

## ABERDEEN CITY COUNCIL

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COMMITTEE: AUDIT AND RISK

DATE: 27 April 2010

DIRECTOR: STEWART CARRUTH

TITLE OF REPORT: HOUSING BENEFIT AND COUNCIL TAX BENEFIT  
SUBSIDY CLAIM 2007/08

REPORT NUMBER: CG/10/081

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### 1. PURPOSE OF REPORT

To inform Members of the current position in relation to the above claim.

### 2. RECOMMENDATION(S)

1. Ask the Corporate Director of Corporate Governance to continue to liaise with the Department of Work and Pensions to ensure that the Council maximises the level of Benefit Subsidy due to the authority.
2. To provide an update to this Committee on the outcome of those ongoing discussions.
3. Note that City Chamberlain will be required to take account of this issue in preparation of the closing of the draft 2009/10 accounts

### 3. FINANCIAL IMPLICATIONS

It is anticipated that should agreement be reached with the Department of Work and Pensions the Council will face an adjustment in the region of 0.53% (£274,177) in respect of the 2007/08 and 0.59% (£312,074) of the 2008/09 subsidy year.

Should agreement not be reached the Council may face an adjustment of 1.7% (£900,000) of the total subsidy claimed in 2007/08 and 2.2% (£1.2m) of the total subsidy claimed for 2008/09.

### 4. SERVICE & COMMUNITY IMPACT

The administration of Housing and Council Tax Benefit is a statutory function placed on Local Authorities and is a key part of the Welfare State and plays a key role in the Council's Anti Poverty Strategy.

## 5. OTHER IMPLICATIONS

### Legal

Should no agreement be reached or the Council believes it has been unfairly treated then the Council may wish to consider its options as to what other action it could take. It is anticipated that such action will not be necessary and agreement can be reached.

## 6. REPORT

### Background

It must be recognised that Housing and Council Tax Benefit is complex and is subject to regular changes both administratively and in terms of subsidy rules.

In total the Service made Benefit payments totalling £52.03m in 2007/08 and £53.25m in 2008/09.

Expenditure is reclaimed by the Council via the Subsidy Regime and is subject to annual external audit scrutiny.

The 2007/08 HB/CTB Subsidy Claim is submitted to the DWP at the end of May 2008. The external auditors then commence their audit and are required to complete their assessment of the claim by the end of November 2008.

Payment of subsidy was made to the Council on the basis of the Council's return at the end of May 2008 and any required adjustments are then made once the subsidy has been audited.

The 2007/08 audit was undertaken by Henderson Loggie who adopted Audit Commission Guidance of using the 'HB Count' methodology which was not made mandatory for Scottish Councils.

The outcome of this was that following testing a number of adjustments were identified and extrapolated across the whole benefit caseload resulting in a qualification of the Council's subsidy claim seeking an adjustment of 0.51% (c£264,490)

In July 2009 the DWP wrote to the Council in relation to these matters and also raised an additional issue that related to a technical breach in the referral of rent allowances in respect of Charitable Organisations who supported the most vulnerable tenants in the city.

The Service reviewed these cases and rectified the technical breach and believed that a reasonable adjustment should at its maximum be 0.36% (c£187,509) which is the overall loss to the public purse of total subsidy claimed, rather than the potential 1.7% (c£900,000) that has been identified by the DWP

in their letter of 25 February 2010. The Service also challenge the initial adjustments as to their accuracy and validity.

Taking account of the two separate issues, the Service has made representations and believes that the reasonable adjustment would be in the region of 0.53% (c£274,177) and not the maximum 1.96% (c£1.023m) of total subsidy claimed.

Given the timing of this issue i.e. there is a natural carry forward of this matter into the 2008/09 claim. This matter has not yet been considered by the DWP, however, it would appear likely that the DWP would take a similar approach when considering the 2008/09 claim.

The Service believes that any future adjustment in relation to the breach should be limited at its maximum to 0.25% (c£132,663) which is the loss to the public purse rather than a potential of 2.2% (c£1.178m) of total subsidy claimed.

The Service has made further representations on this matter to the DWP on 24 March 2010 on the grounds that the methodology disadvantaged the Council and also the potential adjustment regarding the rent officer issue was not reasonable given the actual loss to the public purse.

Henderson Loggie has also raised these issues with the Department of Work and Pensions and have specifically pointed out that the Council may be unfairly disadvantaged compared to other Scottish Councils where auditors did not apply the same methodology.

Henderson Loggie have also supported the Service's view that the approach taken with the rent referral issue is reasonable.

The current position is that we are awaiting feedback from the DWP which is expected during mid May as to the level of adjustment to be applied.

Should the DWP decide to make the maximum adjustment the Council may wish to consider its options, as appropriate. It is not anticipated that this will be necessary.

## 7. REPORT AUTHOR DETAILS

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## 8. BACKGROUND PAPERS

None