

## Housing Benefit Circular

Department for Work and Pensions  
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# HB S4/2014

### SUBSIDY CIRCULAR

<b>WHO SHOULD READ</b>	All Housing Benefit managers and staff. Fraud managers and staff. Officers preparing claims and estimates and Internal Audit Managers and staff
<b>ACTION</b>	For information only
<b>SUBJECT</b>	Qualification of Housing Benefit Subsidy Claims in local authorities

### Guidance Manual

The information in this circular does not affect the content of the Housing Benefit Guidance Manual.

### Queries

If you

- want **extra copies of this circular/copies of previous circulars**, they can be found on the website at <https://www.gov.uk/government/collections/housing-benefit-for-local-authorities-circulars-2014>
- have any queries about the
  - **technical content of this circular**, contact  
Email: [hbctb.subsidyqueries@dwp.gsi.gov.uk](mailto:hbctb.subsidyqueries@dwp.gsi.gov.uk)
  - **distribution of this circular**,  
Email: [housing.correspondenceandpqs@dwp.gsi.gov.uk](mailto:housing.correspondenceandpqs@dwp.gsi.gov.uk)

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# Qualification of local authority Housing Benefit Subsidy Claims

## Introduction

1. This circular contains details of the Department's actions aimed at reducing the number of local authority subsidy claims that are qualified by auditors.

## Background

2. The Audit Commission's June 2013 report on 2011-12 certification work states that appointed auditors increased the number of qualification letters issued on Housing Benefit (HB) subsidy claims from 73% in 2010-11 to 78% in 2011-12<sup>1</sup>. The Commission's report states that qualifications principally arose because of:
  - weaknesses in the documentation to support payments to benefit claimants
  - benefit assessment errors
  - data entry errors; and
  - errors in the analysis of expenditure on the subsidy claim form.
3. Although the percentage of qualification letters issued is very high, not all qualifications relate to overpayment of benefit. As such, not all qualifications will lead the Department to recover subsidy paid to local authorities.

## Reasons for qualifications

4. Analysis by the Department has identified the top 8 reasons why claims are qualified and these are described below:
  - a. Overpayment misclassification  
This occurs when an authority identifies an overpayment but misclassifies the overpayment type. The most common misclassification is recording expenditure as an eligible overpayment (which attracts 40% subsidy) when it is a local authority error overpayment (which attracts nil subsidy).
  - b. Reconciliation  
Local authorities' benefit and subsidy systems record amounts of HB paid to eligible claimants. The total amount of benefit paid to claimants should be lower than total benefit entitlement (due to overpayments recovered from ongoing entitlement) but local authorities should be able to reconcile entitlement and payment data. Where the two data sets cannot be reconciled, the claim will be qualified.

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<sup>1</sup> The Audit Commission percentages are for England only. For Great Britain, the percentages are 72% in 2010/11 and 76% in 2011/12.

- c. Procedural errors  
These are errors in which local authorities have failed to apply procedures correctly, e.g. have miscalculated benefit; have failed to assess income or capital correctly; and are unable to support benefit assessments.
- d. Backdating  
Claims may not be backdated unless the authority is satisfied the claimant has continuous good cause for not claiming earlier. Claims will be qualified if:
  - the authority cannot demonstrate they have established these facts
  - “normal”, i.e. non-backdated, expenditure is misclassified as backdated expenditure and vice versa.
- e. Non referral to the rent officer  
Certain rent allowance cases must be referred to the rent officer (Valuation Office Agency) for an independent assessment of the rent for HB purposes. Claims will be qualified if there is non referral.
- f. Modified schemes  
Claims will be qualified if:
  - war pension amounts have not properly been taken into account
  - statutory expenditure is misclassified as Modified Schemes expenditure and vice versa.
- g. Underpaid benefit  
This is caused by authorities miscalculating benefit entitlement (e.g. by miscalculating income) and underpaying benefit as a result. There are no subsidy implications because there is no entitlement to subsidy in respect of benefit which has not been paid.
- h. Overpaid benefit  
This is caused by authorities miscalculating benefit entitlement (e.g. by miscalculating income) and overpaying benefit as a result.

## **Responsibility of local authorities**

- 5. Local authorities are responsible for ensuring that their subsidy claims are:
  - completed accurately and in accordance with the HB subsidy guidance and circulars
  - supported by systems of internal control, including systems of financial control and internal audit
  - completed in a timely manner so that DWP deadlines are met
  - supported by adequate working papers, including, where applicable, non-financial records, which:
    - satisfy the statutory requirement on the responsible finance officer of a local authority to maintain adequate records in relation to claims
    - document the basis of the claim and the derivation of the information it contains; and

- are kept in a form that will help the appointed auditor and keep certification time and therefore the cost to the authority to a minimum
- subject to supervision and review before completion of the authority's certificate
- irrespective of who may complete claims for the authority, DWP requires the authority's certificate to be given by an appropriate officer, typically the responsible finance officer, or an officer authorised by written delegated powers.

## Next steps

6. However, whilst recognising both the inherent complexity of HB and the fact that HB will be transitioned in to Universal Credit in the future, the National Audit Office (NAO) is still concerned about the increasing number of qualification letters issued on HB claims. Given this observation, NAO recommends that the Department should exercise a more active oversight to redress the high number of qualified claims.
7. The Department will be contacting all local authorities that have had their subsidy claims qualified by auditors, seeking an outline of the actions taken to address the issues raised. In the case of local authorities where there have been recurrent qualification issues, the Department will visit these authorities to discuss their plans and gain assurance that robust action is being taken.

## Queries

8. If you have a query about this circular, contact

Email: [HBCTB.SUBSIDYQUERIES@DWP.GSI.GOV.UK](mailto:HBCTB.SUBSIDYQUERIES@DWP.GSI.GOV.UK)

9. If you have a query about HB subsidy payments arrangements, please contact  
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