



Housing Benefit Unit  
 Housing Delivery Division  
 DWP Business Finance & Housing Delivery Directorate  
 Room B120D  
 Warbeck House  
 Blackpool  
 Lancashire  
 FY2 0UZ

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**Grant Thornton UK LLP**  
 30 Finsbury Square  
 London  
 EC2P 2YU  
 T +44 (0)20 7383 5100  
 F +44 (0)20 7383 4715

Section 151 Officer Maidstone Borough Council

x May 2022

Dear Sir

**Housing Benefit (Subsidy) Assurance Process 2020-21 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2021**

**To: Housing Benefit Unit, Housing Delivery Division, DWP Business Finance & Housing Delivery Directorate, Room B120D, Warbreck House, Blackpool, Lancashire FY2 0UZ. [lawelfare.lapaymentsandsubsidy@dwp.gov.uk](mailto:lawelfare.lapaymentsandsubsidy@dwp.gov.uk)**

**And: The Section 151 Officer of Maidstone Borough Council**

This report is produced in accordance with the terms of our engagement letter with Maidstone Borough Council dated 29<sup>th</sup> June 2018 and the standardised engagement terms in Appendix 2 of HBAP Module 1 2020/21 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of Maidstone Borough Council and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 28<sup>th</sup> April 2021.

This report should not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by the standardised engagement terms), without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the local authority and the DWP, we acknowledge that the local authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2020/21.

This report should not therefore be regarded as suitable to be used or relied by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

## Respective responsibilities of the Local Authority and the reporting accountant

We conducted our engagement in accordance with HBAP Modules 1 and 6 2020/21 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

The Section 151 Officer of the Local Authority has responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. The section 151 Officer is also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

## Our approach

For the purpose of the HBAP engagement we have been provided with a copy of form MPF720A 2020/21 received from the section 151 officers verifiable email address and dated 28<sup>th</sup> April 2021 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the *International Standard on Related (ISRS) 4400, Engagement to perform agreed-upon-procedures regarding financial information*. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 28<sup>th</sup> April 2021, and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported on in appendices A, B, C and D.

## Inherent limitations

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the local authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures, or had we performed an audit or review of the local authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the Local Authority's members, as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of that audit.

## Summary of HBAP report

### Summary of Initial Testing

In accordance with HBAP modules an initial sample of cases was completed for all general expenditure cells. We have re-performed a sample of the Local Authority's testing and confirm the tests we have carried out concur with the Local Authority's results, other than for:

- one case relating to cell 94. For this case the Authority had reached a "pass" conclusion but we concluded that "spare room subsidy" had been applied to the claim incorrectly. As this error will only ever lead to an underpayment of benefit no additional testing was performed. Further details are given at Appendix B below. As our initial reperformance had identified an error we selected two further cases for reperformance. For both cases we agreed with the Authority's conclusion. We therefore concluded it was appropriate to place reliance on the Council's findings for the remaining cases not subject to reperformance.
- one case relating to cell 214 (modified schemes testing). For this case the Authority had reached a "pass" conclusion but we concluded that the annual uprating for war pensions had taken place from too early a date. As applying the annual uprating for war pensions from too early a date is an error which will always lead to an underpayment of subsidy, no additional testing was performed. Further details are given at Appendix B below. As our initial reperformance had identified an error we selected one

further case for reperformance. For this case we agreed with the Authority's conclusion. We therefore concluded it was appropriate to place reliance on the Council's findings for the remaining cases not subject to re-performance.

#### **Cell 011 Non-HRA Rent Rebates**

No claims were found to be in error

#### **Cell 055 HRA Rent Rebates**

The Council does not have housing stock and there are no HRA Rent Rebate cases to be tested.

#### **Cell 094 Rent Allowances**

Cell 094 - Incorrect amount of ESA used in calculations

Initial testing identified one claim where an incorrect amount of ESA had been used in calculations. As it was not possible to correctly establish the value of the error for amendment additional testing was performed. As the remaining population was under 100 cases all remaining cases were tested.

Cell 094 - Incorrect LHA rate used in calculations

Initial testing identified one claim where an incorrect LHA rate had been used in calculations as a rate increase relating to the pandemic had not been applied, leading to an underpayment of benefit. As an error of this type would always give rise to an underpayment no additional testing was performed.

Cell 094 - Spare room subsidy incorrectly applied to claim

Initial testing identified one claim where a "spare room subsidy" had been incorrectly applied, reducing the applicable rent and leading to an underpayment of benefit. As an error of this type would always give rise to an underpayment no additional testing was performed.

