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**To:** Audit, Scrutiny & Petitions Board

**On:** 21 March 2016

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**Report by:** Director of Finance and Resources

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**Heading:** Audit Scotland Report – Housing Benefit Subsidy Audit 2014/15

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**1. Summary**

- 1.1 Audit Scotland published their report "*Housing benefit subsidy certification 2014/15*" in January 2016 (copy attached as Appendix 1)

This report outlines the key messages from the Audit Scotland report and provides information as to the Renfrewshire Council position with regard to the issues raised.

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**2. Recommendations**

- 2.1 To note the Audit Scotland report "*Housing benefit subsidy certification 2014/15*"
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**3. Background**

- 3.1 Councils have a legal obligation to administer Housing Benefit (HB) on behalf of the Department for Work and Pensions (DWP). Councils reclaim most of the HB that they pay to claimants by submitting subsidy claims to the DWP and these are certified annually by the Council's appointed external auditor, Audit Scotland. The subsidy claim form details amounts paid in respect of total HB awarded, the value of overpayments and the amount of backdated awards.

The HB subsidy scheme has built in incentives to encourage local authorities to take appropriate action to minimise overpayment of Housing Benefit.

- 3.2 The Council's external auditor is Audit Scotland, who audited all 32 Local Authorities' subsidy claims for 2014/15. The auditor is required to conclude annually whether the subsidy claim is fairly stated and certify it accordingly. Any errors identified are reported to the DWP.

- 3.3 Renfrewshire Council's Chief Executive received a letter from Audit Scotland on 20 November 2015 which certified the Council's subsidy claim with no financial errors (copy attached as Appendix 2)

The letter did highlight one claim where a mistake had been made in relation to income declared. This mistake did not constitute a financial error and therefore did not impact the subsidy claim. The case has subsequently been rectified by the Benefits Service.

- 3.4 At the end of January 2016, Audit Scotland published its report *"Housing benefit subsidy certification 2014/15"* The objective of the report was to provide information regarding the extent to which auditors reported errors during the certification of the 2014/15 Housing Benefit (HB) Subsidy claim process across Scotland.

- 3.5 Importantly the report details the type of errors which were identified that could result in a local authority losing subsidy, highlighting issues which could be common across a number of councils and ultimately could result in the DWP reclaiming subsidy from local authorities.

- 3.6 The report states that Scottish councils paid out £1.778 billion in HB during 2014/15 .Of that £1.778 billion the DWP contributed £1.761 billion through subsidy payments (99%). With regards to Renfrewshire £65.8 Million in HB was paid out during 2014/15 and £65.4 Million was claimed back from the DWP (99.4%)

- 3.7 The report also stated, through the audit certification process, that Audit Scotland had identified errors which resulted in subsidy being over claimed by £1.134 million (0.06% of expenditure) This subsidy may be reclaimed from the affected Local Authorities by the DWP.

- 3.8 In addition to the errors identified by Audit Scotland, the report also confirmed that 1 local authority was unable to claim £0.244 million in subsidy as a result of exceeding the pre agreed DWP threshold limit for HB Overpayments caused by Local authority error (detailed in sections 35-37 of the Audit Scotland report) Exhibit 5 in the same section of the report shows that Renfrewshire are comfortably within the lower threshold.

- 3.9 Overall Audit Scotland reported 43 errors following their 2014/15 review and confirmed that these errors occurred across 18 of the 32 local authorities. The areas where most errors were identified were in the calculation of claimant income and the classification of expenditure. As stated in paragraph 3.3 above, no errors were reported for Renfrewshire Council.
- 3.10 Renfrewshire Council's Benefits Service monitors the subsidy process very closely. This monitoring has resulted in no errors being identified by the 2014/15 review.
- 3.11 Section 23 of the Audit Scotland Report explains that Local Authorities are paid an administration subsidy to administer the HB scheme. £30.3 Million is paid to Scottish local authorities, for Renfrewshire the amount received for 14/15 was £1.1 Million.
- 3.12 The report illustrates the decrease in the level of subsidy received by local authorities since 2012/13 (see section 24 of the Audit Scotland report for reference). Renfrewshire Council has experienced reductions in administration grant for the past 5 years with an overall reduction of 40% since 2011/12
- 3.13 Audit Scotland state that local authorities must regularly review their processes and procedures to ensure that they operate in the most efficient and effective way possible. Members may be assured that the benefits service reviews processes on an ongoing basis, and regularly takes opportunities to make improvements. The Service is committed to the principle of Continuous Improvement.
- 3.14 Sections 38-42 of the Audit Scotland report cover overpayments and highlight that Overpayments on the whole have increased for all local authorities across Scotland. They suggest that this may be due to the combination of the DWP issuing real time information (obtained from Her Majesty's Revenues and Customs (HMRC) and the DWP's introduction of a new Fraud and Error Incentive Scheme (FERIS).
- 3.15 Renfrewshire Council has experienced similar increased levels of overpayments and this has been reported on a quarterly basis to the Finance and Resources Policy Board.
- 3.16 In sections 44-48 of its report Audit Scotland highlights the Subsidy changes in relation to temporary homeless accommodation from 2017/18. Members can be assured that the Benefits Service are vigilantly monitoring the details as they emerge from DWP and are working closely with stakeholders (the Council's Housing Service, Adult

Services and local Housing Associations) to ensure that they are well informed of how HB changes may impact them.

- 3.17 Officers within the Service have examined the full Audit Scotland report in detail and from the insights which the report provided have agreed actions to take forward.
- 3.18 Regular reports with regards benefits processing performance will continue to be provided to the Finance & Resources Policy Board; along with associated updates on welfare reform activities.

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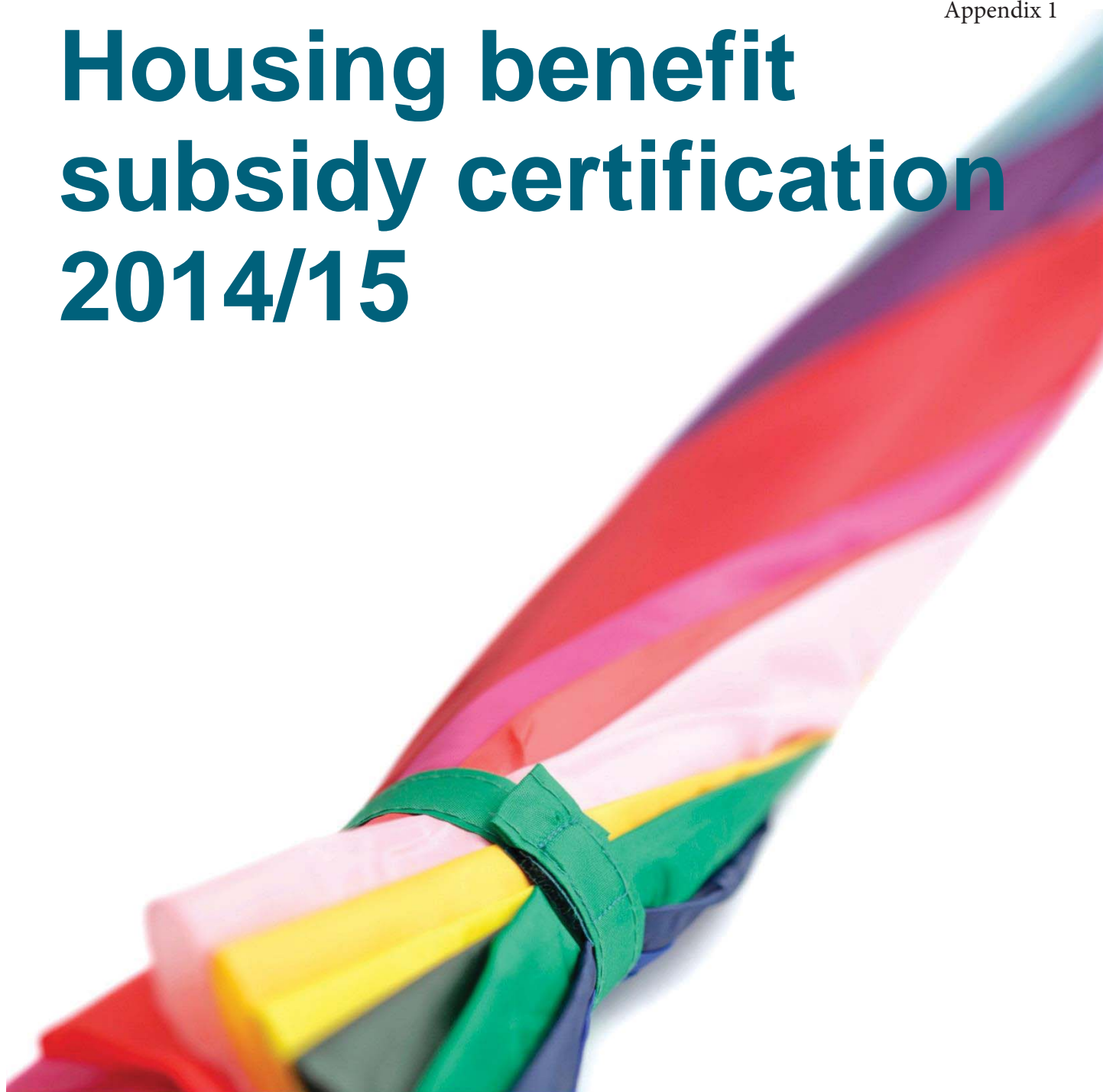
## Implications of the Report

