



Housing Benefit Subsidy improvement regime – Update Summer 2018

Audit & Risk Committee

Date of committee meeting: 12th September 2018

Lead director: Alison Greenhill, Director of Finance

Useful information

- Ward(s) affected: ALL
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1. Purpose of report

The Audit and Risk Committee on 3rd August 2016 received a report on the Housing Benefit (HB) Subsidy arrangements for the Authority. The purpose of this report is to:

1. Provide an update on the current Audit regime, the Subsidy Qualification Loss and the measures in place to minimise the loss,
2. Provide an update on the next steps to continue the improvement journey; and
3. Provide an update on how the service promotes customers reporting a change in circumstances.

2. Summary & Background

2.1 Housing Benefit is a DWP (Department for Work & Pensions) benefit, which is awarded to people on low incomes, to help with their housing costs, i.e. their rent. All Local Authorities act on behalf of the DWP, to administer, calculate and award Housing Benefit (HB) to all entitled claimants. The authority submits a Housing Benefit Subsidy claim to the DWP to recoup the monies the authority has paid out in Housing Benefit to claimants.

2.2 The table below details the administration subsidy the authority received from the DWP over the last 6 years and provides an overview of HB performance and caseload. It is worth noting the DWP admin grant has reduced by over 50% over the past 6 years; the HB caseload has only dropped by 15%, however performance has been maintained. In addition the number of work items in the past 3 years as a result of DWP initiatives has increased significantly, without the addition of meaningful financial reimbursement. This has added to the work pressures and had a negative impact upon staff morale.

Year	Administration subsidy received	Subsidy Audit Qualification loss as a %	HB New Claim days to process	HB Change days to process	HB caseload
2017/18	£1.56m	Unknown	22	9	28,900
2016/17	£1.71m	0.45%	21	12	30,568
2015/16	£2.03m	0.31%	21	17	31,803
2014/15	£2.16m	0.67%	24	14	32,652
2013/14	£2.96m	0.58%	23	15	33,230
2012/13	£3.21m	0.72%	24	14	33,916

This reduction in admin grant has come about as a result of reform within the Government's Spending Review and its Welfare Reform agenda. The reforms plan

for the ending of HB claims for some working age claimants and an overall reduction of HB caseloads for LA's. This last intention has been significantly delayed as it is aligned to the roll out of Universal Credit (UC).

2.3 The service has received funding from the Council's General Fund to mitigate some of the effects of the reduction. This investment has maintained our assessment performance and delivered an effective service to the residents in the city. To minimise the impact on the general fund the service has not recruited to all vacancies and used off site processing to support the service to meet its targets.

2.4 No authority receives all of the Housing Benefit paid out back from the DWP and the two main reasons for this are:

1. Overpayments

ALL authorities have overpayments, so will lose some subsidy. This arises from both local authority and (predominantly) claimant error overpayments.

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

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

2.5 At the meeting on 21st March 2018, the Committee received the External Auditor's report on 2016/17 grant claims and returns. Members expressed a number of concerns regarding the results of the audit of the Housing Benefit claim, and requested that the action plan to improve the accuracy of assessments should be reviewed to identify how further progress could be made and to identify timescales.

This report is an update on the progress two years later of the action plans put in place to address these issues.

3. Recommendations

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

4. Current Audit process

4.1 Leicester's external audit process is time consuming predominantly because of the volume of secondary testing required by our auditors. The team of 7 FTE officers have in the past spent 10 months of the year on the subsidy audit, resulting in limited capacity to support the quality assurance (QA) regime for assessment. However, this position has improved with the team meeting the DWP deadline in November 2016 and subsequent years, which has doubled the time the team can spend on focussed QA support by 2 months to 4 months.

The subsidy qualification audit which quantifies the subsidy loss is based on a sample of claims, for which the Quality Assurance Officers evaluate the accuracy on behalf of the auditors. This data is converted into an extrapolated figure across the Housing Benefit caseload to determine the Audit Qualification Loss. It should be noted other than the sample claims this 'loss' is not based on actual, identifiable errors (overpayments) that have the potential to be recovered, rather the loss figure

is essentially a statistical extrapolation.

