

Report to:	AUDIT PANEL
Date:	12 March 2024
Reporting Officer:	Ilys Cookson – Assistant Director, Exchequer Services
Subject:	STATEMENT OF LOCAL AUTHORITY CLAIMED ENTITLEMENT TO HOUSING BENEFIT SUBSIDY FOR FINANCIAL YEAR 2022/2023
Report Summary:	<p>The Council administers Housing Benefit for the Department of Work and Pensions in accordance with legislation.</p> <p>The Council is reimbursed, in part, for the cost of the Housing Benefit payments made in each financial year. To claim the costs the Council must submit an audited subsidy statement.</p>
Recommendations:	That the Audit Panel note the audited final subsidy claim for the financial year 1 April 2022 to 31 March 2023.
Corporate Plan:	The report supports the “Nurturing our Communities” and “Live Longer and Healthier Lives” Corporate Plan priority themes.
Policy Implications:	The audit and reporting of subsidy claimed accords with good financial practice.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	<p>The Council is required to submit an initial estimate, a mid-year estimate and a final housing benefit subsidy claim to the Department for Work and Pensions known as the “statement of local authority claimed entitlement to housing benefit for the financial year”.</p> <p>The final claim is then subject to an independent audit. This report provides details of the audit outcome and resulting adjustment of the 2022/23 subsidy claim made by the Council that was in excess of £55m of housing benefit payments. The outcome was a favourable adjustment of £0.009m for the Council.</p> <p>The audit concludes the claim process for the 2022/23 financial year and there are no additional implications on the Council budget.</p>
Legal Implications: (Authorised by the Borough Solicitor)	<p>The report is for noting and provides assurance with regard to the quality of the Council’s auditing and recording of subsidy claimed in relation to Housing Benefits payments made by the Department for Work and Pensions to the Council in accordance with the Income-related Benefits (Subsidy to Authorities) Order 1998.</p> <p>The report indicates that there are no concerns in relation to the final subsidy claim following an external audit process.</p>
Risk Management:	Risk Assurance is set out in section 3 of this report.
Background Information:	The background papers relating to this report can be inspected by contacting Ilys Cookson, Assistant Director, Exchequer Services.



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1. INTRODUCTION

- 1.1 Local authorities administer Housing Benefit on behalf of the Department of Work and Pensions (DWP).
- 1.2 The Council is reimbursed by the DWP for the expenditure for Housing Benefit. The funding provided to pay Housing Benefit is called subsidy. The DWP pay subsidy to local authorities in accordance with the Income-related Benefits (Subsidy to Authorities) Order 1998.
- 1.3 At the beginning of each financial year, the Council submit the estimated cost of Housing Benefit to the DWP. Based on this information the DWP make a monthly payment to the Council.
- 1.4 At the end of each financial year, a final claim is made to the DWP for the actual amount of Housing Benefit expenditure made during that year. The claim is called the "Statement of local authority claimed entitlement to Housing Benefit subsidy for the financial year". The Statement for 2022/2023 is at **Appendix 1**.
- 1.5 The Housing Benefit claim is then audited by external auditors. The auditors for 2022/2023 were KPMG.

2. THE AUDIT PROCESS

- 2.1 KPMG completed the audit for 2022/2023 and reported their findings on 13 December 2023.
- 2.2 KPMG found amendments to the Subsidy claim as follows:
 - An under claim of subsidy in relation to the War Widows Pension Modified Scheme.
 - An overclaim of subsidy in relation to the classification of overpaid Housing Benefit.The resulting change in subsidy for 2022/2023 in respect of a claim in excess of £55m was an adjustment of £8,577.
- 2.3 This is a very good outcome for the Council, which has no financial implications for the Council's budget.
- 2.4 To audit the claim, KPMG undertake the DWP's Housing Benefit (Subsidy) Assurance Process (HBAP). The DWP provide modules within the HBAP that the auditors are required to test. Specifically, the auditors are required to test the following:
 - Module 2 – Uprating – checking that the parameters within the Council's system are using the correct benefit amounts to calculate benefit entitlement and claim subsidy correctly.
 - Module 3 – Workbooks – the Council prepare detailed testing workbooks of randomly selected claims for the auditors to check that subsidy has been calculated and claimed correctly. Information as to how subsidy is claimed and calculated can be found at **Appendix 2**.
 - Module 5 – Software diagnostic tool – the software used to calculate the subsidy to be claimed is tested to confirm that the benefit granted has been reconciled with the benefit paid.
 - Module 6 – Testing Strategy and reporting requirements – the mechanism for testing, error types and the recording and amending of errors reported and on the Final Claim.Module 1 is the framework for the auditors on how to conduct the audit and Module 4 is an internal document for the DWP, which is not published.
- 2.5 Where the auditors find errors in the claims identified in the testing workbooks, further testing of an extended sample of claims will take place to arrive at a more representative calculation. This is called the extrapolation calculation. The calculation means that the value of the errors identified in a particular cell can be increased to represent if the same errors had been made

in relation to the full amount claimed in that cell. This can have a significant financial implication for the Council if the subsidy claim is reduced leaving a shortfall from the amount of benefit paid which is funded from the Council's budget.

- 2.6 Where a Council has been found to have made a number of errors, the subsequent years workbooks will require additional volumes of claims to be checked. This is called Cumulative Assurance Knowledge and Experience (CAKE) testing. This can be very time consuming for both the Council and the auditors.

3. RISKS AND MITIGATION

- 3.1 Officers assessing claims for Housing Benefit are provided with extensive training and provided with a manual to refer to when required. Quality checks of each member of staff's work are undertaken regularly with feedback on levels of accuracy provided in My Performance conversations.
- 3.2 The value of any overpayments, which are due to official error or delayed processing, are monitored on a weekly basis as a large increase in the amount of these overpayments have a detrimental impact for the Council. 5 Quality monitoring of work is undertaken to reduce errors.
- 3.3 Recovery of Housing Benefit overpayments is prioritised and monitored as the Council benefit where an overpayment is recovered in full and the 40% subsidy on the payment is also received.

4. CONCLUSION

- 4.1 The result of the audit of the Statement of local authority claimed entitlement to Housing Benefit subsidy for financial year 2022/2023 is positive for the Council and has no financial implications for the Council's budget.

5. RECOMMENDATIONS

- 5.1 As set out at the front of the report.