1. **Financial** – The amount of subsidy which the Council can claim from the DWP is maximised, where possible. Any gap between HB paid out and subsidy claimed must be funded by the Council.
2. **HR & Organisational Development** – *none*
3. **Community Planning:**  
**Community Care, Health & Well-being** – *an efficient benefits processing service ensures that those who are entitled to receive benefits do so in good time*
4. **Legal** - *none*
5. **Property/Assets** - *none*
6. **Information Technology** - *none*
7. **Equality & Human Rights**  
The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** – *none*
9. **Procurement** – *none*
10. **Risk** – *none*
11. **Privacy Impact** - *none*

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# Housing benefit subsidy certification 2014/15



Prepared by Audit Strategy  
January 2016



**Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.**

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# Purpose of this report

## Introduction

1. Audit Scotland has reviewed the housing benefit (HB) subsidy certification letters of all 32 Scottish local authorities for 2014/15. This report provides an overview of the findings of that review and the extent to which auditors reported errors during the certification process.
2. As well as identifying areas where the Department for Work and Pensions (DWP) may reclaim subsidy from local authorities, it also highlights common issues that councils should take note of in order to maximise the amount of subsidy that could be claimed in the future.
3. The final section of this report looks at the DWP's planned reforms and the potential impact on HB subsidy in the future.

## Key messages

4. In 2014/15 Scottish councils paid out £1.778 billion in HB of which £1.761 billion (99%) was recovered from the DWP through subsidy. In 2013/14, £1.772 billion was paid out and £1.768 billion (99.8%) was recovered from the DWP.
5. Auditors identified 43 errors in subsidy claims and reported them in their 2014/15 certification letters in respect of 18 local authorities which was an improvement over 2013/14 when auditors identified 60 errors in subsidy claims of 19 local authorities.
6. The errors identified during the 2014/15 certification process resulted in subsidy being over claimed by £1.134million (0.06% of expenditure) in the year-end claims submitted by local authorities to the DWP. This represents a significant increase over the £0.274 million (0.01% of expenditure) of over claimed subsidy that was identified in 2013/14. This increase is mainly due to Falkirk Council's year-end claim including an error in the interim benefit subsidy received of £0.823 million.
7. Additionally, one local authority was unable to claim a total of £0.244 million in subsidy as a result of exceeding the DWPs pre-agreed threshold limits for local authority error and administrative delay overpayments. This is, however, a significant improvement from 2013/14 when five Scottish local authorities were unable to claim a total of £0.784 million in subsidy.
8. Auditors reported that most errors were identified in the classification of expenditure and the calculation of claimant income. As these were the same categories where most errors were identified in 2013/14, local authorities should ensure that effective management arrangements are in place to help minimise processing errors, overpayments and administrative delays and, where overpayments have occurred, that they are correctly calculated and classified.

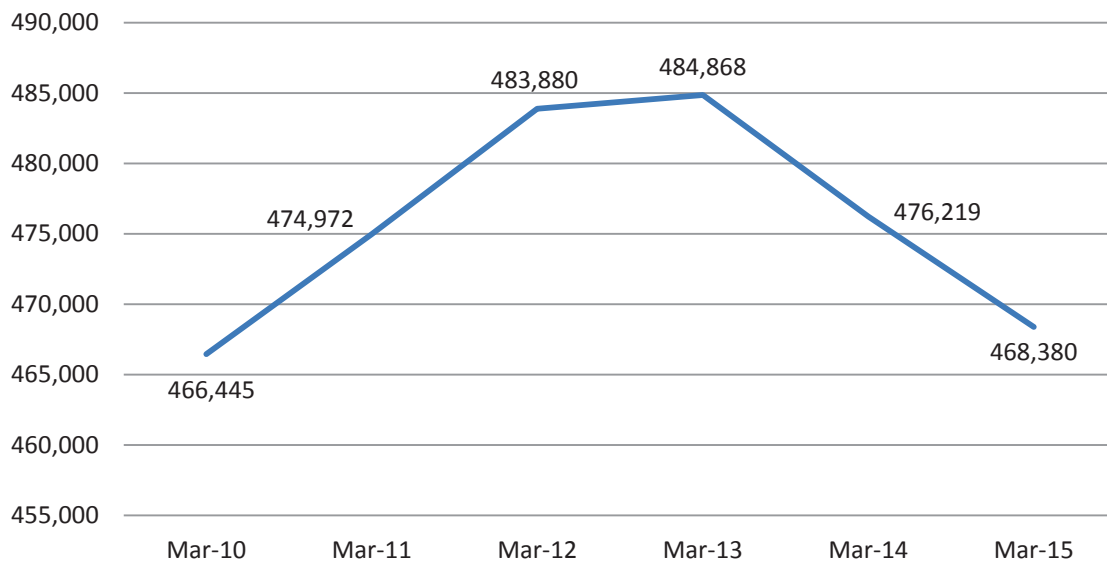


9. Local authorities should also review HB and housing service arrangements in order to ensure that they are prepared to meet the significant challenges posed by future planned subsidy reforms such as the reduction in administration subsidy, and the impact of changes to homeless accommodation subsidy.

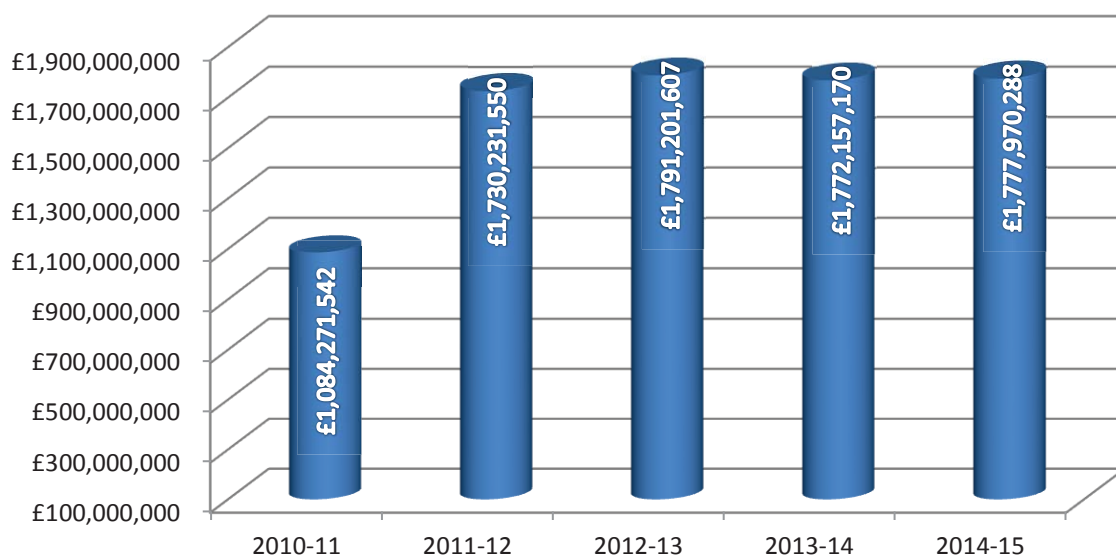
## **Background to HB expenditure and subsidy income from DWP**

10. Local authorities administer HB, a means tested social security benefit, on behalf of the DWP. HB is intended to help claimants meet housing costs for rented accommodation in both the private and social rented sector.
11. HB is split into two categories; rent rebates, where the local authority is the landlord, and rent allowances, where the landlord is, for example, a social sector organisation such as a housing association, or a private individual.
12. Local authorities submit subsidy claim forms to the DWP at the end of each financial year in order to reclaim most of the HB paid to claimants. The subsidy claim form contains various cells which detail the local authority's HB expenditure in areas such as the total rent rebate and total rent allowance paid, and the value of overpayments identified.
13. Each year the local authority's appointed external auditor is required to conclude whether the subsidy claim is fairly stated and certify it accordingly. Any errors identified are reported to the DWP in a covering letter that accompanies the final claim.
14. The HB subsidy scheme has built in incentives to encourage local authorities to take appropriate action to minimise HB overpayments, and expenditure above DWP set limits in respect of administrative delays.
15. Exhibit 1 below shows that there has been an overall reduction in the number of HB claimants since 2013/14. However, this does not correlate with HB expenditure in exhibit 2 which saw a reduction of 1% from £1.791 billion in 2012/13 to £1.772 billion in 2013/14, before rising slightly by 0.3% in 2014/15 to £1.778 billion.

