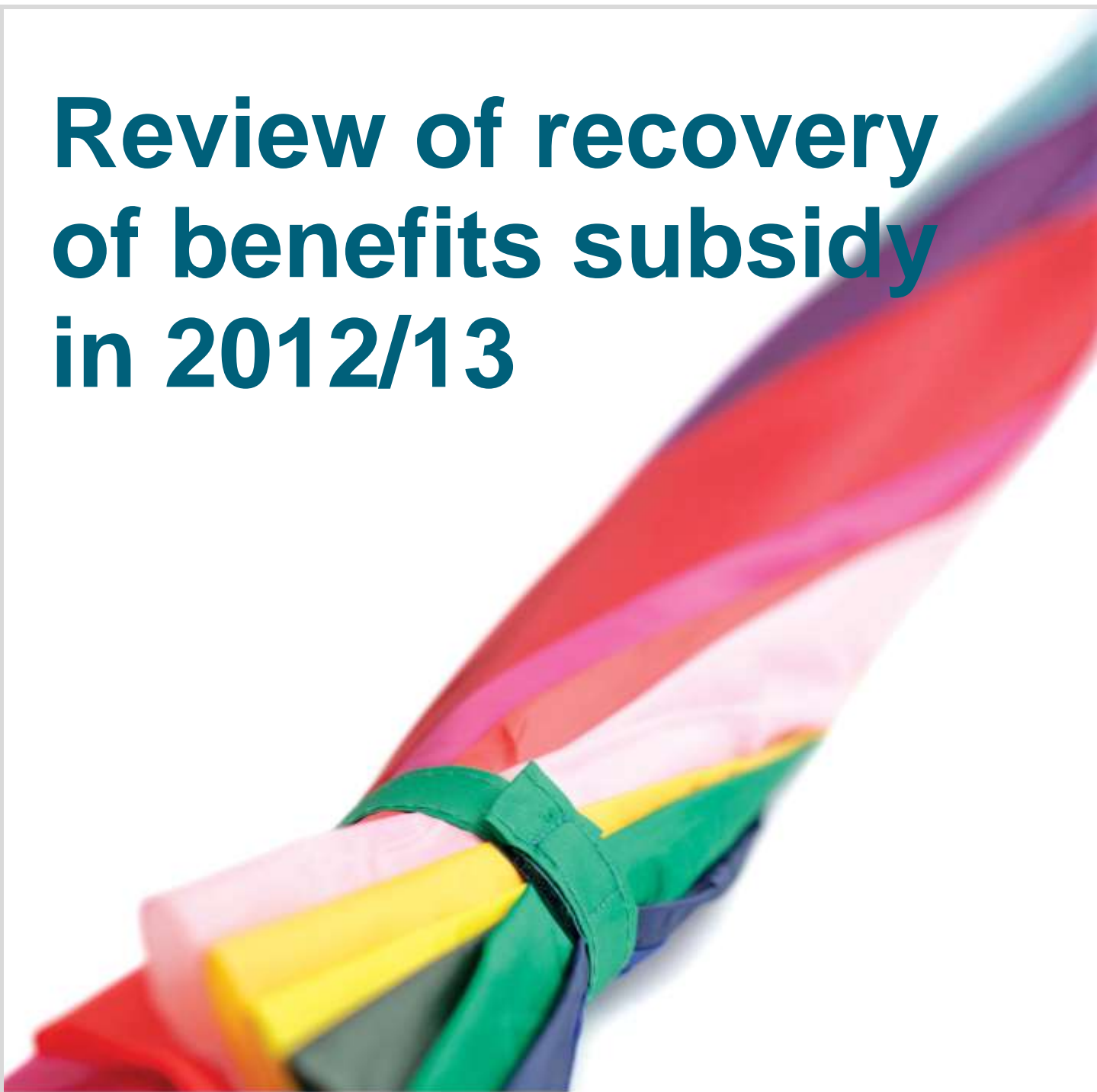


Review of recovery of benefits subsidy in 2012/13



 AUDIT SCOTLAND

Prepared by Audit Strategy
February 2014



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Purpose of report.....	4
Summary of findings	4
Background.....	5
Detailed findings.....	5
Types of benefit.....	5
Qualifications to auditors' conclusions	6
Significant areas of subsidy loss.....	6
Local authority error and administrative delay subsidy	10
Rent rebates.....	11
Rent allowances.....	17
Council tax benefit.....	24
Appendix 1-Audit qualifications	28
Appendix 2- Local authority error and administrative delay subsidy.....	32
Appendix 3- Total cost per council.....	34

Purpose of report

1. The purpose of this report is to provide insight into the extent to which local authorities are losing subsidy. Audit Scotland reviewed the subsidy claims of all 32 Scottish councils for 2012/13. The review focused on errors identified by authorities and auditors as well as spending by local authorities which was not fully funded by the Department for Work and Pensions (DWP) and was therefore a direct cost to local authority budgets.
2. This report sets out the main findings from the review. It identifies areas where some local authorities may not be performing as well as others. It identifies areas of good practice and areas where processes and practices could be revised in order to identify improvements which may help to maximise subsidy payments from DWP in future years and reduce the direct cost to councils.

Summary of findings

3. During 2012/13, Scottish councils paid out £2.17 billion in housing benefit (HB) and council tax benefit (CTB) awards. The DWP contributed £2.12 billion to this expenditure through subsidy payments, with the balance of £50 million being met directly from local authority budgets.
4. Our review of the Scottish councils' subsidy claims to the DWP identified that there is a significant variance in terms of the percentage of expenditure recovered from the DWP in respect of HB for properties rented from local authorities and properties rented from private landlords or housing associations. For HB on properties rented from local authorities, known as rent rebates, the percentage of HB expenditure recovered from DWP varied between 72.4% and 99.1%. The percentage of HB expenditure recovered for properties rented from private landlords or housing associations, known as rent allowances, ranged from 96.4% to 99.2%. The lower rent rebate recovery rate for some councils is due mainly to the loss of subsidy on expenditure to discharge local authorities' statutory homeless duty.
5. The areas where local authorities lost subsidy and therefore was a direct cost to council budgets include:
 - £32.4 million of expenditure on HB and CTB overpayments
 - £11.2 million of expenditure for benefit claimants housed in temporary board and lodging, leased or licensed accommodation to discharge councils' homeless duties
 - £4.3 million on rent allowance claims administered under the rules which were in force up to January 1996.

The net cost for each council is shown in Appendix 3.

6. The certification of the 2012/13 subsidy claims by auditors identified errors which, if the DWP decide to reclaim subsidy, will result in a further £0.5 million to be met from local authority budgets. The subsidy audit identified that in order to help reduce subsidy loss, effective management arrangements should be in place to ensure that overpayments are minimised and where they do occur they are correctly classified and calculated.

Background

7. In Scotland, one in four households received financial support to help pay for their rent or council tax during 2012/13 in the form of HB and CTB.
8. Local authorities reclaim most of the HB and CTB that they have paid to claimants from the DWP by submitting subsidy claims that are certified by each authority's appointed external auditor.
9. However, some elements of HB and CTB do not receive full subsidy to encourage local authorities to control that element of expenditure. This includes high rents for care and support homes and temporary accommodation and the raising of overpayments. Overpayments of benefit are not fully funded to ensure that local authorities take due care when processing claims to ensure that they are accurate and take recovery action where appropriate.

Detailed findings

Types of benefit

10. HB and CTB are means tested social security benefits, administered by local authorities on behalf of the DWP. HB is intended to help customers meet housing costs for rented accommodation.
11. There are two categories of HB. Rent rebates are housing benefits paid to eligible tenants who rent their property from the local authority. Rent allowances are housing benefits paid to eligible tenants who rent their property from private landlords or housing associations.
12. There are several types of rent allowance cases:
 - Regulated tenancy cases largely relating to tenancies commencing prior to 15 January 1989.
 - Pre-1996 cases (old scheme cases) which have the eligible rent assessed using the rules which were in force up to 1 January 1996.
 - Maximum rent cases (new scheme cases) which do not fall under the criteria to be administered under the pre-1996 rules, or are cases where referral to the rent officer is not required, but which have their eligible rent decided under the rules that were introduced from 2 January 1996.

- Registered social landlord cases which include housing associations, local housing companies, and other organisations.
 - Local housing allowance cases which are new claims made on or after 7 April 2008 and existing awards at 7 April 2008 following a change of address.
13. CTB was a means tested social security benefit administered by local authorities on behalf of the DWP and was intended to help people on a low income to cover some or all of their council tax charge. It was available to claimants who rent or own their own home, regardless of whether they are unemployed or working.
 14. UK government legislation abolished CTB from 1 April 2013 as part of the welfare reform programme. At the same time, the Scottish Government introduced the Scottish Council Tax Reduction (CTR) scheme to replace CTB. Responsibility for assisting those who need help to pay their council tax in Scotland is now the responsibility of the Scottish Government and Scottish local authorities.

Qualifications to auditors' conclusions

15. The DWP requires that final subsidy claims are certified by external auditors prior to submission to the DWP. The certification of all Scottish councils' 2012/13 subsidy returns is now complete. A review of the final certified subsidy claims identified that £2.17 billion was paid out in benefits, net of in year technical overpayments (overpayments due to timing differences and have been recovered by local authorities). £2.12 billion of this expenditure was recovered from the DWP through subsidy with the remaining £50 million being a direct cost to local authorities' budgets.
16. Of the 32 Scottish local authorities, auditors identified errors in 13 claims. Appendix 1 provides details of the errors along with the potential impact should the DWP decide to reclaim subsidy in respect of the errors identified. If the DWP were to reclaim subsidy for the errors identified then over £0.5 million would be reclaimed across Scotland. Although, the DWP may reclaim subsidy where overpayments are identified, no additional funding is provided where underpaid benefit is identified by auditors.
17. The errors identified by auditors in 2012/13 were mainly due to benefits system reconciliations, misclassification of overpayments, and miscalculation of income and rent. It is good practice for local authority accuracy checking procedures to focus on these areas.

Significant areas of subsidy loss

18. The sections that follow look at the areas where local authorities lost subsidy in order to identify which authorities received significantly more or less subsidy than others. In order to make relevant comparisons, a percentage comparison based on total spend has been used where possible. The sections look in more detail at the subsidy received for each of the three benefits; rent rebates, rent allowance and CTB.
19. Those local authorities with significantly lower subsidy recovery rates across the various categories of expenditure should investigate the reasons why with a view to improving

processes and performance. Exhibit 1 below details the main areas where subsidy was lost split across the three benefit types. Appendix 3 shows the subsidy loss for each council.

