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Dear Donna

**Certification work for Bath and North East Somerset Council for year ended 31 March 2017**

We are required to certify the Housing Benefit subsidy claim submitted by Bath and North East Somerset Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £46.634 million. Further details are set out in Appendix A.

We identified a number of issues from our certification work which we wish to highlight for your attention. There were a number of errors from the extended testing that we carried out on this year's subsidy return which recurred from 2015/16. There were two new areas where we identified errors. The extrapolated financial impact on the claim, which we have reported to the DWP, was relatively insignificant to the total subsidy receivable.

As a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £13,755. Due to the additional work required to address the issues we identified, we are seeking a variation of £1,780, which will make the actual fee for the year £15,535, which is subject to confirmation from PSAA. This is set out in more detail in Appendix B.

Yours sincerely



Grant Thornton UK LLP

## Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended	Amendment value	Qualified	Comments
Housing benefits subsidy claim	£46,633,619	Yes	£(1,011)	Yes	See below

### Findings from certification of housing benefits subsidy claim

#### **Cross cutting qualification issues**

Our review of the uprating of system parameters identified a number of instances where income categories were uprated to one penny per week below expectations, due to the Northgate system applying a percentage uprating. An initial calculation shows that benefit could be overstated by a maximum of £68 in 2016/17 (based on the number of claims with each income type, assuming benefit was in payment for the whole year).

#### **Claims where rent is manually updated**

We identified errors in one class of benefit where rental liability was incorrectly stated, where this was updated manually. As a result of this issue, rent was incorrectly stated and benefit miscalculated. We identified:

- 2 errors out of 60 cases where rent was incorrectly recorded in respect of Rent Allowances, leading to an extrapolated overpayment of £322.

#### **Earned income**

We identified errors in one class of benefit where earned income was incorrectly stated. As a result of the errors, claimants' income was misstated and benefit miscalculated. We identified:

- 15 errors out of 60 cases where earned income was incorrectly stated in respect of Rent Allowances, leading to an extrapolated overpayment of £56,058.

#### **Childcare costs**

We identified errors in one class of benefit where childcare costs were incorrectly stated. As a result of the errors, claimants' income was misstated and benefit miscalculated. We identified:

- 10 errors out of 60 cases where childcare costs were incorrectly stated in respect of rent allowances, leading to an extrapolated overpayment of £3,083.

#### **State and Occupational Pension**

We identified errors in one class of benefit where state and occupational pensions were miscalculated, or did not have sufficient evidence to support one or more elements of pension income. As a result of the errors, claimants' income was misstated and benefit miscalculated. We identified:

- 8 errors out of 60 cases where state and occupational pensions were miscalculated, or the Authority did not have sufficient evidence to support one or more elements of pension income in respect of Rent Allowances, leading to an extrapolated overpayment of £6,838.

### **Rental Liability**

We identified an error in one class of benefit where rental liability had been incorrectly recorded, which led to the LHA rate being used incorrectly. As a result of the error, the claimant's rental liability was misstated and benefit miscalculated. We identified:

- 1 error out of 60 cases where rental liability had been incorrectly recorded, in respect of Rent Allowances, leading to an extrapolated overpayment of £10,284.

### **Claimants transferring to Universal Credit**

We identified errors in one class of benefit where claimants had moved to universal credit, and an overpayment occurred as a result of late notification of the change. The Authority classified the subsequent overpayment as an eligible overpayment, but should have classified the overpayment as DWP error. As a result of the errors, expenditure was classified incorrectly. We identified:

- 38 errors out of 60 cases where claimants had transferred to universal credit and an overpayment had been misclassified, in respect of Rent Allowances, leading to an extrapolated misclassification of £25,189.

### **Non HRA Rent Rebates**

We identified a number of errors within the Non HRA Rent Rebates population. Officers were able to review the whole of the population and we agreed the amendment of £1,011 required to the claim as a result.

### **Observations**

We identified errors in one class of benefit where no impact on subsidy was noted and therefore have not been classified as errors for subsidy purposes.

- 1 case where benefit was underpaid due to earnings being incorrectly applied, in respect of Rent Rebates.
- 1 case where there was no impact on subsidy due to deductions being incorrectly applied, in respect of Rent Rebates.
- 1 case where there was no impact on subsidy due to earnings being incorrectly calculated, in respect of Rent Rebates.
- 1 case where there was no impact on subsidy due to a lack of evidence to support child benefit, in respect of Rent Rebates.

### **Recommended actions for officers**

We recommend that the Council as part of its internal quality assurance process, should increase its focus or level of testing in respect of the areas where we identified errors from our testing.

**Appendix B: Fees for 2016/17 certification work**

<b>Claim or return</b>	<b>2014/15 fee (£)</b>	<b>2016/17 indicative fee (£)</b>	<b>2016/17 actual fee (£)</b>	<b>Variance (£)</b>	<b>Explanation for variances</b>
Housing benefits subsidy claim (BEN01)	£18,340	£13,755	£15,535	£1,780	Additional testing required for new errors (Claimants moving to universal credit; LHA rate incorrect); 100% re-performance of Non HRA Rent Rebates.
Total	£18,340	£13,755	£15,535	£1,780	