### Exhibit 1: No. of HB claimants in Scotland



### Exhibit 2: Total HB Spend in Scotland



16. Table 1 below shows that the average amount spent per claimant, using claimant numbers at the end of each financial year as a guide, has been rising.

**Table 1 average spend per claimant**

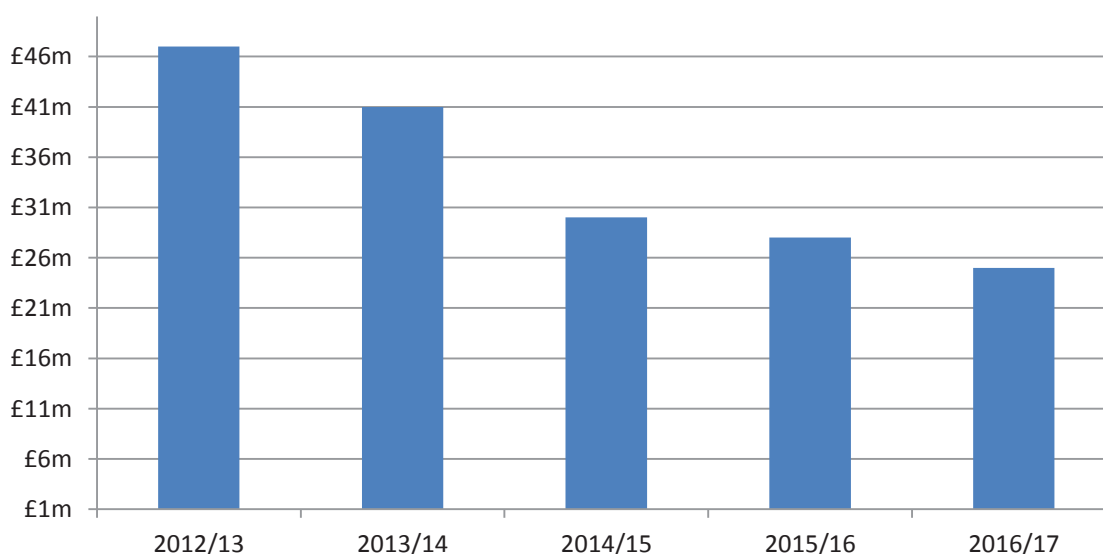
Year	Claimant numbers in March	Average spend per claimant
2010/11	474,8972	£2,283
2011/12	483,880	£3,576
2012/13	484,868	£3,694
2013/14	476,219	£3,721
2014/15	468,380	£3,796

17. As detailed in Appendix 1, of all 32 Scottish councils, only Orkney Islands Council showed a small rise in the number of claimants in 2014/15.
18. However, there was a greater variation in individual councils' expenditure levels from 2013/14 to 2014/15 from an increase of £1,053,949 (0.9%) in Fife Council, to a decrease of £463,783 (2.3%) in Stirling Council.
19. Factors in the 0.3% increase in overall expenditure in 2014/15 are increasing rent levels and claimants qualifying for increased levels of HB due to reduced levels of household income.
20. The most likely factor in the overall decrease in expenditure in 2013/14 is the reduction in claimant numbers.
21. Likely factors in the decrease in the number of HB claimants in the last two years include:
  - people working longer before retiring
  - falling unemployment levels in some areas
  - claimants moving into work, possibly due to the claimant commitment changes in Jobseeker's Allowance and the reducing numbers of people qualifying for Employment Support Allowance, Incapacity Benefit and Personal Independence Payments
  - a small number of claimants moving to Universal Credit and therefore becoming ineligible for HB.
22. In 2014/15, Scottish local authorities processed 157,617 new claims and 1,426,059 changes of circumstance and paid out £1.778 billion in HB to local residents. £1.761 billion, 99% of this expenditure was recovered from the DWP in subsidy. In comparison, in 2013/14, 162,887 new claims and 1,280,139 changes of circumstance were processed and £1.772 billion was paid out with £1.768 billion (99.8%) recovered from the DWP.
23. The DWP also paid an administration subsidy of £30.3 million to Scottish local authorities to administer the HB scheme in 2014/15. However, as detailed in exhibit 3 below, the level of administration subsidy has been significantly reduced from £46.5 million in 2012/13 to £30.3 million in 2014/15 (-34.8%) due to DWP efficiency measures and government reforms such as

the end of council tax benefit in 2013. Administration funding will reduce further in 2016/17 to £25.2 million.

24. It is essential therefore that local authorities regularly review their processes and procedures to ensure that they operate in the most efficient and effective way possible. This could involve taking a risk-based approach to certain aspects of the service such as the level of automation within benefit IT systems e.g. changes notified from DWP systems, quality checking and targeted intervention activity.

**Exhibit 3: Level of administration subsidy**



# Audit testing methodology

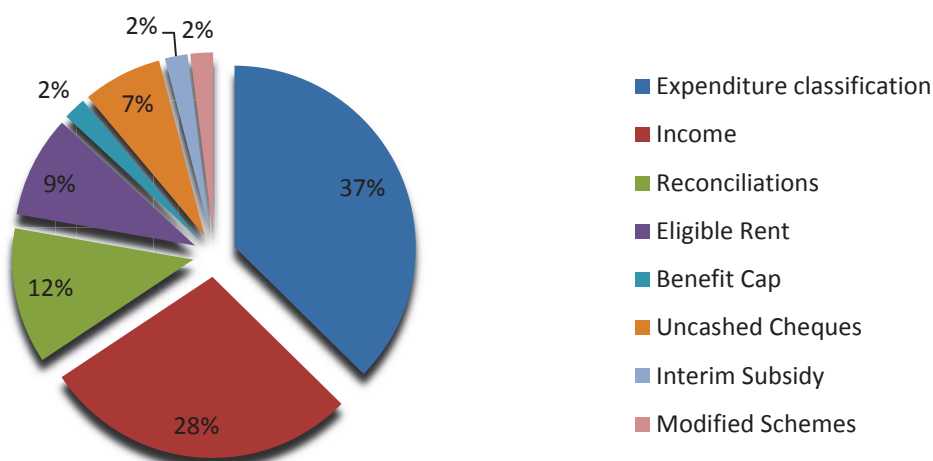
25. The DWP requires that final subsidy claims are reviewed by external auditors using the HB COUNT testing and reporting methodology. Where auditors identify errors and are unable to conclude that the errors are isolated, HB COUNT methodology requires that an additional sample of cases is tested which is focused on the particular error that has been found.
26. HB COUNT methodology requires auditors to extrapolate the results of the initial and additional testing by multiplying the subsidy claim cell (or sub-population) total by the proportion of the sample value that is found to be in error, and agree an amendment to the claim form with the local authority. Where an amendment cannot be agreed, the auditor includes details of the error and testing carried out in their covering letter to the DWP.

27. Low value errors identified in audit sample testing can result in a relatively large amount of subsidy being reclaimed by the DWP as a result of the extrapolation methodology.

