Audit, Governance and Standards Committee
20 April 2016
Grant Certification Report
Report by the Director of Finance

Purpose
To advise the Committee of the outcome of the external audit of a number of grant claims and returns made by the Council in respect of expenditure incurred in 2014-15.

Recommendations
1. that the Committee ask appropriate questions of the auditor in regard to the various claims audited
2. To Resolve to endorse the agreed actions in respect of the Housing Benefit Subsidy Claim.

Key Points
A. In carrying out its functions, in common with other local authorities, each year the Council is required to submit a range of grant claims and returns to various central Government departments. These documents provide detailed records of the way in which RBK has discharged its duties, and validate either the authority’s use of specific grant funding, or in some cases evidence amounts collected by the Council and paid over to the department concerned.

B. In some cases, the Government department requires the claim or return to be reviewed and certified as correct by the Council’s external auditor - Grant Thornton LLP. The reviews are carried out in accordance with a timetable specified by each “sponsoring” department - this occurs during and immediately after the final accounts audit.

C. This report sets out the auditor’s findings in respect of the various claims and returns for which an audit was required for 2014-15. It includes also one audit required by the GLA in respect of “grant” for housing expenditure.

D. The format of this report is slightly different from previous years, reflecting changes in the audit reporting regime. With the “winding up” of the Audit Commission, the successor body for some of its functions - Public Sector Audit appointments (PSAA) - requires only certain grants to be reported in Grant Thornton’s Certification Report. To ensure that the Committee is aware of the full picture, this report provides details of the items audited by Grant Thornton which are not covered in their report.
Context

1. For 2014-15, Grant Thornton audited the following items
   - Housing Benefit Subsidy claim - for the Department of Work and Pensions (DWP).
   - Pooling of Housing capital receipts - for the Department for Communities & Local Government (DCLG)
   - Teachers’ Pensions Contributions - for the Teachers’ Pensions Authority (TP))
   - Decent Homes Backlog Funding - for the Greater London Authority (GLA).

2. In each case, the sponsoring body or department sets out the approach to testing which is required - this ensures a level of consistency of approach is applied across the country.

3. The fee for the grant claims audits is met by RBK - for 2014-15 claims this amounted to £35,550 (of which £26,350 relates to the Housing Benefit Subsidy Claim).

4. The outcome of the various audits is set out below.

Housing Benefits Subsidy Claim

5. The Housing Benefit Subsidy claim is the only audit which this year fell within the remit of the PSAA contract. Grant Thornton’s detailed report on the audit of this claim is attached at Annex 1. The value of the grant was £72.9million in 2014-15.

6. The claim was qualified and required some amendments, but these did not affect the amount of subsidy received. However, the auditor has raised one recommendation regarding accuracy of data input. The management response identifies changes in approach and management of individuals’ performance which have been implemented during March 2016.

Pooling of Housing Capital Receipts

7. The claim for pooling of housing capital receipts advises the DCLG of the amount of capital receipts received from Right to Buy Sales during the year, and also eligible expenditure which can be made from the receipts retained to fund “one for one” replacement of social housing. A proportion of the receipts are required to be paid to DCLG for redistribution among housing authorities, based on a prescribed formula. RBK received £4.2 million in capital receipts in 2014-15, of which £0.6 million was paid to DCLG.

8. There was one “technical” qualification in respect of this claim - the Council has agreed with DCLG that a proportion of receipts could be applied (under a “Section 11 (6)” agreement) to a scheme being developed in conjunction with a Registered Social Landlord (RSL). Although the RSL incurred expenditure in regard to this scheme in 2014-15, the approach being
adopted is that the full amount will be reported by RBK in 2015-16 once the scheme is completed.

**Teachers’ Pensions Return**

9. The Teachers’ Pensions return relates to the employee contributions deducted from teachers’ pay, and associated employer contributions for teachers employed in RBK schools. It includes details from those schools which have their own payroll arrangements rather than using RBK's payroll provider, but not Academies, who submit their own returns.

10. The total value of the return for 2014-15 amounted to £6.2 million. The auditor certified that the claim was correct in all material respects.

11. One error was identified in regard to the accumulation of statutory maternity pay within the payroll system - this affected 59 employees, and led to a net overpayment of contributions of £5,568. This is being adjusted in 2015-16, and the necessary changes have been made to the payroll system.

**GLA - Decent Homes Backlog Funding**

12. This certification relates to the use of GLA grant to fund Housing Revenue Account capital expenditure to address the backlog in meeting the decent homes standard. GLA requires auditors to carry out appropriate tests to confirm that the grant was applied for its intended purpose.

13. The amount of expenditure funded by this grant in 2014-15 was £2.2 million. The audit testing confirmed that it had been correctly applied and no issues were identified during the audit.

**Timescale**

14. As this report summarises the position for the 2014-15 audit it is appropriate to receive it so that any conclusions may be implemented ahead of the 2015-16 process.

**Resource Implications**

15. The fee for these audits was £35,550 - this was in line with the budget for this item.

**Legal Implications**

16. None

**Risk Assessment**

17. There are no material risks arising from this report.

**Equalities Impact Assessment**

18. There are no equalities implications arising from this report.

**Network Implications**

19. None

**Environmental Implications**
20. None

**Background papers -**

**held by author**

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- None other than those referred to in this report