

Title: **Housing Benefit Subsidy Certification - Financial Year 2017/18**

Wards Affected: **All Wards**

To: **Audit Committee** On: **25 September 2019**

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1. Key points and Summary

- 1.1 Housing Benefit is a means-tested benefit that helps households on low incomes pay rent. The Department for Work and Pensions (DWP) is responsible for setting the primary legislation governing Housing Benefit, which covers policy and entitlement rules.
- 1.2 In turn local authorities have a statutory duty to undertake the day-to-day administration and payment of Housing Benefit. The administration costs and payments are then reclaimed as “subsidy” from DWP.
- 1.3 The amount of subsidy to be reclaimed by the authority is submitted to DWP during the April following the previous financial year, which is then subject to certification by the reporting accountant.
- 1.4 The certification process aims to ensure that subsidy claims are fairly stated and provides assurance that the scheme is being administered correctly. It also encourages local authorities to improve accuracy and reduce official error.
- 1.5 The methodology and sample sizes are prescribed by DWP. Neither the authority nor reporting accountant (Grant Thornton) has discretion over how this methodology is applied.
- 1.6 The total subsidy claimed for Rent Allowance (private sector) and Rent Rebates (temporary accommodation) for 2017/18 was £60,452,407.
- 1.7 The certification process identified error with a number of earned income calculations detailed in this report and as a consequence the claim was financially qualified, resulting in a potential loss in subsidy to the Local Authority of £475,282.
- 1.8 As a result of engagement with DWP and further testing by the auditors, the Reporting Accountant indicated on 30 August 2019, that full subsidy will be granted and that £475,282 will be reimbursed to the authority.
- 1.9 As a result of identification the error a Peer Review has been undertaken in conjunction with the LGA and a number of working practices reviewed to provide reassurance.

2. Background and Current Position

- 2.1 The reporting accountant is required to perform the specific test requirements in accordance with the scope of work set out in DWP's Housing Benefit Assurance Process (HBAP) reporting framework.
- 2.2 This consists of checking twenty Rent Allowance (private sector and social landlord housing cases) and twenty Rent Rebates (temporary accommodation cases). On completion of these tests the reporting accountant report their findings.
- 2.3 Initial testing of the 2017/18 subsidy claim identified three errors, two concerning rent charges for temporary accommodation and one connected to the calculation of earned. This resulted in further testing, where forty similar cases were checked for assurance purposes.
- 2.4 The additional testing resulted in eight further earned income errors. The majority of these errors had either no effect on subsidy or were of low value. However, there was one case that was overstated by £4,634.05, which had a significant impact on the overall claim.
- 2.5 The claim was subsequently adjusted, based on a set formula where error percentage rates are calculated and extrapolated for each amount that's relevant – see Appendix One which shows how this amount was calculated.
- 2.6 In this case the cell adjustment totaled £475,282 resulting in the Secretary of State decided to recover this from the submitted claim.
- 2.7 Following confirmation that DWP intended to recover the adjustment, representations were made to request a "Further Work engagement", as the error was considered to be an isolated case.
- 2.8 Further Work engagements are treated as a "one-off" agreement, where additional tests are undertaken, based on the same criteria that led to the isolated error. Following agreement, a random sample of forty cases was selected from a larger population by the Reporting Accountant.
- 2.9 Experienced staff from the Revenue and Benefits service tested the sample and the results were provided in the prescribed manner.
- 2.10 After discussing the findings with the Reporting Accountant it was agreed that all cases were correct and that the relevant indicators had been set to ensure follow-up action would be taken.
- 2.11 The Reporting Accountant re-performed 10% of the sample for assurance purposes and subsequently confirmed that no errors were identified.
- 2.12 Based on the agreement with DWP, as no further errors were identified then the case in error will be treated as isolated and the £4,634.05 overpayment originally identified removed from the extrapolation.
- 2.13 A report was issued by the Reporting Accountant on 30 August 2019, confirming their findings as well as a revised extrapolation – see Appendix Two. This indicates that full subsidy will be granted and that £475,282 will be reimbursed to the authority.
- 2.14 Following a conversation with DWP it was confirmed that they are satisfied with the report will not be recovering any substantial sums from the authority. It is expected that written confirmation to this effect will be provided shortly.

3. Reasons for Housing Benefit Subsidy Loss

- 3.1 If subsidy is overpaid to an authority, or there is some breach of subsidy rules, the Secretary of State has the discretion to recover appropriate amounts.
- 3.2 The two main reasons why authorities don't receive full subsidy for the Housing Benefit they have paid are:
- Identified Overpayments, arising from both local authority and (predominantly) claimant error overpayments.
 - Qualification of subsidy claim, resulting in an extrapolated overpayment figure based on sample cases checked by the reporting accountant.
- 3.3 There are a number of ways in which the loss can be minimised. All these are interlinked and inter-dependent. These include:
1. Encouraging the customer to inform us promptly of changes in circumstances
 2. Processing changes in circumstances promptly, to avoid overpayments.
 3. Reducing human error in Housing Benefit assessments.
 4. Minimising Local Authority Overpayment Error.
 5. Ensure that every penny of subsidy the authority is entitled to claim, is claimed.
 6. Ensure efficient overpayment recovery processes are in place.

4. Preventative Measures

4.1 Peer Review

A peer review by an external expert from South Somerset Council and the Local Government Association, took place on 10th July 2019. This was arranged to assess current practices and provide reassurance to if this was an isolated incident or presented a future financial risk to the Local Authority.