#### **Completion of Modules**

The Specific Test Requirements set out in Module 1 Appendix 3 have been completed, including testing required by Modules 2 and 5 as detailed below.

##### **Completion of Module 2**

We completed Module 2 on the uprating of system parameters. No issues were identified.

##### **Completion of Module 5**

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

#### **Summary of testing arising from Cumulative Assurance Knowledge and Experience**

In line with the requirements of the HBAP Modules we have undertaken CAKE testing based upon the preceding HBAP report. Where appropriate the Authority has completed testing of the sub populations for:

- Non HRA Rent Rebate Cell 011: Incorrect calculation of earnings
- Non HRA Rent Rebate Cell 011: Incorrect calculation of other income with ESA
- Non HRA Rent Rebate Cell 011: Incorrect application of family premium
- Non HRA Rent Rebate Cell 028: Misclassification of overpayments
- Rent Allowances Cell 094: Incorrect calculation of tax credits
- Rent Allowances Cell 094: Earned income and self employed income calculation errors

We re-performed a sample of the Authority's testing. We confirm that the tests we have carried out concur with the Authority's results. These results are outlined in the appropriate appendix.

The following CAKE tests returned no errors and are considered as closed;

- Non HRA Rent Rebate Cell 011: Incorrect calculation of other income with ESA
- Non HRA Rent Rebate Cell 011: Incorrect application of family premium.

**Summary paragraph/ending of letter**

For the form MPF720A dated 28<sup>th</sup> April 2021 for the year ended 31 March 2021 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, C and D).

Firm of accountants: Grant Thornton UK LLP

Office: Finsbury Square, London

Contact details (person, phone and email): Paul Dossett

[paul.dossett@uk.gt.com](mailto:paul.dossett@uk.gt.com)

Signature:

Date:

**Appendix A Exceptions/errors found**

*Error Type 3 – benefit overpaid or insufficient supporting information.*

**Cell 094 Overpaid benefit – incorrect calculation of Tax Credits****Cell 094: Rent allowances total expenditure****Cell Total: £35,539,632****Cell Total: £6,732,606 – sub population****Cell Population: 6,641 cases****Cell Population: 1,300 cases – sub population****Headline Cell: £35,539,632**

In 2019/20 we identified four cases where benefit had been incorrectly calculated due to errors in the calculation of working or child tax credits. In our initial testing for 2020/21 we tested five cases (total value £17,003) involving calculations using tax credits and no errors were identified.

However, given the nature of the population and the errors found in 2019/20 we tested an additional sample of 40 cases with calculations involving tax credits.

This additional testing identified one case (value £2,258) where calculations involving tax credits were incorrect, resulting in an overpayment of housing benefit to a total of £4.

This is the fourth year that this error has been identified in the HBAP Report.

The following table is based on these findings:

Sample:	Movement/ brief note of error	Original cell total: Sub population	Sample error:	Sample value:	Percentage error rate (given small value, calculated to three decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 5 cases	Incorrect calculation of tax credits	£35,539,632	£0	£17,003		
Additional sample - 40 cases	Incorrect calculation of tax credits	£6,732,606	£4	£199,755		
<b>Combined sample - 45 cases</b>	<b>Incorrect calculation of tax credits</b>	<b>£6,732,606</b>	<b>£4</b>	<b>£216,758</b>	<b>0.002%</b>	<b>£135</b>
Corresponding adjustment	Cell 102 is overstated	£6,732,606	£4	£216,758	0.002%	(£135)
<b>Total corresponding adjustment</b>	<b>Total understatement of Cell 113</b>					<b>£135</b>

*Error Type 3 – benefit overpaid or insufficient supporting information.*

**Cell 094 Overpaid benefit – earned income and self-employed income calculation errors**

**Cell 094: Rent allowances total expenditure**

**Cell Total: £35,539,632**

**Cell Total: £6,174,269 – sub population**

**Cell Population: 6,641 cases**

**Cell Population: 1,283 cases – sub population**

**Headline Cell: £35,539,632**

In 2019/20 we identified five cases where benefit had been incorrectly calculated due to errors in the calculation of earned income or self-employed income. In our initial testing for 2020/21 we tested two cases (total value £10,036) with calculations involving earned income or self-employed income and no errors were identified.

However, given the nature of the population and the errors found in 2019/20 we tested an additional sample of 40 cases with calculations involving earned income or self-employed income.

