

Chichester District Council

Corporate Governance & Audit Committee

26th March 2020

Housing Benefit Subsidy Audit Position

1. Contacts

Report Author

Marlene Rogers – Revenues Business Support Manager

Telephone: 01243 534644 E-mail: mrogers@chichester.gov.uk

2. Recommendation

- **That the committee consider and notes the outcome of the 2018/19 Audit Report.**
- **That the committee note the final outcome of the 2017/18 Housing Benefit Audit.**

3. Background

The Council submits annual Housing Benefit Subsidy claims to the Department for Work and Pensions (DWP), this claim is subject to the Housing Benefit Subsidy Assurance Process HBAP, presently carried out by external Auditors Ernst Young LLP. Where issues are identified the DWP may qualify the claim, qualification is based upon the audit findings in accordance with HBAP guidance. Qualification can impact on the amount of subsidy that can be claimed and therefore can have an impact on the Council financially.

The 2018/19 claim has now been concluded, in previous years the Council's appointed auditors have reported their findings to this committee. Changes in the appointment process means that this report no longer forms part of their standard contracted work. Therefore this report replaces that and summarises the 2018/19 claim findings based on the auditor's report to the DWP.

The 2017/18 claim was presented to this committee in July 2019 (appendix 1 pages 7 - 9), as part of the Certification of Claims and Returns Annual Report 2017/18. This report highlighted the possible implications of the 2017/18 claim qualification and detailed recommendations from Ernst Young on the how future issues may be mitigated. At this time Officers were still in communication with the DWP about how it may prove its case on one of the issues identified by the 2017/18 audit. This issue had a significant financial implication.

The Council were permitted to make further submissions to the Department for Work and Pensions on the matter and this has now been concluded. This report aims to update the committee on the issues identified and to inform the committee of the final outcome of the 2017/18 Subsidy claim.

4. Outcomes to be Achieved

- To advise the committee of the outcome of the 2018/19 Housing Benefit Subsidy Audit
- To update the committee on the final outcome of the 2017/18 Housing Benefit Subsidy Audit.

5. The 2018/19 Housing Benefit Subsidy Claim

- Value of Claim presented £33,071,677
- Qualification Letter - Yes
- Amount of Housing Benefit Subsidy agreed £33,074,598

5.1 Summary of Initial Testing

In accordance with HBAP the auditor undertook testing in the headline cells the issues identified are described below.

Cell 011 Rent Rebates (Non HRA tenants). For clarity subsidy in relation to the Council's temporary housing, known as Westward House and Bed & Breakfast claims where the Council have a duty to prevent homelessness.

- Initial testing identified one claim where the rent amount had been amended without evidence to confirm why. We were unable to determine why the amendment had been made and therefore concluded that it was an error. Additional work was conducted to demonstrate that this was an isolated error therefore the claim was adjusted to remove this expenditure from the claim.

Cell 028 Rent Rebates (Non HRA tenants) eligible overpayments.

- Initial testing identified four cases where the overpayment arising from a claimant vacating the property had been classified as eligible rather than technical. Due to similar findings in 2017/18 additional testing was carried out. Due to the proportion of expenditure in this cell the whole population was tested and an adjustment made to the subsidy claim. The total impact of Non HRA cell adjustments was a small subsidy over claim of £1,261.

Cell 094 Rent Allowance. For clarity Housing Benefit expenditure for tenants in private housing, including registered social landlords.

- Initial testing identified three cases where the claim form could not be traced. This is due to claim forms which pre date 2006 being destroyed in a fire. Similar findings have been included in Ernst & Young's qualification letter for the past 6 years. The DWP accepted the explanation given therefore this had no impact on the claim.

5.2 Summary of additional testing

In accordance with HBAP additional testing was undertaken where initial testing identified issues and in areas where the previous subsidy claim was qualified.

As such additional testing was carried out in the following areas.

- Rent Rebates Non HRA – Misclassification of technical overpayments.
- Rent Rebates Non HRA – Misclassification of eligible overpayments.
- Rent Rebates Non HRA – Overpaid benefit due to earned income calculation error.
- Rent Allowances – Overpaid benefit due to income calculation error.
- Rent Allowances – Misclassification of overpayments in eligible overpayments.

5.3 Identified Issues

In 2017/18 errors in the calculation of earned income were identified. Initial testing identified no errors however extended testing identified the following errors.

Cell 094 Rent Allowances

- 3 cases which resulted in an overpayment of housing benefit to a total of £705. The errors ranged from £0.42 to £411.45. This resulted in the extrapolation of error creating an adjustment of £27,177.
- 3 cases which resulted in an underpayment of housing benefit to a total of £199.12. Underpayments do not affect the subsidy claim therefore they are disregarded for subsidy extrapolation purposes.