Exhibit 1

Subsidy area	Rent rebates	Rent allowance	CTB	TOTAL
Overpayments				
<p>Eligible overpayments</p> <p>These are overpayments that are not due to timing issues or overpayments caused by DWP error, local authority error or administrative delay. They include:</p> <ul style="list-style-type: none"> claimant error overpayments - an overpayment caused by the claimant or a person acting on the claimant's behalf who fails to provide information in accordance with HB regulations or fails to report a change of circumstances fraud overpayments - where the overpayment has arisen as a result of the claimant being found guilty of an offence, made an admission after caution of deception or fraud for the purpose of obtaining benefit; or agreed to pay a penalty under section 115A of the Social Security Administration Act and the agreement has not been withdrawn other overpayments - any overpayments which do not fit into any of the other categories. For example where an authority makes a payment in good faith, but a change, such as an adverse decision in a judicial review, results in an overpayment. 	<p>£8.5 million</p> <p>See paragraph 47</p>	<p>£15.8 million</p> <p>See paragraph 69</p>	<p>£7.1 million</p> <p>See paragraph 79</p>	<p>£31.4 million</p>
<p>Local authority error and administrative delay overpayments</p> <p>These are overpayments of benefit where either the local authority has made a mistake</p>	<p>£0.39 million</p>	<p>£0.42 million</p>	<p>£0.19 million</p>	<p>£1 million</p>

Subsidy area	Rent rebates	Rent allowance	CTB	TOTAL
or error or where the local authority has been responsible for a delay in processing a claim (see paragraphs 21-24 and appendix 2).				
Audit of subsidy claims				
Errors identified during the audit of subsidy claims (see paragraphs 15-17 and appendix 1)	£0.09 million	£0.06 million	£0.38 million	£0.5 million
Claims with statutory requirements				
Expenditure on accommodation to discharge homeless duties	£10.7 million See paragraph 31-34	£0.5 million See paragraph 57-60	N/A	£11.2 million
Rent allowance claims administered under the pre 1996 rules. This category of expenditure relates to expenditure for claimants who either: <ul style="list-style-type: none"> • have been claiming housing benefit before 2 January 1996; or • are living in "exempt" accommodation where the tenant is provided with care and support or supervision or • can be classed as "vulnerable" claimants and therefore the local authority is unable to restrict benefit under regulations. 	N/A	£4.3 million See paragraph 54	N/A	£4.3 million
TOTAL	£19.68 million	£21.08 million	£7.67 million	£48.4 million

20. Exhibit 2 below provides some suggested practices which may help local authorities reduce subsidy loss.

Exhibit 2

Subsidy area	Subsidy loss	Good practice
Eligible overpayments	<p>Total £31.4 million</p> <p>£8.5 million-rent rebates See paragraph 47,</p> <p>£15.8 million-rent allowances See paragraph 69,</p> <p>£7.1 million CTB- See paragraph 79</p>	<ul style="list-style-type: none"> • Risk based, proportionate intervention activity is in place to identify change of circumstances and then take corrective action • The outcomes of intervention activity are monitored to identify improvements for future activity • Claimants are encouraged to report change of circumstances on time • Overpayments are rigorously recovered from claimants • A proactive fraud culture is in place which encourages the reporting of possible fraudulent claims and leads are appropriately followed up • Successful prosecutions are advertised to help deter fraudulent claims
Local authority error and administrative delay overpayments	<p>£1 million</p> <p>See paragraphs 21-24</p>	<ul style="list-style-type: none"> • There are sufficient numbers of trained and effective benefits processors in place • Processes are in place to ensure backlogs of work do not build up. This includes ensuring that the workload is regularly monitored and appropriate early actions are taken when required • A robust quality assurance framework is in place which includes effective accuracy checking procedures as well as actions to address poor performance • Overpayments are rigorously recovered from claimants
Audit of subsidy claims	<p>Over £0.5 million</p> <p>See paragraphs 15-17</p>	<ul style="list-style-type: none"> • Effective accuracy checking procedures are in place • Accuracy checking procedures cover overpayment classification as well as the actual calculation of overpayments • Council IT departments, accountants and software providers are involved as appropriate where there are problems with benefit reconciliations • Subsidy claims are reviewed for errors and

Subsidy area	Subsidy loss	Good practice
		inconsistencies prior to submission to the DWP and auditors
Expenditure on accommodation to discharge homeless duties	<p>Total 11.2 million</p> <p>£10.7 million-rent rebates See paragraphs 31-34</p> <p>£0.5 million-rent allowances See paragraph 57-60</p>	<ul style="list-style-type: none"> The type of temporary accommodation used is reviewed to ensure value for money and the best outcomes for claimants are being achieved The cost of temporary accommodation being used is regularly reviewed to identify if there are any alternative cheaper options Contracts for the provision of accommodation are in place and are reviewed regularly to ensure value for money is being achieved Value for money is achieved during tendering exercises Those people presenting themselves as homeless are not accommodated in expensive bed and breakfast accommodation where possible.
Rent allowance claims administered under the pre 1996 rules	<p>£4.3 million</p> <p>See paragraph 54</p>	<ul style="list-style-type: none"> Claims are reviewed to ensure they are correctly classified Value for money is achieved in contracts for the provision of support services The cost of support services is regularly reviewed to ensure services are efficient and effective
Total	£48.4 million	

Local authority error and administrative delay subsidy

- An initiative was introduced by the DWP from April 2004 to allow local authorities to receive subsidy according to the level of their local authority error and administrative delay overpayments when compared to the total amount of correct benefit payments they make.
- The level of subsidy that local authorities may claim for local authority error and administrative delay overpayments is determined by thresholds, expressed as a percentage of total correct payments. The thresholds are
 - lower threshold 0.48%
 - upper threshold 0.54%.
- Where the local authority error and administrative delay overpayments are less than or equal to the lower threshold, local authorities receive 100% subsidy. Where they are more than the

lower threshold but less than the upper threshold, local authorities receive 40% subsidy. No subsidy is payable where overpayments are above the upper threshold.

24. As shown in appendix 2, the total loss of subsidy across Scotland as a result of being above the lower and/or upper thresholds was just over £1 million. Four Scottish local authorities lost subsidy in 2012/13. Three of these four local authorities implemented an upgraded benefits system during 2012/13. This resulted in a significant loss in processing time which will undoubtedly have increased local authority administrative delay overpayments. However, another two councils also received the same upgraded system and did not lose subsidy.

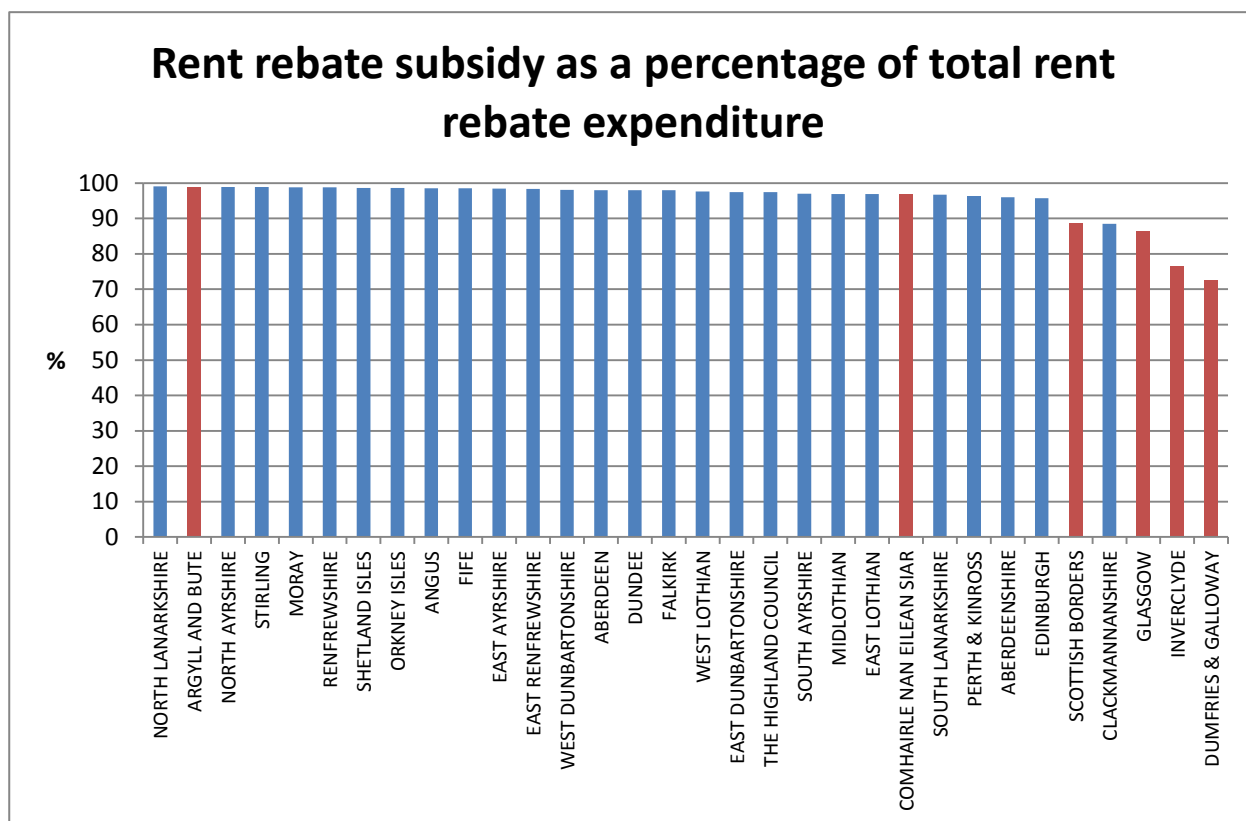
Rent rebates

25. Local authorities are unable to recover all rent rebate expenditure through subsidy due to some elements of expenditure being subject to penalty. Expenditure which was met by local authorities in 2012/13 included £10.7 million on accommodation to discharge local authorities' statutory homeless function and £8.5 million on eligible overpayments.
26. Six local authorities in Scotland have undergone housing stock transfers whereby the local authority has transferred all or part of its housing stock and the management of these properties to registered social landlords. Our analysis of rent rebates includes these authorities as they currently provide a limited housing service such as temporary accommodation for people who are considered to be homeless (they are highlighted in red in the graphs that follow).

Subsidy recovery rate

27. Total expenditure on rent rebates in Scotland for 2012/13 was £689 million net of technical overpayments recovered by local authorities, with £669 million met through subsidy from the DWP. The loss in subsidy is typically in respect of high rents for care and support homes and temporary accommodation and the incorrect award of benefit.
28. Exhibit 3 below shows a significant variance in terms of rent rebate subsidy recovery performance which ranges from 72.4% to 99.1%. It is noted that this recovery rate was lower than the recovery rate for rent allowances discussed later at paragraph 52. It appears that the difference in recovery rates between rent rebates and rent allowances is due to the loss of rent rebate subsidy for certain types of accommodation to discharge local authorities' statutory homeless function. Four of the six local authorities without their own housing stock who provide temporary accommodation for people considered homeless have rent rebate subsidy recovery rates below 90%. Clackmannanshire Council was the only other council with a recovery rate below 90% and this was partially due to not receiving subsidy on a significant amount of their expenditure on certain types of temporary homeless accommodation as shown in exhibits 4, 5 and 6 below.

Exhibit 3



2012/13 Final subsidy claims submitted to DWP

29. As shown above, four of the six local authorities without their own housing stock are in the bottom quartile. This may suggest that the types of rent rebate claims processed by these authorities, such as people who present themselves to the council as homeless, have more scope for errors and/or overpayments.
30. The paragraphs below look in more detail at some of the areas where councils are losing rent rebate subsidy. The following items are in the same order as they appear in the subsidy claims.

