

Cherwell District Council
Accounts Audit and Risk Committee

13 March 2019

Housing Benefit Subsidy

Report of the Executive Director: Finance and Governance (Interim)

This report is public

Purpose of report

To provide members of this Committee with an update on the Housing Benefit subsidy claim audit for the financial year 2017-2018.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of this report.

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 the social rent sector. The administration of HB is now very complex due to the ever changing regulations. During recent years there have been over 100 changes to the scheme making it increasingly difficult to train officers and to make accurate assessments.
- 2.2 Local authorities reclaim HB that has been paid to claimants by submitting annual subsidy claims to the DWP. The subsidy claim details the HB expenditure which is recorded in various cells on the form. The claim divides the total caseload into various claim types. Within the Cherwell claim one item of data collection accounts for over £35m in HB expenditure.
- 2.3 There are complex subsidy rules that determine how much of the HB expenditure by the Council is recouped from the Government. Where HB has been correctly 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 pro-active in reducing the level of local authority errors. The level of subsidy that local authorities may claim for local

authority error is determined by thresholds, expressed as a percentage of the value of correct payments made. The thresholds are 0.48% (lower threshold) and 0.54% (upper threshold). Where the local authority error overpayments are less than or equal to the lower threshold local authorities receive 100% subsidy. Where they are more than the lower threshold but less than the upper threshold, local authorities receive 40% subsidy. No subsidy is payable on the value of overpayments that are above the upper threshold.

- 2.4 Each local authority's appointed external auditor is required to certify that the annual claim is fairly stated and to report any errors 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. Although the value of any errors may be low the DWP method of extrapolation means that the value will be substantially increased. Although it is widely recognised that the extrapolation method is unfair there is no opportunity to challenge this with Government
- 2.5 This report is to provide members with an update on the Housing Benefit subsidy claim and the audit of the claim for 2017-2018.

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. In September 2015 CDC Executive approved a business case for insourcing the Revenues and Benefits service. To give the resources to undertake this work 8 new officers were recruited to the Benefits team in June 2017 to start a 6 month training period. At the same time it was agreed that the Cherwell Revenues and Benefits data be migrated from the legacy Northgate system to the Capita Academy system so harmonising systems across Cherwell and South Northants Councils. These huge changes had an impact on performance during 2017-2018.

Housing Benefit Subsidy

- 3.2 For the financial year 2017-2018 CDC submitted a Housing Benefit claim with a total value of £35,433,041. The audit of the subsidy claim was undertaken by Ernst and Young using a methodology determined by the DWP.
- 3.3 Initial testing is undertaken and if this testing identifies any error and the auditor is unable to conclude that the error is 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 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 so £39,003.

- 3.5 Testing of the initial sample of 40 claims for CDC identified the following problems: incorrect dates used in the assessment, incorrect earnings calculation, incorrect capital figure, misclassification of overpayment, incorrect rent in assessment, incorrect dependants allowance, Not all the errors had a negative impact on the subsidy claim.
- 3.6 As per DWP methodology an additional sample of claims was selected for each of the problem areas: 40 rent allowance claims with income, 40 rent allowance claims with eligible overpayments, 40 temporary accommodation claims with eligible overpayments and 40 temporary accommodation claims with income. A summary of the errors found is shown below:

Sample	Number of errors	Type of error
40 rent allowance income cases	4	Incorrect calculation of earnings, incorrect pension details,
40 rent allowance claims with eligible overpayments	9	Incorrect classification of overpayment, incorrect dates, conversion error.
40 non housing revenue account with eligible overpayments	5	Incorrect classification of overpayment, incorrect date used,
40 non housing rent account with income	11	Incorrect dates, incorrect average earnings, missing earnings disregards, incorrect average wage

- 3.7 The value of the original errors found were relatively low but the DWP extrapolation process means that the values are much increased. At the time of writing this report we are awaiting the final decision from the Secretary of State but it is likely that the decision will be to recover in full any overpaid subsidy.
- 3.8 When the original subsidy claim was submitted in April 2018 the value of the local authority error overpayments was between the lower threshold and the upper threshold and therefore the 'additional' subsidy incentive of £67,103 was claimed. As a result of the additional testing and the resulting call adjustments it is likely that the value of the local authority error overpayments will increase and it is likely that the additional subsidy will no longer be payable. This decision will be made by the Secretary of State

Future plans.

- 3.9 The overall value of the subsidy claim for 2017-2018 was in excess of £35m. Putting the errors further into context the value of the original errors was £1,766. However the DWP method of extrapolation means that the value increased to around £87,000. Although it is widely recognised that the extrapolation method is unfair there is no opportunity to challenge this with Government and the Council has no choice but to repay the sum.
- 3.10 Every effort will be made to prevent further loss of HB subsidy in the future although it is impossible to accuracy check all HB assessments carried out which total around 23,000 per year for CDC alone. An analysis has been carried out on the errors found during the 17-18 subsidy audit process. Around 60% were found to be legacy issues from officers employed on the Capita contract. The results have been

used to inform training and development plans for Benefit officers who will have feedback on their individual and team performance.

- 3.11 A strong performance, checking and training framework is also in place to support the team to assess claims correctly. A new post will also be introduced from April 2019, Lead Officer for Training and Development, and this post holder will further support the work being undertaken to improve our subsidy position. There are also a number of projects underway including the introduction of the automation of assessment of some of the huge number of data files received from DWP so both improving performance and lessening the risk of error.
- 3.12 Work is also underway to mitigate some of the risk from the 2018-2019 subsidy claim including additional accuracy checking on the recognised problem areas and the correction of any errors found (in advance of end of year)
- 3.13 The subsidy claim for 2018-2019 will be submitted in April 2019. The auditors will then undertake a detailed audit in Summer/Autumn 2019. We have no way of knowing which claims will be reviewed in the auditor's sample and this makes it very difficult to offer any assurances on the level of subsidy that may be payable for 2019-2020.

4.0 Conclusion and Reasons for Recommendations

- 4.1 Members are requested to note the contents of this report.

5.0 Consultation

- 5.1 None.

6.0 Alternative Options and Reasons for Rejection

- 6.1 None

7.0 Implications

Financial and Resource Implications

- 7.1 There are no financial implications directly related to this information report.

Comments checked by:

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Legal Implications

- 7.2 There are no legal implications directly related to this information report.

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8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

This links to the Council's priorities of a district of opportunity and sound budgets and a customer focused council

Lead Councillor

Councillor Tony Illott Lead Member Financial Management and Governance

Document Information

Appendix No	Title
None	
Background Papers	
None	
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