



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Governance and Audit Committee

Wednesday, 18 March 2026

Report of Councillor Ashley Baxter,
Leader of the Council and Cabinet
Member for Finance, HR and Economic
Development

Housing Benefit Subsidy Audit 2023-24

Report Author

Claire Moses, Head of Service (Revenues, Benefits and Customer Service)

 claire.moses@southkesteven.gov.uk

Purpose of Report

To provide a background to the Housing Benefit Subsidy audit process as well as the outcome of the Housing Benefit Subsidy Audit for Financial Year 2023/24.

Recommendations

The Committee is requested to note the contents of the 2023-24 Housing Benefit Subsidy Audit report.

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective council
Which wards are impacted?	All Wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 There are no financial implications arising from this report as the findings from the audit do not have an impact on the level of subsidy claimed.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.2 There are no additional governance comments to those already mentioned in the report

Completed by: James Welbourn, Democratic Services Manager

2. Background to the Report

- 2.1 Housing Benefit (HB) is a means tested benefit, administered by local authorities on behalf of the Department for Work and Pensions (DWP). HB is intended to help claimants meet housing costs for rented accommodation both in the private and the social rent sector.
- 2.2 The administration of HB is now very complex due to the frequent changes in regulations. In recent years a significant number of changes to the Housing Benefit scheme have made it increasingly difficult to train officers and to make accurate assessments. The legislation and guidance are applied to each individual claim. During 2023/24, the Council had an average HB caseload of **3,372** and processed in the region of **14,345** new claims and change in circumstances.
- 2.3 Whilst it is not possible to check every change that is processed, there has been a focus on checking cases that have resulted in errors in previous years that have earned income (for example a claimant has a weekly / monthly earned salary) as part of their calculation. This follows the outcome of previous HB audits that identified earned income cases as having a relatively high error rate due to manual interventions.

- 2.4 There are complex subsidy rules that determine how much of the HB expenditure by the Council is recouped from the DWP. Where HB has been correctly paid, the DWP will normally pay 100% subsidy to the Council. However, where HB has been overpaid, DWP provides different rates of subsidy depending on the classification of the error.
- 2.5 One classification is 'Claimant error overpayments' which arise when a Housing Benefit (HB) recipient delays in providing required information. In these cases, only 40% of the overpaid amount is recoverable through government subsidy. However, the Council is able to recover up to 100% of the overpaid amount directly from the claimant.
- 2.6 Another classification is 'LA error and administrative delay'. The amount of subsidy paid is determined by upper and lower thresholds, expressed as a percentage of the total HB expenditure attracting subsidy. The thresholds are:

Where the LA error / Admin delay overpayments are	Subsidy paid against LA error / Admin delay
If the total value of the overpayment is below 0.48% of the total correct payments	LA receives 100%
If the error rate falls between 0.48% and 0.54	LA receives 40%
If errors exceed 0.54% of total correct payments, the LA receives nil subsidy for the total value of all LA error overpayments	LA receives 0%

- 2.7 For 2023/24, South Kesteven's LA Error value was **£7,912**, which was **0.05%** of total expenditure attracting subsidy (£17,471,817). As a result, South Kesteven received **100% subsidy** for these errors.
- 2.8 Technical Overpayments and Departmental Official error (when recovered) will attract 0% subsidy. The most common examples are:
- changes in rent set by the local authority resulting in an overpayment of benefit, for example benefit paid for a period where this is no rent charge.
 - DWP errors for example, if the DWP apply an incorrect premium to a benefit award resulting in an overpayment of HB. Any overpayment recovered from the customer attracts 0% subsidy.

Housing Benefit Assurance Process (HBAP)

- 2.9 The Housing Benefit Assurance Process (HBAP) is a formal assurance framework issued by the DWP. It sets out the testing and reporting requirements that a Reporting Accountant must follow when reviewing a local authority's claim for Housing Benefit subsidy.

