



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Certification of Grants and Returns 2017-18 – Newport City Council

Audit year: 2017-18

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# Summary

- 1 Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
- 2 We have completed the certification of grant claims and conclude that Newport City Council (the Council) had generally good arrangements in place for the production and submission of its 2017-18 grant claims. The Council worked closely with us to ensure that an accurate and up-to-date schedule of grant claims was in place throughout the year.
- 3 For 2017-18 we certified ten grant claims with a total value of £154.4 million compared to 16 grant claims with a total value of £164.1 million in 2016-17. The main reasons for the decrease are explained below:
  - 2017-18 saw the introduction of the Welsh Government Summary Statement of Expenditure, a single return which replaced separate returns for:
    - Flying Start Revenue;
    - Flying Start Capital;
    - Families First; and
    - Free Concessionary Travel;
  - there was a single return for Communities First in 2017-18, instead of four separate returns for each Communities First cluster; and
  - there were reductions in the total value of certain grant claims, such as National Non-Domestic Rates (£7.1 million reduction in 2017-18), 21<sup>st</sup> Century Schools (£3.4 million), and Housing Benefit Subsidy (£2.3 million).
- 4 The Council submitted all but one grant claims to us on time, with the one late grant claim submitted late only a single day past the submission deadline (no claims were submitted late in 2016-17). We can confirm that we have certified all of the claims, at a total audit cost of £73,705 (2016-17: £74,189).
- 5 Four claims were qualified in 2017-18 which is the same as in 2016-17.

# Summary of certification work outcomes

- 6 Detailed on the following page is a summary of the key outcomes from our certification work on the Council's 2017-18 grant claims, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.
- 7 A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

Key information	2017-18	2016-17	2015-16
Grant claims certified	10	16	16
Claims qualified with no amendment	4	1	1
Claims qualified and required some amendment	0	3	1
Claims unqualified but required some amendment	3	3	5
Claims unqualified with no amendment	3	9	9

# Summary of certification work outcomes

	Grants and returns	Value of Grant / Return	Certification Status	Amendment Value	Reason for Qualification / Amendment	Other Comments
1	Housing Benefit Subsidy	£54,677,512	Qualified	£0	<b>Qualification</b> The Housing Benefit Subsidy return was qualified in a number of areas, with the extrapolated value of issues ranging from £66 to £15,590. Qualification issues related to: <ol style="list-style-type: none"> <li>1. meal deductions;</li> <li>2. fuel deductions;</li> <li>3. bed &amp; breakfast rates;</li> <li>4. number of bedrooms;</li> <li>5. periods of occupancy;</li> <li>6. inclusion of VAT; and</li> <li>7. classification of costs.</li> </ol>	The Housing Benefit Subsidy Return does not have a de-minimis report level. As such, matters of any value must be either amended or reported in a Qualification Letter. Our Qualification Letter identifies a potential decrease in subsidy due to the Council of £16,958.
2	Welsh Government Summary Statement of Expenditure	£14,405,895	Observation Letter	£0	<b>Observation Letter</b> Items raised in the Observation Letter were: <ol style="list-style-type: none"> <li>1. two amounts pre-populated by the Welsh Government had been changed by the Council;</li> <li>2. for four of the grant schemes, the amounts recorded as 'LA Grant Expenditure' were understated; and</li> <li>3. an amount of £39,654 had been incorrectly recorded as a virement on one of the grant schemes.</li> </ol>	Under the Certification Instruction for this statement, any matters arising from our work are to be reported as an Observation Letter, with no amendments to the Return. Our Observation Letter identifies a potential increase in grant due to the Council of £39,758.

