

This report is public	
Housing Benefit Subsidy Audit 2020/2021	
Committee	Accounts Audit and Risk Committee
Date of Committee	29 May 2024
Portfolio Holder presenting the report	TBC
Date Portfolio Holder agreed report	N/A
Report of	Assistant Director of Finance, Michael Furness

Purpose of report

To provide the final position of the Housing Benefit subsidy claim audit for the financial year 2020/21

1. Recommendations

The Accounts, Audit and Risk Committee resolves:

- 1.1 To note the contents of this report

2. Executive Summary

- 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 provided to help claimants meet housing costs for rented accommodation in the private and social rent sectors. Administration of HB is highly complex and requires detailed knowledge of ever-changing regulations that span several decades. The introduction of Universal Credit (UC) has reduced the amount of working age claims year on year but adds additional complexity to working age temporary and supported accommodation claims which remain the responsibility of the council to administer.
- 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 has been paid out over the year, dividing the total caseload into various claim types. The Cherwell claim for 2020/21 accounts for £24.9m in HB expenditure. Throughout 2020/21 the revenues and benefits function was provided by CSN Resources.

- 2.3 There are extensive 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 – this is where the claimant has not provided the correct information or has not updated their information in relation to a claim
 - Local authority error overpayments, subsidy is determined by thresholds, expressed as a percentage of the value of correct payments made. These are:
 - 0.48% (lower threshold)
 - 0.54% (upper threshold)
- 2.4 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. Therefore, minor levels of error in the team can lead to significant costs for the council.
- 2.5 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. Any error is extrapolated against the total of all the payments made in the area in which it was found. Although the value of any errors may be low the DWP method of extrapolation means that the value can be substantially increased. This methodology is applied to all councils nationally.
- 2.6 This report provides Members with an update on the Housing Benefit subsidy claim and the audit of the claim for 2020/21.

Implications & Impact Assessments

Implications	Commentary
Finance	The local authority error overpayments declared pre audit was £96,240 which is below the lower threshold. Subsidy was therefore claimed. Additional testing and extrapolations the overpayment increased by £114,552 to £210,792. The authority must now repay the DWP £210,792 which will be deducted from our ongoing monthly subsidy payments received from the DWP.

	The financial implications are as outlined within the report, with the repayment of 2023/24 subsidy being accounted for within the Councils outturn and reserves estimations. Michael Furness Assistant Director for Finance 08.05.2024			
Legal	There are no legal implications directly related to this information report. Shahin Ismail Legal Services Manager 08.05.2024			
Risk Management	Any risk has been highlighted in the report			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		N/A
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		N/A
Climate & Environmental Impact		X		N/A
ICT & Digital Impact		X		N/A
Data Impact		X		N/A
Procurement & subsidy		X		N/A
Council Priorities	N/A			
Human Resources	N/A			
Property	N/A			
Consultation & Engagement	None			

Supporting Information

3. Background

- 3.1 In 2020/21 Cherwell District Councils benefits service was provided by CSN Resources, a teckal company jointly owned by Cherwell and South Northants Councils. In November 2021 the company was disbanded, and the Revenues and Benefits Service was brought back in-house within the council.
- 3.2 Recruiting and retaining staff for the benefits function supplied by CSN was challenging and agency staff were mainly used to deliver this function.
- 3.3 Reliance on agency staff and the level of quality assurance processes in place throughout has contributed significantly to the level of error found in housing benefit claims tested by the external auditor.
- 3.4 Since the recruitment of the new in-house team in November 2021, the council has introduced robust quality assurance measures for checking the accuracy of claims, as well as introducing monthly monitoring of the local authority error, which is recorded and reviewed each month to establish where Cherwell are with the thresholds for local authority overpayment error. These processes are continually reviewed to look for improvement.

4. Details

Housing Benefit Subsidy 2020/21

- 4.1 For the financial year 2020/21 Cherwell District Council (CDC) submitted a Housing Benefit claim in April 2021 for a total value of £25.9M which attracted £25.9M in subsidy from the Department for Work and Pensions (DWP). The audit of the subsidy claim was undertaken by Ernst and Young (EY) using the national methodology determined by the DWP.
- 4.2 Initial testing is undertaken and if this testing identifies any error 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 focussed on the error.
- 4.3 The DWP methodology also requires auditors to extrapolate the results of the initial and additional testing by multiplying the subsidy cell total by the sample value that is found to be in error. Therefore, even small errors found in the sample can lead to large changes in the extrapolated levels of error.
- 4.4 In line with the requirement of the subsidy audit additional testing was also carried out based on the preceding audit findings (known as cumulative assurance knowledge and experience or CAKE)

- 4.5 It was agreed with EY that there would be 14 areas of change to the final claim prepared April 2021 where there would be movement to Local Authority error relating to areas found in Appendix 1 and listed below:

Table 1 – Areas sampled for Non-Housing Revenue Account and Rent Allowances

Area identified	Number of cases	Sample Value
Non HRA - Eligible Rent	80	£145,064
Non HRA - Childcare Costs	2	£17,499
Non HRA - Earnings	14	£50,836
Non HRA - CY Eligible Error	25	£8,148
RA - LHA Tenure Type	48	£268,014
RA - Eligible Rent	80	£288,378
RA - AIF	43	£226,847
RA - Occupational Pension	45	£174,183
RA - Capital	48	£232,913
RA - CY Eligible Error	46	£11,921
RA - PY Eligible Error	42	£35,330
RA - Earnings	52	£236,586
RA - SE Earnings	44	£281,298
RA - Passported to Standard	64	£326,671

- 4.7 As shown in the table below EY found 71 errors during their audit as a result of initial testing, 40+ testing and CAKE:

Table 2 - Outcome of the sample testing:

Area identified	Number of cases with errors	Error Value
Non HRA - Eligible Rent	1	£620
Non HRA - Childcare Costs	2	£2,708
Non HRA - Earnings	3	£44
Non HRA - CY Eligible Error	4	£276
RA - LHA Tenure Type	1	£986
RA - Eligible Rent	2	£71
RA - AIF	6	£24
RA - Occupational Pension	11	£159
RA - Capital	1	£795
RA - CY Eligible Error	8	£900
RA - PY Eligible Error	5	£834
RA - Earnings	5	£558
RA - SE Earnings	4	£525
RA - Passported to Standard	18	£21,143
Total		£29,643

- 4.8 The value of the original errors found were relatively low, however the DWP extrapolation process means that the impact of these values is much increased. A summary of the financial impact is shown below in Table 3 and at Appendix 1.

Table 3 – Financial Impact:

Area of fail	Claims with Errors	Error - £	% Error Rate	LA Extrapolation Value
Non HRA - Eligible Rent	1	£620	0.43%	£2,976
Non HRA - Childcare Costs	2	£2,708	15.48%	£2,708
Non HRA - Earnings	3	£44	0.09%	£44
Non HRA - CY Eligible Error	4	£276	3.39%	£276
LHA Tenure Type	1	£986	0.37%	£17,796
RA - LHA Tenure Type	2	£71	0.02%	£4,861
RA - Eligible Rent	6	£24	0.01%	£105
RA - AIF	11	£159	0.09%	£1,943
RA - Occupational Pension	1	£795	0.34%	£27,246
RA - Capital	8	£900	7.55%	£19,578
RA - CY Eligible Error	5	£834	2.36%	£4,109
RA - PY Eligible Error	5	£558	0.24%	£9,811
RA - Earnings	4	£525	0.19%	£1,957
RA - SE Earnings	18	£21,143	6.47%	£21,143
Total				£114,552

- 4.9 In appendix A consolidated table of table 1, 2, and 3 can be found with the financial impact for Cherwell
- 4.10 When the original subsidy claim was submitted in April 2021 the value of the local authority error overpayments was £96,240, this is below the lower threshold, therefore the associated subsidy was claimed.
- 4.11 As a result of the additional testing and the resulting extrapolations, the value of the local authority error overpayments increased by £114,552 to £210,792, the post audit position is over the upper threshold, therefore the authority must repay the DWP £210,792 due to the loss of subsidy as a result of the local authority error amount exceeding the upper threshold.
- 4.12 During 2021, when this audit was being undertaken, CSN Resources were responsible for administering HB claims on behalf of Cherwell and South Northants, The errors made within 2020/21 can be attributed to the performance of CSN resources and the reliance on temporary resources and lack of quality assurance processes in place.
- 4.13 CSN was disbanded in 2021 and a new in-house Revenues and Benefits team was formed. This split was extremely disruptive, and the required

resources were not available to focus on the audit. This has unfortunately held up the progress on this particular audit.

Improvement plans implemented

- 4.14 An analysis has been carried out on the errors found during the 2019/20 and 2020/21 subsidy audit process and the largest financial impact areas have been the subject of 10 key projects, focusing on key areas of HB that have been identified as the most common fail areas for subsidy. A monthly 10% quality check on all officer's performance is now in place. This will better target training requirements at an individual and team level. The council has also implemented 10 key projects and incorporated ongoing checks with our quality assurance processes which focuses on identified problem areas.
- 4.15 An online Knowledge Hub has been setup which provides the benefits team with up-to-date relevant training slides in key areas of HB and best practice, guidance, and legislation in an easily searchable format. A dedicated subsidy area has been setup to provide the team with the key areas to focus on throughout the year with clear explanations of knock-on financial implication of each.
- 4.16 The council is currently in the process of having the 2021/22 HB subsidy claim audited. This is expected to have a similar level of local authority error and exceed the upper threshold due to the transition from CSN provision to in house provision in November 2021. Once the 2021/22 audit is completed, we will share the outcome of Ernst & Young's findings with members of AARC.
- 4.17 It is hoped that any positive impact of the improvements in controls described above will be seen in the audit for the 2022/23 financial year's Housing Benefit claim but the audit of this is not expected to take place until 2024/25.

5. Alternative Options and Reasons for Rejection

- 5.1 None

6 Conclusion and Reasons for Recommendations

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

Decision Information

Key Decision	N/A
Subject to Call in	N/A

If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Movement to Local Authority Error
Background Papers	None
Reference Papers	None
Report Author	Sandra Ganpot – Benefit Services and Performance Manager
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