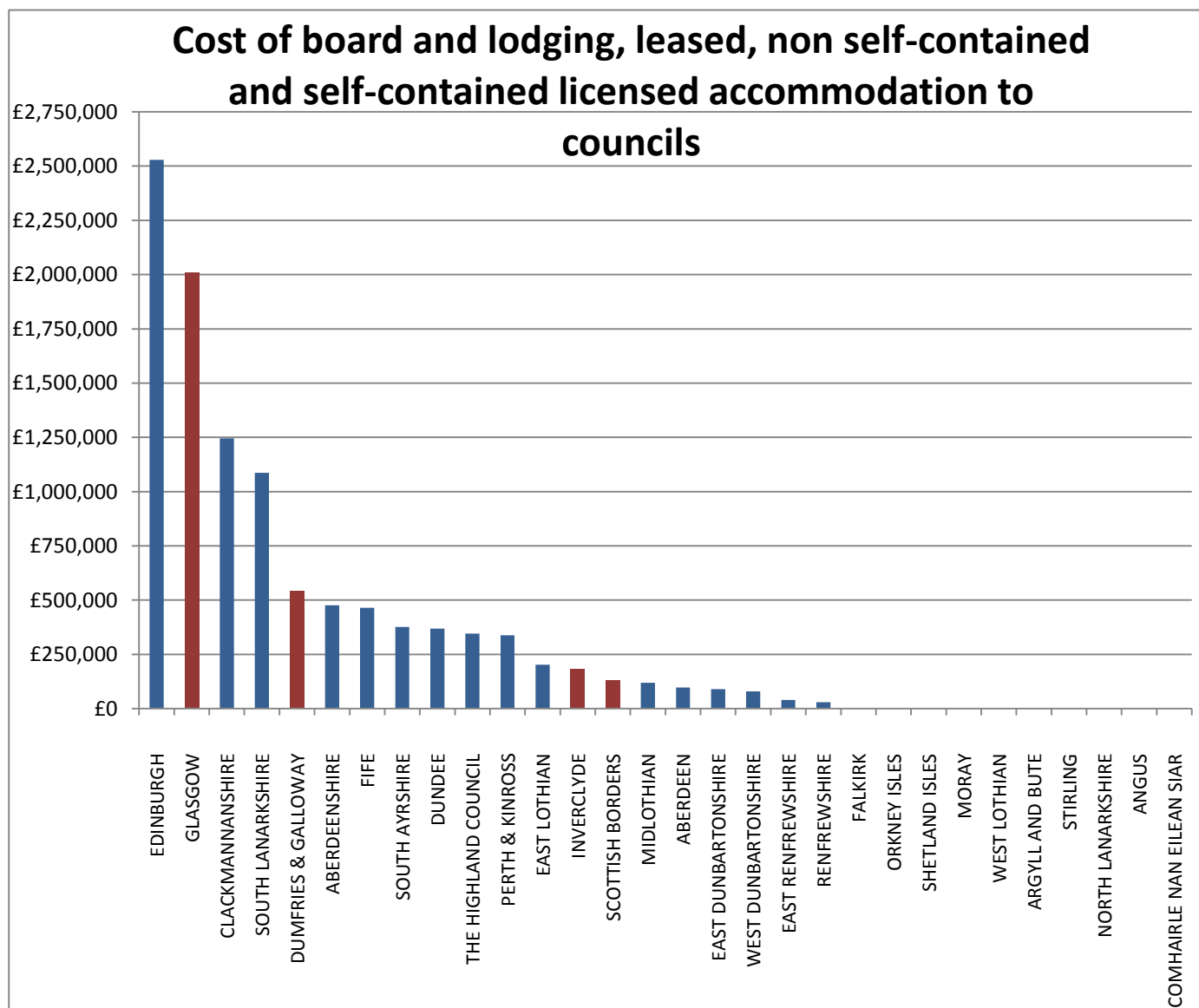
Expenditure on board and lodging, non self-contained licensed accommodation, leased and self-contained licensed accommodation

31. This section relates to expenditure where claimants have been housed by the local authority to discharge its statutory homeless function under the Housing (Scotland) Act 1987, the Housing (Scotland) Act 2001, the Homelessness (Scotland) Act 2003 and the Homelessness (Abolition of Priority Need Test) (Scotland) Order 2012 or to prevent the claimant being or becoming homeless. This section of the subsidy claim looks at where claimants are not housed in council owned accommodation but instead are housed in either
- temporary board and lodging accommodation,
 - non-self contained licensed accommodation,
 - leased or

- self-contained licensed accommodation.

32. The total expenditure in this area was £59.5 million. Exhibit 4 below shows the total amount of this expenditure which received no subsidy and was therefore funded directly by Scottish councils.

Exhibit 4



2012/13 Final subsidy claims submitted to DWP

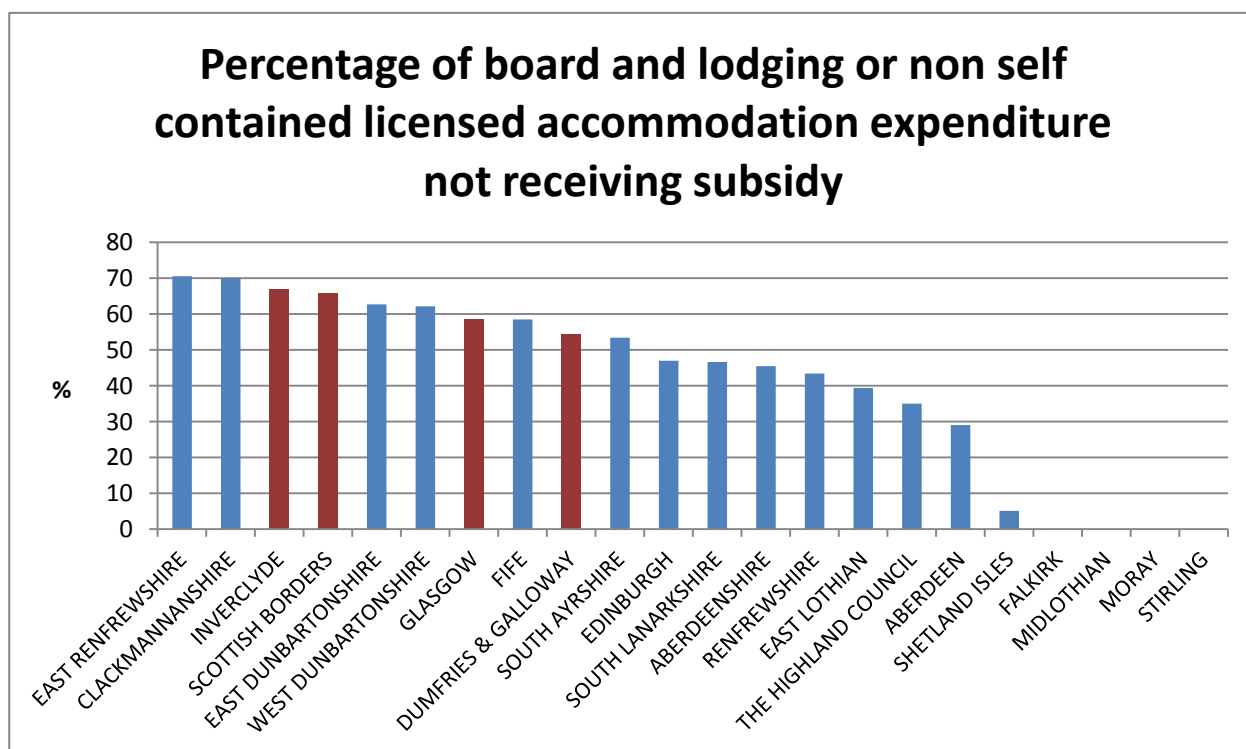
33. As shown above, thirty councils had expenditure in this category with East Ayrshire Council and North Ayrshire Council reporting that they had no expenditure in this category and therefore did not use this type of accommodation in order to discharge their homeless duties. The actual cost met by local authorities ranged from £0 to approximately £2.5 million with the total across all Scottish local authorities being £10.7 million.

34. Although it is not surprising that the two largest cities are losing the largest amounts of subsidy, all councils losing a significant amount of subsidy should review processes and practices to try to minimise subsidy loss where possible. This expenditure is reviewed in more detail below.

Expenditure on board and lodging or non self-contained licensed accommodation

35. This section relates to expenditure where claimants have been housed by the local authority in temporary board and lodging accommodation or non-self contained licensed accommodation.
36. Expenditure in this category receives full subsidy up to either the lower of the one bedroom self contained local housing allowance rate or £375 per week. Local authorities receive no subsidy on any expenditure above this level and must meet any additional costs directly. In 2012/13, the total amount spent in this area was £11.8 million with £5.7 million of this a direct cost to local authorities.
37. Exhibit 5 below details the amount of expenditure not subject to subsidy as a percentage of the total expenditure on this type of accommodation.

Exhibit 5



2012/13 Final subsidy claims submitted to DWP

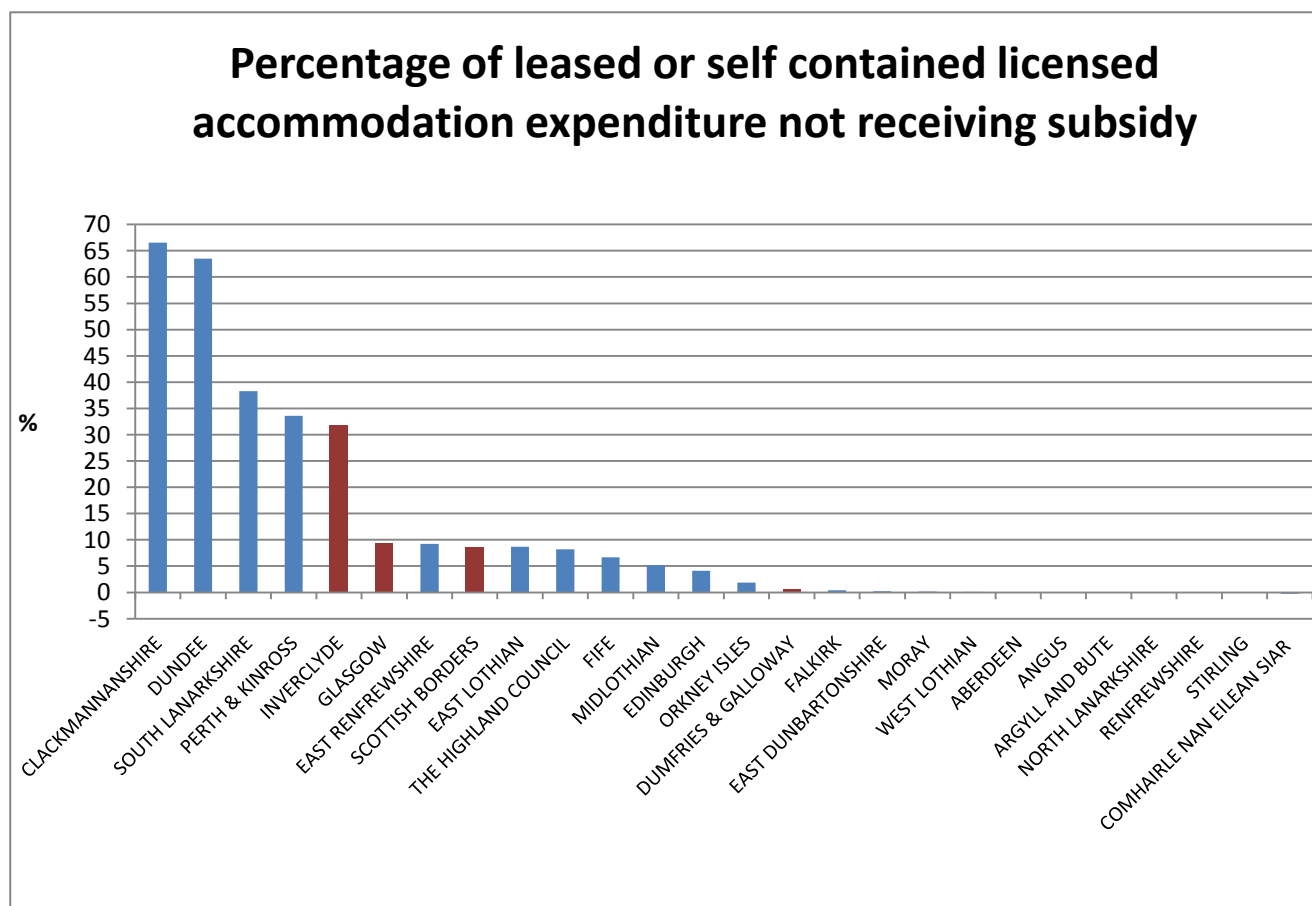
38. As shown above, twenty two local authorities had expenditure in this category with the percentage of expenditure receiving no subsidy varying between 0% and 70.5%. Four of the six councils which have undergone a stock transfer lost more than 50% of expenditure in this

area. The other two councils, Argyll and Bute Council and Comhairle Nan Eilean Siar did not have expenditure for this type of accommodation.

