

**READING BOROUGH COUNCIL
REPORT BY HEAD OF CUSTOMER SERVICES**

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 SEPTEMBER 2017	AGENDA ITEM:	5
TITLE:	HOUSING BENEFIT SUBSIDY		
LEAD COUNCILLOR:	CLLR J LOVELOCK	PORTFOLIO:	LEADERSHIP
SERVICE:	HOUSING BENEFITS / CUSTOMER SERVICES	WARDS:	BOROUGHWIDE
LEAD OFFICER:	KIRSTY ANDERSON	TEL:	0118 9372144
JOB TITLE:	INCOME & ASSESSMENT MANAGER	E-MAIL:	kirsty.anderson@ reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 At the July's Audit and Government Committee Meeting, concerns were raised by councillors about the complex process to claim housing benefit subsidy from the DWP. Officers, in consultation with the Leader of the Council and the Chairman of the Committee were asked to consider any further action that could be taken to address the concerns raised.
- 1.2 This report provides a further update on the actions that have been taken by the Housing Benefits Service to mitigate error and losses as a result of the complex subsidy regime.
- 1.3 The report also provides an update on the further actions and activity carried out within the service to increase monitoring of thresholds.

2. RECOMMENDED ACTION

- 2.1 That the content of this report is noted and the increased monitoring activities are recognised as reasonable actions to take in the circumstances.

3. BACKGROUND

- 3.1 Reading Borough Council has lost a percentage of the annual Housing Benefit Subsidy that could be due in recent years following the final audit of the HB subsidy claim. It has been argued that the subsidy regime and related audit methodology is over complex and tends to be unfairly punitive to local authorities.
- 3.2 These losses were £659,793 in 2014/15; and £525,062 in 2015/16. These losses need to be set in the context of the total value of our Housing Benefit Claim. In 2015/16 our claim value was circa £77m and our loss was £525,062 which equates to 0.67% of our overall spend on Housing Benefit, in that year we processed 3151 new claims and 48,602 changes in circumstances.

- 3.3 Loss of subsidy is a result of a penalty linked to the level of overpayments we make; overpayments are classified on the HB subsidy claim form in different ways, Local Authority Error, Administrative delay, DWP error or Claimant error.
- 3.4 A "Local Authority Error Overpayment" is caused by a mistake of fact or law (whether an act or an omission) by the Council.
- 3.5 "Administrative Delay" overpayments are caused by a delay when the Council is notified of a change in circumstances, has the information it needs to make a decision to adjust a claimant's HB but fails to do so in time for the next housing benefit payment date.
- 3.6 All of these overpayment classifications are combined to form a total amount and it is this amount that in theory the Local Authority can then reclaim from the DWP. However where there is Local Authority Error or Administrative Delay, we are penalised and cannot claim back the whole amount.
- 3.7 The DWP do recognise that some level of error is unavoidable so have set thresholds, so that if our error rate is less than 0.48% of the total amount of our claim we can receive 100% subsidy back. However If the error rate is between 0.48% and 0.54%, only 40% of the total amount is paid back to us. If the error rate is rate is 0.54% or above, no subsidy is paid on any of the overpayments. In effect these thresholds operate as "cliff edges", such that when the error rate moves above 0.48% the minimum cost is around £250k, and when it moves from 0.53% to 0.54% the cost to the Council is a minimum of £400k.
- 3.8 Putting Reading in to context, we are an area of high employment with around 33% of our caseload in work at some point throughout the year. A high proportion of these customers have numerous changes throughout the year including tax credits, childcare and changes in wages and hours of work. Often these changes are lined to each other. There is a high number of customers claiming due to being on zero hours contracts as well as large numbers of self-employed customers. These changes make our caseload complicated to administer and the sheer volume means that unlike some other areas of the country with low in - work cases, Reading is at greater risk of incurring subsidy delays and errors in assessment.
- 3.9 We currently receive over 100 new claims and over 1,400 change in circumstances notifications every week. Volumes have increased significantly as the DWP / HMRC introduce further automated notifications to us of people's changes to their circumstances (whereas the thresholds above were set in an earlier era where claims were normally only reviewed on an annual basis in accordance with the regulations and where much less information was provided to the local authority, and notifications were sent manually). We expect this high level to continue to increase with the roll out of the full digitised Universal Credit Service due to go live in Reading in December 2017.
- 3.10 A significant number of other local authorities are also being penalised for making a relatively small percentage of errors in an area of work which is largely driven by applying legislation which can be unclear in its practical application, and which itself has not been kept up to date with changes in working patterns and changes to pension arrangements.
- 3.11 The audit of our subsidy claim in 2015/16 highlighted that we needed to introduce a more robust approach to quality checking of work and provide additional training and support to officers who are administering an extremely complicated Welfare Scheme to try to reduce the error so as to mitigate the risk of loss of subsidy.

4. THE PROPOSAL

4.1 Current Position:

As a result of our continuing risk of subsidy loss, we have put in place a significant programme of activities; however this will not guarantee or necessarily safeguard us against continuing losses, as that is almost impossible to achieve given the complex regime.