4.2 The audit qualification loss is detailed in the table below.

	Total Expenditure (£M)	Subsidy claimed (£M)	Audit Qualification loss (£M) *	Qualification Loss as % of subsidy amount claimed
2016/17	132.9	130.4	0.5	0.45%
2015/16	139.4	134.1	0.4	0.31%
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%

** The Audit Qualification Loss includes the loss of DWP incentive scheme payments explained at 5.3d later in the report.*

Members will note from the table since we last reported our position in August 2016 the two most recent completed audits have reduced the loss to the authority by between a half and a third. The subsidy loss, due to qualification, was below 0.5% of the total amount claimed back by the DWP in the last two years. In terms of the accuracy of the subsidy claim, this demonstrates that the authority Housing Benefit assessment accuracy was over 99.5%.

4.3 The regime we follow has not lessened in recent years, despite our protestations to both our external auditor and the DWP. The quantity of cases requiring checking for the audit has not decreased; it has in fact increased in the most recent year and looks to be a similar volume for the audit of 2017/18 subsidy. Despite this the authority has met the subsidy audit deadline for the past 2 years.

5. How we minimise Housing Benefit Subsidy loss:

5.1 There are two main reasons why Authorities don't receive subsidy for all the housing benefit they have paid out:

- Identified Overpayments, arising from both local authority and (predominantly) claimant error overpayments.
- Qualification of subsidy claim, resulting in an extrapolated overpayment figure based on sample cases checked by the external auditor.

5.2 There are a number of ways in which the loss can be minimised. All these are interlinked and inter-dependent. These include:

- a. Encouraging claimants to inform us promptly of changes in circumstances
- b. Processing changes in circumstances promptly, to avoid overpayments.
- c. Reducing human error in Housing Benefit assessments.
- d. Minimising Local Authority Overpayment Error.
- e. Ensure that every penny of subsidy the authority is entitled to claim is

claimed.

- f. Ensure efficient overpayment recovery processes are in place.

5.3 The service has plans and campaigns in place to tackle all of the above points and this section covers how the service does this.

5.3a Encouraging claimants to inform us promptly of changes in circumstances

Some 90% of all overpayments created are due to the claimant failing to advise us of changes in their circumstances, with only the remaining 10% being due to official error by the authority. It is the responsibility of the claimant to report the change; it is the responsibility of the authority to ensure claimants are aware of their responsibility. We do this by:

- Regularly reviewing the HB notification letter wording to emphasise this requirement. We have done this in collaboration with our Social Welfare Advice partners.
- Running regular publicity campaigns to raise awareness. The last campaign ran in 2017/18.
- Simplifying the reporting arrangements. Changes can now be reported over the phone and we have introduced an on-line changes reporting form.

5.3b Processing changes in circumstances promptly, to avoid overpayments.

Ensuring changes in circumstances that are reported to the Authority are processed promptly is one of the critical measures that can reduce overpayments; in particular those which are identified as local authority (LA) error. To achieve prompt processing and mitigate LA error we:

- Target work processing changes which may result in a detrimental change.
- Focus resources on change in circumstance work types.
- Correspond with claimants via email, where this is expressed as their preference; to speed up decision making.
- Our Risk Based Verification (RBV) tool minimises the requirement for claimants to provide evidence where possible, speeding up decision making.
- DWP now administer changes through 'Real Time Information' (RTI). This direct feed of data from HMRC is as a result of the HMRC cross-checking their employment records and earnings details against the earnings being used in HB claims (DWP data). If any mismatch is found the DWP will let us know what records they have and we apply the information to our own claims.

Close management of work queues has continued to ensure work is processed on a timely basis and as can be seen from the table at para. 2.2 above, our decision making for changes has significantly improved from 14 days 7 years ago to an average of 9 days for 2017/18.

5.3c Reducing human error in Housing Benefit assessments.

As part of our on-going performance management regime we have taken the following steps to improve communication, provide staff with the necessary

information and resources they need to improve their decision making and refreshed their knowledge website to be more intuitive to search for help.

Some key activities are:

- The QA regime continues to support staff to carry out their role
- The QA team support the QA regime for an additional 2 months of the year since 2017
- Early in 2018 Quality Check software was used to randomly *spot check* decision making prior to an award
- Carried out a further training needs analysis to identify the most relevant training needs
- The QA Manager chairs a monthly “Change and Improvement Board” meeting with all operations managers. The issues relating to quality of work, errors and training needs highlighted are discussed and arrangements agreed to inform and support staff
- QA Manager regularly briefs all processing staff on any quality issues found throughout the audit and answers questions and queries from the staff.
- QA Top Tips continue to pick out the most relevant points to note and reminders and are valued by the staff.