This additional testing identified;

- 3 cases (total value: £11,476) with errors which resulted in an overpayment of housing benefit totalling £487 in 2020/21 due to miscalculating the claimants' earned income or self-employed income. The errors ranged from £0.09 to £478.
- 3 cases (total value: £15,840) with errors resulting in an underpayment of benefit totalling £150 due to miscalculating the claimants' earned income or self-employed income
- one case (value £8,976) with an error due to miscalculating the claimants' earned income or self-employed income where there was no impact on benefit.

As there is no eligibility to subsidy for benefit which has not been paid the underpayments identified and the error with no impact on benefit do not affect subsidy and have not been classified as errors for subsidy extrapolation purposes.

This is the fourth year that this error has been identified in the HBAP Report.

We noted that there was one case where the claimant had a salary sacrifice arrangement. For this claimant the Council had based its assessment on the information available from the Benefit Verify Earnings and Pension scheme, including the claimant's gross taxable pay, but did not have information on the claimant's pension contributions. Where assessments are based on gross taxable pay rather than gross remuneration, including contributions to pension schemes, then income may be understated. However, we concluded that as the Council's calculations were based on the information available there was no error for subsidy purposes.

The following table is based on these findings:

Sample:	Movement/ brief note of error	Original cell total: Sub population	Sample error:	Sample value:	Percentage error rate (given small value, calculated to three decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 2 cases	Earned income and self-employed income incorrectly calculated	£35,539,632	£0	£10,036		
CAKE sample – 40 cases	Self-employed income incorrectly calculated	£6,174,269	£487	£202,274		
<b>Combined sample – 42 cases</b>	<b>Self-employed income incorrectly calculated</b>	<b>£6,174,269</b>	<b>£487</b>	<b>£212,310</b>	<b>0.229%</b>	<b>£14,139</b>
Corresponding adjustment:	Cell 102 is overstated	£6,174,269	£9	£212,310	0.004%	(£247)
Corresponding adjustment:	Cell 103 is overstated	£6,174,269	£478	<b>£212,310</b>	<b>0.225%</b>	(£13,892)
<b>Total corresponding adjustment</b>	<b>Total understatement of Cell 113</b>					<b>£14,139</b>

## Appendix B Observations

*Error Type 3 – benefit overpaid or insufficient supporting information*

**Cell 011 Incorrect calculation of other income with ESA**  
**Cell 011: Rent rebates (Tenants of Non-HRA properties): Total expenditure**  
**Cell total: £1,083,230**  
**Cell Total £1065 – sub population**  
**Cell Population: 415 cases**  
**Cell Population: 1 case – sub population**  
**Headline Cell: £1,083,230**

In 2019/20 we identified one case where the authority had included an amount in other income to ensure the correct level of ESA was applied which was incorrect, resulting in an underpayment. In our initial testing for 2020/21 we did not test any cases where ESA was applied.

However, given the nature of the population and the errors found in 2019/20 we performed additional testing in 2020/21. For 2020-21 the sub-population included one case only. This case was tested and no errors were identified.

*Error Type 3 – benefit overpaid or insufficient supporting information*

**Cell 011 Incorrect application of family premium**  
**Cell 011: Rent rebates (Tenants of Non-HRA properties): Total expenditure**  
**Cell total: £1,083,230**  
**Cell Total £23,696– sub population**  
**Cell Population: 415 cases**  
**Cell Population: 6 cases – sub population**  
**Headline Cell: £1,083,230**

In 2019/20 we identified five cases where family premium had been applied incorrectly, although in all cases there was no impact on benefit. In our initial testing for 2020/21 we did not test any cases where family premium had been applied.

However, given the nature of the population and the errors found in 2019/20 we performed additional testing on cases where family premium had been applied in 2020/21. For 2020-21 the sub-population included six cases only. All cases were tested and no errors were identified.

*Error type 1 – underpaid benefit which would always result in an underpayment*

### **Cell 094: Spare room subsidy incorrectly applied to claim**

Testing of an initial sample of 20 claims from headline cell 94 identified one claim (value £134) where a “spare room subsidy” had been incorrectly applied to the claim, resulting in an underpayment of £21.

Applying a spare room subsidy when it is not applicable will reduce applicable rent and therefore the amount of subsidy payable. As this error will only ever lead to an underpayment of benefit no additional testing has been performed.

**Cell 094: Incorrect LHA rate used as national Covid increase to LHA rates not applied.**

Testing of an initial sample of 20 claims from headline cell 94 identified one claim (value £8,574) where the LHA rate used was incorrect as an increase relating to the Covid pandemic had not been applied, resulting in an underpayment of £1,103.

As failure to apply an increase to the LHA rate is an error which will only ever lead to an underpayment of benefit no additional testing has been performed.