## 2014/15 certification results

28. Auditors identified 43 errors in 2014/15 subsidy claims and reported them in their covering letters in respect of 18 local authorities. This is an improvement from 2013/14 where auditors identified 60 errors in respect of 19 local authorities.
29. The errors identified in the 2014/15 certification resulted in subsidy being over claimed by £1.134 million (0.06% of expenditure) in year end claims submitted by local authorities to the DWP (£0.274 million or 0.01% of expenditure in 2013/14). The increase from 2013/14 is mainly due to an error of £822,941 in relation to the entry for interim subsidy in Falkirk Council's claim form.
30. Auditors also brought to the DWP's attention exceptions to DWP practices and other areas which auditors were unable to conclude in their 2014/15 covering letters for five local authorities.
31. The categories of errors identified by auditors in 2014/15 are shown in exhibit 4 below and were mainly due to expenditure misclassification and the incorrect calculation of claimant income which could equally apply to rent rebate or rent allowance claims. These are the same categories where most errors were found in 2013/14.

**Exhibit 4: Types of errors reported by auditors**



32. In order to help reduce subsidy loss, local authorities should ensure that effective management arrangements are in place to help minimise processing errors, overpayments and administrative delays and, where overpayments have occurred, these should be accurately calculated and correctly classified. These arrangements would typically include an effective quality review process where claims are reviewed on a risk based approach. Where errors are identified, these should be analysed and used to help identify areas for improvement leading to appropriate improvement action plans being put in place.
33. The issues and types of errors identified during the certification of the 2014/15 subsidy claims are discussed in Appendix 2. Where adjustments could not be made to subsidy claims, the potential impact should the DWP decide to reclaim subsidy in respect of these errors is also shown. Errors reported in covering letters to the DWP that do not affect subsidy for 2014/15 are also discussed as they could result in a loss of subsidy in the future.

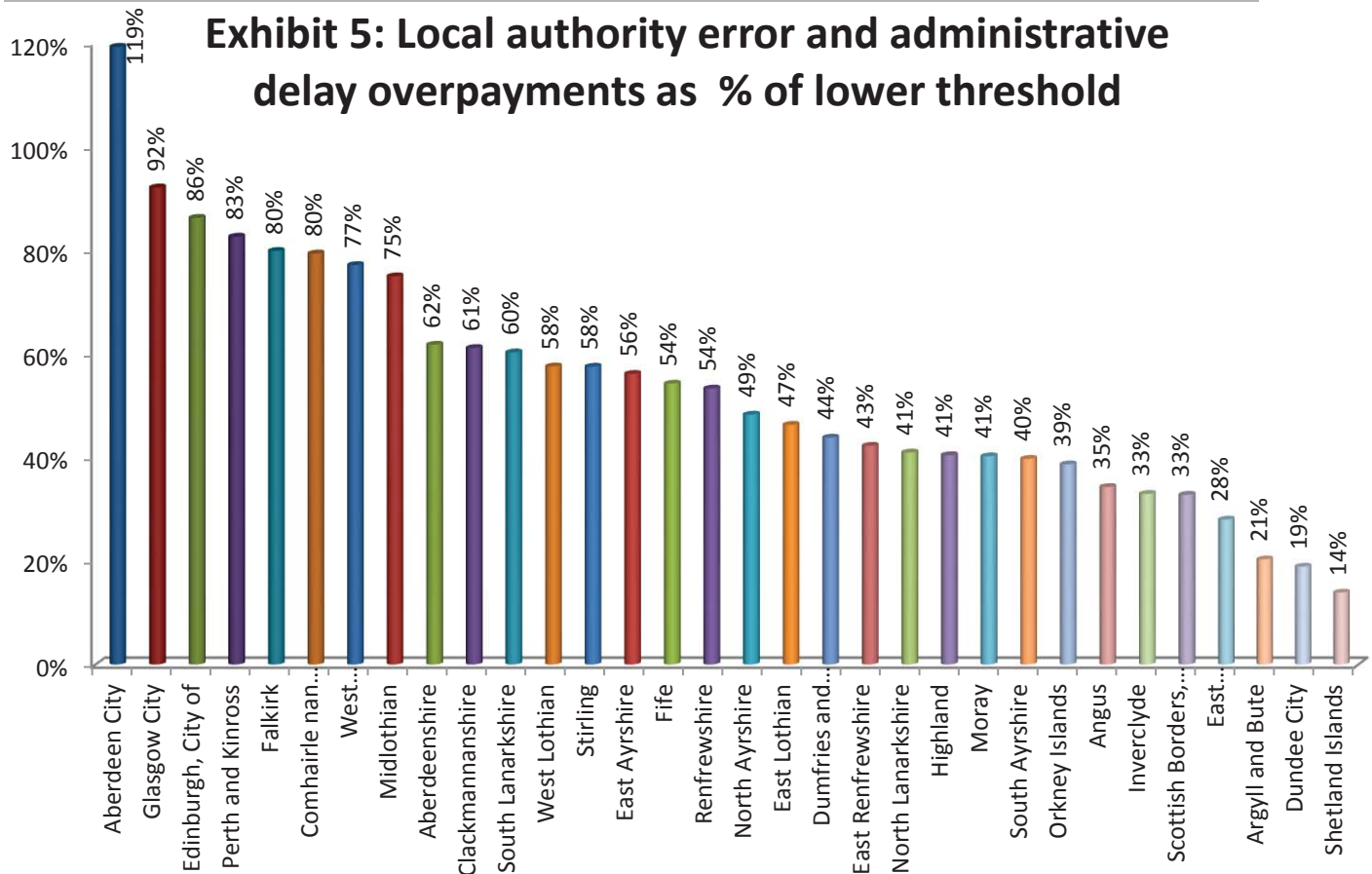
## Local authority error and administrative delay subsidy

34. The DWP awards local authorities additional subsidy in respect of their local authority (LA) error and administrative delay overpayments where the total value of these overpayments is within a specified percentage of the total value of all correct payments made. Details are shown in table 2 below:

**Table 2: level of subsidy paid in respect of LA error and administrative delay overpayments**

Total value of LA error/admin delay overpayments as percentage the total value of expenditure		Subsidy paid
Lower threshold	Less than 0.48%	100%
	Between 0.48% and 0.54%	40%
Upper threshold	Greater than 0.54%	0%

35. During 2014/15, Aberdeen City Council was the only Scottish local authority to exceed the upper threshold (five local authorities, including Aberdeen City Council, were above the upper threshold in 2013/14). The maximum amount of additional subsidy unable to be claimed was £0.244 million (in 2013/14, the losses ranged from £23,281 to £0.243 million in respect of the five local authorities).
36. No authorities were between the upper and lower thresholds. A review was undertaken by Audit Scotland of the other 31 local authorities where the level of local authority error and administrative delay overpayments was below the DWPs lower threshold in 2014/15. Exhibit 5 below shows that the value of LA error and administrative delay overpayments ranged from 14% to 92% of the DWPs lower threshold.

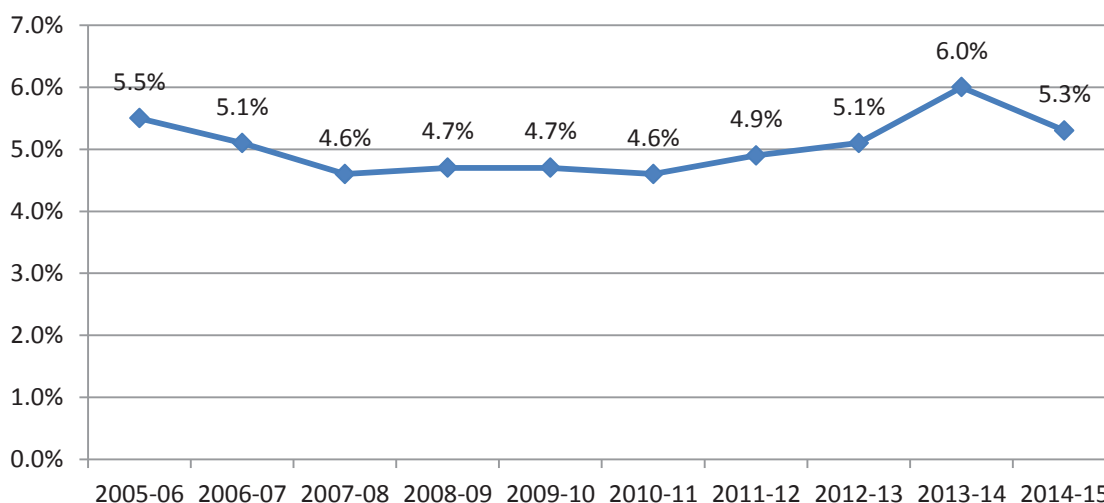


37. Local authorities should have suitable arrangements in place to monitor overpayment levels on an on-going basis in order to avoid subsidy loss where possible. Effective accuracy checking processes should also be in place to help minimise errors.