5.3d Minimising Local Authority (LA) Overpayment Error

LA error is where a LA has made an error, or been slow to make a decision on a claim, thus compounding the length and amount of overpayment or where a decision was assessed as inaccurate under the legislation. To reduce the occurrence of LA error the DWP has an incentive scheme. The way it works is if we keep our LA error overpayments low (below 0.54% of the total subsidy claimed), the DWP will pay us an incentive subsidy based on the value of overpayment we create. If we keep the LA error level below 0.48% of the overall HB subsidy the LA could retain up to 100% of the incentive award.

For Leicester this has been a challenge. As can be seen from the table below, our ability to hit the target is inconsistent. The table details by year the total value of LA Overpayments (OP) identified before the audit, the target to reduce LA error in order to receive the incentive (this is the maximum subsidy incentive we could receive), the value of the subsidy received before audit qualification and actual incentive received post qualification.

Financial Year	Total value of LA OP identified before the audit	LA target to receive incentive	Maximum Subsidy Incentive	Initial Incentive received	Actual incentive received post qualification
2017/18	£672K	£636K	£566K	NIL	NIL
2016/17	£629K	£679K	£604K	£252K	NIL
2015/16	£1M	£707K	£629K	NIL	NIL
2014/15	£647K	£706K	£628K	£258K	NIL
2013/14	£705K	£722K	£642K	£282K	NIL

In the 2013/14, 2014/15 & 2016/17 initial assessments Leicester received incentive payments. However following the audit, our LA error overpayments exceeded the

thresholds therefore Leicester had subsequently not meet the criteria and this money had to be returned to the DWP.

To achieve an incentive payment the service is undertaking the following actions – this is in addition to (point 5.3b) reducing change in circumstance decision making time:

- All LA error overpayments have their classification validated
- Any LA error over £300 is scrutinised for accuracy
- Overall LA error performance is closely scrutinised at monthly Senior Management meetings, a standing discussion item at 1:1 meetings and reported at the Divisional Director meetings.

5.3e Ensure that every penny of subsidy the authority is entitled to claim is claimed

The Service has its own QA team whose primary role is to quality check and report on the work undertaken across the service. 50% of the staff on the team are QA officers; a dedicated group of staff focussed on doing just this - checking the accuracy of HB assessments. They work within a tight regime, led by the external audit routine. The time it takes to carry out the audit detracts the team from their role of carrying out QA checks throughout the year to proactively reduce the occurrence of errors and address trends as they appear. As a result, the QA officers are constantly “on the back foot” and are unable to gain ground on repeated errors thus ending the cycle of repeat audit testing.

We regularly challenge the auditor findings, more successfully than not. The QA Manager is particularly proficient in this challenge arena. We regularly provide evidence of the proactive work the service undertakes to turn around our error rate. We are already noticing change following the introduction of the Quality Check software and believe this will go some way to help minimise loss.

5.3f Ensure efficient overpayment recovery processes are in place

All errors, whether due to the claimant failing to tell us of changes or where the authority is slow in processing work, result in overpayments the authority has to recover. Timely recovery of these overpayments is therefore one of our main priorities.

In recent years the introduction of RTI (see point 5.3b) has improved the accuracy of claims; however the disadvantage for the authority, as a direct result of RTI, is the value and volume of HB overpayments. Large claimant error overpayments have significantly increased, placing additional administrative, resource and financial burden on the authority.

We have introduced processes that have improved the customer experience. Recovery of overpayments is a difficult and sensitive matter and we have endeavoured to work with our advice partners to improve our approach.

We have in place :

- A corporate debt recovery policy
- An overpayment recovery improvement plan
- The content of all HB overpayment notification letters has been revised

- Notification of overpayments, how and where to pay is more timely
- We made it simpler for claimants to pay back their overpayments
- Where different recovery methods (via the Business Service Centre) are required these are adopted at an early stage.

The new processes in place are having a positive impact on our ability to collect outstanding overpayments, as our recovery percentage in year has increased from 58% to 90% over the last four years. This means we are more successful in collecting debt, but on the other hand we are still creating more overpayments than we are recovering. The table details the overpayments created in the year and the amount recovered in the year (the recovered payments do not necessarily relate directly to the debt created in year).

