



# EASTBOURNE BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2014

12 January 2015

# 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 2014.

### 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 those claims with a value of between £125,000 and £500,000, we conduct only a limited review of the overall control environment before certifying the claim. Grant claims below £125,000 are not subject to audit arrangements.

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 and council tax 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 Decent Homes Backlog Funding return on behalf of the Council, for submission to the Homes and Community Agency (HCA). The work does not form part of the certification regime with the Audit Commission. This work was an *agreed upon procedures review* to test a sample of amounts claimed by the Council from the HCA funding allocation.

### Fees

A summary of the fees charged for certification work for the year ended 31 March 2014 is shown to the right.

Appendix I of this report shows the action plan to improve the arrangements for preparing grants and other returns as a result of the 2013/14 findings.

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	2012/13 FINAL FEE £	2013/14 PLANNED FEE £	2013/14 OUTTURN FEE £
<b>Audit Commission regime</b>			
Housing benefit subsidy	17,140	11,062	<b>11,062</b>
National non domestic rates return	3,480	-	-
Pooling of housing capital receipts	1,730	1,530	<b>1,530</b>
<b>TOTAL AUDIT COMMISSION REGIME FEES</b>	<b>22,350</b>	<b>12,592</b>	<b>12,592</b>
<b>Other certification work</b>			
Decent Homes Backlog Funding	-	-	<b>2,000</b>
<b>TOTAL CERTIFICATION FEES</b>	<b>22,350</b>	<b>12,592</b>	<b>14,592</b>

We were able to reduce the fee for our certification work on the housing benefit subsidy in 2013/14 as the claim no longer included amounts for council tax benefits, and we were able to better coordinate the work undertaken by internal audit.

The National non domestic rates return did not require certification in 2013/14 following changes to the arrangements for retaining local shares of non domestic rates income.

## Key findings

Below are details of each grant claim and return subject to certification by us for the financial year to 31 March 2014. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided.

An action plan in respect of these matters is included at Appendix I of this report.

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
<b>Audit Commission regime</b>				
Housing benefit subsidy	49,369,623	Yes	No	See note below on qualification and potential DWP recovery
Pooling of housing capital receipts	1,479,555	No	No	-
<b>Other certification work</b>				
Decent Homes Backlog Funding	2,667,372	N/A	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.

In 2013/14, council tax benefit was no longer part of the subsidy arrangements following localisation of council tax reduction schemes.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £49,369,623.

### FINDINGS AND IMPACT ON RETURN

A number of errors were identified during the course of the initial testing which resulted in additional blocks of "40+" testing as noted below. The testing was completed by internal audit staff and our re-performance of the work agreed with its conclusions.

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

#### Non HRA rent rebates Local Housing Allowance (LHA) cap applied

Initial testing found two cases where the LHA rate applied did not agree to the number of bedrooms. Testing of all 38 cases found an additional three LHA rate errors.

The total value of the errors for amounts paid above the appropriate LHA cap was £2,463. Amounts paid below the cap attract full subsidy whereas amounts paid above the cap attract nil subsidy, meaning that the Council has over claimed £2,463 of subsidy.

#### Non HRA rent rebates prior year incorrect tenancy type classification

In the prior year, we reported that a number of cases had been incorrectly classified as non self-contained licensed accommodation that should have been reported as self-contained. The Council corrected these in the current year. However, the adjustment for six of these cases resulted in £3,692 of benefit being included in amounts below the LHA cap when this amount should have been shown as above the appropriate LHA cap rate.

Amounts paid below the cap attract full subsidy whereas amounts paid above the cap attract nil subsidy, meaning that the Council has over claimed £3,692 of subsidy.

**Non HRA rent rebates included a HRA property**

Initial testing found one case where a HRA property in receipt of £1,099 of benefit had been included in non HRA rent rebates subsidy. Testing of all 38 non HRA tenancies did not find any additional errors.

As the amount claimed was below the LHA cap, and receive full subsidy under both non HRA and HRA rent rebate schemes, there is no impact on subsidy claimed.

**Non HRA rent rebates misclassified overpayments**

Initial testing found two cases where an overpayment classified as local authority error should have been recorded as technical overpayments. Testing of all 17 cases included in local authority error overpayments did not find any additional errors. The total amount misclassified was £986.

As both overpayment types attract nil subsidy there is no impact on subsidy claimed.

**HRA rent rebates non dependant deductions**

Initial testing found one case where a non dependant deduction for carers allowance had been incorrectly applied resulting in an underpayment of £612. As this would only result in underpayments, and has no impact on subsidy claimed, no additional "40+" work was carried out.

**Rent allowances income assessments errors**

Initial testing found one case where the claimant's income had been incorrectly assessed resulting in underpaid benefit of £133. One additional earnings error was found in the "40+" testing but this had no impact on benefit awarded.