Expenditure on leased or self-contained licensed accommodation

39. This section relates to expenditure where claimants have been housed by the local authority in leased accommodation or self contained licensed accommodation.
40. Expenditure in this category receives full subsidy up to either the lower of 90% of the appropriate local housing allowance rate for the property plus a £60 management cost element or £375 per week. Local authorities receive no subsidy on any expenditure above this level and must meet any additional costs directly. In 2012/13, the total amount spent in this area was £47.7 million with £5.0 million of this a direct cost to local authorities.
41. Exhibit 6 below details the amount of expenditure not subject to subsidy as a percentage of the total expenditure on this type of accommodation.

Exhibit 6



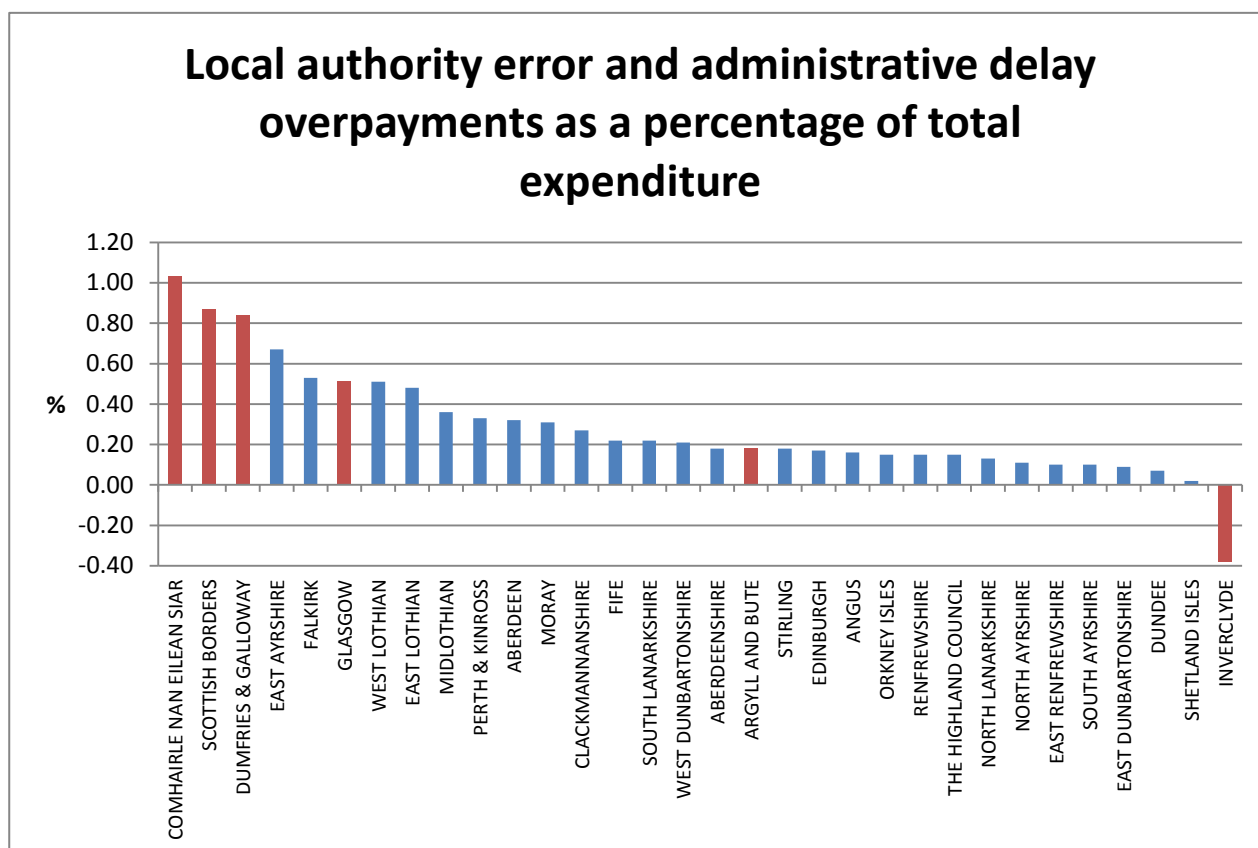
2012/13 Final subsidy claims submitted to DWP

42. As shown above, twenty six councils had expenditure for this category of temporary accommodation and the percentage of expenditure receiving no subsidy varied between 0% and 66.6%.

Local authority error and administrative delay overpayments

43. Overpayments which are classified as local authority error are a direct cost to the local authority unless they are able to receive repayment of the overpayment from the customer or do not exceed DWP set thresholds discussed at paragraphs 21-24. The total expenditure in this category was £1.7 million for 2012/13.
44. Exhibit 7 shows the amount of expenditure on local authority error and administrative delay overpayments for the current and prior year processed in 2012/13 as a percentage of the total rent rebate expenditure.

Exhibit 7



2012/13 Final subsidy claims submitted to DWP

45. As shown above, errors in this category are relatively small as they vary from 0.02% to 1.03% of total rent rebate expenditure with half the local authorities under 0.2%.
46. However, it is of note that four of the six councils that do not have their own housing stock are in the upper quartile. Inverclyde Council had a significant prior year adjustment in 2012/13.

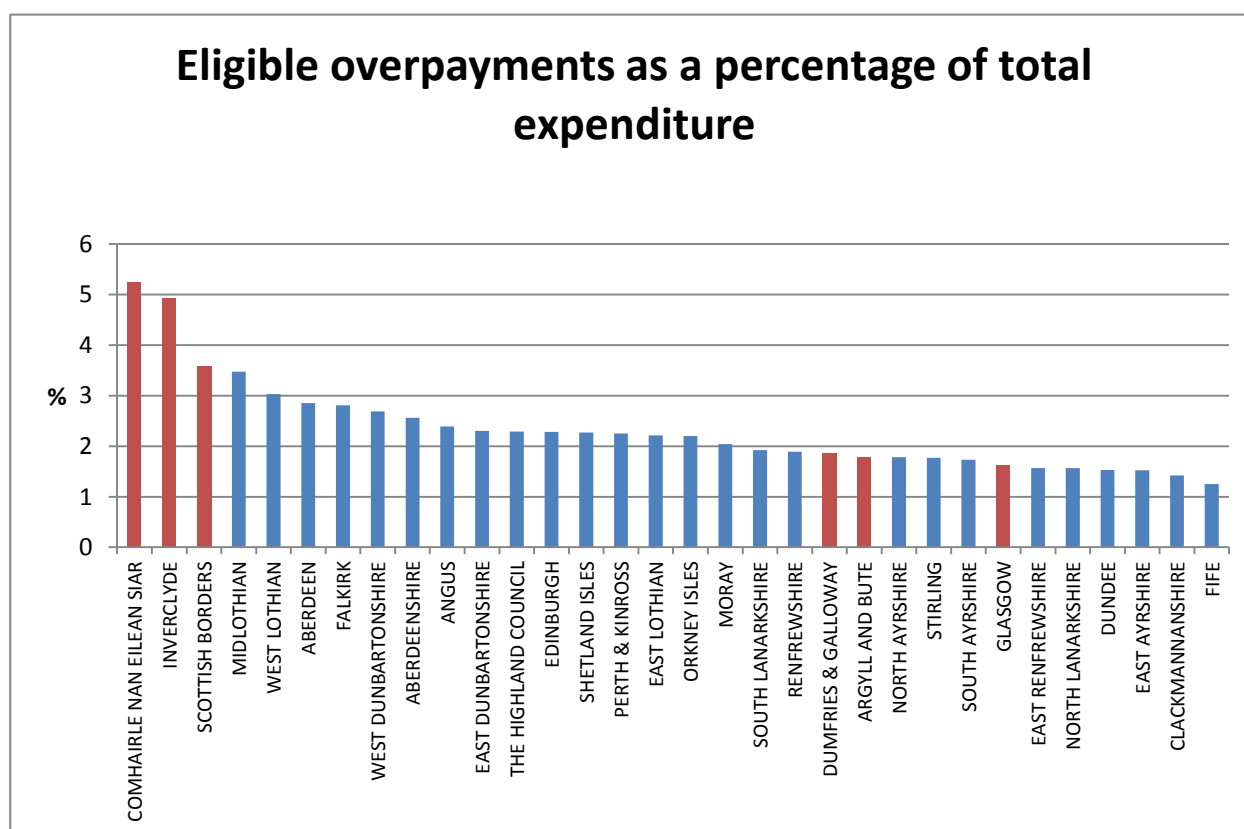
Eligible overpayments

47. For eligible overpayments, the amount of subsidy paid to the local authority is 40% of the overpayment. Again, any overpayments of benefit paid which fall into this category are a cost to the local authority unless they are able to receive repayment of the overpaid amount from

the claimant. Total expenditure in this category was £14.2 million in 2012/13 with £8.5 million of this being met by local authorities.

48. Exhibit 8 shows the amount of expenditure on eligible overpayments for the current and prior year processed in 2012/13 as a percentage of the total rent rebate expenditure.

Exhibit 8



2012/13 Final subsidy claims submitted to DWP

49. As detailed above, overpayments in this category vary between 1.25% and 5.24% of total rent rebate expenditure. Three of the six councils that do not have their own housing stock have the highest percentage subsidy loss.

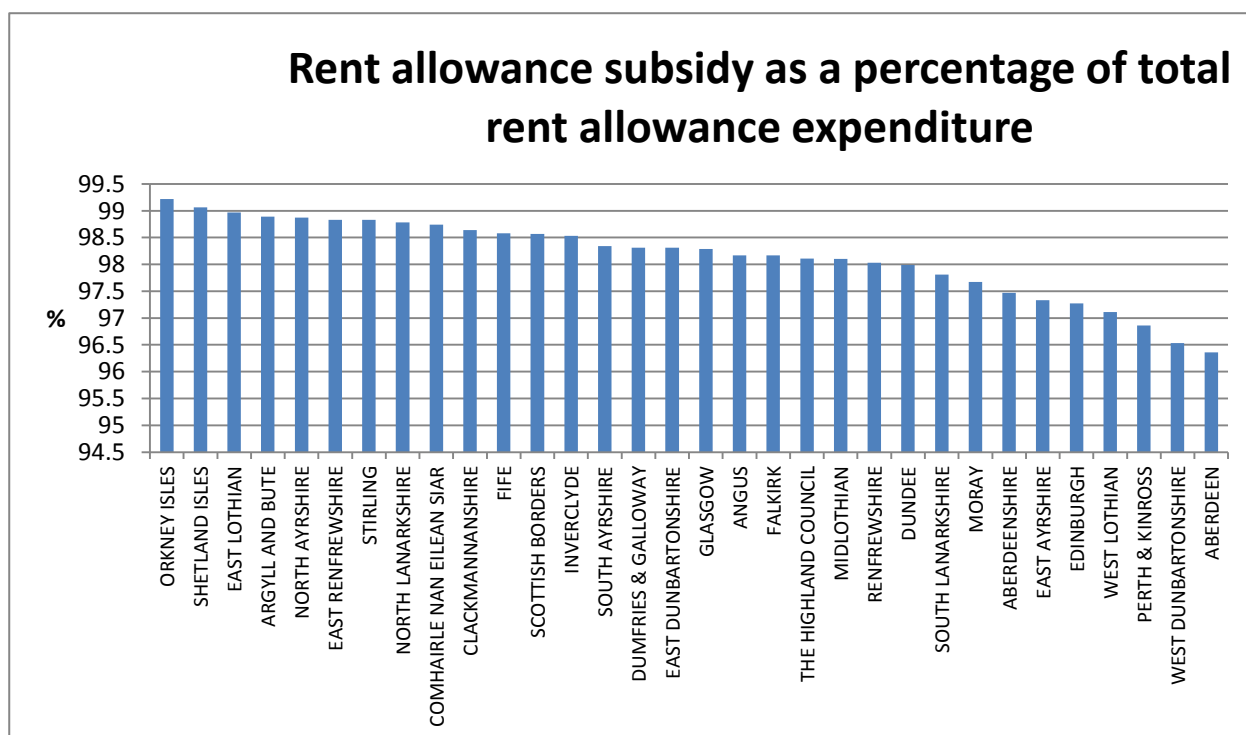
Rent allowances

50. Similarly to rent rebates, local authorities are unable to recover all rent allowance expenditure through subsidy due to some elements of expenditure being subject to penalty. Expenditure which was met by local authorities included £15.8 million on eligible overpayments and £4.3 million on claims administered under the pre-1996 rules.
51. Our analysis of rent allowance expenditure that follows focuses on areas of expenditure that attract lower rates or zero subsidy for local authorities.

