

This report is public	
Housing Benefit Subsidy Audit 2012-22	
Committee	Accounts Audit and Risk Committee
Date of Committee	16 July 2025
Portfolio Holder presenting the report	Deputy Leader and Portfolio Holder for Finance, Property & Regeneration, Councillor Lesley Mclean
Date Portfolio Holder agreed report	8 July 2025
Report of	Assistant Director Finance (Section 151 Officer), Michael Furness

Purpose of report

To provide members of this Committee with an update on the final position of the Housing Benefit subsidy claim audit for the financial year 2021/22.

1. Recommendations

The Accounts, Audit and Risk committee resolves:

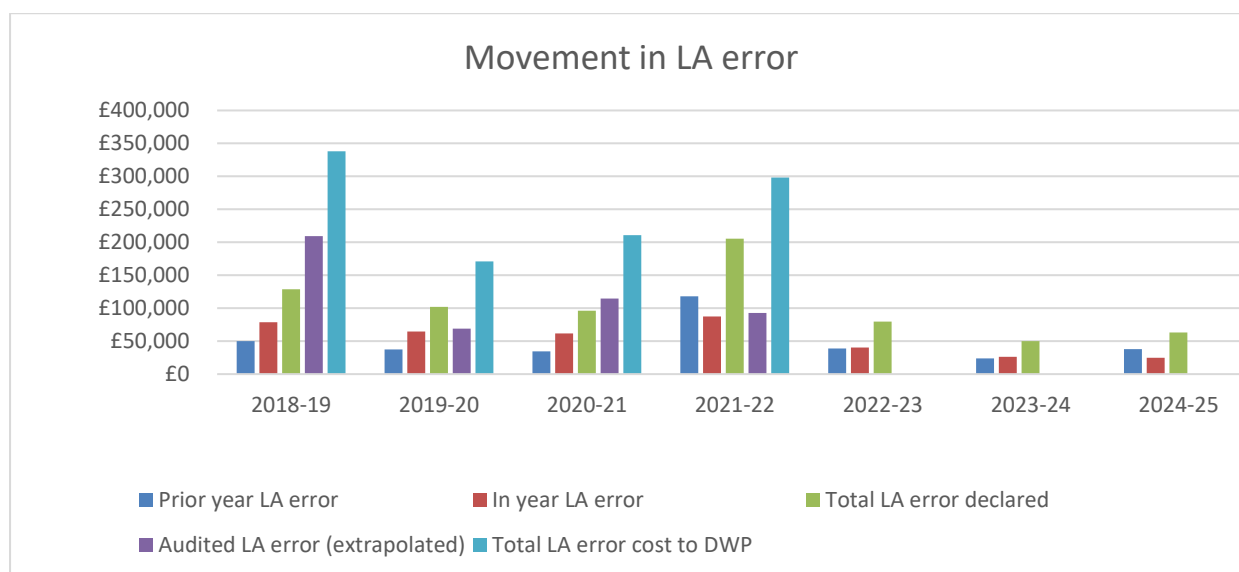
- 1.1 To note the contents of this report

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 2021/22 accounts for £22.5m in HB expenditure.
- 2.3 Throughout 2020-21 and until November 2021 the revenues and benefits function was provided by CSN Resources and brought back inhouse by

Cherwell in November 2021. This was a major disruption to the benefits service as we had to recruit and train an entirely new benefits team.

- 2.4 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. However, due to the severe disruption of bringing the team back in house overall improvements in performance were not seen in 2021/22.
- 2.5 Following the audit challenge for 2019/20 subsidy report and the early findings of issues in the 2020/21 audit a significant amount of corrective work was undertaken in preparation for the 2021/22 audit year which resulted in further movement into LA error
- 2.6 The corrections in 21/22 will be beneficial for the lifetime of each claim, if a claim is in continuous payment an error from any past period can still be a problem in future audits should it perpetuate through each year. To address this going forward, corrective work was completed during 21/22 in addition to enhanced training and reviewing of processes.
- 2.7 There was a large piece of work to identify “in year and prior year error”. The expectation is that this would reduce levels of error found as part of future audits and the high extrapolated amounts. It is also clear from the graph below that the level of error now identified by the team in 2022 /23 and beyond has reduced due to the additional checks and controls that have been put in place as part of the assessment process. Full financial implications can be seen at 3.11 of the report.