Summary of HB overpayment by year			
Financial Year	Total overpayments created in year (£M)	Total overpayments recovered in year (£M)	% recovered in year
2017/18	6.626	5.969	90%
2016/17	6.627	5.384	81%
2015/16	7.484	4.705	63%
2014/15	6.387	3.625	58%

It is clear that a greater number of overpayments are being created; this is as a direct result of the proactive work that we are undertaking through RTI. In fact approximately 25% of all 2017/18 overpayments were as a result of this DWP proactive work.

6. Risks and Issues.

There remains a significant risk with the HB subsidy audit due to the nature of the business however the service remains confident our plans and measures will maintain the current trend of reducing subsidy loss and increased overpayment recovery.

HB Subsidy Audit Risk and Issues 2018/19		
Risk	Impact	Mitigation
External auditors fail to carry out the audit in a timely manner	Leaves LA with unachievable timeframe to effectively challenge findings, thus DWP subsidy clawback could be higher.	Regularly chase for attendance. Escalate within external auditor management lines. Write to DWP to request an extension to subsidy submission
Risk	Impact	Mitigation
Increased number of	LA error increases	Challenge DWP to

<p>change of circumstance (COC) work items from:</p> <ul style="list-style-type: none"> • New DWP initiatives placed on LA's • Universal Credit change notice • VEP (verified earnings process) which is replacing RTI. 	<p>LA error target not achieved – no incentive awarded</p> <p>COC processing target not achieved</p> <p>Customer dissatisfaction</p>	<p>sufficiently fund new working methods (new burdens funding)</p> <p>Explore alternative processing solutions</p>
<p>Loss of staff resources/administration budget</p>	<p>Loss of staff - assessment knowledge disappears</p> <p>COC target not met</p> <p>Loss of income to the Council</p> <p>LA error increases</p>	<p>Explore funding solutions</p> <p>Review support functions</p> <p>Improve staff retention</p> <p>Improve staff morale</p> <p>Complete training support package</p>
<p>Overpayments increase</p>	<p>Higher customer contact</p> <p>Greater resource demand and admin cost to recover debt</p> <p>Greater financial burden (bad debt provision)</p>	<p>Timely processing of COC</p> <p>Improve accuracy of claim decisions</p> <p>Run COC awareness campaigns</p> <p>Explore business processing efficiencies</p>

7. What's new for 2017/18 and beyond?

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. The service will address the funding and workload challenges, whilst also continually striving to push the boundaries and stretch performance to continue to maintain a downward trend.

Our aims for 2018/19 are:

- Change in circumstance (COC) processing target is 6 days
- LA error target between 0.48% - 0.54% of overall subsidy grant
- Stretch LA error target of below 0.48%
- Retain no less than 50% of the incentive payment
- Meet the HB subsidy November deadline
- Maintain the downward trend in HB subsidy clawback
- Realise the benefits of the overpayment recovery improvement plan
- Business efficiencies achieved through our new customer portal where COC can be reported and automatically calculated
- COC campaign autumn 2018
- Deliver and evaluate gap analysis to deliver focussed training

The outcomes, achievements and challenges of these aims and objectives within this report will be regularly reported to the Head of Service and monitored by Director of Finance. Should any significant slippage, risk or loss be identified this will be reported to the Committee for their consideration.

8. Financial, legal and other implications

8.1 Financial implications

This report sets out the issues surrounding the loss of Housing Benefit Subsidy and the actions being taken to minimise clawback, retain some incentive grant and to drive further improvements.

Colin Sharpe, Head of Finance, ext. 37 4081

8.2 Legal implications

Although there are no specific legal implications arising from this report at this stage aside from those set out in legislation which relate to clawback. The focus of the team should be to continue to minimise any clawback and to have robust processes in place to achieve this.

Sukhdeep Kaur, Solicitor, ext 37 2680

8.3 Climate Change and Carbon Reduction implications

There are no significant climate change implications associated with this report.

Aiden Davis, Sustainability Officer, ext. 37 2284

8.4 Equalities Implications

There are no equalities implications arising directly from this report, as it is an update report with no recommendations for any changes which would affect service users.

Hannah Watkins, Equalities Manager ext. 37 5811

8.5 Other Implications

N/A

9. Background information and other papers:

Housing Benefit Subsidy and Improvement Regime - Audit and Risk Committee, 3rd August 2016.

10. Summary of appendices:

None

11. Is this a private report

No

12. Is this a “key decision”?

No