**Cell 214 (Modified schemes): Annual uprating of war pensions applied from the wrong date**

Testing of an initial sample of claims from cell 214 identified one claim (value £538) where the annual uprating for war pensions had taken place from too early a date.

Although the error for this period resulted in an overstatement of £21 at cell 214 (paying 75% subsidy), the claimant would have entitled to a cell 94 rent allowance claim for the same period, paying 100% subsidy. Therefore this error led to a net underpayment of subsidy.

As applying the annual uprating for war pensions from too early a date is an error which will always lead to an underpayment of subsidy, no additional testing has been performed.

**Appendix C: Amendments to the claim form MPF720A**

*Error Type 4 – Expenditure Misclassification***Cell 28 Expenditure misclassification – Incorrect classification of eligible overpayments****Cell Total: £6,415****Cell population: 17 cases****Headline Cell: £1,083,230**

In 2019/20 we identified one case where an overpayment in cell 28 had been incorrectly classified. Given the error found in 2019/20 additional testing was performed on the classification of overpayments in cell 28 in 2020/21. As there were only 13 cases in cell 28 all cases were tested by the Authority.

Our initial re-performance for six cases identified one case which the Authority had concluded was a "Pass" but which we concluded should have been a "Fail". All remaining cases in the population were therefore reviewed and subject to re-performance.

Testing identified;

- one case where an overpayment of £1,776 had been classified to cell 28 but should have been classified to cell 26
- 5 cases where overpayments to a total of £2,121 had been classified to cell 28 but should have been classified to cell 27.

Therefore the following amendments to the claim form are required;

- cell 28 to reduce by £3,897
- cell 26 to increase by £1,776
- cell 27 to increase by £2,121.

This is reflected in the amendments made to Form MPF720A dated xx/05/2022.

This is the second year that we have reported this error.

*Error Type 3 – benefit overpaid or insufficient supporting information***Cell 094 Incorrect amount of ESA (Contributions based) used in claim calculations.****Cell 094: Rent allowances total expenditure****Cell Total: £35,539,632****Cell Total £532,759– sub population****Cell Population: 6,641 cases****Cell Population: 95 cases – sub population****Headline Cell: £35,539,632**

Testing of an initial sample of 20 claims from headline cell 94 identified one claim (value £7,773) where an incorrect amount of ESA (Contributions based) had been used in claim calculations. There was no impact on benefit. As there is no eligibility to subsidy for benefit which has not been paid the error did not affect subsidy and has not been classified as an error for subsidy extrapolation purposes.

However, as an error of this type could also give rise to an overpayment additional testing was performed. As there were only 95 further cases in the sub-population all cases were tested.

This additional testing identified;

- 20 further cases (total value £139,136) where an Incorrect amount of ESA (Contributions based) had been used in claim calculations, but where there was no impact on benefit
- one case (value £7,497) where benefit had been overpaid by £1 as an Incorrect amount of ESA (Contributions based) had been used in claim calculations. As the entire sub-population has been tested this error was dealt with through a claim amendment.

We have re-performed the test on all cases and concluded the Authority's findings were correct.

The following amendments to the claim form are required;

- cell 102 to reduce by £1
- cell 113 to increase by £1.

There is no impact on Cell 94 for these amendments.

This is reflected in the amendments made to Form MPF720A dated xx/05/2022.

This is the first year that we have reported this error.

*Error Type 3 – benefit overpaid or insufficient supporting information*

**Cell 011 Earned income calculation errors**

**Cell 011: Rent rebates (Tenants of Non-HRA properties): Total expenditure**

**£1,083,230**

**Cell Total: £100,050 – sub population**

**Cell Population: 415 cases**

**Cell Population: 38 cases – sub population**

**Headline Cell: £1,083,230**

In 2019/20 we identified one case where benefit had been incorrectly calculated due to an error in the calculation of earned income. Given the error identified in 2019/20 we performed additional testing on cell 11 cases with earned income in 2020/21. As there were only 31 cases in the sub-population all cases were tested.

This additional testing identified three cases where benefit had been incorrectly calculated due to an error in the calculation of earned income. In two cases this had resulted in an overpayment of benefit to an aggregate total of £214. For the remaining case there was no impact on benefit.

As the entire sub-population has been tested the errors were dealt with by way of claim amendment.

We have re-performed the test on six cases and the Authority's findings on those claims were correct.

The following amendments to the claim form are required;

- cell 14 to reduce by £214
- cell 26 to increase by £214.

There is no impact on Cell 11 for these amendments.

This is reflected in the amendments made to Form MPF720A dated xx/05/2022.

This is the first year that we have reported this error.

**Appendix D: Additional issues**

There are no additional issues.

