



HASTINGS BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2015

30 March 2016

INTRODUCTION

Purpose of the report

This report summarises the main issues arising from the certification of grant claims and returns for the financial year ended 31 March 2015.

Audit Commission regime

We undertake grant claim and return certification as an agent of the Audit Commission, in accordance with the Certification Instructions (CI) issued by them after consultation with the relevant grant paying body. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission.

For 2014/15, this included only the Housing benefit subsidy claim.

After completion of the tests contained within the CI the grant claim or return can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed. Sample sizes used in the work on the housing benefit subsidy return and the methodology for the certification of all grant claims are prescribed by the Audit Commission.

Other certification work

We have not undertaken any other certification work.

Fees

A summary of the fees charged for certification work for the year ended 31 March 2015 is shown to the right.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance provided during the course of our certification work.

Fees

CLAIM OR RETURN	2013/14 FINAL FEE £	2014/15 PLANNED FEE £	2014/15 FINAL FEE £
Audit Commission regime			
Housing benefit subsidy	11,792	11,792	11,792
TOTAL AUDIT COMMISSION REGIME FEES	11,792	11,792	11,792

Key findings

Below are details of the certification of the housing benefits subsidy claim for the financial year ended 31 March 2015. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided.

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	52,305,416	Yes	Yes	Claim increased by £644 although see note below on qualification

HOUSING BENEFIT SUBSIDY

Local authorities responsible for managing housing benefit are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.

Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.

The methodology and sample sizes are prescribed by the Audit Commission and the Department for Work and Pensions. We have no discretion over how this methodology is applied.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £52,304,772. The final submission increased the amount claimed by £644 to £52,305,416.

FINDINGS AND IMPACT ON RETURN

A number of errors were identified during the course of the initial testing of non-HRA rent rebates and rent allowances which resulted in additional testing to quantify the potential errors as noted below.

On completion of the additional testing, we concluded that the following entries in the subsidy return were incorrect and either required amendment or required extrapolation of the error over the relevant cell populations.

Non-HRA rent rebate misclassified overpayments

Initial testing found one case where an overpayment had been recorded as eligible but should have been included as local authority error and administrative delay. Testing of all cases with amounts included in eligible overpayments found seven further misclassified overpayments.

These errors totalled £1,073 and were corrected in the final subsidy form. Eligible overpayments attract subsidy at 40%, meaning that the Council has over claimed £429 of subsidy through the eligible overpayments cell. However, local authorities are given an allowance, based on a percentage of the total amount of benefit awarded, to recover local authority errors and administrative delay overpayments in full through the subsidy system. As a result, the net impact of this correction is to increase the final amount claimed by £644.

Arrangements for calculating non-HRA benefits

The Council applies the following guidance when calculating subsidy that could result in under claiming subsidy:

Adjustments are made to the subsidy claim so that only the amounts paid up to the relevant rent threshold are reported, since amounts above the threshold are not recovered through subsidy. This results in the understatement of amounts paid above threshold which is used by DWP for monitoring purposes, but has no impact on subsidy claimed.

Subsidy regulations apply a maximum weekly cap on benefits when determining the threshold level after which benefit is not recovered through subsidy. The Council incorrectly pro-rates the cap for the number of days in the week for part-week benefits awarded, but should apply the full weekly rate even for part-week benefits. As a result, the Council may be excluding amounts from the claim form where these are incorrectly assessed as being above the threshold. We have extrapolated the results of the work we performed in this area, and estimate that the under claim of subsidy this year as a result of this issue is approximately £2,320.

The Council also applies a fixed one-bedroom rate when determining the threshold rate, but may have actually provided accommodation that may have additional bedrooms. Again, the Council may be excluding amounts paid as above the threshold that could be recoverable through subsidy, although from the work we have performed it is not possible to quantify any potential under claim of subsidy.

Rent allowances earnings calculations

Initial testing found one case where the claimant's earnings had been incorrectly assessed resulting in overpaid benefit. Testing of an additional 40 overpayment cases found 11 further earnings errors, with 6 creating overpayments, 3 resulting in underpaid benefit and 2 that had no impact on benefit.

The overpayment errors were extrapolated across the total value of entitlement and we reported that local authority errors and administrative delay overpayments were potentially understated by £62,516. Local authority overpayments do not attract subsidy, meaning that the Council has over claimed £62,516 of subsidy through the overpayment cells. However, this has no impact on the overall subsidy amount claimed since this amount would be recovered through the overpayment allowance threshold.

We noted that the cases in which underpayment had occurred also had separately recorded overpayments caused by claimant errors during the period. Claimant errors are only recovered at 40% through subsidy, but the errors mean that some of these amounts are not in fact overpayments, and should have been recovered in full. We extrapolated the impact of this and reported that £51,737 could potentially be reclassified which would increase subsidy by £31,042 where recovered at full rate.

Rent allowances application of annual uplifts and ineligible service charges

Initial testing found one case where benefit had been overpaid as a result of applying an annual rent change on the wrong date, and also failing to deduct ineligible service charges when calculating entitlement. Following further investigation we were able to isolate this error to one particular accommodation block. Testing of all other rent allowance cases within this block identified 2 further cases where rent had been uplifted on the wrong date, and 4 further cases where ineligible service charges had not been deducted. The total overpayment resulting from these errors was £3,426. Local authority overpayments do not attract subsidy, meaning that the Council has over claimed £3,426 of subsidy through the overpayment cells. However, this has no overall impact on the amount claimed since this amount would be recovered through the overpayment allowance threshold.

Rent allowances misclassified overpayments

Initial testing found one case where an overpayment had been recorded as eligible but should have been included as local authority error and administrative delay. Testing of an additional 40 cases with amounts included in eligible overpayments found 2 further misclassified overpayments.

These errors were extrapolated across the total value included as eligible overpayments and we reported that eligible overpayments were potentially overstated by £3,025. Eligible overpayments attract subsidy at 40%, meaning that the Council has over claimed £1,210 of subsidy through the eligible overpayments cell. However, the overpayments should have been recovered in full using the local authority error allowance, and therefore the overall impact is that subsidy could have been under claimed by an estimated £1,815.

Reconciliation to benefit paid

DWP requires that the amount of benefit entitlement generated, on which subsidy is calculated, be reconciled to the amounts paid out to claimants. The software supplier provides various tools to complete this reconciliation, and exception reports highlighting discrepancies for each claimant, so that these can be investigated and resolved.

The reconciliation suggests that the Council paid out £5,956 more than has been claimed through the subsidy form. The discrepancies in the reconciliation report have not been investigated.



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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