Subsidy recovery rate

52. Total expenditure on rent allowances in Scotland for 2012/13 was £1.1 billion with £1.08 billion met by the DWP through subsidy. Exhibit 9 below shows a variance in terms of recovery performance ranging from 96.4% to 99.2%. This recovery rate is better than the recovery rate for rent rebates discussed at paragraph 28.

Exhibit 9



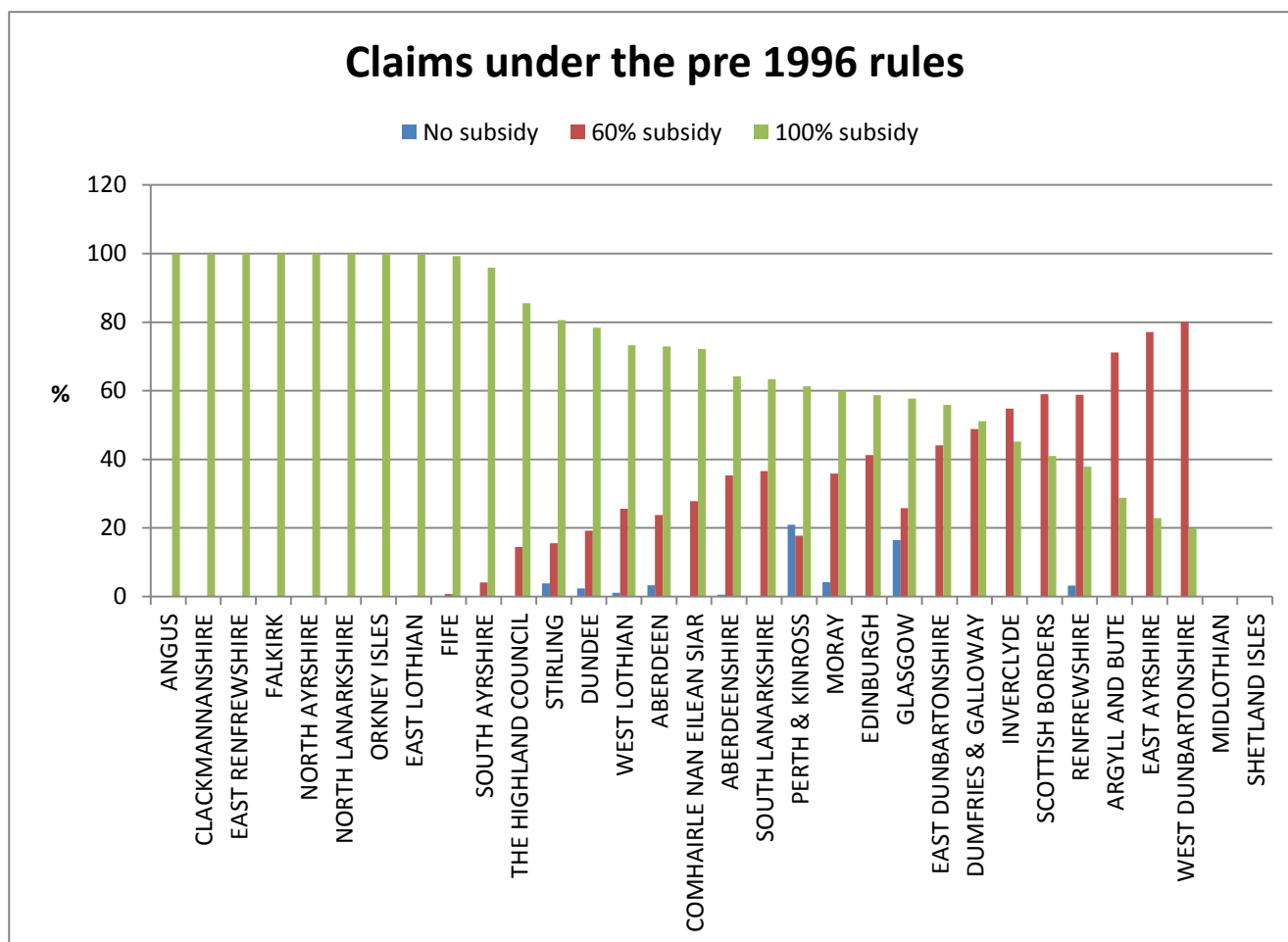
2012/13 Final subsidy claims submitted to DWP

53. The sections below look in more detail at some of the areas where councils are losing rent allowance subsidy.

Expenditure under the rent officer arrangements: claims administered under the pre-1996 rules

54. Expenditure in this category receives full subsidy up to the rent officer's determined rent level and sixty per cent on the part of the rent that is above the rent officer's determination where claimants can be classed as vulnerable. Where claimants cannot be classed as vulnerable, expenditure above the rent officer's determination receives no subsidy. Therefore there is a cost to local authorities for expenditure above the rent officers' determination. In 2012/13 total expenditure in this category was £23.2 million. £14.3 million was fully funded by subsidy, £7.7 million received 60% subsidy, £1.2 million received no subsidy and therefore £4.3 million was wholly funded by councils.
55. Exhibit 10 shows pre 1996 rules expenditure split between that receiving full subsidy, 60% subsidy and no subsidy as a percentage of total pre 1996 rules expenditure.

Exhibit 10



2012/13 Final subsidy claims submitted to DWP

56. As shown above, two councils did not have expenditure in this category. For the other thirty local authorities, expenditure receiving no subsidy as a percentage of total expenditure in this category ranged from 0% to 21%. Expenditure above the rent officers' determination receiving 60% subsidy as a percentage of total expenditure varied between 0% and 80.12% and expenditure receiving full subsidy ranged from 20% to 100%.

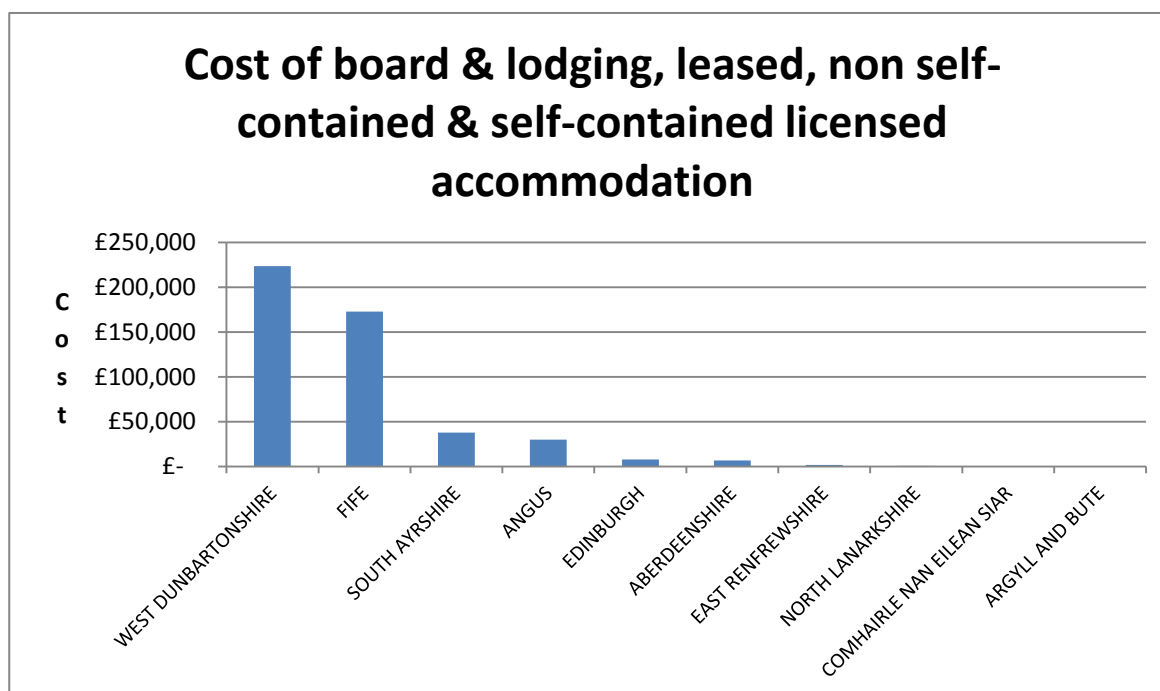
Total amount of expenditure on board and lodging, non self-contained licensed accommodation, leased and self-contained licensed accommodation

57. This section relates to expenditure where claimants have been housed in
- temporary board and lodging accommodation or
 - short term non-self contained licensed accommodation
 - short term non-self contained licensed accommodation
 - leased accommodation

by a registered housing association to assist the local authority in discharging its statutory homeless function, or to prevent the claimant being or becoming homeless.

58. A review of the total amount of expenditure in this area was carried out and a comparison made between the total expenditure and the amount that was funded directly by Scottish councils. Total expenditure in this area was £2.1 million with £0.5 million not receiving subsidy.
59. Exhibit 11 below shows that the actual cost met by local authorities ranged from £0 to approximately £223,000.