	Grants and returns	Value of Grant / Return	Certification Status	Amendment Value	Reason for Qualification / Amendment	Other Comments
3	Teacher's Pension Return	£13,448,385	Qualified	£0	<b>Qualification</b> Items raised in the Qualification Letter were: <ol style="list-style-type: none"> <li>1. there are several small errors in the calculation of pension contributions noted in the Return.</li> <li>2. some of the entries on the Return did not agree to the Council's payroll reports. This was due to two transactions that required manual amendment, but the amendments were incorrectly entered.</li> </ol>	The Teacher's Pension Return does not have a de-minimis report level. As such, matters of any value have to be amended or reported in a Qualification Letter. Our Qualification Letter identifies that the Council has potentially overpaid contributions by £109.
4	Substance Misuse Action Fund	£4,374,724	Qualified	£0	<b>Qualification</b> The Substance Misuse Action Fund is a revenue scheme. Our work identified potential capital expenditure within the claim.	Our Qualification Letter identifies a potential decrease in grant due to the Council of £15,593.
5	Section 28A Annual Voucher	£2,094,510	Amended	£0	<b>Amendment</b> The return needed be re-signed by the appropriate signatory.	No further comments.
6	Social Care Workforce Development Programme	£514,379	Amended	£9,000	<b>Amendment</b> Our work identified £9,000 of expenditure as being incurred after the statement period. As such, it could not be claimed in 2017-18, leading to a reduction in grant receivable of £6,300 (grant is provided at 70% of expenditure).	No further comments.

	Grants and returns	Value of Grant / Return	Certification Status	Amendment Value	Reason for Qualification / Amendment	Other Comments
7	Local Transport Fund	£1,074,000	Amended	£6,600	<b>Amendment</b> 1. Amounts were originally entered to the nearest point, when the requirement is to enter to the nearest thousand pounds. 2. Total Expenditure and Grant received were both understated by £6,600, but this does not affect the grant receivable by the Council.	No further comments.
8	21 <sup>st</sup> Century Schools	£7,619,483	Unqualified	£0	Not applicable.	No further comments.
9	National Non-Domestic Rates	£54,508,933	Unqualified	£0	Not applicable.	No further comments.
10	Communities First	£1,674,071	Unqualified	£0	Not applicable.	No further comments.
	<b>Total</b>	<b>£154,391,892</b>				

# Fees

- 8 Our overall fee for the certification of grants and returns for 2017-18 is £73,705. Compared to 2016-17, there were reductions in fees arising from the certification of the Welsh Government Summary Statement of Expenditure (£8,033) and the single Communities First return (£6,660). However, there were increased costs of £10,315 arising from the qualification of the Housing Benefit Subsidy return.

Breakdown of fee by grant/return	2017-18	2016-17	2015-16
Housing Benefit Subsidy	£32,628	£22,313	£20,626
Welsh Government Summary Statement of Expenditure <sup>1</sup>	£4,464	N/A	N/A
Teacher's Pension Return	£4,712	£4,708	£4,820
Substance Misuse Action Fund	£3,583	£2,485	£2,842
Section 28A Annual Voucher	£1,937	£1,600	£1,729
Social Care Workforce Development Programme	£3,144	£2,030	£2,093
Local Transport Fund	£2,245	£1,313	£1,385
21 <sup>st</sup> Century Schools	£2,385	£2,546	£2,037
Non-Domestic Rates	£3,042	£2,877	£2,989
Communities First	£3,385	£10,045	£9,429
Free Concessionary Travel <sup>1 2</sup>	£979	£2,923	£2,899
Flying Start Revenue <sup>1</sup>	N/A	£4,280	£3,633
Families First <sup>1</sup>	N/A	£4,306	£3,822
Flying Start Capital <sup>1</sup>	N/A	£1,966	£2,093
Grant Planning, Management and Review	£11,201	£10,797	£10,523
<b>Total Fee</b>	<b>£73,705</b>	<b>£74,189</b>	<b>£70,919</b>

1. The Welsh Government Summary Statement of Expenditure is a single return which replaced separate returns for (i) Flying Start Revenue (ii) Flying Start Capital (iii) Families First and (iv) Free Concessionary Travel. The total fee for the individual returns in 2016-17 was £13,475.
2. The fee for Free Concessionary Travel relates to work undertaken to report to Welsh Government on the use of Smartcard Data by Bus Operators within the Council area. As noted in point 1 above, certification work was incorporated into our work over the Welsh Government Summary Statement of Expenditure.

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