



# EASTBOURNE BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2015

24 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 also been asked to certify the Pooling of housing capital receipts return on behalf of the Council. This was previously undertaken under the Audit Commission regime but is no longer a mandated review.

### 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 £
<b>Audit Commission regime</b>			
Housing benefit subsidy	11,062	11,062	<b>18,713*</b>
Pooling of housing capital receipts	1,530	-	-
<b>TOTAL AUDIT COMMISSION REGIME FEES</b>	<b>12,592</b>	<b>11,062</b>	<b>18,713</b>
<b>Other certification work</b>			
Pooling of housing capital receipts	-	1,500	<b>1,500</b>
<b>TOTAL CERTIFICATION FEES</b>	<b>12,592</b>	<b>12,562</b>	<b>20,213</b>

\* As noted on the following pages, there were a number of difficulties in completing the certification of the Housing benefit subsidy return this year primarily due to the change from the Northgate system to the Open Revenue system mid-year. We agreed an additional fee with management, which would result in an overall fee of £18,713.

## Key findings

Below are details of each grant claim and return subject to certification by us for the financial year to 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	50,040,057	Yes	Yes	Claim reduced by £151,414 although see note below on qualification on potential additional loss
Pooling of housing capital receipts	1,693,210	No	No	-

### 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 £50,191,471. The final submission was reduced by £151,414 to £50,040,057.

### FINDINGS AND IMPACT ON RETURN

During the year, the Council replaced the Northgate benefit system with the Open revenues benefit system. The Northgate system was used through to July 2014 and Open Revenues was used to March 2015 for 2014/15 housing benefit payments. All claimant information and history was transferred from Northgate into Open Revenues.

To assess the accuracy of the transfer, a subsidy report was generated in Open Revenues for the transferred data and compared to the closing subsidy report from Northgate. Unfortunately, the two reports did not reconcile and suggested that the transfer had introduced errors into Open Revenues in respect of benefit awarded from Northgate.

To ensure that only the correct amounts were claimed through subsidy, the claim form was prepared by combining benefit awarded by the Northgate system up to July 2014 and benefits generated in Open Revenues from that date.

However, through our testing, this appears to have introduced a significant number of errors in the subsidy claim particularly where benefits calculated in Open Revenues relied on the historic accuracy of data transferred from Northgate. This has required a significant amount of additional work and testing to attempt to isolate the quantum of errors. For the errors that we identified through the transferred data, the Council has made amendments to the subsidy form which reduced subsidy claimed by £151,414.

However, due to the number of errors and limitation placed on the assurance that can be taken from sample testing, we are unable to conclude that we have identified all potential errors created from the transferred data.

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 rebates incorrect bedroom numbers used**

Initial testing found two cases where the number of bedrooms used for the appropriate LHA rate were incorrect resulting in errors in the amount recorded as up to the threshold (100% recoverable through subsidy) and above the cap (not recovered through subsidy). All non-HRA cases were reviewed by the Council and found one further error.

These errors were corrected either in the 2015/16 benefit system or manually adjusted in the subsidy claimed.

**HRA rent rebates ineligible service charge deductions**

Initial testing found two cases where ineligible service charges had not been deducted from rents for part week rents in the first week of the year, resulting in overpayment of benefit. This is a known software issue and testing of 40 additional cases found 26 further errors.

These errors were extrapolated across the total value of entitlement and we reported that local authority overpayments were potentially understated by £1,644. Local authority overpayments do not attract subsidy, meaning that the Council has over claimed £1,644 of subsidy.

**Rent allowances misclassified overpayments**

Initial testing found one case where overpayments had been recorded as eligible but should have been included as local authority error and administrative delay. Testing of an additional 40 overpayment cases found two 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 £8,668. Eligible overpayment attract subsidy at 40% whereas local authority and administrative delay overpayments attract nil subsidy, meaning that the Council has over claimed £8,668 of subsidy.

**Rent allowances earnings calculations**

Due to errors found in testing of earnings calculations in recent years, we tested 40 rent allowance cases with claimant earnings. This found five cases where the claimant's earnings had been incorrectly assessed resulting in two cases with overpaid benefit, one with underpaid benefit and two that had no impact.

The overpayment errors were extrapolated across the total value of entitlement and we reported that local authority overpayments were potentially understated by £47,662. Local authority overpayments do not attract subsidy, meaning that the Council has over claimed £47,662 of subsidy.

**Modified schemes war widow pensions**

Due to errors in the prior year regarding modified schemes, we tested all 16 cases and found errors in seven cases. Six of the errors had been corrected in the 2015/16 benefit system and we reported that one error had not been corrected.

**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.

Where the amounts claimed exceed the amounts that can be shown to have been paid to claimants, the lower amounts must be included in the subsidy return.

## HOUSING BENEFIT SUBSIDY (CONTINUED)

## FINDINGS AND IMPACT ON RETURN

The Council did not complete the required reconciliation of amounts paid from Northgate prior to the transfer, and this has been reported to DWP in our qualification letter.

The Open Revenues reconciliation suggests that the Council has paid out £2,433 more than the amount included in the subsidy return for benefits generated, suggesting that the council has under claimed subsidy entitlement by this amount.

### **Impact on subsidy from uncorrected errors arising from local authority error and administrative delays**

Where we have noted above the potential errors arising from local authority errors and administrative delay overpayments that have not been corrected in the subsidy form, DWP may be minded to correct these errors before determining the final subsidy payable.

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 through the subsidy system. However, if a local authority exceeds the lower threshold, the amount that can be recovered is capped at 40% of the amount of these overpayments. If the upper threshold is exceeded, then no subsidy is available for these overpayments.

The subsidy form currently reports that the Council's total local authority errors and administrative delay overpayments are below the lower threshold. Should DWP make adjustments for amounts noted above, this would increase the local authority errors and administrative delay overpayments to above the lower threshold which would reduce subsidy by a further £145,000.

## POOLING OF HOUSING CAPITAL RECEIPTS

## FINDINGS AND IMPACT ON RETURN


Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received.

The return provided for audit recorded total receipts of £1,693,210 of which £250,124 was payable to DCLG.

The return was certified without amendment or qualification.

The Council has retained significant sums from receipts in recent years that are reserved for 1-4-1 replacement expenditure for social housing. The regulations require that these sums are used by certain milestone dates or must be repaid to DCLG. At 31 March 2015, the Council had reserved £6.6 million of receipts that need to be applied before 31 March 2018, with £1.2 million before 31 March 2016 and £3.5 million by 31 March 2017.

The Council should ensure that it has appropriate plans in place to use the reserved 1-4-1 funding before each milestone date expires.



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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