Implications & Impact Assessments

Implications	Commentary			
Finance	The local authority error overpayments declared pre audit was £205,534 which is above the higher threshold. Subsidy was therefore not claimed for this amount. Additional testing and extrapolations the overpayment increased by £92,653. The authority must now pay the DWP £92,653 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 payment of £92,653 being considered within the Councils forecast outturn position. Michael Furness Assistant Director for Finance, 2 July 2025			
Legal	There are no legal implications directly related to this information report. Denzil Tuberville, Head of Legal Services, 2 July 2025			
Risk Management	There are no risk implication directly related to this information Celia Prado-Teeling, Performance Team Leader, 2 July 2025			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact				Not applicable
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		Not applicable
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		Not applicable
Climate & Environmental Impact		X		Not applicable
ICT & Digital Impact				Not applicable
Data Impact				Not applicable

Procurement & subsidy				Not applicable
Council Priorities	Not applicable			
Human Resources	Not applicable			
Property	Not applicable			
Consultation & Engagement	None			

Supporting Information

3. Background

- 3.1 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) - £108k
 - 0.54% (upper threshold)- £122K
- 3.2 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 found in the audit can lead to significant costs for the council through the extrapolation method adopted by the DWP
- 3.3 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.

- 3.4 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.
- 3.5 Recruiting and retaining staff for the benefits function supplied by CSN was challenging and agency staff were mainly used to deliver this function.
- 3.6 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.
- 3.7 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. However, due to the severe disruption of bringing the team back in house overall improvements in performance were not seen in 2021/22.
- 3.8 Following the audit challenge for 2019/20 subsidy report and the early findings of issues in the 2020/21 audit a significant amount of corrective work was undertaken in preparation for the 2021/22 audit year which resulted in further movement into LA error.
- 3.9 Previous years pre-audit claims reported below the LA Error threshold but as found in the post-audit position for 2019/20 this was not the true position as numerous errors were found pushing the council over the higher threshold and resulting in our having to repay the subsidy previously claimed and the penalty from the audit.
- 3.10 It is the corrective work done for 2021/22 pre-audit that has contributed to a higher LA error total. The initial cost due to LA Error was already repaid by a one-off deduction from our ongoing subsidy payment in May 2023 after submitting the final claim in April.
- 3.11 The corrections in 21/22 will be beneficial for the lifetime of each claim, if a claim is in continuous payment an error from any past period can still be a problem in future audits should it perpetuate through each year. To address this going forward, corrective work was completed during 21/22 in addition to enhanced training and reviewing of processes.

Financial year	Prior year LA error	In year LA error	Total LA error declared	Audited LA error (extrapolated)	Total LA error cost to DWP
2018-19	£49,888	£78,826	£128,714	£209,505	£338,219
2019-20	£37,467	£64,681	£102,148	£69,046	£171,194
2020-21	£34,650	£61,590	£96,240	£114,550	£210,790
2021-22	£118,260	£87,274	£205,534	£92,652	£298,186
2022-23	£39,114	£40,375	£79,489	TBC	TBC
2023-24	£23,850	£26,099	£49,949	TBC	TBC
2024-25	£38,120	£24,850	£62,970	TBC	TBC

- 3.12 The table shows that as well as the disruption of bringing the Benefits team back in house and a significant recruitment drive in 2021/22, there was a large piece of work to identify “in year and prior year error”. The expectation is that this would reduce levels of error found as part of future audits and the high extrapolated amounts. It is also clear that the level of error now identified by the team in 2022 /23 and beyond has reduced due to the additional checks and controls that have been put in place as part of the assessment process.

4. Details

Housing Benefit Subsidy 2021/22

- 4.1 For the financial year 2021/22 Cherwell District Council (CDC) submitted a Housing Benefit claim in April 2021 for a total value of £22.5M which attracted £22.5M 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 25 areas of change to the final claim prepared April 2022 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	60	£278,561
Non HRA - Childcare Costs	2	£7,380
Non HRA - Earnings	15	£66,108
Non HRA - CY Eligible Error	14	£9,415
Non HRA - Tenure Type	60	£275,202
Non HRA - Notional Income	1	£1,678
Non HRA - Cancellations	53	£89,671
Non HRA - Universal Credit	55	£122,582
LHA Tenure Type	60	£362,152
RA - Eligible Rent	60	£338,573
RA - AIF	40	£211,723
RA - Occupational Pension	40	£163,254
RA - Capital	49	£247,919
RA - CY Eligible Error	40	£17,969
RA - PY Eligible Error	41	£22,220
RA - Earnings	42	£193,736
RA - SE Earnings	40	£223,446
RA - Passported to Standard	65	£176,097
RA - Additional Earnings Disregard	41	£197,127
RA - State Retirement Pensions	45	£187,850
RA - Dependent's Allowance	42	£202,141
RA - ND SE Earnings	10	£53,499
RA - Change of Address	40	£266,429
RA - Bedroom Count	1830	£9,673,372
RA - Modified Scheme	8	£21,819

- 4.6 As shown in the table below EY found 174 errors during their audit as a result of initial testing, 40+ testing and CAKE. Of the 25 areas checked 9 presented no further errors:

Table 2 - Outcome of the sample testing:

