

Cherwell District Council

Accounts, Audit and Risk Committee

22 March 2017

Housing Benefit Subsidy

Report of Chief Finance Officer

This report is public

Purpose of report

To provide members of Accounts, Audit and Risk Committee with an update on the recent Housing Benefit subsidy audit and the resulting actions that have been taken.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the report and Appendix A (to follow).

2.0 Introduction

- 2.1 Housing Benefit (HB) is a means tested benefit, administered by local authorities on behalf of the Department for Work and Pensions (DWP). HB is intended to help claimants meet housing costs for rented accommodation both in the private and social rented sector. The administration of Housing Benefit is now very complex due to the ever changing Housing Benefit regulations. During the last five years there have been a total of 90 changes to the scheme making it increasingly difficult to make accurate assessments.
- 2.2 Local authorities reclaim HB that they pay to claimants by submitting annual subsidy claims to the DWP. The subsidy claim form details the HB expenditure which is recorded in various cells on the form.
- 2.3 Each local authority's appointed external auditor is required to certify that the annual claim is fairly stated and to report any error to the DWP in a covering letter that accompanies the claim. Where there are errors the claim is qualified and the DWP will seek to reduce subsidy payments to the Council. 80% of councils have been qualified on their subsidy claim.
- 2.4 There are complex subsidy rules that determine how much of the Housing Benefit spend by the Council is recouped from Government. Where HB has been properly

paid, DWP will normally provide 100% subsidy to the Council. However where HB has been overpaid, DWP provides different rates of subsidy. Claimant error overpayments attract 40% subsidy. Local authority error overpayments are more complex and the DWP offers an incentive to encourage local authorities to be proactive in reducing the level of local authority errors.

3.0 Report Details

Background

- 3.1 Cherwell District Council (CDC) outsourced the transactional back office functions of its Revenues and Benefits service in February 2010 to Capita for an initial period of 5 years and later took advantage of a 2 year extension built into the contract to make it 7 years in total. This decision meant that the assessment of HB claims is carried out by an off-site team managed by Capita.
- 3.2 In September 2015 CDC Executive approved insourcing as the Council's preferred option for the Revenues and Benefits service. A business case was then approved and the new joint Revenues and Benefits team was created. The new team will be fully resourced in time for the insourcing of the CDC Capita contract in June 2017.

Housing Benefit Subsidy

- 3.2 In 2015-2016 CDC submitted a Housing Benefit subsidy claim with a total value of £38,224,565. The audit of the subsidy claim was undertaken by Ernst and Young using a methodology determined by the Department for Work and Pensions.
- 3.3 Initial testing is undertaken and if this testing identifies any error and the auditor is unable to conclude that the errors are isolated the DWP methodology requires that an additional sample of 40 cases is tested which is focused on the particular error.
- 3.4 The DWP methodology also requires auditors to extrapolate the results of the initial and additional testing by multiplying the subsidy cell total by the proportion of the sample value that is found to be in error. For example: a cell has a total value of £642,134. The cases selected for checking from the cell have a total value of £9,450. Errors are found totalling £574 (6.1% of the sample selected). The adjustment to the claim would be 6.1% of the total cell value of £642,134 (£39,003)
- 3.5 Testing of the initial claim sample for CDC identified some problems which resulted in additional testing. The additional testing also highlighted some errors.
- 3.6 The values of the original errors found were relatively low but the extrapolation process means that the values are much increased. The Secretary of State has subsequently made the decision to recover in full the overpaid subsidy of £91,313.
- 3.7 When the original subsidy claim was submitted in April 2015 the value of local authority error overpayments was below the lower threshold and therefore the 'additional' subsidy incentive of £98,430 was claimed. As a result of the additional testing and the resulting cell adjustments the value of local authority error overpayments increased and the incentive payment of £98,430 is no longer payable.

3.8 Further details of the subsidy issues and contractual obligations of Capita are contained in a summary report shown at Appendix A of this report. As at the date of publication of the meeting agenda this appendix is still being prepared and it will be circulated to members when it is complete.

4.0 Conclusion and Reasons for Recommendations

4.1 Members are asked to note the contents of this report.

5.0 Consultation

5.1 None

6.0 Alternative Options and Reasons for Rejection

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

There are no alternative options as the Committee is being asked to note this information report.

7.0 Implications

Financial and Resource Implications

The financial implications directly arising from this report are covered in Appendix A

Comments checked by:
Paul Sutton, Chief Finance Officer
paul.sutton@cherwellandsouthnorthants.gov.uk

Legal Implications

7.2 There are no legal implications directly arising from this report. The legal team has had no involvement in matters relating to the subsidy claim and has no expertise in this specialist area. The Council's contract with Capita provides various potential remedies in the event that the Council suffers a loss as a result of poor performance by Capita and these are currently being explored by officers.

Comments checked by:
Kevin Lane, Head of Law and Governance
kevin.lane@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

This links to the Council's priority of an accessible value for money council.

Lead Councillor

Councillor Ken Atack, Lead Member for Financial Management

Document Information

Appendix No	Title
A	Report on Housing Benefit subsidy
Background Papers	
None	
Report Author	Belinda Green (Joint Revenues and Benefits Manager)
Contact Information	Belinda Green 01327 322182 belinda.green@cherwellandsouthnorthants.gov.uk