### Other issues: overpayments arising from fraud and error

38. Following a steady rise over the last five years in HB fraud and error, DWP statistics for the UK for 2014/15 show a fall in overpayments of 0.7% of expenditure (to 5.3% from 6% in 2013/14) as detailed in exhibit 6 below.

### Exhibit 6: HB Overpayments as a percentage of HB expenditure



Source: DWP Fraud and Error in the Benefit System: 2014/15 biannual National Statistics, Great Britain

39. However a review of the levels of fraud and error overpayments from the annual subsidy claims shows that the level of overpayments identified across all Scottish local authorities since 2012/13 has been rising in value while in percentage terms it has remained fairly static at between 2-3% of HB expenditure as detailed in exhibit 7 below.

### Exhibit 7: HB overpayments from subsidy claims

	Overpayments	HB expenditure	Overpayments as a % of expenditure
2012/13	£30,262,024	£1,791,201,607	2%
2013/14	£52,241,533	£1,772,157,170	3%
2014/15	£61,371,065	£1,777,970,288	3%

40. This inconsistency is because national statistics are not being calculated by totalling overpayments identified across all local authorities. Instead they are calculated by taking errors identified as part of the DWPs sample testing of benefit cases and extrapolating the results across the whole UK HB caseload. This methodology results in adding approximately £1 million of error to the national statistics for every £1 of error identified by DWP.
41. The likely reasons for the value of overpayments identified during 2014/15 in Scottish authorities rising include the additional activities undertaken by councils in response to the DWPs Fraud and Error Incentive Scheme (FERIS) which was introduced in December 2014 in order to try to reduce the then increasing levels of fraud and error within HB caseloads.



Overpayments may also have risen due to the issuing to local authorities of the DWP's Real Time Information. This data matches Her Majesty's Revenue and Customs' (HMRC) system for collecting Pay as You Earn (PAYE) information from employers and pension providers with council benefit IT systems. These data matches highlight discrepancies between income details held within HB systems and the HMRC system which could indicate that HB is being overpaid.

42. Although many Scottish local authorities did not meet the required FERIS savings thresholds in order to qualify for additional funds during 2014/15, the DWP has committed to reviewing the FERIS thresholds with a view to reducing the savings required in order to help local authorities receive additional funding. This change would apply from April 2016 and will hopefully result in Scottish local authorities increasing their funding from DWP.

## Looking forward

### 2015/16 certification changes

43. Following DWP led local authority subsidy workshops, the DWP made the following changes to the HB COUNT audit certification process from 2015/16:
- differences due to rounding issues between the HB system outturn reports and entries made on the subsidy claim form do not require to be included in the covering letter
  - amendments to claims agreed with auditors will not be classified by DWP as qualifications.

### Temporary homeless accommodation

44. From 2017/18, the DWP subsidy for temporary homeless accommodation will be radically reformed. The temporary accommodation management fee currently paid as part of a customer's HB and Universal Credit will be abolished. Instead the DWP has indicated that there will be a new grant system in order to allow local authorities to determine how best to deliver homeless accommodation provision in their local area.
45. The Chancellor of the Exchequer announced in the 2015/16 Autumn Statement that additional Discretionary Housing Payment funding will be available to local authorities to "protect the most vulnerable", including those in temporary accommodation. At the time of this report full details of what this means for local authorities had not been made available.
46. Expenditure on temporary accommodation owned by the local authorities is not separately disclosed on the subsidy claim form. For this type of accommodation, local authorities claim subsidy on HB entitlement calculated using the rent charge plus significant eligible service charges. These service charges vary across local authorities and the results from a survey of 12 Scottish local authorities carried out by the Institute of Revenues, Ratings and Valuations (IRRV) in 2012 showed that the weekly eligible rent charges for council-owned temporary

accommodation ranged from £100 to £450 per week. In comparison, the local housing allowance rates range from £72 in the Scottish Borders to £127 in Aberdeen and Aberdeenshire for one bedroom properties and from £129 in Dumfries & Galloway to £277 in Lothian for four bedroom properties.

47. Expenditure on certain aspects of temporary accommodation, (board and lodging and leased or licensed accommodation) which are shown separately in subsidy claims is detailed in Appendix 3. Overall, in Scotland, £52.646 million in rent rebates and £1.634 million in rent allowances was paid out in 2014/15 (£52.757 million and £1.803 million respectively in 2013/14) in respect of board and lodging, leased and licensed accommodation. The majority of this expenditure, £32.83 million (60%) was paid out by the City of Edinburgh Council and Glasgow City Council. It should be noted that this amount excludes the significant spend on council owned temporary accommodation which cannot be identified from subsidy claims.
48. Due to the high weekly rents for homeless accommodation, any change to subsidy rules may have a significant impact on local authority homeless services' finances. Local authorities should review their homeless service provision in order understand their costs and how these are funded. The review should also look at:
- the type of temporary accommodation used to ensure value for money and that the best outcomes for claimants are being achieved
  - the cost of temporary accommodation being used to identify if there are any alternative cheaper options
  - contracts for the provision of accommodation to ensure value for money is being achieved
  - ensuring value for money is achieved during tendering exercises
  - alternative delivery models
  - trying to ensure that, whenever possible, people presenting themselves as homeless are not accommodated in expensive bed and breakfast accommodation.

## Pension aged claimants

49. Details are still unclear although there is a suggestion that HB for those claimants of pensionable age will continue to be administered by local authorities going forward. The DWP is giving consideration to transferring the responsibility for funding the administration of HB for pensioners to local authorities in order allow local authorities to deliver services in a way that is right for their area.

## Administration grant

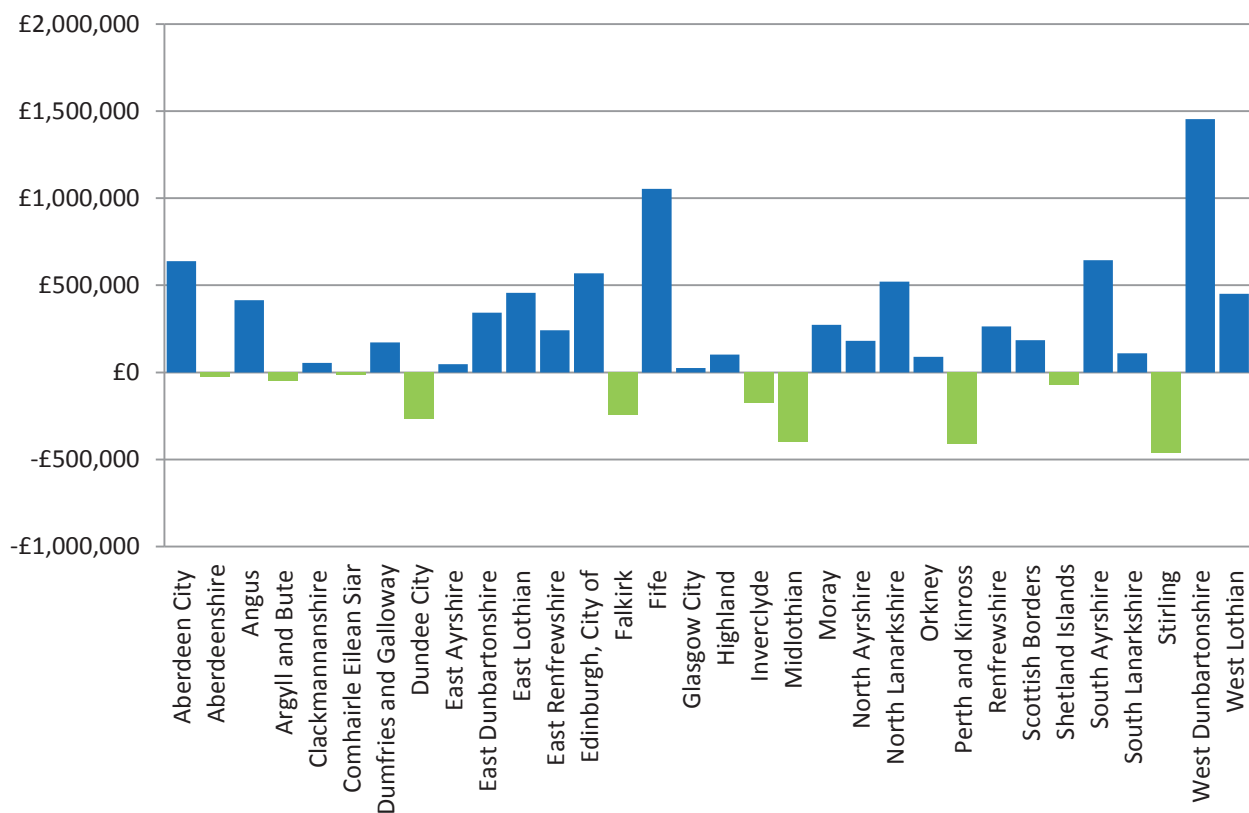
50. The DWP have said that the HB administration grant will reduce over the Spending Review period. As previously mentioned, for 2015/16, the administration grant for Scottish local authorities will reduce to £27.8 million and will be further reduced to £25.2 million in 2016/17.