Therefore, these errors had no impact on subsidy claimed.

**Rent allowances Local Housing Allowance (LHA) cap applied**

Initial testing found one case where the LHA rate applied did not agree to the number of bedrooms resulting in overpaid benefit of £212. No further errors were found in the "40+" testing.

This error was extrapolated across the total value included in the LHA administered benefit cell and we reported that appropriate benefit paid was potentially overstated by £22,546. LHA benefit attracts subsidy at full rate whereas overpayments as a result of local authority error attracts nil subsidy, meaning that the Council has over claimed £22,546 of subsidy.

**Rent allowances incorrect rent amounts**

Initial testing found one case where an incorrect rent amount had been used in the assessment resulting in an underpayment of £35. No further errors were found in the "40+" testing.

Therefore, this error had no impact on subsidy claimed.

## HOUSING BENEFIT SUBSIDY (CONTINUED)

## FINDINGS AND IMPACT ON RETURN

### Modified local schemes

Initial testing found one case where a war disablement pension uplift had not been applied on the correct date. All modified local scheme war disablement pension amounts were reviewed and nine additional errors were found.

As a result, £26 of benefit awarded should be reclassified from modified local schemes to normal benefit, resulting in under claimed subsidy of £7, since modified local schemes are recovered at only 75%.

### 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. Our review of the reconciliation found that the Council had paid out £2,433 less than the amount included in the subsidy return for benefits generated, suggesting that the council had over claimed subsidy entitlement by this amount.

### Overall impact on subsidy

The errors above have been included in the qualification letter to DWP and suggests that the Council has over claimed subsidy of £31,127.

DWP has not yet written to the Council to confirm the final subsidy for 2013/14 but it is likely that it will withhold this amount from the Council.

## 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 the amount payable to DCLG of £227,791, which was net of amounts that can be retained by the Council from the total receipts of £1,479,555.

The return was certified without amendment or qualification.

## DECENT HOMES BACKLOG FUNDING

The Homes and Community Agency (HCA) provides funding to local authorities to help address decent homes backlog costs.

The Council is required to provide an annual funding return to the HCA with the amounts claimed, in accordance with the funding letter requirements.

The draft return provided for review included expenditure of £2,773,782 against the capped funding of £2,667,372 in 2012/13. Total funding available across 2011/12 and 2012/13 was £3,917,922.

This review does not form part of the certification regime with the Audit Commission and we were asked to undertake this work by management. The work was an agreed upon procedures review to test a sample of amounts claimed by the Council from the HCA funding allocation and to check whether the amounts claimed were in accordance with the terms of the grant funding.

## FINDINGS AND IMPACT ON RETURN

Eastbourne Homes Limited (EHL), the Council's Arms Length Management Organisation, managed the decent homes backlog programme on behalf of the Council. The records of expenditure and capital works funded from the HCA grant funding was retained by EHL.

We checked that the return had been properly completed, was arithmetically correct and tested 20 transactions for amounts claimed by the Council between 1 April 2012 and 31 March 2013.


We reported that:

- One amount claimed in this period related to the previous year and should have been claimed against the previous year's allocation
- Three amounts were properly incurred but not paid in the period up to 31 March 2013, and the basis of the claim suggested that amounts had also to have been paid in the period to qualify
- Three invoices did not state the property on which works had been undertaken to confirm that these were qualifying properties, and
- Two amounts relating to compensation payments did not have supporting calculations or details of the receiving tenants to confirm that these were qualifying properties.

No adjustment was made by the HCA to the final amount claimed by the Council.

# APPENDIX I: ACTION PLAN

CONCLUSIONS	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p><b>Housing subsidy claim</b></p> <p>We are pleased to report that concerns raised in recent years regarding misclassified tenancies and inappropriate classification of eligible overpayments have been largely addressed.</p> <p>However, we note that there remain errors where technical overpayments have been recorded as local authority error (no impact on subsidy claimed).</p> <p>We also found this year additional errors in the correct application of the LHA cap for the number of bedrooms in the property.</p>	<p>We recommend the Council refresh the training given to staff, with particular emphasis on:</p> <ul style="list-style-type: none"> <li>(a) checking that the correct number of bedrooms are used when applying the appropriate LHA cap, and</li> <li>(b) checking to confirm underlying liability where it would be appropriate to record overpayments as technical overpayments.</li> </ul>	<p>High</p>			
<p>In the previous year we reported that the Council had not used the system reports to allow it to reconcile the benefit awarded (as claimed through subsidy) to the amounts paid.</p> <p>We note the reports have not been used again this year.</p>	<p>The Council should use the system reports which includes exception reporting that should allow the differences for each claimant to be investigated and resolved.</p>	<p>High</p>			



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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