This report is public	
Housing Benefit Subsidy Audit 2022/23	
Committee	Audit and Governance Committee
Date of Committee	22 July 2026
Portfolio Holder presenting the report	Councillor David Hingley Portfolio Holder for Finance
Date Portfolio Holder agreed report	14 July 2026
Report of	Assistant Director of Finance (S151 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 2022/23.

1. Recommendations

The Audit and Governance 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 2022/23 accounts for £21.7m in HB expenditure.

2.3 Throughout 2020/21 and until November 2021 the revenues and benefits function were provided by CSN Resources and brought back inhouse by

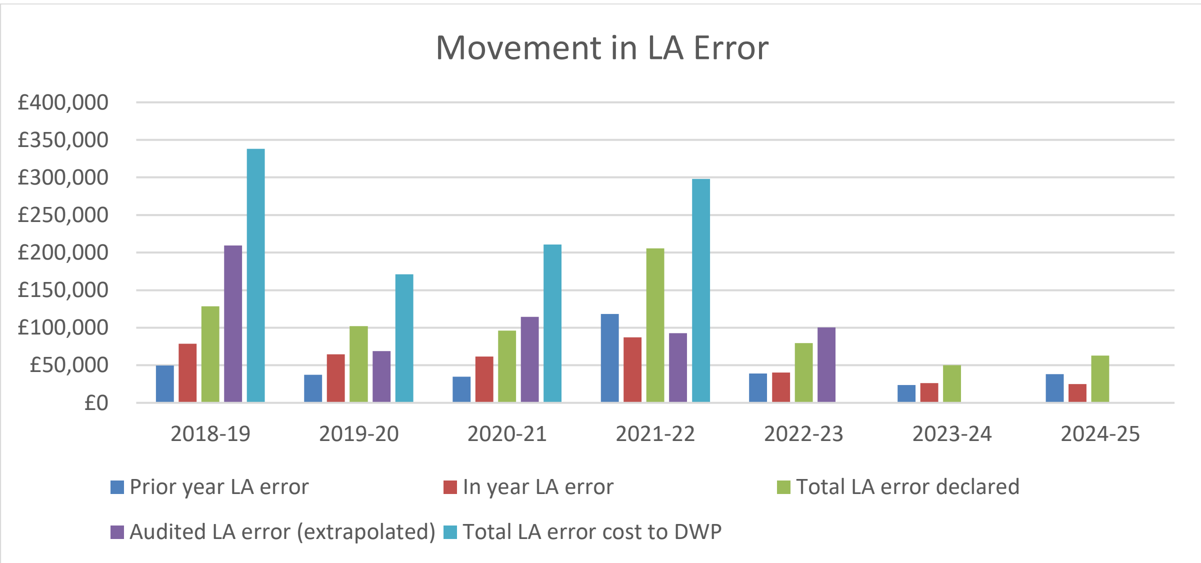
Cherwell in November 2021. This was a major disruption to the benefits service as we had to recruit and train an entirely new benefits team.

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 until 2022/23.

2.5 Following the audit challenges for 2019/20 and 2020/21 subsidy reports and the early findings of issues in the 2021/22 audit a significant amount of corrective work was undertaken in preparation for the 2022/23 audit year which resulted in further movement into LA error

2.6 The corrections in 22/23 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 22/23 in addition to targeted staff training and reviewing of processes based on findings.

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 £79,489.15 which was below the lower threshold of £102,771.00. Subsidy was therefore claimed for this amount. Additional testing and extrapolations mean the overpayment increased to £100,483.00 but remains under the lower threshold and 100% subsidy claimed correctly. The authority over claimed subsidy of a further £16,691.00 due to other cell movement. The authority must now repay the DWP £16,691.00 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 £16,691.00 being considered within the Councils forecast outturn position. Joanne Kaye – Deputy 151 Officer, 8 July 2026			
Legal	There are no legal implications directly related to this information report. Denzil Tuberville – Head of Legal Services, 8 July 2026			
Risk Management	There are no risk implications directly related to this information report. Celia Prado Teeling – Performance & Insight Team Leader, 08 July 2026			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact		x		There is no impact to equalities as a consequence of this report. Celia Prado Teeling – Performance & Insight Team Leader 08 July 2026
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		

B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Climate & Environmental Impact				N/A
ICT & Digital Impact				N/A
Data Impact				N/A
Procurement & subsidy				
Council Priorities	N/A			
Human Resources	N/A			
Property	N/A			
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) - £102.7k
    - 0.54% (upper threshold)- £115.6K

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 until 2022/23.