2.10 Each local authority must appoint a Reporting Accountant by 1 March prior to the start of the financial year to which the assurance work relates. This ensures sufficient time for planning, testing, and agreement of engagement terms before the beginning of the financial year.

Appointed Reporting Accountant (external auditor) 2023/24

- 2.11 The audit of the Housing Benefit Subsidy Claim 2023/24 for South Kesteven District Council was undertaken by KPMG LLP. The total value of HB included on the claim was **£18,022,328**.
- 2.12 Initial testing is undertaken and if this identifies any error, and the auditor is unable to conclude that the error is isolated, the DWP methodology requires the testing of an additional sample of 40 cases focused on the specific error.
- 2.13 The DWP methodology also requires auditors to extrapolate the results of the initial and additional testing by multiplying the total amount of subsidy for that area by the proportion of the sample value that has been found in error.
- 2.14 Each local authority's appointed external auditor is required to certify that the annual claim is fairly stated and to report any errors to the DWP (known as the Housing Benefit Assurance Process report). Where there are errors, the claim is qualified and the DWP will seek to reduce subsidy payments to the local authority.

2023/24 audit process

- 2.15 Testing of the initial sample identified 66 claims for checking. In line with the requirements of the subsidy audit, additional testing was also carried out based on previous audit findings in 2022/23. This resulted in additional testing on 'earned income'.
- 2.16 As required by DWP methodology, an additional sample of claims was selected for the one identified error – earned income. In 2022/23, the auditor identified that the Local Authority had incorrectly assessed claimants' earned income. Given the nature of the population and the errors reported in the 2022/23 HBAP Accountants report, an additional 40 'earned income' cases were selected to confirm whether the assessments were correct.
- 2.17 The additional testing identified 5 cases:
- 2 cases (total combined error value £187.63) where HB has been overpaid as a result of earned income being miscalculated.

- 3 cases (total combined error value £3.01) where housing benefit has been underpaid as a result of the earned income being miscalculated.
- 2.18 As there is no eligibility to subsidy for benefit which has not been paid, the claims identified as underpaid or as not affecting subsidy have not been classified as errors for subsidy purposes.
- 2.19 Using the methodology in paragraph 2.16, this area of the subsidy claim has a total value of £413,234. The cases selected for checking have a total value of £166,568.51. Errors are found totalling £187.63 (0.11% of the sample selected). The extrapolation adjustment to the claim would be 0.11% of the total of the area selected for checking (£413,234), therefore, the **adjustment to the subsidy claim is £466**.
- 2.20 The unaudited subsidy claim was submitted to the DWP by the deadline on 30 April 2024. The audit took place from August 2024 to November 2024. The HBAP report was completed, signed and submitted to the DWP on 28 November 2024. The DWP certified the claim on 27 November 2025 stating *‘there are no outstanding issues relating to the claim, it is acceptable to the Department and the total amount of HB subsidy properly payable to your authority for 2023/24 is £18,022,328. Your claim has been settled on this basis and therefore is now closed’*.

Financial outcome of the audit

- 2.21 The overall value of the subsidy claim for 2023/24 was **£18,022,328**. Putting the **£466** errors further into context – this is just **0.003%** of the total subsidy value.

Future audit – 2024/25

- 2.22 The unaudited subsidy claim was submitted to the DWP on 30 April 2025. The audit took place during July 2025 to November 2025. The HBAP report was completed, signed and submitted to the DWP 26 November 2025. There were no exceptions or errors found.
- 2.23 At time of writing, the DWP has not certified the claim.

3. Key Considerations

- 3.1 The HBAP Accountants Report 2023-24 attached at Appendix 1 sets out the factual findings arising from the Housing Benefit Subsidy audit for the financial year 2023/24.

4. Other Options Considered

4.1 The report is for information.

5. Reasons for the Recommendations

5.1 To note the Housing Benefit Subsidy Claim audit process.

6. Appendices

6.1 Appendix 1: Housing Benefit Assurance Process Report 2023-24