



Housing Benefit Subsidy and improvement regime

Discussion Paper to Audit & Risk Committee

Date of committee meeting: 4th August 2016

Lead director: Alison Greenhill, Director of Finance

Useful information

- Ward(s) affected: ALL
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- Report version number plus Code No from Report Tracking Database: Version 1/xxxx.

1. Purpose of report

The Risk and Audit committee, on 10th February 2016, requested a report, on the Housing Benefit Subsidy arrangements for the Authority. The purpose of the report is to

1. Explain the Subsidy Audit process and its findings
2. Provide the Benefits Team Improvement Action Plan to improve accuracy, and to subsequently reduce the clawback of monies against the general fund.

2. Summary & Background

2.1 Housing Benefit is a DWP (Department for Work & Pensions) benefit that is awarded to people on low incomes, to help with their housing costs, i.e. their rent.

Since 1984 all Local Authorities have been instructed, and act on behalf of the DWP, to administer, calculate and award Housing Benefit (HB) to all entitled claimants.

Every year all Authorities have to submit a Housing Benefit Subsidy claim to the DWP, to recoup the monies the authority has paid out in Housing Benefit to claimants

2.2 No authority receives back from the DWP all of the Housing Benefit paid out. Any difference between the total paid out and the amount received back in subsidy has to be funded by the authority's general fund.

There are two main reasons why an Authority does not get all of the HB paid out back from the DWP. This is explained in greater detail in section 4.

1. Overpayments

ALL authorities have overpayments, so will lose some subsidy.

2. Qualification of the Subsidy Claim by Auditors, due to errors found.

76% of all authorities (2013/14) lost subsidy due to qualification.

3. Recommendations

3.1 To note and comment on the findings highlighted in the report.

3.2 To note and comment on the recommendations, improvement and communication plans as appropriate.

4. Current Audit process

4.1 Over the last ten years, an audit method called “HB Count” has been used to qualify the Subsidy claim - this is called a Qualified Audit. The principle is to test a sample of 80 cases. If any error is found on one or more of these cases, an additional 40 cases need to be checked, for each type of error found.

The auditors require the authority itself to carry out both the initial sample plus the additional tests, The work involved for the Authority is very time consuming. The Quality Assurance (QA) team are directed to carry out these works, who are, in effect undertaking all the investigatory work for the auditors.

4.2 In addition to the above checks, each year we are required to re check errors found in previous years, to see if they are re-occurring. This testing has to be carried out, regardless of whether new errors are found, or not, in the present year. This is called CAKE (Cumulative Audit Knowledge and Experience) testing. The practical result of CAKE testing is a continuous repeat checking of cases, further errors are found, which in turn creates further checks. This has been a catch 22 position for this authority since the introduction of CAKE testing in 2004.

4.3 The resources required to carry out the Subsidy Audit task on behalf of the auditors, are significant. The QA Team carries out the work, and despite doubling its full time staff members from 4 to 8, in 2009, now spends between 9 and 11 months every year, working solely on the Subsidy Audit. The increase in establishment in 2009 was to allow the QA officers to carry out additional monitoring, concentrating on the areas where most errors have been found. However, the Service has not been able to implement this extra resource, as intended, due to the additional CAKE testing needed, when repeat errors are discovered.

4.4 The financial impact due to the subsidy audit and qualification for the last 5 years is shown in the following tables

	<i>Total Expenditure (£M)</i>	<i>Subsidy claimed (£M)</i>	<i>Audit Qualification loss (£M)</i>	<i>Qualification Loss as % of subsidy amount claimed</i>
2014/15	137.6	133.5	0.9	0.67%
2013/14	139.7**	136.2	0.8	0.58%
2012/13	170.5	166.3	1.2	0.72%
2011/12	163.7	160	1.2	0.75%
2010/11	155	152	1.2	0.79%

<i>HB Subsidy</i>	<i>Cases checked</i>	<i>QA Time spent</i>
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Audit		(months)
2014/15	1177	10
2013/14	1114**	9
2012/13	1652	10
2011/12	1880	10
2010/11	1589	11

** Total expenditure and cases checked reduced due to Council Tax Benefit ceasing to exist.

4.5 The national picture.

This situation is not unusual, or confined just to Leicester.