Exhibit 11



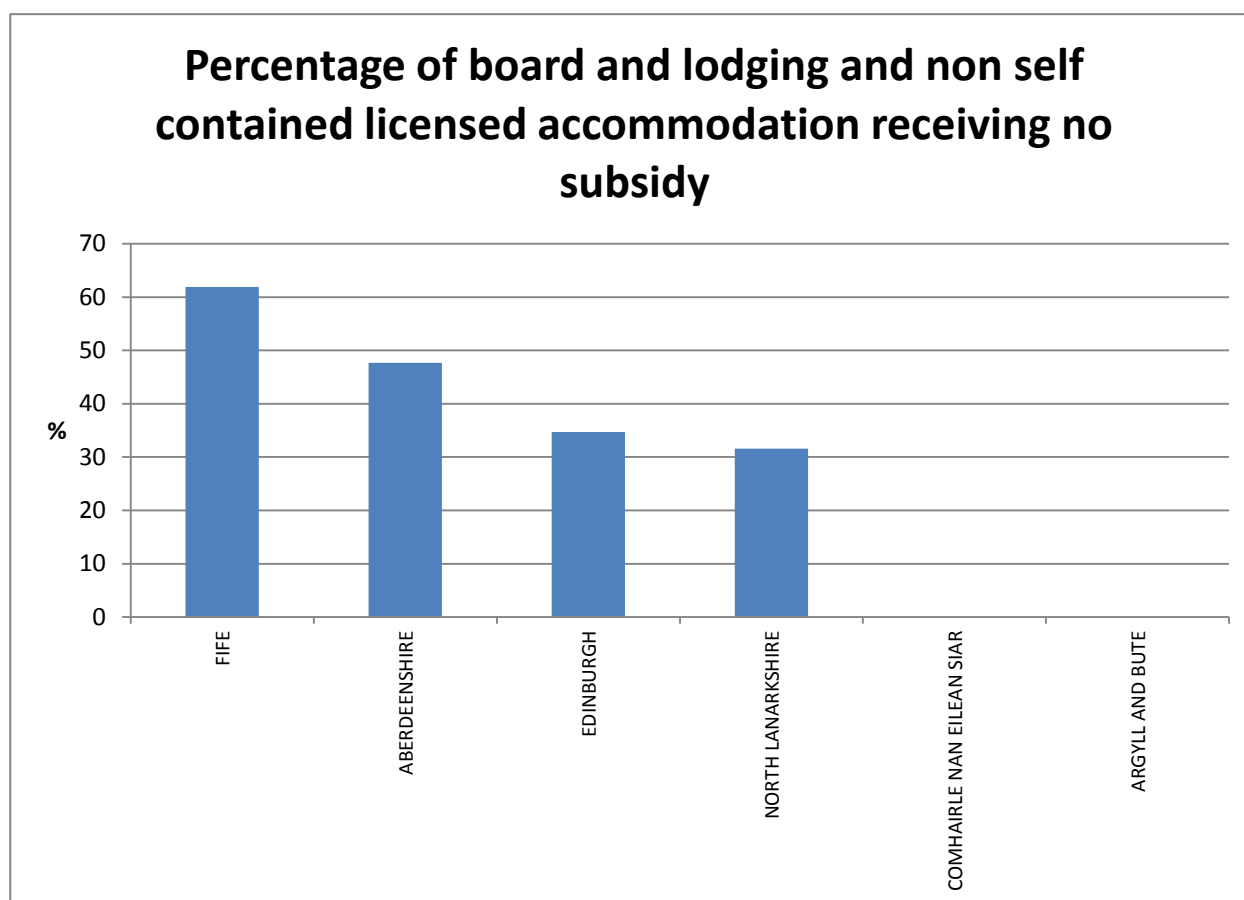
2012/13 Final subsidy claims submitted to DWP

60. Those councils losing a significant amount of subsidy should review processes and practices to try to minimise subsidy loss where possible. This expenditure is reviewed in more detail below.

Expenditure on board and lodging and non-self-contained licensed accommodation provided as temporary or short term accommodation

61. Expenditure in this category receives full subsidy up to either the lower of the one bedroom self contained local housing allowance rate or £375 per week. Local authorities receive no subsidy on any expenditure above this level and must meet any additional costs directly. In 2012/13, the total amount spent in this area was £132,000 with £17,000 of this expenditure not receiving subsidy and therefore was a direct cost to councils.
62. Exhibit 12 below details the amount of expenditure not subject to subsidy as a percentage of the total expenditure on this type of accommodation.

Exhibit 12



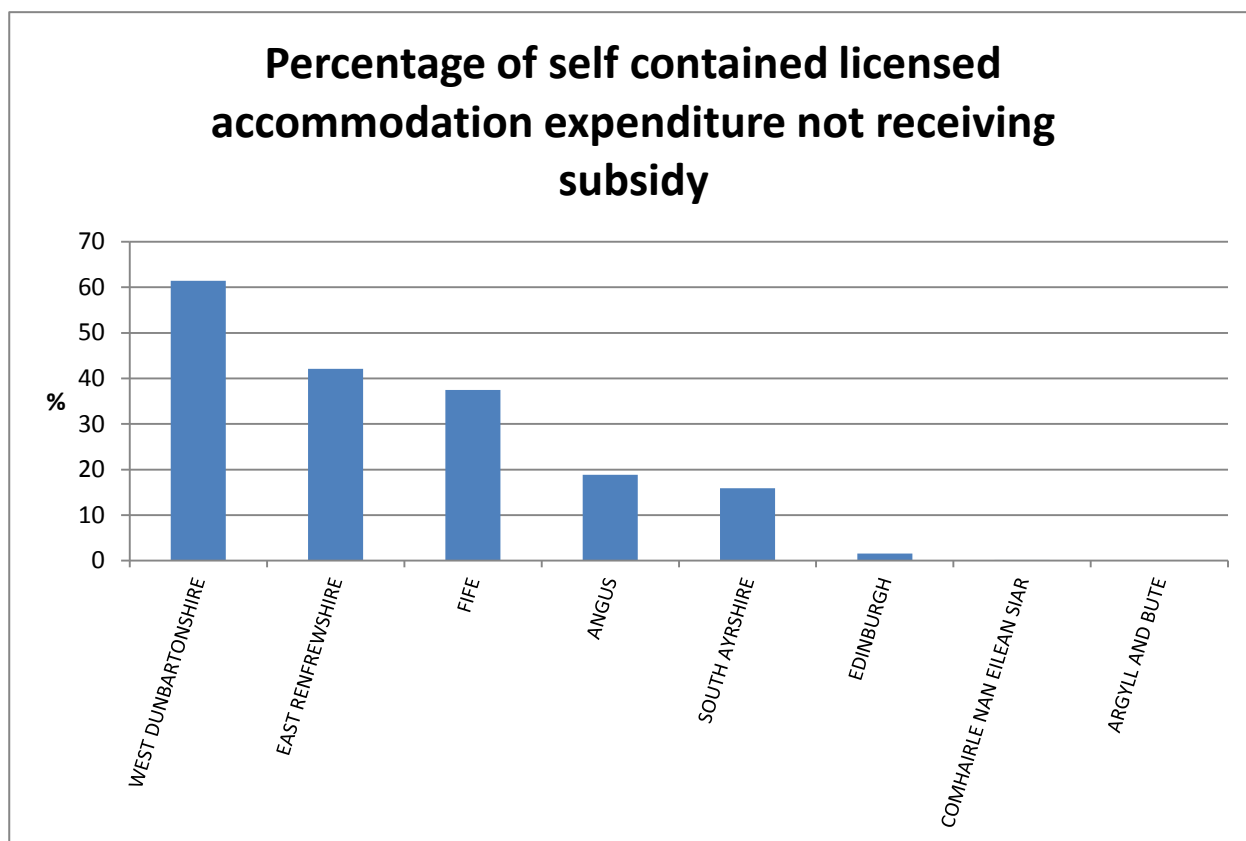
2012/13 Final subsidy claims submitted to DWP

63. As shown above, only six councils had expenditure in this category.

Expenditure on self-contained licensed accommodation and accommodation owned or leased by a registered housing association provided as temporary accommodation

64. Expenditure in this category receives full subsidy up to either the lower of 90% of the appropriate local housing allowance rate for the property plus a £60 management cost element or £375 per week. Local authorities receive no subsidy on any expenditure above this level and must meet any additional costs directly. In 2012/13, the total amount spent in this area was £2 million of which £0.5 million was not subject to subsidy.
65. Exhibit 13 below shows the amount of expenditure not subject to subsidy as a percentage of the total expenditure on this type of accommodation.

Exhibit 13



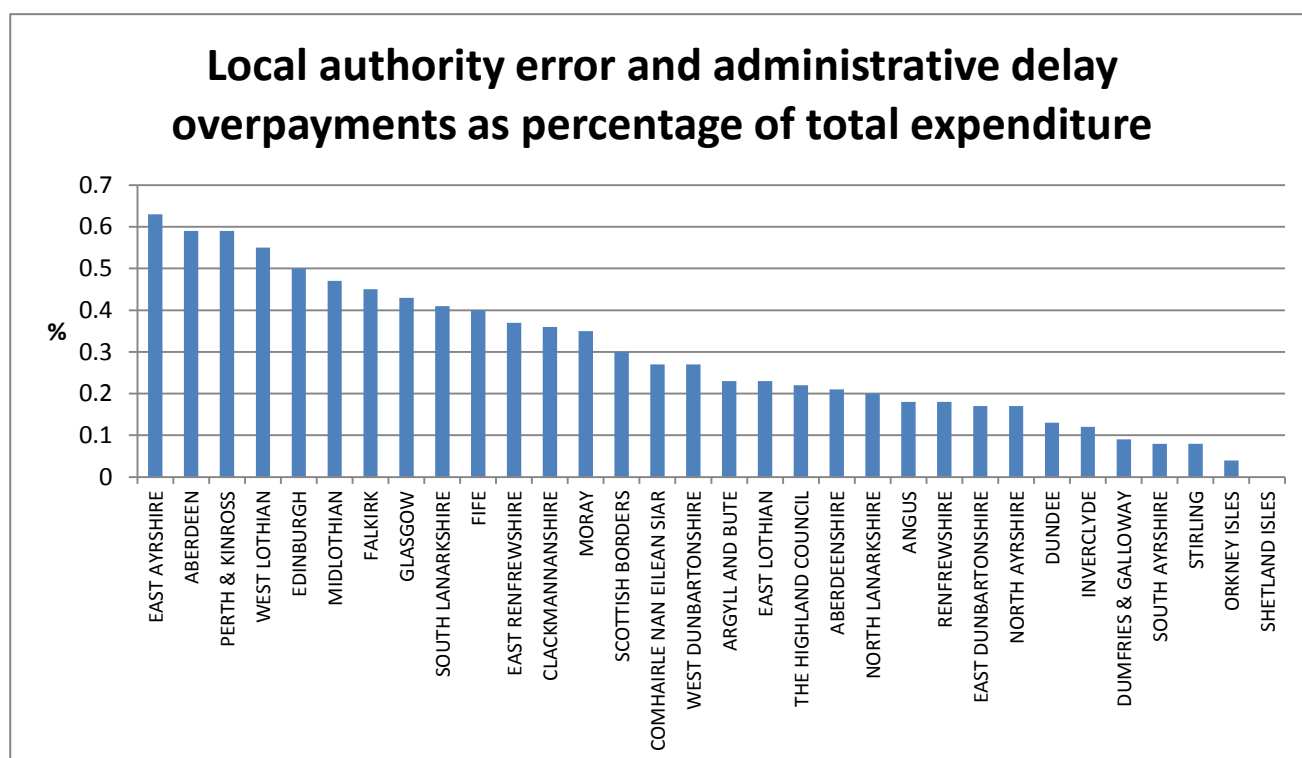
2012/13 Final subsidy claims submitted to DWP

66. As shown above, only eight local authorities had expenditure in this category. However, in these authorities, between 0% and 61.4% of expenditure received no subsidy.

Local authority error and administrative delay overpayments

67. The total expenditure in this category in 2012/13 was £3.9 million. Exhibit 14 shows the amount of expenditure on local authority error and administrative delay overpayments for the current and prior year processed in 2012/13 as a percentage of the total rent allowance expenditure.

