



Department
for Work &
Pensions

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Team
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Date: 21 January 2020

Dear Ms Rogers,

I am writing about your Housing Benefit (HB) reporting accountant final tested claim for 2018/19.

I am mindful that local authorities are required by law to administer Housing Benefit in accordance with the relevant legislation and case law. It is an expectation that an authority will act with reasonable diligence to properly discharge its functions in accordance with the law when administering Housing Benefit.

The following decisions were made after considering all the available information in relation to the criteria specified in Circular S1/2002 and the additional information you have presented. The decisions have been made under section 140(C) of the Social Security Administration Act 1992.

2018/19 Final Tested Claim

Reason for exception – amount - recovery

1. Rent Allowance Total Expenditure - £27,178 – Full recovery
2. Rent Allowance Eligible Overpayments - £1,947 – Full recovery

Acting on behalf of the Secretary of State, I have recovered £29,125 of overpaid Housing Benefit subsidy from your 2018/19 subsidy claim.

In making this decision I have noted, with regard to S1/2002, that the incorrect assessment of benefit and misclassification of overpayments has resulted in subsidy being claimed in excess of entitlement, at a cost to the public purse. Accordingly, acting on behalf of the Secretary of State, I consider it appropriate, in all the relevant

circumstances of your claim, to recover the total recoverable overpaid subsidy of £29,125.

It is noted, however, that as a consequence of the reclassification of LA error overpayments, your subsidy claim is understated by £32,046. I will, therefore, amend your claim accordingly.

Method of repayment

Acting on behalf of the Secretary of State, I propose to recover the overpaid subsidy of £29,125, offset by the additional subsidy of £32,046 due to your authority, from your interim subsidy for February 2020 and to include a payment of £2,921 in your interim subsidy for February 2020.

Please note that the final settlement will also take into account any adjustments to your certified final claim, that you have agreed with your reporting accountant and which sit outside the recovery decisions.

Your claim will now be settled on the above basis. This does not, however, prevent your claim from being re-opened should DWP become aware of new information relating to your claim. DWP will also consider re-opening your claim if you present further information that, in DWP's view, shows that the overpaid subsidy is less than the amount on which the DWP based the original recovery decision.

You should be aware that there is no right of appeal against a decision of made by DWP to recover overpaid subsidy under S140C(3) of the 1992 Act. The decision can only be challenged by judicial review.

Please do not hesitate to contact me should you have any queries on this matter.

Yours sincerely,

John Darrell

Department for
Work and Pensions

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MS MARLENE ROGERS
BENEFITS MANAGER
CHICHESTER DISTRICT COUNCIL
EAST PALLANT HOUSE
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CHICHESTER
WEST SUSSEX, PO19 1TY

Date: 1 November 2019

Dear Ms Rogers,

Housing Benefit
2017/18 Qualified Final Subsidy Claim

Following receipt of the auditor's supplementary report dated 17 October 2019, I am writing regarding the latest position of your claim.

NON-HRA RENT REBATES TOTAL EXPENDITURE (Cell 011)

Testing originally identified 3 cases in which there was insufficient evidence. Further testing has been done. Cell 023 is overstated and cell 026 is understated. **Overpaid subsidy = £350.**

The Secretary of State does not require your authority to do further work, but will proceed in due course, to make a decision on recovery of overpaid subsidy.

NON-HRA RENT REBATES – TECHNICAL OVERPAYMENTS (Cell 027)

Testing identified 1 misclassified overpayment. Cell 027 is overstated and cell 028 is understated. **Underpaid subsidy = £4.**

The Secretary of State does not require your authority to do further work, but will proceed in due course, to consider offsetting against any recoverable overpaid subsidy.

RENT ALLOWANCE TOTAL EXPENDITURE – MISSING CLAIM FORMS (Cell 094)

Testing identified 4 cases in which the claim form could not be traced. This is due to a fire destroying the original claims. Based on evidence relating to post 2006 claims, the auditor is content that the missing claims were received. The Department, therefore, accepts this qualification. No further work is needed.