Area identified	Number of cases with errors	Error Value
Non HRA - Eligible Rent	0	£0.00
Non HRA - Childcare Costs	0	£0.00
Non HRA - Earnings	4	£0.00
Non HRA - CY Eligible Error	4	£2,025
Non HRA - Tenure Type	1	£126
Non HRA - Notional Income	1	£1,070
Non HRA - Cancellations	4	£77
Non HRA - Universal Credit	2	£459
RA - LHA Tenure Type	0	£0.00
RA - Eligible Rent	5	£111

RA - AIF	2	£0.00
RA - Occupational Pension	7	£238
RA - Capital	4	£0.00
RA - CY Eligible Error	15	£1,095
RA - PY Eligible Error	20	£1,358
RA - Earnings	26	£504
RA - SE Earnings	9	£1,041
RA - Passported to Standard	26	£13,920
RA - Additional Earnings Disregard	2	£609
RA - State Retirement Pensions	7	£128
RA - Dependent's Allowance	2	£0.00
RA - ND SE Earnings	4	£0.00
RA - Change of Address	0	£0.00
RA - Bedroom Count	26	£9,263
RA - Modified Scheme	3	£0.00
Total		£22,633

- 4.7 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	0	£0.00	0.00%	£0.00
Non HRA - Childcare Costs	0	£0.00	0.00%	£0.00
Non HRA - Earnings	4	£0.00	0.00%	£0.00
Non HRA - CY Eligible Error	4	£2,025	21.51%	£2,025
Non HRA - Tenure Type	1	£126	0.05%	£351
Non HRA - Notional Income	1	£1,070	63.77%	£1,070
Non HRA - Cancellations	4	£77	0.02%	£135
Non HRA - Universal Credit	2	£459	0.37%	£869
RA - LHA Tenure Type	0	£0.00	0.00%	£0.00
RA - Eligible Rent	5	£111	0.03%	£6,648
RA - AIF	2	£0.00	0.00%	£0.00
RA - Occupational Pension	7	£238	0.15%	£2,976
RA - Capital	4	£0.00	0.00%	£0.00
RA - CY Eligible Error	15	£1,095	4.98%	£11,732
RA - PY Eligible Error	20	£1,358	6.011%	£19,903
RA - Earnings	26	£504	0.26%	£7,679
RA - SE Earnings	9	£1,041	0.47%	£4,133
RA - Passported to Standard	26	£13,920	1.18%	£13,920
RA - Additional Earnings Disregard	2	£609	0.31%	£9,793
RA - State Retirement Pensions	7	£128	0.068%	£2,156

RA - Dependent's Allowance	2	£0.00	0.00%	£0.00
RA - ND SE Earnings	4	£0.00	0.00%	£0.00
RA - Change of Address	0	£0.00	0.00%	£0.00
RA - Bedroom Count	26	£9,263	0.07%	£9,263
RA - Modified Scheme	3	£0.00	0.00%	£0.00
Total				£92,653

- 4.8 In appendix A consolidated table of table 1, 2, and 3 can be found with the financial impact for Cherwell
- 4.9 When the original subsidy claim was submitted in April 2022 the value of the local authority error overpayments was £205,534, this is over the higher threshold, therefore no subsidy was claimed.
As a result of the additional testing and the resulting extrapolations, the value of the local authority error overpayments increased by £92,653, the post audit position remains over the upper threshold with an additional £92,653 payable to the DWP.
- 4.10 During 2021, which this audit relates, CSN Resources were responsible for administering HB claims on behalf of Cherwell and South Northants, the errors made within 2021/22 can be attributed in part to the performance of CSN resources and the reliance on temporary resources and lack of quality assurance processes in place.
- 4.11 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 and has been the cause of the delay in presenting the subsidy position for 2021/22.

Improvement plans implemented

- 4.12 An analysis has been carried out on the errors found during the 2019/20, 2020/21 and 2021/22 subsidy audit process and the largest financial impact areas have been the subject of numerous 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 has been in place since taking the service in-house from the latter part of 2021/22; this will better target training requirements at an individual and team level. The council has also implemented numerous key projects and incorporated ongoing checks with our quality assurance processes which focuses on identified problem areas.
- 4.13 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. Ongoing refresher training sessions are incorporated into the monthly team meetings covering areas found to be an issue from the monthly subsidy monitoring undertaken. 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.

- 4.14 The council is currently in the process of having the 2022/23 HB subsidy claim audited. This is expected to not have a similar level of local authority error and not expected to exceed the upper threshold due to the ongoing review of the subsidy position and subsequent training of staff.
- 4.15 It is hoped that any positive impact of the improvements in controls described above will be seen in the audit for the 2022/23 and subsequent financial year's Housing Benefit claim; the audit of 2022/23 is now underway.

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
Report Author contact details	Sandra.ganpot@Cherwell-dc.gov.uk 01295 221 721
Corporate Director Approval (unless	N/A – Statutory officer report

Corporate Director or Statutory Officer report)	
---	--