3.8 Following the audit challenge for 2019/20 subsidy report and the early findings of issues in the 2021/22 audit, a significant amount of corrective work was undertaken in preparation for the 2022/23 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 positions for 2019/20, 2020/21 and 2021/22 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 The pre audit position for 2022/23 reported below the LA Error lower threshold; corrective work done for 2022/23 pre-audit contributed to a higher LA error total that remains below the lower threshold. As the pre audit figure for LA Error was below the lower threshold we claimed all the LA Error amount for 2022/23. Post audit we remain below the lower threshold and for the first time in 5 years we have nothing to repay to the DWP as it relates to LA Error.

3.11 The corrections in 2022/23 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 22/23 in addition to targeted team training and reviewing of processes.

Financial year	Prior year LA error	In year LA error	Total LA error declared	Audited LA error (extrapolated)	Total 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**	**£100,483**	**£16691**
2023-24	£23,850	£26,099	£49,949	TBC	TBC
2024-25	£38,120	£24850	£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.

Details

4. Housing Benefit Subsidy 2022/23

4.1 For the financial year 2022/23 Cherwell District Council (CDC) submitted a Housing Benefit claim in April 2023 for a total value of £21.7M which attracted £21.7M in subsidy from the Department for Work and Pensions (DWP). The audit of the subsidy claim was undertaken by Klynveld Peat Marwick Goerdeler (KPMG) 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 KPMG that there would be 21 areas of change to the final claim prepared April 2023 where there would be movement to Local Authority error or movement to other cells either due to the overpayment being overstated or misclassified. Cell movement resulting in financial penalty can be found in Appendix 1 and detailed in Table 4

4.6 In the Housing Benefit Assurance Process (HBAP), headline/expenditure cells represent the total amount of benefit granted for a specific category (e.g., total rent allowances or total Non HRA). Subsidiary (or analytical) cells break down this total expenditure into specific criteria. Cells decide specific subsidy rates. The other cell movement relates to misclassification of overpayments and overstated overpayments. The movement to cells that attract different levels of subsidy of either 40%, 60% or 100%.

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

Area identified	Number of cases	Sample Value
Non HRA – Tenure Type	60	£129,266
Non HRA – Cancelled Claims	52	£80,834
Non HRA - Earnings	27	£85,854
Non HRA - CY Eligible Error	21	£6,165
Non HRA – Duplicate Payments	1	£606
Non HRA - Universal Credit	52	£95,817
RA – Joint Tenants LHA	35	£136,834
RA - Eligible Rent	60	£214,573
RA - AIF	41	£214,349
RA - Occupational Pension	41	£164,491
RA - Capital	54	£181,256
RA - CY Eligible Error	41	£14,502
RA - PY Eligible Error	41	£47,177
RA - Earnings	41	£196,555
RA - SE Earnings	41	£234,518
RA - Passported to Standard	78	£215,554
RA - Additional Earnings Disregard	42	£220,892
RA - State Retirement Pensions	44	£172,420
RA - Dependent’s Allowance	44	£210,691
RA - ND SE Earnings	7	£30,221
RA - Bedroom Count	59	£216,642

4.7 As shown in the table below KPMG found 54 errors during their audit as a result of initial testing, 40+ testing and CAKE. Of the 21 areas checked 4 presented no further errors:

Table 2 - Outcome of the sample testing: .

Area identified	Number of cases with errors	Error Value
Non HRA – Tenure Type	0	£0.00
Non HRA – Cancelled Claims	5	£0.00
Non HRA - Earnings	1	£0.00
Non HRA - CY Eligible Error	2	£0.00
Non HRA – Duplicate Payments	1	£606.00
Non HRA - Universal Credit	0	£0.00
RA – Joint Tenants LHA	2	£1163.00
RA - Eligible Rent	2	£29.00
RA - AIF	2	£12.00
RA - Occupational Pension	1	£61.00
RA - Capital	1	£9.00
RA - CY Eligible Error	5	£588.00
RA - PY Eligible Error	6	£489.00
RA - Earnings	9	£157.00
RA - SE Earnings	2	£109.00
RA - Passported to Standard	12	£995.00
RA - Additional Earnings Disregard	1	£0.00
RA - State Retirement Pensions	1	£45.00
RA - Dependent’s Allowance	1	£0.00
RA - ND SE Earnings	0	£0.00
RA - Bedroom Count	0	£0.00
Total		**£4,623**