## Social rented sector rents

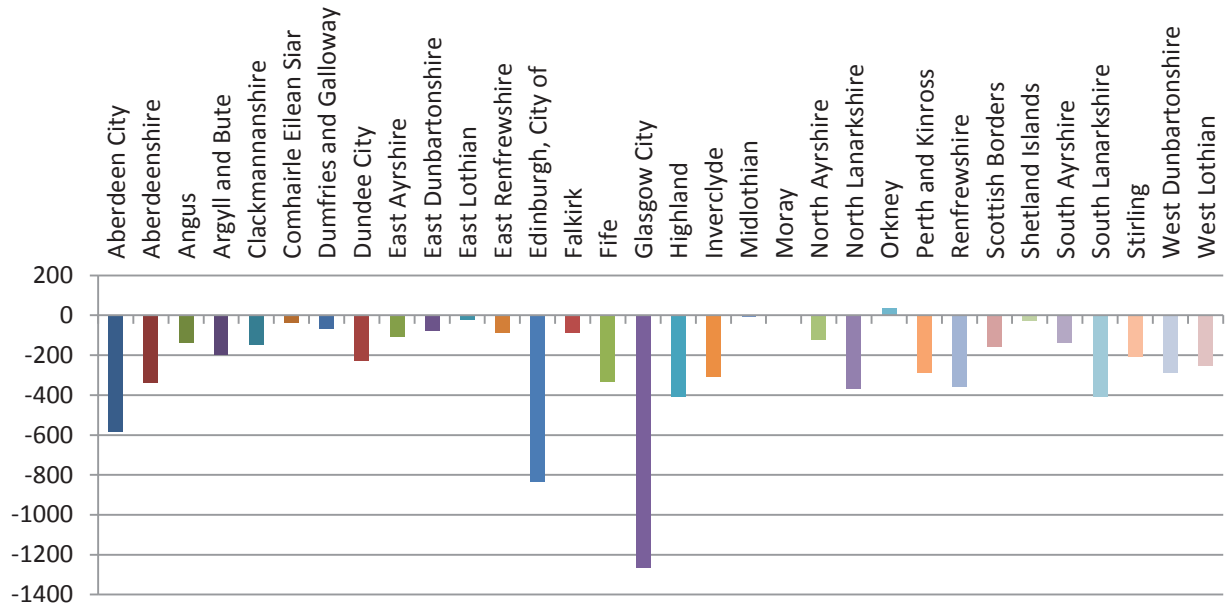
51. The Chancellor of the Exchequer announced in his November 2015 autumn statement that eligible rent for subsidy purposes in respect of social sector rents will be capped at the local housing allowance rate. It appears that this also applies to all social sector housing including supported accommodation and will apply to any new tenancies agreed from April 2016 with HB entitlement changing from April 2018.
52. At present local housing allowance is used to calculate eligible rent for tenants renting from private landlords. In Scotland the majority of council house rents are lower than the equivalent local housing allowance rate. However, due to local housing allowance rates being frozen for the next four years, this may not be the case in the future. This could have an impact on council house rental income and rent arrears in the future.

# Appendix 1: variations in HB expenditure and claimant numbers

**Exhibit 8: Variations in local authority  
HB expenditure from 2013-14 to 2014-15**



### Exhibit 9: Change in HB claimant numbers from 2013-14 to 2014-15



Moray Council's change in claimant numbers was insignificant

# Appendix 2: Details of errors and auditor comments

The table below shows issues identified by auditors during the certification of the 2014/15 subsidy claims and where amendments to claim forms were agreed with auditors.

Local authority	Details	Amount of error	Total potential recovery of subsidy by DWP
<b>Expenditure classification</b> The subsidy claim requires that HB expenditure is correctly classified across the various cells contained in the form. This is particularly important as different types of expenditure attract different rates of subsidy.			
Aberdeen City Council	Misclassification of a rent rebate case as an eligible overpayment instead of local authority error overpayment	£272	£17,383 cell adjustment = £6,953 in subsidy
Aberdeen City Council	Misclassification of two rent allowance cases as eligible overpayments instead of local authority error overpayments.	£155	£4,266 cell adjustment = £1,706 in subsidy
Aberdeen City Council	Misclassification of two cases as prior year eligible overpayments instead of local authority error overpayments.	£2,937	£50,868 cell adjustment = £20,347 in subsidy

Local authority	Details	Amount of error	Total potential recovery of subsidy by DWP
Dumfries & Galloway Council	Expenditure classified as board & lodging & non self-contained licensed accommodation where a registered housing association is the landlord instead of a self-contained licensed accommodation & accommodation owned or leased by a registered housing association where a registered housing association is the landlord.	£0	No change as the cells attract the same subsidy rates
Dumfries & Galloway Council	Expenditure classified as rent allowance board & lodging & non self-contained licensed accommodation where a registered housing association is the landlord instead of rent rebate leased or licensed accommodation where the local authority is the landlord in cells.	£0	No change as the cells attract the same subsidy rates
Dumfries & Galloway Council	A local housing allowance claim was incorrectly classified as a rent rebate. A further 48 incorrect cases were identified.	£45,000	£45,000 claim amended
East Renfrewshire Council	One claim was misclassified between rent rebate leased or licensed accommodation expenditure up to the lower of the local housing allowance rate (LHA) and expenditure above 90% of the LHA rate.	£519	£519 claim amended
East Renfrewshire Council	Misclassification between duplicate payments in the current year and duplicate payments for the prior year	£738	No change as the cells attract the same subsidy rates
Midlothian Council	Misclassification of two rent rebate cases as eligible overpayments instead of local authority error overpayments.	£109	£2,873 adjustment = £1,149 in subsidy

Local authority	Details	Amount of error	Total potential recovery of subsidy by DWP
Midlothian Council	Misclassification of two rent allowance cases as eligible overpayments instead of local authority error overpayments.	£66	£1,039 adjustment = £416 in subsidy
Moray Council	An error in classification of modified scheme expenditure on claim.	£11	£11 claim amended
North Lanarkshire Council	A total of 239 cases were incorrectly classified as regulated tenancies.	£559,796	No impact on subsidy
North Lanarkshire Council	A total of 98 cases were incorrectly included as eligible overpayments of rent rebates for prior years due to an error in importing data from the debtors system.	£87,077	£87,077 claim amended
North Lanarkshire Council	18 claims were incorrectly classified as having backdated HB.	£11,940	no impact on subsidy
North Lanarkshire Council	System error resulted in three cases being misclassified between rent rebate attracting full subsidy but not otherwise separately identified, eligible overpayments and prior year eligible overpayments	£380	£3,776 error = £2,266 in subsidy
Shetland Islands Council	Rent allowance expenditure on that part of weekly eligible rent at or below the rent officer's determination was understated and total expenditure up to the maximum rent was overstated in error.	£2,856	£2,856 claim amended but no impact on subsidy
<b>Income</b> <p>The accurate calculation of a claimant's income is vital for ensuring HB entitlement is accurate and the correct HB awards are made. This can be a complex area with many claimants for example, receiving variable income from zero hour contracts or from being self-employed.</p>			
Aberdeen City Council	Error in calculating earnings disregards in four claims	£408	£14,997