RENT ALLOWANCE TOTAL EXPENDITURE – EARNED INCOME (Cell 094)

Testing identified a number of errors. Cells 102 and 103 are overstated and cells 113 and 114 are understated. **Overpaid subsidy = £984.**

The Secretary of State does not require your authority to do further work, but will proceed in due course, to make a decision on recovery of overpaid subsidy.

RENT ALLOWANCE TOTAL EXPENDITURE – INSUFFICIENT SUPPORTING EVIDENCE (Cell 094)

Following further testing we now accept this qualification. No further work is needed.

RENT ALLOWANCE ELIGIBLE OVERPAYMENTS (Cell 114)

Testing identified a number of misclassified overpayments. Cell 114 is overstated and cell 113 is understated. **Overpaid subsidy = £19,205.**

The Secretary of State does not require your authority to do further work, but will proceed in due course, to make a decision on recovery of overpaid subsidy.

OBSERVATIONS

The following are observations. No further action is needed.

NON-HRA RENT REBATES TOTAL EXPENDITURE (Cell 011).

NON-HRA RENT REBATES LA ERROR OVERPAYMENTS (Cell 026).

RENT ALLOWANCE TOTAL EXPENDITURE (Cell 094).

Since the Secretary of State accepts the audit extrapolations relating to the above qualifications as being representative she will now proceed to make a decision on the recovery of the overpaid subsidy associated with these extrapolations.

If there are any mitigating circumstances you regard as relevant to any subsidy overpayments identified and which you would like the Secretary of State to consider in the exercising of discretion, appropriate details should be provided by the deadline given below. Circular HB/CTB S1/2002 gives further information in this respect.

You should submit any mitigating circumstances/representations by 15 November 2019. If the Secretary of State does not hear from you by this date she will proceed with her recovery decision.

Requests for an extension to this deadline must be made in writing with full reasons given. Consideration will be given to any representations made. Extensions will be granted if the Department is satisfied the extension is justified; extensions will not be granted as a matter of course.

Please note that as a result of all the above qualifications, the Local Authority Error Subsidy due to your authority has reduced by £52,424 to £67,237. **Overpaid subsidy = £52,424.**

Please do not hesitate to contact me should you have any queries on this matter.

Yours sincerely,

John Darrell

Housing Benefit Unit

(e-mail: John.Darrell@dwp.gov.uk)

Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£34,703,940
Amended/Not amended	Amended – subsidy reduced by £35 with final value of certified claim of £34,703,940
Qualification letter	Yes
Fee – 2017-18	£13,577
Fee – 2016-17	£14,031
Recommendations from 2016-17	Findings in 2017-18

The level of error related to overpayment Similar findings were identified in 17-18. Further details of these findings are included in section 5. classification was high. We would recommend the Council conduct refresher training with assessors and conduct quality checks in this area.

Local Government administrators the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires reporting accountants to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the certification of previous years claims. We found errors and carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

Rent Allowance cases:

Misclassification of overpayments

We did not identify any cases where expenditure was misclassified between eligible and local authority error overpayments. However, due to known issues in 2016/17 we undertook 40+ testing. Further testing identified four cases where expenditure was misclassified between eligible and local authority error overpayments by a value of £1,169. There was no impact on benefit paid to the claimant but this type of error would result in the incorrect subsidy being claimed from the DWP. We reported these findings and the extrapolated value of these errors, £48,012, to the DWP in our qualification letter.

The potential impact of this matter is significant to the Council. Should the DWP judge that subsidy has been overpaid and decide to adjust the certified claim for the value of the extrapolated error, the impacts would be:

- ▶ a decrease in subsidy of £19,205 as a result of reclassifying the overpayments from eligible to local authority; and
- ▶ a further decrease in subsidy of £119,661. The DWP award full subsidy for local authority and administrative delay overpayments if the total does not exceed a threshold. The impact of this adjustment would increase the total above the lower threshold resulting in the stated loss in subsidy.

Housing benefits subsidy claim (cont...)