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 – Tenure Type	0	£0.00	0.000%	£0.00
Non HRA – Cancelled Claims	5	£0.00	0.000%	£0.00
Non HRA - Earnings	1	£20.01	0.018%	£0.00
Non HRA - CY Eligible Error	2	£0.00	0.000%	£0.00

Non HRA – Duplicate Payments	1	£605.75	0.000%	£606.00
Non HRA - Universal Credit	0	£0.00	0.000%	£0.00
RA – Joint Tenants LHA	2	£1,163	0.82%	£1124.00
RA - Eligible Rent	2	£29.00	0.01%	£1890.00
RA - AIF	2	£12.00	0.01%	£49.00
RA - Occupational Pension	1	£61.00	0.04%	£752.00
RA - Capital	1	£9.00	0.005%	£298.00
RA - CY Eligible Error	5	£588	4.031%	£10122.00
RA - PY Eligible Error	6	£489	1.06%	£1,538.00
RA - Earnings	9	£157.00	0.09%	£2006.00
RA – SE Earnings	2	£109.00	0.05%	£329.00
RA - Passported to Standard	12	£995.00	0.46%	£1,360.00
RA - Additional Earnings Disregard	1	£0.00	0.000%	£0.00
RA - State Retirement Pensions	1	£45	0.03%	£920
RA - Dependent's Allowance	1	£0.00	0.000%	£0.00
RA - ND SE Earnings	0	£0.00	0.000%	£0.00
RA - Bedroom Count	0	£0.00	0.000%	£0.00
Total				**£20,994**

4.9 In appendix A consolidated table of table 1, 2, 3 and 4 can be found with the financial impact for Cherwell

4.10 When the original subsidy claim was submitted in April 2023 the value of the local authority error overpayments was £79,489, this is below the lower threshold, therefore 100% subsidy was claimed.

As a result of the additional testing and the resulting extrapolations, the value of the local authority error overpayments increased by £20,994 to £100,483, the post audit position remains below the lower threshold and 100% subsidy claimed correctly. The movement to other cells either due to overpayment misclassification or overpayment overstatement of 100%, 60% or 40% subsidy resulting in a penalty of £16,691 is shown at Table 4 and at Appendix 1.

Table 4 – Other cell movement

Area overstated subsidy	Claims with Errors	Error-£	% Error Rate	Extrapolation Value	Subsidy Value
Non HRA – Cancelled Claims	5	£572	0.63%	£1,233	
Cell 25		£172	0.19%	£371.00	-£371.00
Cell 27		£209	0.33%	£645.00	-£209.00

Cell 28		£101	0.11%	£218.00	-£87.00
Non HRA – Eligible Error	2	£702	9.69%	£702.00	-£281.00
RA- PY Eligible Error	6	£5,537	11.99%	£17,420.00	-£6,968.00
RA- AIF	2	£36	0.02%	£399.00	-£239.00
RA- Passported to Standard	12	£1,328	0.63%	£2,537.00	-£1,015.00
Area Misclassified Subsidy					
RA- Eligible Error misclassified	5	£588	4.03%	£10,122.00	-£4,049.00
RA- Earnings	9	£1,214	6.60%	£15,510.00	-£3,233.00
RA- AED	1	£36	0.02%	£399.00	-£160.00
RA- J/T LHA	2	£136	-0.10%	£131.00	-£79.00
Total					**£16,691.00**

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Improvement plans implemented

4.11 An analysis has been carried out on the errors found during the 2019/20, 2020/21, 2021/22 and 2022/23 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.

4.12 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.

4.13 The council is currently in the process of having the 2023/24 HB subsidy claim audited. This is expected to have a similar level of local authority error to that of 2022/23, and it is expected to show continued improvements due to the ongoing review of the subsidy position and subsequent training of staff.

4.14 When reporting on preceding audits from 2019/20 it was predicted that any positive impact of the improvements in controls described above would be seen in the audit for the 2022/23 and subsequent financial year's Housing Benefit claim; the audit of 2022/23 has demonstrated the positive impacts predicted have been realised.

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	No
If not, why not subject to call in	
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Appendix 1 -Movement to Local Authority Error and other cell movement
Background Papers	None
Reference Papers	None
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Corporate Director Approval (unless Corporate Director or Statutory Officer report)	S151 Officer Michael Furness