Local authority	Details	Amount of error	Total potential recovery of subsidy by DWP
Aberdeen City Council	Error in calculating 15 rent rebate claimants earned income.	£514	£18,534
Aberdeen City Council	Error in calculating 14 rent allowance claimants earned income.	£199	£4,068
Angus Council	Error in calculating 15 claimants earned income.	£866	£10,325
City of Edinburgh Council	Error in calculating a claimants earned income. Deemed to be an isolated error.	£1	£0
Dumfries & Galloway Council	Error in calculating the claimants' sons earning & backdated. The error was deemed to be an isolated error.	£14.15	£14 no impact on subsidy
Dumfries & Galloway Council	Claimant's wages incorrectly entered from payslips in 3 cases	£100	£100
East Ayrshire Council	Error in calculating a claimants earned income.	£79	£1,898 Claim amended
The Highland Council	Error in calculating a rent rebate claimants earned income.	£0.15	£0
The Highland Council	Error in calculating a rent allowance claimants earned income.	£6.88	£6.88 Claim amended
Midlothian Council	Error in calculating three claimants earned income.	£45	£3,686
Orkney Islands Council	Error in calculating self-employed earnings.	£169	£1,114

Local authority	Details	Amount of error	Total potential recovery of subsidy by DWP
<b>Reconciliations</b> <p>Reconciliations are an important control within HB systems. Auditors are required, as part of the certification process, to check that HB per the subsidy claim form agrees with the reconciliation figures from the HB IT system for the amount of benefit granted and paid. In addition, the subsidy claim form contains in-year reconciliation cells which are calculated automatically. Auditors should seek to confirm that the figure in each total expenditure cell is supported by an analysis of that expenditure.</p>			
Clackmannanshire Council	A difference was noted between rent allowance payment summaries from the local authority's ledger system and the amount of HB claimed per the subsidy form due to the local authority's decision to disregard income through the local scheme for war widows and disablement pensions in excess of that disregarded by DWP. The difference indicated that the local authority had paid out more in the period than it had claimed.	£102,442 subsidy claim was the lower value	£0
East Renfrewshire Council	A difference was identified in the rent allowance reconciliation. The council claimed the lower value as subsidy.	£43	£0
Fife Council	The local authority uses an HB IT system only used by a small number of other local authorities. The software provider had not provided instructions on the process for reconciling benefit granted, as recorded on the benefit system, to benefit paid. The authority uses its own methodology to carry out the reconciliation. At the certification date there were a number of un-reconciled differences and work was on-going to reconcile these	Unknown	Unknown

Local authority	Details	Amount of error	Total potential recovery of subsidy by DWP
Fife Council	In-year reconciliation cells on the subsidy claim form did not agree.	£3,724	£3,724
North Lanarkshire Council	In-year reconciliation cells on the subsidy claim form did not agree.	£1	£1
<b>Eligible rent</b>  <p>The accurate calculation of a claimant's eligible rent is an essential element of every HB calculation. Eligible rent is the reasonable rent for a suitable property in a particular area. Eligible rent may include certain service charges such as lift maintenance, but it must not include charges for items such as meals, heating or furniture.</p> <p>The DWPs size criteria means that an element of rental payment is not eligible for HB for those working age social tenants whose properties have more rooms than deemed necessary. Local housing allowance rates and rent officer determinations are used to ensure that tenants of private landlords have eligible rents of an appropriate rate relative to local housing indicators.</p>			
Dumfries & Galloway Council	One incorrect eligible rent identified after taking account of deductions.	£75	£75 claim amended
East Lothian Council	One claim was underpaid due to the local housing allowance rate not being updated. There is no eligibility for additional subsidy in respect of underpaid subsidy.		£0
The Highland Council	One claim was overpaid due to an ineligible cost for a garage being used in the HB award calculation.	£237	£237 claim amended
Stirling Council	HB was underpaid in one case due to the rental figure not having been updated as notified by the landlord.	£163	No change as subsidy under claimed

Local authority	Details	Amount of error	Total potential recovery of subsidy by DWP
<b>Benefit cap</b> <p>The benefit cap is a limit on the total amount of certain benefits that most working age claimants receive. Where a claimant's benefit income exceeds the cap, HB will be reduced as the amount of benefit paid above the cap limit will be taken off HB payments.</p>			
Dumfries & Galloway Council	3 cases were identified where the benefit cap had been removed in error	£96	£96
<b>Uncashed cheques</b> <p>Local authorities may pay HB by cheque to claimants and/or landlords. At the year end, an adjustment is required in the subsidy claim form to account for cheques which were issued prior to 1 April 2014 that have not been cashed.</p>			
Moray Council	Uncashed cheques were omitted from the subsidy claim	£6,927	£6,927 claim amended
The Highland Council	Uncashed cheques for July to September 2014 had been incorrectly included on the claim	£1,531	No change as subsidy under claimed
West Dunbartonshire Council	The balance for uncashed cheques had been added to rather than subtracted from the total subsidy claimed.	£79,756	£79,756 claim amended
<b>Interim benefit subsidy</b> <p>Interim benefit subsidy is amounts received by local authorities from DWP throughout the year in respect of HB expenditure and administration subsidy.</p>			
Falkirk Council	The incorrect interim benefit subsidy figure was included in the claim	£822,941	£822,941 Claim amended

Local authority	Details	Amount of error	Total potential recovery of subsidy by DWP
<b>Modified schemes</b>  Modified schemes are where a local authority operates a discretionary local scheme to disregard any war pension over and above the statutory disregards. This discretionary expenditure receives subsidy of 0.2% of the total subsidy claimed before any local scheme expenditure and is capped at 75% of the total cost of the discretionary scheme.			
North Lanarkshire Council	During 2013/14 the authority upgraded its HB IT system. This created two issues:  1. the war pension disregard was not recorded for those claims, within modified schemes that had not been subject to a benefit recalculation after the new system went live.  2. an issue has been identified with in respect of retrospective changes of circumstances on rent allowance modified schemes.  The local authority had been in discussion with the software provider and had been advised that the issue cannot be corrected via the system.		No change as claim amended
		<b>TOTAL</b>	<b>£1,133,944</b>

### Auditors' comments

Local authority	Comments
Dundee City Council	The parameters for polygamous marriages were not updated on the benefit IT system.
The Highland Council	The council was unable to run its IT software provider's update prior to submitting the original claim in April 2015 due to

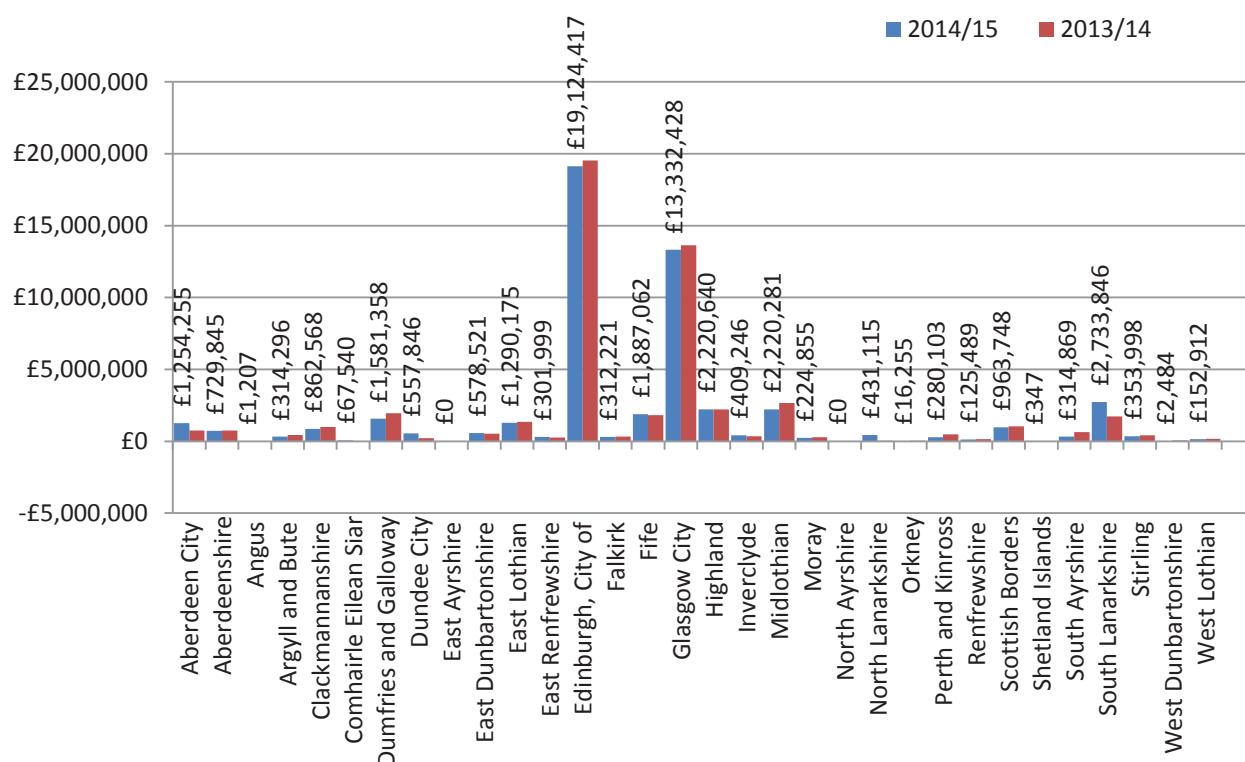
Local authority	Comments
	connectivity restrictions. The software update has subsequently been run and the subsidy claim form was revised as appropriate.
Scottish Borders Council	The parameters for polygamous marriages were not updated on the benefit IT system.
Perth & Kinross Council	<p>In one HB claim the council had corrected a previous year error which arose due to an incorrect (higher) rent figure being used following a rent officer decision (error value £1,774.80). The correction resulted in the amounts being subtracted from the headline cells 94 and 99 rather than being treated as a local authority error.</p> <p>As HB cannot exceed the 'maximum rent' as per the rent officer determinations applicable to any particular case, the overpaid sum was not deemed to have been HB in the first instance.</p> <p>Due to the unusual nature of the correction for this specific case advice was sought from the DWP and it was agreed that there was no impact on the claim as the overpaid amount was not deemed to have been HB in the first instance.</p> <p>DWP are reviewing the need for additional guidance to be issued nationally to clarify this issue.</p>
Dumfries & Galloway Council	One local authority operated property which is registered with the Care Inspectorate as a 'care at home' facility with nine residents who received approximately £50,000 of HB during 2014/15. The registration status, and therefore the HB entitlement, is being questioned by three of the resident's representatives. The council provides HB in accordance with the current classification but the appropriateness of this is still being considered.