In 2013/14 76% of all UK authorities (288 in total) lost subsidy due to their claim being qualified following Audit.

However, the amount lost by Leicester, was high, in proportion to the total amount paid back by all authorities in 2013/14. This is illustrated below, these are the most recent figures reported:

Total number of Authorities qualified 2013/14	Total amount recovered by DWP in 2013/14	Total recovered from Leicester 2013/14	Leicester as % of total
288	£12.6 M	£0.8 M	6%

4.6 The top errors countrywide, found by the DWP, were identical to those found at Leicester. These are as follows:

1. Overpayments/Underpayments – i.e. errors made using incorrect calculations of income, rent, capital etc.
2. Overpayment classification – ensuring the correct classification is used, i.e. claimant error or official error

5. Report/Supporting information including options considered:

5.1 Here we describe how the Authority can mitigate the losses exposed to the General Fund. As detailed in the summary there are two main reasons why the Authority does not receive subsidy for all the housing benefit it has paid out.

1. Overpayments
2. Qualification of subsidy claim

5.2 There are number of ways which the shortfall can be minimised. However, there is no one single mechanism, as they are all interlocked, and dependant on each other. These include:

1. Reduce the number of overpayments created, particularly those caused by authority error.

2. Keep the Audit qualification loss to a minimum
3. Ensure that every penny of Subsidy the authority is entitled to claim in subsidy is claimed.
4. Maximise the recovery of outstanding overpayments

5.3 To achieve this is very difficult for a number of reasons, which are explained below.

5.4 Complexity of administration: The administration of Housing Benefit is complex due to ever changing Housing Benefit Regulations. These have changed frequently during the last 20 years due to numerous Government amendments to the original Legislation. The consequence of those changes is an increase in the number of different schemes that have to be calculated and considered, when Benefit claims are made. The following table shows the number of changes which have taken place, during the 5 years being examined.

<i>Year</i>	<i>Regs change</i>
2014/15	18
2013/14	24
2012/13	8
2011/12	14
2010/11	26

5.5 The demand for Housing Benefit has increased, year on year. This is, due to the economic position of the country, with ever increasing rents, and more and more people on low incomes needing assistance to pay their rent. The caseload at Leicester peaked at 43,000 claims in 2012 and is currently just above 39,000. This caseload generates over 420,000 items of correspondence every year.

5.6 The DWP expect any changes in claimants' circumstances to be applied to their entitlement, week by week, if required. The likelihood of overpayments occurring is high, due to the fact that many claimants fail to inform us promptly. The DWP also expects the Authority to process all changes in circumstance, within 14 days of receipt by the Authority.

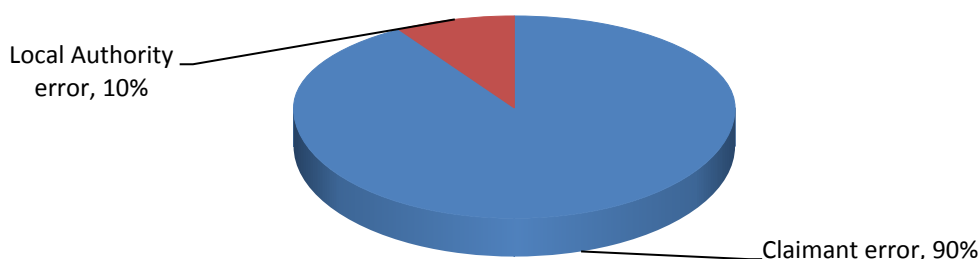
Our average, performance in dealing with change of circumstances has been as follows:

<i>Year</i>	<i>Ave days to process COC</i>
2014/15	16
2013/14	12
2012/13	17
2011/12	16
2010/11	11

5.7 The vast majority of overpayments are the fault of the claimant, rather than the Authority. When the Authority is at fault, it is nearly always caused by human error. The following chart shows the total amount of overpayments created in 2014/15, and the

split between the two.