Earned Income errors

We identified one case where earned income had been incorrectly calculated causing an overpayment of benefit with total value of £1. Extended testing was performed to the sub population of cases which have earned income. The testing identified two further overpayment of benefit with total value of £57 and four underpayments of benefit. For these cases, amendments have been made to individual claims in 2018-19, ensuring that the benefit paid to claimants has been corrected. We reported these findings and the extrapolated value of the overpayment errors, £1,596, to the DWP in our qualification letter;

Earned Income evidence

In our extended testing for Earned Income errors we also identified six cases where there was insufficient supporting evidence to reperform the calculation of earned income. This is as a result of the Authority using the WURTI/VEP system, and being under the impression that all data would be retained, as in CIS. However when VEP was introduced all interest dates were overridden meaning that earlier data in some cases is no longer available. As a consequence, the Authority have changed their procedures and Officers now download a PDF of VEP data that has been used and scan this against the claim as evidence of earnings.

We have included this issue in our qualification letter as we have been unable to obtain the evidence to ensure the earned income is correct. Should the Department decide that the failure to produce this evidence means that subsidy has been overpaid, the extrapolated effect, would be to reduce cells 102, 103, 113 and 114 by £97,315, £78,005, £2,294 and £29,775 respectively with the corresponding entry in cell 113 of £407,389;

Missing claim forms

We identified four cases, with total value £20,580, where the claim form could not be traced and the Council was unable to produce evidence that claim form was received. This was due to the original claim form, which pre-dated 2006, being destroyed in a fire at the Council's storage archive. As in prior years we reported this matter to the DWP in our qualification letter. Should the Department decide that the failure to produce this evidence means that subsidy has been overpaid, the effect of these errors is to overstate cell 094 with a corresponding overstatement of cell 102 £17,862 and cell 095 £2,718; and

Misclassification of tenancy

We identified one case where benefit had been misclassified as a cell 095 regulated tenancy, rather than in cell 110. We have not undertaken further testing as both cells attract subsidy at 100% and there is no impact on the amount of subsidy claimed.

The Authority will review all claims included in cell 095 to ensure they are correctly classified. We reported this finding to the DWP as an observation in our qualification letter.

Housing benefits subsidy claim (cont..)

Non HRA (Housing Revenue Account) Rent Rebate cases:

Misclassification of overpayments

We did not identify any cases where expenditure was misclassified between technical overpayments and either full subsidy or local authority error overpayments. However, due to known issues in 2016/17 we undertook 40+ testing. Further testing identified one case where expenditure was misclassified between technical overpayments and eligible overpayments by a value of £8. There was no impact on benefit paid to the claimant but this type of error would result in the incorrect subsidy being claimed from the DWP. We reported this finding and the extrapolated value of this error, £11, to the DWP in our qualification letter;

Earned Income evidence

In our extended testing we identified three cases where there was insufficient supporting evidence to reperform the calculation of earned income. This is as a result of the Authority using the WURTI/VEP system as discussed within the Rent Allowances section, above.

Should the Department decide that the failure to produce this evidence means that subsidy has been overpaid, the effect would be to reduce cells 023 by £8,005 and cell 028 by £25 with the corresponding entry in cell 026 of £8,030. For non-HRA cases our testing covered the whole subpopulation and therefore an extrapolation was not required;

Overpayment allocation

We identified three cases where the overpayment had been incorrectly split within Northgate. This resulted in technical overpayments being overstated by £143, and a corresponding understatement of eligible overpayments. The Authority have raised a query with DWP in respect of this error and are still awaiting a response. Until a response has been received the Authority has declined to undertake any further testing. Due to the different subsidy rates for technical and eligible overpayments, if the overpayments are incorrectly classified, it will mean the Authority has underclaimed subsidy. We reported these findings to the DWP as an observation in our qualification letter;

Underclaiming subsidy.

We identified two instances where the Council had underclaimed subsidy.

One case where technical overpayment had been understated by a total value £484. The error arose through the system inappropriately netting down technical overpayment when a claimant moved from a Non HRA Rent Rebates property into a Rent Allowances property. This error will never have an impact on benefit paid to the claimant or subsidy recovered from the DWP; and

One case where an overpayment had been incorrectly classified as LA error and administrative delay by a total value of £71. The overpayment had arisen due to an update to earned income from an RTI. There was a delay in processing and the overpayment had been placed in cell 026. However, as this is an RTI update, the Authority had a 4 week grace period in which to process the change. The change has been processed within this time frame.

We reported both issues to the DWP as observations in our qualification letter.