Exhibit 14



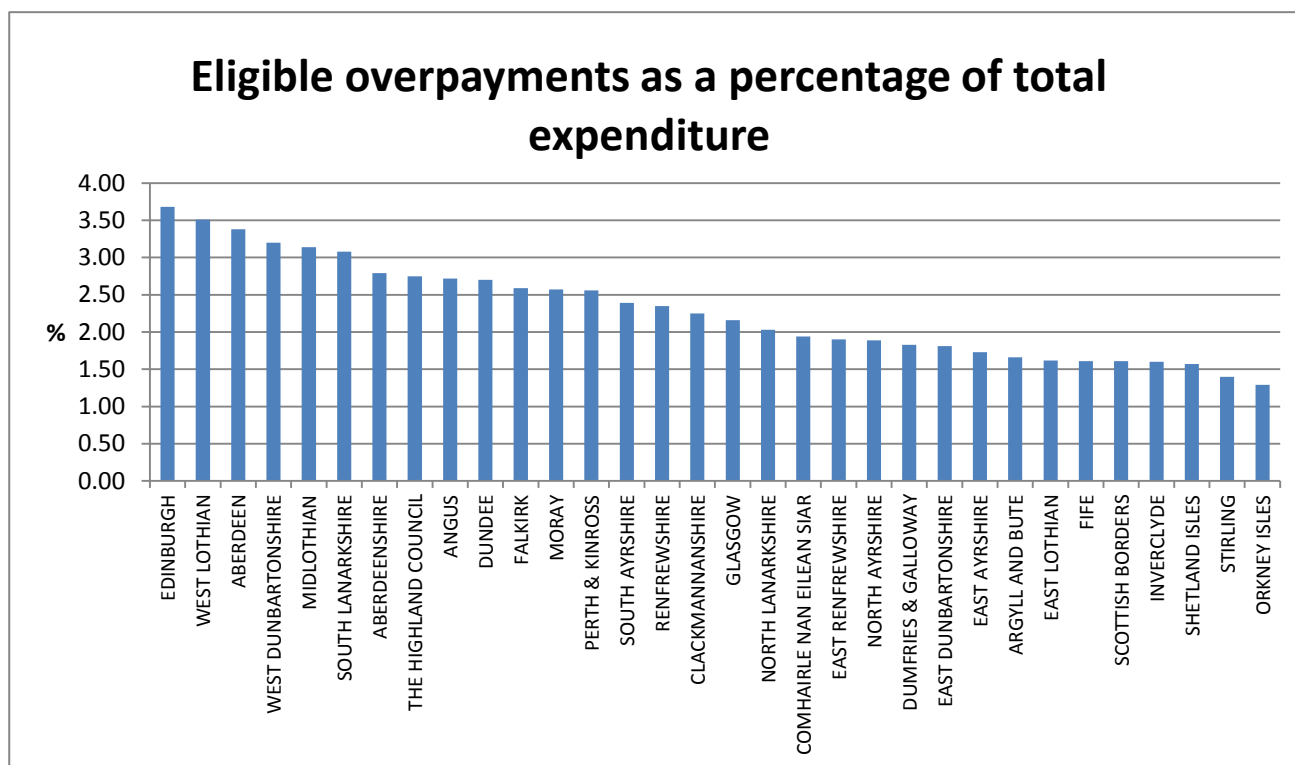
2012/13 Final subsidy claims submitted to DWP

68. As detailed above, errors and overpayments in this category vary up to 0.63% of total rent allowance expenditure.

Eligible overpayments

69. Total expenditure in this category was £26.3 million in 2012/13 with £15.8 million of this being met by local authorities.
70. Exhibit 15 below shows the amount of expenditure on eligible overpayments for the current and prior year processed in 2012/13 as a percentage of the total rent allowance expenditure.

Exhibit 15



2012/13 Final subsidy claims submitted to DWP

71. As detailed above, overpayments in this category vary between 1.29% and 3.68% of total rent allowance expenditure.

Council tax benefit

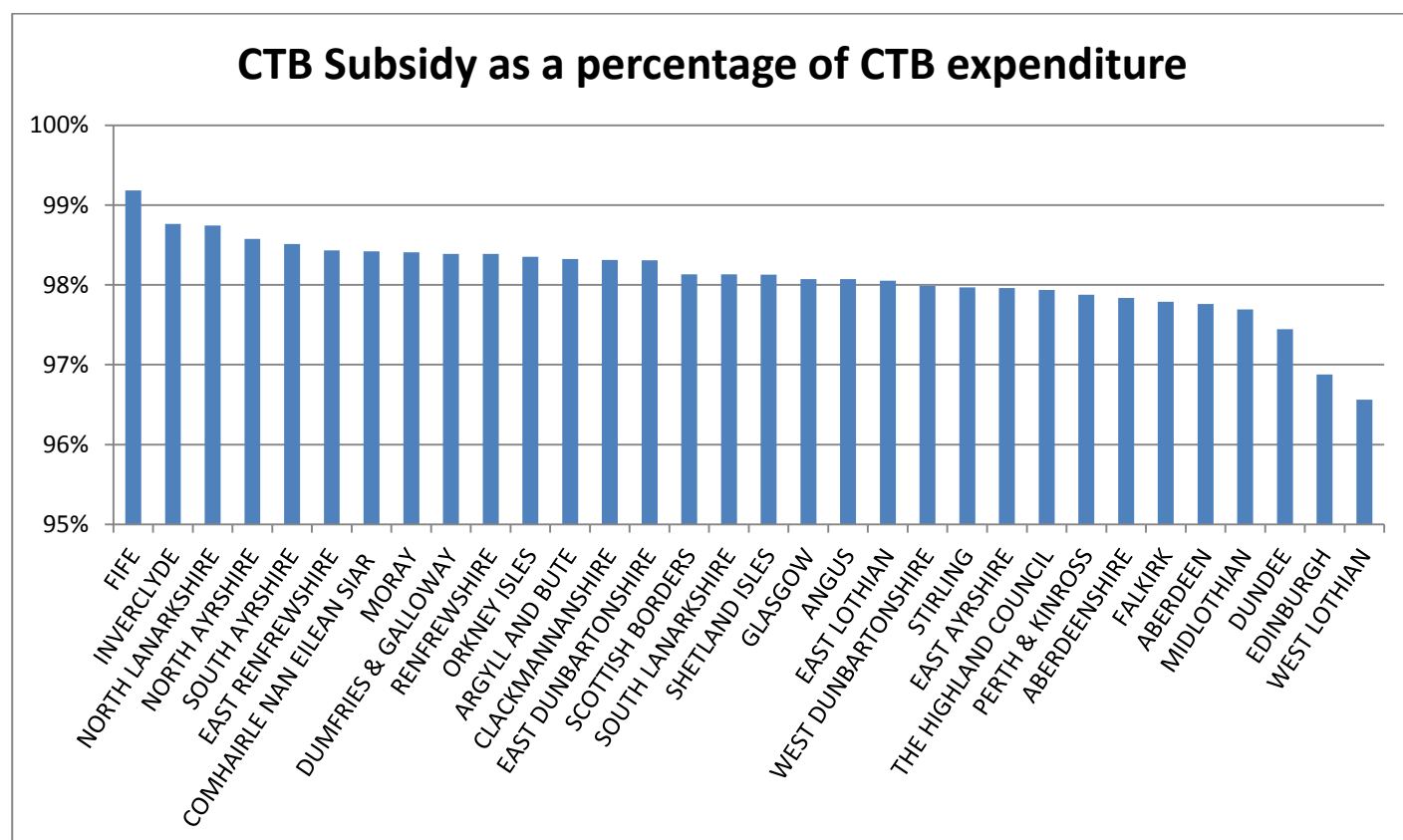
72. As previously mentioned, CTB was replaced on 1 April 2013. The Scottish CTR scheme is not a benefit. It is funded through the revenue support grant to local authorities rather than through subsidy from DWP. Therefore 2012/13 will be the final year CTB will appear on the DWP subsidy claim. Despite a different funding mechanism being in place for assisting claimants to meet council tax costs, local authorities should continue to ensure processes are in place to ensure claims are processed timeously and to ensure overpayments and errors are kept to a minimum.
73. CTB expenditure which was met by local authorities in 2012/13 included £7.1 million on eligible overpayments. We have analysed CTB expenditure in order to identify areas where local authorities may focus their attention in order to prevent the loss of council funds through the new CTR scheme.

Subsidy recovery rate

74. Subsidy was typically lost in respect of the incorrect award of benefit. It will be important in the CTR scheme that overpayments are kept to a minimum as these will be a direct cost to the local authorities.

75. Total expenditure on CTB in Scotland for 2012/13 was £379 million net of technical overpayments with £371 million of this expenditure met by the DWP through subsidy. Exhibit 16 below details the CTB subsidy recovery rate for Scottish councils and highlights a variance in terms of recovery performance which ranges from 96.6% to 99%. This recovery rate is better than the recovery rate for rent rebates and similar to that for rent allowances.

Exhibit 16

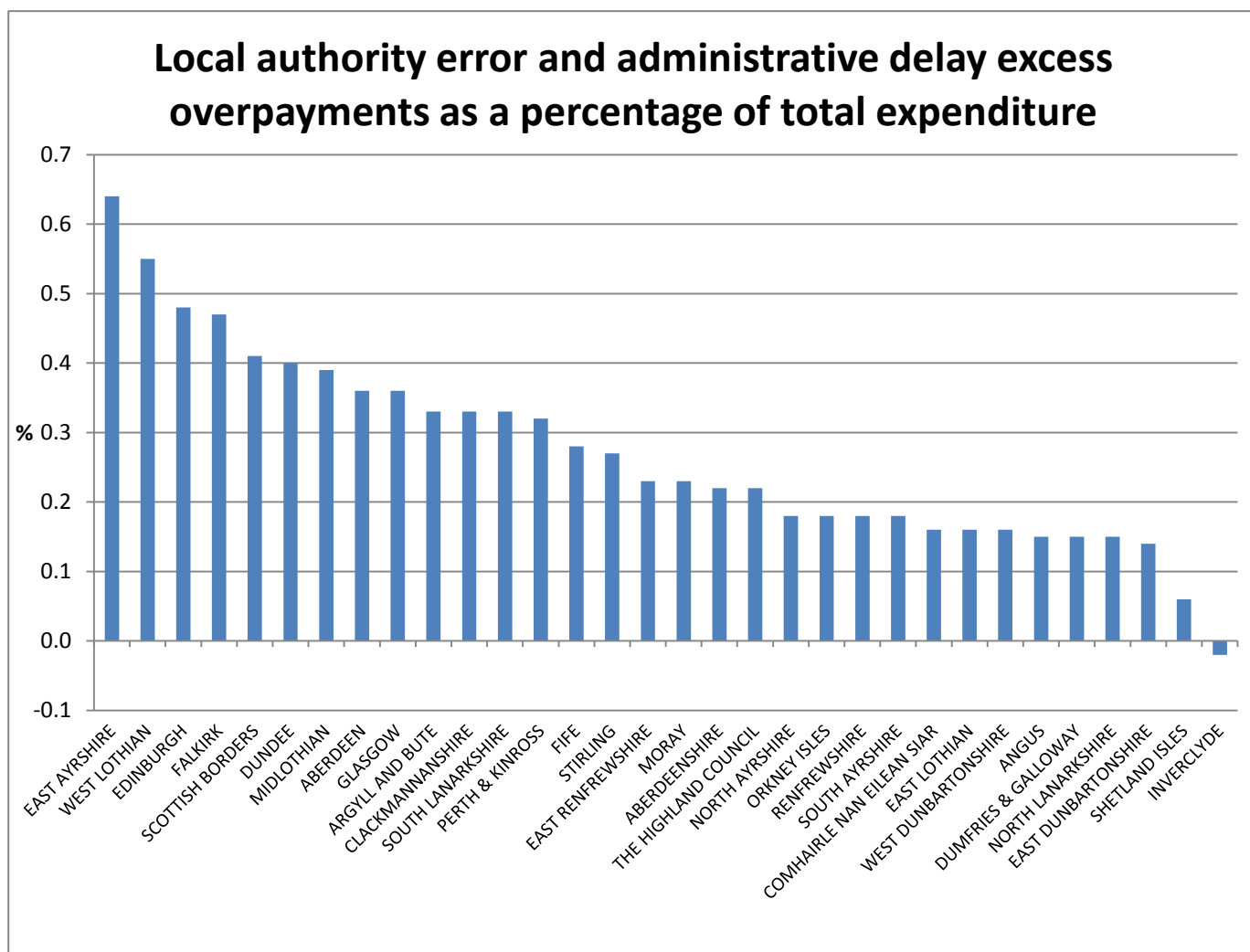


2012/13 Final subsidy claims submitted to DWP

Local authority error and administrative delay overpayments

76. Total expenditure in this category for 2012/13 was £1.3 million. Under CTR it is still in local authorities' and claimants' interest to keep errors and processing delays to a minimum. Accuracy checking processes should cover CTR as well as HB.
77. Exhibit 17 shows expenditure on local authority error and administrative delay overpayments for the current and prior year processed in 2012/13 as a percentage of the total rent allowance expenditure.