14/15 Total Overpayments £6.4 million



5.8 The processing of Housing Benefit, including the Subsidy Audit Certification process, is very resource intensive and is increasing at a time when administration costs subsidy is reducing, year on year. The following shows how the amount of Administration Subsidy paid by the DWP to Authorities each year, has halved in the last five years.

<i>Year</i>	<i>Administration subsidy received</i>
2014/15	£2,031,291
2013/14	£2,855,320
2012/13	£3,207,586
2011/12	£3,143,885
2010/11	£4,005,289

5.9 The DWP does give an incentive to Authorities to keep the LA error overpayments as low as possible. If an authority can keep their LA error overpayments below certain thresholds (the DWP will pay a proportion or even 100% subsidy for the overpaid Benefit.

This is shown as follows:

<i>LA error Op % against expenditure</i>	<i>Subsidy received on OP</i>
>0.48%	100%
0.48% to >0.54%	40%
>0.54%	0%

Every year from 2010/11 to 2014/15 the Authority initially did achieve an LA error OP % of less than 0.48%. This meant we initially applied, each year, for 100% subsidy for all our LA error overpayments. However following the intensive and prolonged Audit process, we then lost this subsidy. The reason being the qualification of the Subsidy claim, as a result of our LA error overpayments exceeding the 0.54% threshold.

As already indicated earlier in this report, 76% of all authorities (282 out of 371) had their Subsidy claim qualified to some degree. However, only 7 of these 282 Authorities, including Leicester, lost the entire subsidy they had claimed for their LA error overpayments, following qualification of their subsidy claim.

A large proportion of the subsidy we had to pay back in total, as a result of the Subsidy Audit was this “LA error incentive” subsidy. The following shows what proportion of the total amount lost, due to the Qualification of the Subsidy claim following Audit, was due to the “LA error subsidy” pay back.

	<i>Total Audit Qualification loss</i>	<i>As a result of LA error incentive subsidy clawback</i>	<i>Incentive subsidy clawback as % of total loss</i>
2014/15	£900K	£260K	29%
2013/14	£800K	£280K	35%
2012/13	£1.2M	£350K	29%
2011/12	£1.2M	£550K	46%
2010/11	£1.2M	£470K	39%

5.10 To Achieve Change

The biggest challenge we face is , to maximise subsidy received, despite the processes and procedures that are hindering this, as previously described, and to achieve the following:

1. Reducing human error in Housing Benefit assessments.

There are a number of performance management actions that have already been put into place to help address this issue. These include regular quality checks on officer’s work via the QA team and Operational team leaders. Details of the improvement plan for the Benefit administration teams are included in **appendix 1**.

One to One supervisions are held regularly with staff by Managers, to address performance and accuracy levels, identify training needs and set targets.

A full refresher training programme is in place. This is currently in the process of being reviewed; post the last Qualification Audit .and to be delivered to all staff. This is being arranged, following the identification of the most common errors, found in Quality Checks and Audit testing, and includes the incorrect assessment of income and the incorrect classification of overpayments.

2. Encouraging claimants to inform us promptly of changes in circumstances

Targeted reviews of claims via FERIS (Fraud & Error Reduction Incentive Scheme) This is a scheme currently running where we successfully bid for funds from DWP to pay for two staff to specifically target claims likely to have undeclared changes, with the aim of reducing benefit entitlement, and encourage timely reporting of changes in circumstances.

Local Change of Circumstances publicity campaign to educate claimants as to the types of changes we need to know about promptly. This can be found in **appendix 2**.

Regularly remind and provide advice, in all notifications sent to claimants, of their responsibilities to advise us of changes promptly.

3. Processing changes in circumstances promptly, to avoid overpayments.

Correctly identify and index incoming work that includes a change in circumstances which will have an effect on benefit.

Close management of general work queues and officer work queues to ensure work is processed on a timely basis

Ensure internal Council communication is effective and efficient, to avoid any delay in relevant information being received by the division.