After interviewing key staff and reviewing practices it was established that we have;

- A knowledgeable and committed team
- That correct processes and robust reporting practices are in place to reduce or identify errors.
- That our model of delivery was seen as innovative and by having multi skilled staff provided a level of resilience.
- No significant issues with performance, although recognised that staff were stretched and that there was a challenge between accuracy and speed of processing, based on the level of resource.
- That correct monitoring is in place to support the service and is robust.

The following areas have also been subsequently reviewed in light of the error being identified.

- (a) **Procedures** - When updating procedures the changes are discussed at team meetings and guidance reiterated in team briefing notes.
- (b) **Training** - Where error has been identified and a trend is developing, refresher training will be undertaken.
- (c) **Quality Checking** - A number of additional checks have been introduced that focusses on specific error, new claim processing, change of circumstances and cancelling benefit.

- (d) **Staff** - Accuracy will be at the forefront of one to one meetings, identifying processes that require attention and improvement if required.
- (e) **Performance** - Ensure that accuracy is maintained and not sacrificed over speed. Increase awareness of accurate data entry and the financial impacts that keying errors can have on the authority. Monitor caseload and react quickly to legislative changes that could introduce new areas of error.
- (f) **Housing Benefit Audit** - Internal audit to review areas of weakness identified by the annual Housing Benefit Audit.
- (g) **System Reports** - Additional system reporting to identify potential areas of risk for errors and quality checking exercises to review this new data.

Alison Whittaker
Head of Customer Services, Revenue & Benefits

Appendices

Appendix 1

Appendix 2

Documents available in members' rooms

Background Papers:

The following documents/files were used to compile this report:

Appendix One

Cell 094 (Rent Allowance) - initial calculation provided by Grant Thornton

Original cell total – sub population (earned income)	Sample Error	Sample Value	Percentage error rate	Cell adjustment
£11,430,723	-£5,586	£183,977	3.01%	-£344,065
(Cell 099 overstated) £11,430,723	-£11	£183,977	0.01%	-£1,143
(Cell 102 overstated) £11,430,723	-£192	£183,977	0.1%	-£11,431
(Cell 103 overstated) £11,430,723	-£5,072	£183,977	2.7%	-£308,630
(Cell 114 overstated) £11,430,723	-£311	£183,977	0.2%	-£22,861
Adjustment				£344,065

From the above, cell adjustments 103 and 114 are added and cell 099 is deducted, resulting in **£330,348**.

Cell 011 (Rent Rebate) - confirmed calculation provided by Grant Thornton

Original cell total – sub population (incorrect rental amount)	Sample Error	Sample Value	Percentage error rate	Cell adjustment
£460,399	-£800	£57,556	1.4%	-£6,400
(Cell 012 overstated) £460,399	-£472	£57,556	0.8%	-£3,775
(Cell 013 overstated) £460,399	-£249	£57,556	0.4%	-£1,994
(Cell 014 overstated) £460,399	-£79	£57,556	0.1%	-£631
Adjustment				£6,400

From the above, cell adjustments 012 and 014 are added, resulting in **£4,406**.

Adjustments (£330,348+£4,406)	£334,754
LA error subsidy	<u>£140,528</u>
Total	<u>£475,282</u>

Subsidy Calculation

LA Error Upper Threshold	£320,274
LA Error Lower Threshold	<u>£284,688</u>
Total	<u>£475,282</u>

Total exceeds LA Error Upper Threshold - £475,282 is treated as recovered subsidy.

Appendix Two

Cell 094 (Rent Allowance) - provisional calculation provided by Grant Thornton

Original cell total – sub population (earned income)	Sample Error	Sample Value	Percentage error rate	Cell adjustment
(Initial Sample – 20 cases) £11,430,723	£0	£27,500	0.0%	
(Additional Sample – 40 cases) £11,430,723	-£952	£156,477	0.6%	
(Combined Sample – 60 cases) £11,430,723	-£952	£183,977	0.5%	-£57,154
(Cell 099 overstated) £11,430,723	-£11	£183,977	0.01%	-£1,143
(Cell 102 overstated) £11,430,723	-£192	£183,977	0.1%	-£11,431
(Cell 103 overstated) £11,430,723	-£438	£183,977	0.2%	-£22,861
(Cell 114 overstated) £11,430,723	-£311	£183,977	0.2%	-£22,861
Adjustment Cell 113 is understated				£58,296

Provisional calculation - cell 113 is understated by **£58,296**.

Cell 011 (Rent Rebate) - unchanged

Original cell total – sub population (incorrect rental amount)	Sample Error	Sample Value	Percentage error rate	Cell adjustment
£460,399	-£800	£57,556	1.4%	-£6,400
(Cell 012 overstated) £460,399	-£472	£57,556	0.8%	-£3,775
(Cell 013 overstated) £460,399	-£249	£57,556	0.4%	-£1,994
(Cell 014 overstated) £460,399	-£79	£57,556	0.1%	-£631
Adjustment				£6,400

From the above, cell adjustments 012 and 014 are added, resulting in **£4,406**.

Adjustments (£58,296+£4,406)	£62,702
LA error subsidy	<u>£140,528</u>
Total	<u>£203,230</u>

Revised Subsidy Calculation (subject to approval by DWP)

LA Error Upper Threshold	£320,274
LA Error Lower Threshold	£284,688

Total is below both LA Error Upper and Lower Thresholds, as a result full subsidy is due.