Exhibit 17



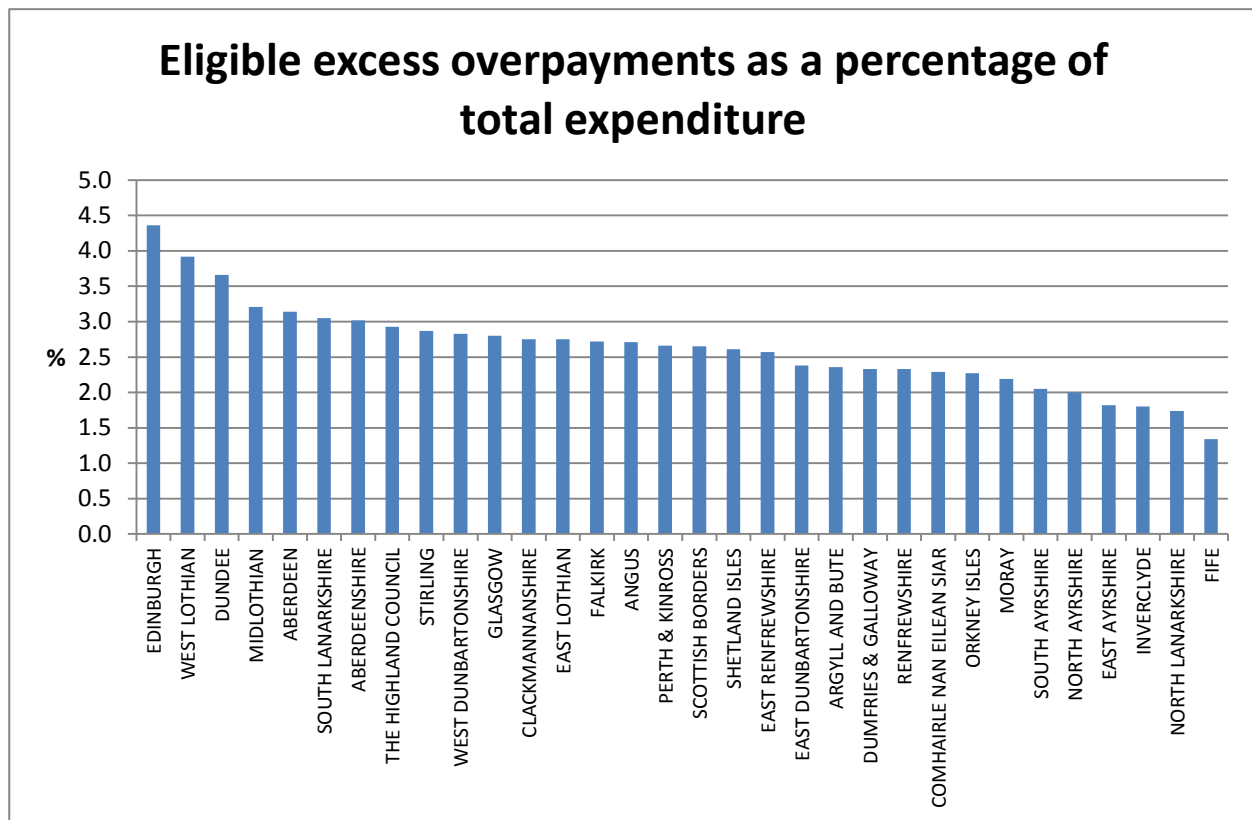
2012/13 Final subsidy claims submitted to DWP

78. As detailed above, overpayments in this category vary up to 0.64% of total CTB expenditure. It should be noted that Inverclyde Council had a prior year adjustment in 2012/13.

Eligible overpayments

79. Total expenditure in this category was £11.8 million in 2012/13 with £7.1 million of this being met by local authorities.
80. Exhibit 18 shows the amount of expenditure on eligible overpayments for the current and prior year processed in 2012/13 as a percentage of the total rent allowance expenditure.

Exhibit 18



2012/13 Final subsidy claims submitted to DWP

81. As shown above, overpayments in this category vary between 1.34% and 4.36% of total council tax benefit expenditure.

Appendix 1-Audit qualifications

Councils	Qualification	Rent rebates	Rent allowance	Council tax benefit	Total potential recovery of subsidy by DWP (**see note below)
Dumfries & Galloway	<ul style="list-style-type: none"> Rent rebates: double counting of manual adjustment and failure to update benefit for work placement Rent rebates: incorrect calculation of board and lodging threshold Council tax benefit: single persons discount not applied Council tax benefit: overpayment classification 	£3,891		£277,701	£281,592
The Highland Council	<ul style="list-style-type: none"> Rent allowances: misclassification of overpayments Council tax benefit: miscalculation of occupational pension 		£12,098	£57,270	£69,368
East Renfrewshire	<ul style="list-style-type: none"> Benefit system reconciliation 	£17,351		£30,728	£48,079
Aberdeen City	<ul style="list-style-type: none"> Benefit system reconciliation Rent rebates: miscalculation of claimants employed earnings Rent rebates: miscalculation of claimants occupational pensions 	£30,350	£8,754	£8,185	£47,289

Councils	Qualification	Rent rebates	Rent allowance	Council tax benefit	Total potential recovery of subsidy by DWP (**see note below)
	<ul style="list-style-type: none"> • Rent rebates: miscalculation of claimants working tax credits • Rent rebates: misclassification of overpayments • Rent allowances: miscalculation of claimants employed earnings • Rent allowances: miscalculation of claimants occupational pensions • Rent allowances: miscalculation of claimants employment support allowance • Rent allowances: misclassification of overpayments • Council tax benefit: miscalculation of claimants employed earnings • Council tax benefit: incorrect non-dependant deduction rate • Council tax benefit: misclassification of overpayments 				
North Lanarkshire	<ul style="list-style-type: none"> • Rent rebates: Change of circumstances not 	£36,033	£146	£5,093	£41,272

Councils	Qualification	Rent rebates	Rent allowance	Council tax benefit	Total potential recovery of subsidy by DWP (**see note below)
Council	<ul style="list-style-type: none"> actioned Rent allowances: overpayment not stated net of underlying entitlement Council tax benefit: overpayment classification Council tax benefit: unidentified prior year overpayment 				
Comhairle Nan Eilean Siar	<ul style="list-style-type: none"> Rent rebates: incorrect treatment of ineligible deductions from rent Rent rebates: incorrect calculation of earned income and expenditure misclassification Rent allowance: incorrect deduction from eligible rent Council tax benefit: single persons discount not applied Council tax benefit: overpayment classification 	£633	£12,447	£3,858	£16,938
Perth & Kinross	<ul style="list-style-type: none"> Rent allowance: miscalculation of earned income 		£14,518		£14,518
East Lothian	<ul style="list-style-type: none"> Rent allowance: incorrect rental figure 		£6,556		£6,556

Councils	Qualification	Rent rebates	Rent allowance	Council tax benefit	Total potential recovery of subsidy by DWP (**see note below)
Fife	<ul style="list-style-type: none"> Rent rebates, rent allowances and council tax benefit: miscalculation of claimants' occupational pensions Council tax benefit: overpayment classification 	£1,328	£2,195	£2,111	£5,634
Stirling	<ul style="list-style-type: none"> Rent allowances: miscalculation of earned income 		£1,136		£1,136
Renfrewshire	<ul style="list-style-type: none"> Housing benefit claim not cancelled 		£763		£763
Midlothian	<ul style="list-style-type: none"> Rent rebates: incorrect calculation of rent Rent rebates: misclassification of overpayment 	£602			£602
Argyll & Bute	<ul style="list-style-type: none"> Benefit system reconciliation 		£179		£179
Total		£90,188	£58,792	£384,946	£533,926

** These are the potential amounts for recovery identified by the subsidy audit. Councils will discuss the errors identified and potential amount to be recovered with the DWP and further verification work may be undertaken. Accordingly the final amount recovered may differ from the amounts shown.

Appendix 2- Local authority error and administrative delay subsidy

Councils	100% subsidy	40% subsidy	Loss in RR	Loss in RA	Loss in CTB	Total loss in subsidy
Aberdeen City	£266,179	£0				
Aberdeenshire	£93,801	£0				
Angus	£57,417	£0				
Argyll & Bute	£77,704	£0				
Clackmannanshire	£74,692	£0				
Comhairle Nan Eilean Siar	£17,639	£0				
Dumfries & Galloway	£70,492	£0				
Dundee City	£145,014	£0				
East Ayrshire	£0	£0	£155,346	£134,568	£79,038	£368,952
East Dunbartonshire	£33,551	£0				
East Lothian	£96,405	£0				
East Renfrewshire	£52,622	£0				
Edinburgh (City of)	£882,184	£0				
Falkirk	£0	£102,974	£82,888	£41,855	£29,717	£154,460
Fife	£399,708	£0				
Glasgow City	£1,828,322	£0				
Inverclyde	£35,862	£0				
Midlothian	£140,746	£0				
Moray	£65,670	£0				
North Ayrshire	£104,145	£0				
North Lanarkshire	£231,715	£0				
Orkney Isles	£4,893	£0				

Councils	100% subsidy	40% subsidy	Loss in RR	Loss in RA	Loss in CTB	Total loss in subsidy
Perth & Kinross	£0	£75,076	£28,958	£67,262	£16,394	£112,614
Renfrewshire	£136,461	£0				
Scottish Borders	£127,224	£0				
Shetland Isles	£1,041	£0				
South Ayrshire	£55,009	£0				
South Lanarkshire	£369,195	£0				
Stirling	£42,705	£0				
The Highland Council	£133,806	£0				
West Dunbartonshire	£124,747	£0				
West Lothian	£0	£0	£127,216	£175,291	£70,596	£373,103
TOTAL LOSS	£5,668,949	£178,050	£394,408	£418,976	£195,745	£1,009,129

RR-rent rebates

RA-rent allowances

CTB- council tax benefit

Appendix 3- Total cost per council

Council	Cost
Aberdeen City	£1.6 million
Aberdeenshire	£1.4 million
Angus	£0.6 million
Argyll & Bute	£0.3 million
Clackmannanshire	£1.5 million
Comhairle Nan Eilean Siar	£0.1 million
Dumfries & Galloway	£1.7 million
Dundee City	£1.9 million
East Ayrshire	£1.1 million
East Dunbartonshire	£0.4 million
East Lothian	£0.6 million
East Renfrewshire	£0.3 million
Edinburgh (City of)	£7.7 million
Falkirk	£1.0 million
Fife	£1.8 million
Glasgow City	£9.3 million
Inverclyde	£0.8 million
Midlothian	£0.8 million
Moray	£0.4 million
North Ayrshire	£0.8 million
North Lanarkshire	£1.6 million
Orkney Isles	£0.1 million
Perth & Kinross	£1.3 million
Renfrewshire	£1.3 million
Scottish Borders	£0.7 million
Shetland Isles	£0.1 million

Council	Cost
South Ayrshire	£1.0 million
South Lanarkshire	£3.1 million
Stirling	£0.3 million
The Highland Council	£1.6 million
West Dunbartonshire	£1.3 million
West Lothian	£1.9 million
Total	£48.4 million