4. Ensure efficient overpayment recovery processes are in place

Prompt recovery action of all overpayments. A major, Council - wide project is currently in progress, to fully reassess our processes regarding the recovery of Housing Benefit debt. This should ensure better classification of overpayments initially, by officers, and then more efficient recovery processes.

This would stop debt recovery action being delayed, making it easier to recover the debt. It would place more emphasis on enabling the repayment to be simpler for the debtor and therefore more likely to be repaid.. This can be found in **appendix 3**.

5.11 Risks and Issues. The onerous Subsidy Audit with its repetitive CAKE checks places the Authority in a catch 22 situation. The Audit routine itself perversely impacts directly, on the Department's ability to address the problems raised in the Audit. This is because the QA team, specifically set up to improve quality and accuracy, is almost totally employed in the mechanics of the Audit process itself. This means that the QA team are only ever re- confirming errors in the Audit that have already been identified in the past. They should be employed in identifying current errors and trends, in a timely manner before they have a financial impact to ensure corrections can be made before they have a financial impact.

5.12 With a year- on- year 10 – 13% reduction in the HB Administration Grant, there is more pressure on limited staffing resources, to maintain an acceptable level of accuracy at the same time as achieving the expected timescales for changes in circumstances to be processed. The issue of Job security has arisen as a direct consequence of the introduction of Universal Credit. Officers see their jobs being eroded, and maintaining staff morale has been a challenge for the service since 2012, when the UC roll programme was announced. This is a classic conflict of quality versus quantity.

5.13 The processing of claims is becoming more and more complicated, both with the regular changes to Regulations, as already described, and even more so, now, with the impacts of Welfare Reform. Because of this maintaining claim processing accuracy is made more difficult.

5.14 The tightening of Housing Benefit allowances is making it more likely that claimants will avoid advising the Authority of changes in their circumstances, in a timely manner, and which may result in a reduction to their benefit.

5.15 The introduction of Real Time Initiative (RTI) in 2015 is another DWP programme where changes in circumstances are identified by a comparison of HB data against data held by HMRC, and sent direct through to the service for action. These data match notifications regularly result in large overpayments being identified due to income changes which took place several years ago, and which the Authority had not been informed of. We need to attempt to recover these large overpayments, as we are at risk of losing subsidy, and possible further loss if we do not efficiently recover the debt from the claimant where possible.

5.16 Recommendations

The Audit process is unlikely to change in the near future, so the QA Team resource will continue to be utilised as it is now, on the Audit process for the majority of time. This severely restricts the ability for much needed pro-active quality checking and officer monitoring to be carried out, which will have a direct impact on the overall quality of work produced. That then directly impacts on the overpayments created and therefore Subsidy claimed. Additional resources on the team, to enable improvement to occur would have a positive impact, but it would not be the only answer.

5.17 Regular and timely refresher training needs to continue to be delivered on an ongoing basis- directed and influenced by regular QA and Team Leader monitoring. That would identify training needs of both individual staff, and also office wide.

5.18 The planned training programme and overpayment project currently in progress will help toward achieving these goals but it will need to continue on an ongoing basis.

5. Financial, legal and other implications

5.1 Financial implications

This report sets out the issues surrounding the loss of Housing Benefit Subsidy and the actions being taken to drive improvements.

Colin Sharpe, Head of Finance, ext. 37 4081

5.2 Legal implications

There are no specific legal implications arising from this report.

Jeremy Rainbow – Principal Lawyer (Litigation) ext. 371435

5.3 Climate Change and Carbon Reduction implications

There are no climate change implications arising from this report.

Louise Buckley, Senior Environmental Consultant, ext. 37 2293

5.4 Equalities Implications

No equality implications.

Surinder Singh. Equalities Officer. Ext 37 4148

5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

N/A

6. Background information and other papers:

None.

7. Summary of appendices:

Appendix 1 – HB Improvement Summary 2015/16

Appendix 2 – Change of Circumstance Awareness Campaign 2016/17

Appendix 3 – Overpayment Improvement Plan 2016/17

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”?

No

10. If a key decision please explain reason