

Chichester District Council

Corporate Governance & Audit Committee

19th July 2021

Housing Benefit Subsidy Audit Position

1. Contacts

Report Author

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2. Recommendation

- That the committee consider and note the outcome of the 2019/20 Audit Report.

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.

4. Outcomes to be Achieved

- To advise the committee of the outcome of the 2019/20 Housing Benefit Subsidy Audit.

5. The 2020/21 Housing Benefit Subsidy Claim

- Value of Claim presented £27,760,545.65
- Qualification Letter - Yes with an adjustment of £72,502
- Amount of Housing Benefit Subsidy agreed £27,688,043.21

Summary of Initial Testing

In accordance with Housing Benefit Assurance Procedures (HBAP) the auditor undertook initial testing in the headline cells (Rent Rebate expenditure & Rent Allowance expenditure).

In cell 011Non HRA (Non Housing Revenue Account) which relates to expenditure in temporary accommodation at Westward House and Bed & Breakfast claims (where the customer has been placed to discharge a homelessness duty) identified four areas of error. Two of these resulted in additional testing being carried out, these are summarised below:

- 4 claims where the overpayment split in the final part week were miscalculated, all claims corresponding to this entry were reviewed and an adjustment made to the claim.
- 1 claim where the overpayment had been classed as technical rather than Local Authority (LA) error, additional testing was carried out to determine the extent of the error.
- 3 claims where the overpayment arising from a move had been classified as eligible rather than technical, this was identified in the previous year's claim and therefore additional testing was carried out.
- 1 claim where the entitlement for the final period of Non HRA accommodation had been shown net of the ongoing Rent Allowance claim, as this error affected neither the entitlement to the customer or the rate of subsidy claim no extended testing was required.

In cell 094 Rent Allowance which relates to expenditure for claims in the private and social rented sector, there were three areas of error identified, two of which required additional testing.

- Missing claim forms, this has been noted on qualification letters for the past six years following a fire at the Council's offsite storage depot. This has no impact in terms of subsidy claimed.
- 1 error in the calculation of income from capital, this resulted in additional testing being carried out to identify the extent of the error.
- 1 error in the calculation of self-employment, again this resulted in additional testing being carried out.

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.

- Non HRA misclassification of overpayments in cell 028 (eligible overpayments)
- Non HRA technical overpayments
- Non HRA cell 011 earned income calculation error
- Non HRA part week payment split
- Rent Allowances cell 094 earned income calculation error
- Rent Allowances cell misclassification of overpayments in cell 114
- Rent Allowances self-employed income calculation error
- Rent Allowances assumed income from capital calculation error

I have summarised the issues and the resulting adjustments to the claim below.

Earned Income

Initial testing found no errors however as issues were identified in previous subsidy audits we were subject to additional testing. Extended testing identified 1 error resulting in an overpayment. The overpayment value was £5.00, the extrapolation of this error resulted in a cell adjustment of £121, with a corresponding adjustment to the overpayment cells.

Incorrect classification of overpayments

Extended testing identified 2 claims with a total value of £486 where the overpayment had been incorrectly included in eligible overpayments. One where the rent account was set up incorrectly and one resulting from a transition to Universal Credit that should have been classified as Department for Work and Pensions (DWP) error, this meant that eligible overpayments were overstated and DWP error and Local Authority error cells understated. This resulted in cell adjustment of £17,112.

Self Employed income calculation error

Initial testing identified one claim with a self-employed income error, this error had no impact on the housing benefit entitlement paid, however as a similar error could have resulted in an overpayment of benefit additional testing was carried out. Extended testing identified 2 errors that resulted in an overpayment of housing benefit. The errors ranged from £17.34 to £2,320.27. This meant that £23,777 of extrapolated error was removed from the rent allowance expenditure cell with a corresponding adjustment to the overpayment cells.

Assumed income from capital error

Initial testing identified 2 claims where the assumed income from capital was incorrect, 1 case resulted in an overpayment of £34.56. Extended testing identified 3 further errors, 2 that had no impact on subsidy and 1 that resulted in an overpayment of £0.84, the extrapolation of error resulted in a loss of subsidy amounting to £512 from the rent allowance expenditure cells with corresponding adjustments to the overpayment cells.

6. Outcome for the Council

The outcome for the Council was an overall adjustment to the subsidy claim of £72,502. Whilst this was a qualification of the claim the adjustment was small, amounting to 0.27% in comparison to the overall subsidy claim of £27,760,545.65. This can be broken down as follows:

- Rent Allowance Expenditure overpaid £24,369
- Rent Allowance Eligible Overpayments £6,845
- LA Error Overpayments £41,288

The letter from the Department of Work and Pensions (DWP) summarising the adjustment can be found in Appendix 1 to this report.

In summary this was a positive outcome for the Council, particularly given the amount of additional testing that was required. Moving forwards this highlights the importance of accuracy checking in the Division and the need to ensure that our housing benefit caseload is up to date, particularly where assumed income from capital is included in the assessment. The team have accuracy monitoring processes in place which will be reviewed and adapted in response to the issues identified where required. A new accuracy initiative from the DWP will also be combined with reviewing capital cases to ensure that our caseload is up to date. This will reduce the likelihood of error being identified in future subsidy claims. We have also introduced some changes to how we process claims for Bed & Breakfast claims, this will reduce the level of error in both technical overpayments and for those with a part week split. Technical overpayments have been a longstanding issue in subsidy audits over the last few years, exacerbated by that fact that expenditure in this area has increased. These changes are aimed at reducing the level of error and also the level of Officer and Audit time in resolving annually.

7. 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.

8. 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

9. Appendices

Appendix 1 – Letter from Department of Work and Pensions detailing final adjustment to claim.