Subsidy Actions / Mitigations:

To try to mitigate future risks the Benefits Team has carried out the following actions:

- 1) In September 2016 we engaged with an external provider to carry out 10% quality checking process of all assessments (more than twice the national guidance of 4%). Additionally we have undertaken a proportion of full case checks in a similar way to the way we understand testing for the initial external audit samples is carried out. This includes 100% checking in place on all new staff starters to the team. Quality is also discussed in 1-1s with benefit assessment staff, with the aim of achieving continuous improvement.
- 2) We brought in a subsidy expert to provide monthly targeted and focused intensive training to support a new earned income policy
- 3) We provided retraining on self-employment to ensure a consistent approach by all our staff to calculating net profit
- 4) We have provided targeted retraining in areas where errors have been identified in previous years or where there is a high risk of error occurring in future
- 5) Staff have been re-trained on overpayment classifications, and booked more training days on classification so a correct approach becomes embedded in our working practices
- 6) General training session on subsidy highlights errors found in previous audit and areas of subsidy loss to staff
- 7) The processes for occupational pensions increases has been reviewed, using Real Time Information Files (HMRC) files where available
- 8) We have reviewed processes to try to minimise the possibility of errors being made
- 9) We have changed parameters to ensure when cancelling Council Tenant HB claims, liability is ended properly, by correctly ticking the change of address indicator to avoid confusion with the claim from the new address
- 10) We have created additional reports from within our database for passported non-under 25 to check for main phase ESA and have amended these cases accordingly to pick up the correct non-dependent deduction
- 11) We have created additional reports for claims involving an Assessed Income Figure
- 12) On-going subsidy checks are being carried out monthly for high value overpayments across all categories of claim
- 13) Monthly highlight reports are being provided to senior management measuring thresholds so we know can try to asses if we are close to our thresholds for potential Subsidy Loss (see below for current position)
- 14) We strengthened and embedded our risk base verification policy incorporating our e-claim process when it was re-launched in April earlier this year
- 15) We have provided training to front line Customer Service Staff to ensure correct, consistent advice that helps alert us to errors sooner.

We are exploring further options to mitigate risk including increasing the level of checks we carry out across the Assessment Team. Benchmarking our approach with other neighbouring authorities and will consider the business case to fund additional resources to carry out further internal checking and training.

We are currently recruiting two additional Housing Benefit Officers to provide additional resource to administer the scheme.

4.2 LGA Lobby

As requested in the last Audit & Government Committee, we have written to the LGA to lobby to raise the very serious concerns the Council has about the current arrangements for the Housing Benefit Subsidy scheme (and its audit). We have advised the LGA that the Council's view is that the current Housing Benefit subsidy scheme audit as it is now run is both unreasonable and likely to be unfairly punitive to local authorities as well as being outdated particularly given the significant changes to working arrangements in recent years which has changed the nature of the Housing Benefit caseload including frequency of changes in customers' circumstances.

4.3 Our Assessment of the Current Position

As at the end of August, our monitoring of the 2017/18 Subsidy claim suggests we are on target and we currently expect to be under the threshold for significant losses. We believe the error rate is running at 0.32%, so if that is maintained we are on course for 100% subsidy

However, the position is very fluid, and could change very quickly if there were a single bad month. The table shows our assessment of the end of August position.

1. LA error

Gross expenditure	LA error	Percentage
£30,528,908	£98,623	0.32

Category	Amount		
LA error	£50,902		
Admin delay	£47,721	LA + Admin =	£98,623
Lower threshold (0.48%)	£146,539		
Upper threshold (0.54%)	£164,856	HB paid to August	£30.528m

Based on our reports, we are below the tolerance level for the lower thresholds.

4.4 2016/17 Audit

The External Audit of the 2016/17 Housing Benefit Claim is in progress; EY on site carrying out their assessments. In the view of the Subsidy Officer the audit has been progressing well; although it has identified some error levels that will impact our subsidy loss. Given the volumes being checked, we expect that errors will be identified that arise due to the complex nature of our claims. Therefore, we anticipate an improvement on last year but still anticipate there may be a significant loss to the authority.

On a positive note our Internal Audit team has reviewed the service, and Internal Audit have been able to validate and evidence that we have made an overall improvement in the service in both quality and training, as well as business processes with the team.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The Housing Benefit Service is an important regulatory service we have to provide that ensures those families and individuals within the borough receive the financial support they are entitled to, to ensure they can sustain their tenancy's and meet their Council Tax Liability.

This supports the following aims:

- Safeguarding and protecting those that are most vulnerable;
- Providing homes for those in most need;

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 *N/A*

7. EQUALITY IMPACT ASSESSMENT

- 7.1 *N/A*

8. LEGAL IMPLICATIONS

- 8.1 *None this report is for information only*

9. FINANCIAL IMPLICATIONS

- 9.1 Subsidy Loss remains an ongoing risk for the Local Authority and All Local Authorities. The sections above set out the potential magnitude of HB costs, financial risks and the financial operating context

10. BACKGROUND PAPERS

- 10.1 HB Subsidy Legislation & Guidance on completing HB claims