# Appendix 3

## Rent rebates

53. This section relates to the £52.646 million (£52.757 million in 2013/14) of expenditure where claimants have been housed by the local authority in temporary board and lodging accommodation, non-self-contained licensed accommodation, leased or self-contained licensed accommodation **where the local authority is the landlord**.

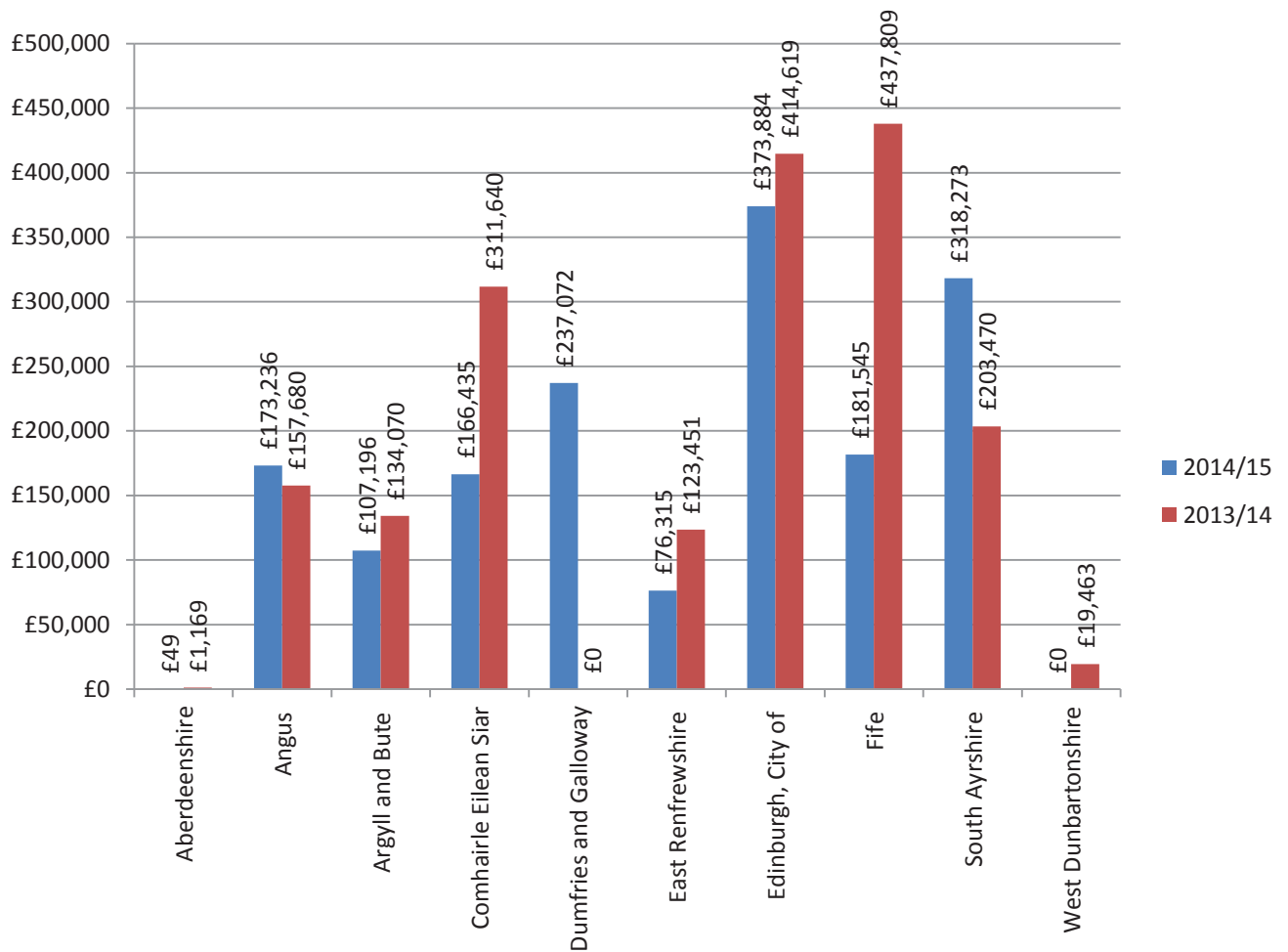
**Exhibit 10: Total value of Rent Rebates**



## Rent allowances

54. The chart below details the £1.634 million (£1.803 million in 2013/14) of expenditure on temporary board and lodging accommodation, non-self-contained licensed accommodation, leased or self-contained licensed accommodation **paid to registered housing associations** to assist the local authority in discharging its statutory homeless function, or to prevent the claimant being or becoming homeless.

### Exhibit 11: Total value of Rent Allowances





20 November 2015

Alan Russell  
Director of Finance and Resources  
Renfrewshire Council, Renfrewshire House  
Cotton Street  
Paisley  
PA1 1AD

Dear Alan

**Renfrewshire Council - Housing Benefit Subsidy 2014/15 Final Claim**

Our work on the 2014/15 housing benefit subsidy claim is now complete and I have submitted the claim, along with my auditor's certificate, to the Department of Work and Pensions. Our work did not identify any financial errors on the claim but there is one item to bring your attention.

One of the cases selected (case 21244) was for a claimant who had been on incapacity long-term benefit and other members in the household in receipt of income. The system shows that in December 2014 his details changed to state retirement pension following information from Job Centre Plus. Officers coded an overpayment for the period 20 October to 7 December 2014. However, the claimant had in fact been in receipt of state retirement pension since 29 November 2011. The claimant had not advised the council of the change in circumstances. Officers did not include an error for the period April 2014 to 20 October 2014 in the housing benefit (HB) subsidy claim.

We were provided with sufficient evidence that the error in the claim (IB claimed instead of SRP) did not have an impact on the HB entitled/paid to the claimant. As a result of our query officers visited the household and identified further errors with the case from income not being declared. This will have an impact on the 2015/16 claim.

Secondly, the process for claims with errors such as this was not followed. The claim should have, but had not, been referred to the fraud team who would then make a decision on the case. In this instance, the claim was amended but the error within it was never appropriately acted on i.e. sent to the fraud team.

We will follow-up the actions taken as part of our 2015/16 audit work.

Thank you to the staff in benefits for their help during the audit. Please do not hesitate to contact either myself or Kenny McFall (0141 618 7257) if we can be of any further assistance.

Yours sincerely



**Anne McGregor**  
**Senior Audit Manager**

cc (by email)

Alastair MacArthur, Head of Finance  
Rhona McGrath, Head of Customer & Business Services  
Andrea McMahon, Chief Auditor  
Emma Shields, Operational Services Manager