Cell 114 Eligible overpayments

In 2017/18 errors in the classification of overpayments, initial testing identified no errors. Extended testing identified one case where the dates were incorrectly applied and part of the overpayment should have been classified as Local Authority (LA) error. LA error overpayments include both overpayments created as a consequence of an error on behalf of the Authority or where there has been a delay in creating an overpayment. The amount of subsidy received on these overpayments each year depends on its combined amount of error and administrative delay, compared with its total payment of correct benefit in that year.

5.4 Impact of additional testing

As a result of errors in earned income in rent allowances £27,177 was moved into cell 113 (LA error overpayments). However there was no adverse financial implication for the Authority as the level of LA error remained below the lower threshold.

As a result of errors in the classification of overpayments £4,868 was moved from cell 114 eligible overpayments into cell 113 LA error overpayments. As above as the level of LA error remained below the lower threshold there was no adverse financial implication of this adjustment.

5.5 Auditor Observations

Testing of the initial sample identified two cases where the current year technical overpayments had been understated. There is no impact on benefit paid to the

claimant or on the level of subsidy claimed. Similar findings were identified in 2017/18, and previous claims. This issue has been mitigated by changing the payment cycle for Non HRA (Westward House & B&B claims) and communicating with Housing Division the importance of maintaining a good rent account database.

5.6 Moving forwards

To ensure effective management of Housing Benefit assessments moving forward the following actions have been implemented within the Benefits team. These steps are in place to mitigate any subsidy loss:-

- Quality checking a minimum of 4% of Benefits assessment work calculated continuing to give feedback to staff when errors are made and changing the checking regime where appropriate.
- Checking overpayments over £500.
- Checking high risk subsidy cells and monitoring levels of LA error.
- Regular liaison with the housing team to identify issues with rent account administration. Change in payment frequency from two weekly to one week in arrears for Non HRA Rent Rebates to reduce the level of technical overpayments.
- Committing resource where possible to keeping work up to date, to reduce overpayments and therefore reduce the risk of subsidy misclassification.
- Working to reduce the level of additional testing required, it is worth noting that this year no errors were found in the initial sample. Errors were only found in the extended testing therefore this subjects us to potential additional testing in areas of error moving forwards. Unless we are able to persuade the Auditor as per HBAP that the issue has been resolved.

6. The 2017/18 Housing Benefit Subsidy Claim update

The issues identified in the 2017/18 claim were reported to this Committee in July 2019. The relevant pages of the report from auditors Ernst & Young are enclosed in appendix 1 (pages 7 - 9). There was one issue that was unresolved as the Council were making further representations to the DWP. These representations were accepted and the Council avoided a significant loss of subsidy. The issue and values are explained for interest in the following paragraph.

- Earned income evidence. Extended earned income testing also identified six cases where there was insufficient evidence to reperform the calculation of earned income as per HBAP guidance. The Council uses data provided by Her Majesty's Revenues & Customs HMRC via DWP applications via the DWP which is then used to calculate earnings for the purpose of a housing benefit claim. The decision was taken when this was first introduced not to copy the earnings data, this decision was made on the assumption that this data would always be available as a point of reference. However subsequent changes to this process by the DWP meant that this was not the case. Therefore in six cases evidence of the calculated earned income was not available. The extrapolated effect of this error would be significant, with a reduction of cells 102, 103, 113 & 114 by £297,315, £78,005, £2,294 and £29,775 respectively with a corresponding entry in cell 113 of £407,389.

Steps were taken on identification of this issue to mitigate any future issue. Officers now save off the relevant evidence from DWP systems and this is available for

auditors to satisfy themselves of the evidence that has been used in the calculation of earnings. Therefore this is no longer an issue moving forwards.

7. Outcome for the Council

2018/19 Housing Benefit Subsidy Claim

Extrapolation adjustments resulted in an increase of subsidy due of £2,921. Letter from DWP enclosed in appendix 1 (pages 1 – 2). Observations and qualification issues have been noted and where possible mitigated by additional actions.

2017/18 Housing Benefit Subsidy Claim

The claim was successfully concluded in November 2019. Letter from the DWP is included in appendix 1 (pages 3 – 5). In summary a loss of £527,050 was prevented by the further work being accepted by the DWP.

8. Community Impact and Corporate Risks

If Housing Benefits Subsidy claims are qualified there is a risk that the level of Subsidy paid by the DWP will be reduced. This impacts on the Council's financial position and could impact on service delivery as a consequence. The Council's reputation could also be negatively impacted.

9. Other Implications

None

	Yes	No
Crime and Disorder		X
Climate Change and Biodiversity		X
Human Rights and Equality Impact		X
Safeguarding and Early Help		X
General Data Protection Regulations (GDPR)		X
Health and Wellbeing		X
Other (please specify)		X

10. Appendices

[Housing Benefit Subsidy Audit Position- Appendix 1.pdf](#)

- Pages 1 – 2 DWP final claim outcome 2018/19
- Pages 3 – 5 DWP final claim outcome 2017/18
- Pages 7 – 9 Extract of Ernst & Youngs Certification of Claims and Returns Annual Report 2017/18