

APPOINTMENT OF EXTERNAL AUDITOR – HOUSING BENEFIT SUBSIDY CLAIM

SUMMARY AND RECOMMENDATIONS:

SUMMARY: This report provides a brief update to Members on the process undertaken to procure external audit services for the Council's Housing Benefit Subsidy claim for the year 2018/19.

RECOMMENDATIONS: That the Licensing and General Purposes Committee endorse the approach outlined in the report for the appointment of external auditors for the Housing Benefit Subsidy claim.

1. BACKGROUND

- 1.1 Following the demise of the Audit Commission, new arrangements were needed for the appointment of external auditors. The Local Audit and Accountability Act 2014 required authorities to either opt in to the appointing person regime or to establish an auditor panel and conduct their own procurement exercise. In November 2016, the Licensing and General Purposes Committee recommended that the Council opt in to the appointing person regime, allowing Public Sector Audit Appointments Limited (PSAA) to carry out a sector-wide procurement exercise and this was subsequently approved by full Council.
- 1.2 These arrangements however, only covered the core audit work in relation to the annual Statement of Accounts and the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The Council is required to make its own arrangements for the audit of the Housing Benefit Subsidy Claim in line with requirements of the Department of Work and Pensions (DWP).
- 1.3 In the absence of a sector-wide procurement option, Chief Financial Officers across Hampshire and the Isle of Wight considered a collaborative approach in order to maximise benefit from the procurement process.

2. DETAILS OF THE PROCUREMENT PROCESS

- 2.1 Portsmouth City Council led the procurement exercise on behalf of the following 11 authorities;
 - Basingstoke and Deane Borough Council
 - Eastleigh Borough Council
 - Fareham Borough Council

- Gosport Borough Council
- Isle of Wight Council
- New Forest District Council
- Rushmoor Borough Council
- Portsmouth City Council
- Southampton City Council
- Test Valley Borough Council
- Winchester City Council

- 2.2 The exercise aimed to establish a multi-provider framework of the top three to four tenderers to provide flexibility and contingency in the award process and to award the contract by the DWP deadline of 2nd July 2018. The authorities listed all committed to utilising the framework agreement once established, with each authority entering into its own contract with their preferred tenderer.
- 2.3 The combined audit fee of the listed authorities on the annual assurance of housing benefit subsidy claims (under existing arrangements) is approximately £145,000.
- 2.4 The framework could also be accessed by all other Hampshire local authorities not listed as well as local authorities within West Sussex and Surrey, which have a need for housing benefit subsidy assurance, subject to the express agreement of the lead Authority (Portsmouth City Council).
- 2.5 The tender was put together in a collaborative manner with all 11 Authorities being able to influence the evaluation methodology, which focussed on quality as well as price. The evaluation included the tenderers proposals for planning and carrying out the audit work, their understanding of the needs of local authorities, the resources to be used to deliver the work (e.g. training and qualifications, experience, level of resource, contingency) and price (including fixed fee and rate for additional work).
- 2.6 The result of the tender process is that KPMG are the preferred supplier and the framework to be established by Portsmouth City Council will include KPMG, BDO LLP, Ernst & Young LLP and Grant Thornton UK LLP.
- 2.7 The standstill period is over and all authorities have confirmed their intention to enter into contract with KPMG. The DWP have been notified of Rushmoor's award to KPMG and the final contracts are to be signed shortly.

Alternative Options considered

- 2.8 The Council could have conducted its own procurement exercise. This was discounted as it would have been a more resource intensive process and, without the bulk buying power of the 11 Authorities, would be likely to result in a more costly service.

3. IMPLICATIONS/RISKS

- 3.1 Collaborative procurement and the provision of a framework minimises the risks inherent in undertaking our own procurement.
- 3.2 The process set out above should ensure compliance with requirements of the DWP for the annual assurance of Housing Benefit Subsidy Claim.
- 3.3 The fixed price for authorities without a Housing Revenue Account, such as Rushmoor, is £7,995 with additional work charged at £71 per hour (for the team, individual rates apply depending on resource used). A variant bid was also stated, which allowed authorities to choose to undertake initial sampling in-house. The fixed price for this option is £3,995. The planned fee for HB subsidy assurance for Rushmoor for 2017/18 is £8,652 under the existing arrangements with Ernst & Young LLP.

4. CONCLUSIONS

- 4.1 Working together with other Hampshire Councils has provided an opportunity to benefit from procurement expertise across all authorities and to benefit from economies of scale by pooling purchasing power.
- 4.2 Whilst this exercise has resulted in a marginal saving for Rushmoor, it is important to demonstrate that the authority has followed due process in the procurement of auditors for the Housing Benefit Subsidy claim, given the significant figures involved in the subsidy (circa £39m), the potential loss of subsidy if the Council is not administering its HB claims correctly and the consequential effect on residents.

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