
- 2.7.1. There is certain expenditure which is subject to reduced rates of subsidy to encourage administrative good practice, for example raising overpayments will attract a lower rate (40%) of subsidy to promote timely processing of notified changes. It is therefore good practice to undertake checks on these claims to identify any expenditure which is incorrectly included in those cells on the subsidy claim form and which should attract 100% subsidy against that expenditure and not a lower rate.
- 2.7.2. External consultants were engaged to undertake targeted testing on subsidy incentive areas which Wirral was unable to resource internally, and which ideally which would have been done prior to the claim submission. Essentially they were asked to do what would have been done internally, and indeed has been done in the past, which was to check that entries in these specific cells were correct after the claim submission and the claim amended accordingly. The auditor's approach this year has been different in that they have checked these claims in their entirety whereas in previous years only the cells affected have been checked.
- 2.7.3. Officers have since undertaken their own sampling in order to gain assurance that the consultant's findings and corresponding adjustments are fairly stated and are satisfied that the proposed amendments can be justified resulting in an increase in Subsidy claimed of £164,364 as a result of that exercise. The consultants were paid contractually on a percentage of the work they identified successfully needed to be amended.

IT SOFTWARE

- 2.7.4. Historically there had been software issues leading to reported discrepancies between payments and in-year reconciliation cells and with reconciling payments to benefits. The Council has worked with the software supplier during recent years to identify, and implement, IT solutions and also revised internal working practices to reduce the discrepancies. As a consequence the differences were minimal this year. This is not unique to Wirral because of the complexities of the scheme, the regular IT changes, the value of sums concerned and the caseload volumes - in essence these issues are consistent amongst the majority of authorities.

CONCLUSION

- 2.7.5. DWP has yet to advise of any Subsidy which may have been overpaid in relation to 2011/12 claim. The reduction for the previous year was £18,000 from a claim of £156 million which equates to a 0.01% reduction and is evident of robust controls and good practice in service administration.
- 2.7.6. The Benefits service has robust quality assurance procedures in place to minimise the level of error and to ensure that claimants receive the correct

amount of help. The Benefit teams processed a total of 150,709 new claims and changes in details during 2011/12 and attained an accuracy rate of 97%. This out turn is consistent with the national Quality Assurance standard previously reported by the DWP.

3.0 RELEVANT RISKS

- 3.1 In respect of Housing and Council Tax Benefit Subsidy the risks are that the Council will not be fully reimbursed for the benefit payments made to claimants. Any sums not reimbursed are a cost to the Council's General Fund. The Subsidy maximisation work is undertaken in order to minimise any adverse impact upon the General Fund.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 This report has been prepared following comments made by Members.

5.0 CONSULTATION

- 5.1 Consultation is not required within the context of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising out of this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 Financial – The Housing and Council Tax Benefit Subsidy claim is one of the largest and involves the payment and recording of over 2 million transactions in any year the authority. The Subsidy was £162.5 million in 2011/12 and the Council also receives an Administration Grant of £3.3 million It is therefore vital to both authority and DWP that it can be shown to be paid correctly.
- 7.2 IT – To meet the DWP requirements the Benefits system is one of the most complex administrative systems and the system provider ensures the correct recording of payment and subsidy types which is verified by our own internal work and checking. With the system regularly updated to reflect legislative changes this adds to the complexities and the responsibility of each authority to ensure this is done correctly.
- 7.3 Staffing – Whilst all staff play a role in correct subsidy recording a small number of specialist and highly experienced staff lead on subsidy matters. It is down to them that the authority has been able to minimise subsidy loss to such an extent.

8.0 LEGAL IMPLICATIONS

- 8.1 There are none arising out of this report.

9.0 EQUALITIES IMPLICATIONS

- 9.1 There are none arising out of this report.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising out of this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising out of this report.

12.0 RECOMMENDATIONS

12.1 That the report be noted.

13.0 REASONS FOR RECOMMENDATIONS

13.1 To provide Members with the context of the Auditor comments, the reasoning behind the qualification as well as the work undertaken to ensure the authority maximises its subsidy return so minimising any loss to the General Fund.

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APPENDICES

Appendix 1 Audit Commission Qualification Letter 2011/12

SUBJECT HISTORY

Council Meeting	Date
Audit & Risk Management Committee	31 January 2013