Report for: Corporate Committee – 2nd December 2019

Title: Housing Benefit Subsidy Update

Report authorised by: Andy Briggs, AD for Customers, Transformation and Resources

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Ward(s) affected: All

Report for Key/ Non Key Decision: Not Applicable

1. Describe the issue under consideration

1.1 Haringey Council administers Housing Benefits and Council Tax Reduction for approximately 27,000 and 25,000 claimants respectively. We make the payments on behalf of the DWP who then transfer the amounts back to us via a subsidy claim.

1.2 External auditors (BDO) verify the subsidy claim and conduct sample reviews to ascertain whether errors have been made in the claim processing that have led to overpayments and whether these errors are Local Authority errors or caused by administrative delays. Overpayments that fall into these categories can lead to subsidy being withheld.

1.3 The Housing Benefit subsidy process provides an allowance to enable Local Authorities to recover overpayments resulting from Local Authority error. The allowance is capped on a sliding scale:
   - Full subsidy can be paid if the overpayment does not exceed 0.48% of the total benefit
   - 40% can be paid if the overpayment does not exceed 0.54% of the total benefit
   - No subsidy can be paid if the overpayment exceeds 0.54% of the total benefit.

1.4 In 2017/18 the Housing Benefit Service put a lot of effort and resources into significantly reducing a backlog of work and as a result a number of errors were identified. Initial indications from BDO showed that approximately £458k of subsidy could be withheld.

1.5 Following the concerns raised by BDO further sample checks were carried out and this resulted in the DWP reducing the subsidy loss for 2017/18 from the original £458k estimated down to £61k.
1.6 Each year the DWP provides an additional grant to those Authorities who do not breach the subsidy threshold, i.e. their overall error rate is less than 0.54% of their benefit caseload. In 2017/18 although our penalty reduced significantly, we still had an error level of £61k so could not make a claim for this grant. Indications from BDO at the time estimated this grant to be £1.4m.

1.7 Although the subsidy loss was significantly reduced, it was agreed that a follow-up report be brought to Corporate Committee in December 2019 to report on performance and expectations for 2018/19.

2 Background Information

2.1 The external auditors BDO presented a report to Corporate Committee on 5th February 2019 following the audit of the Housing benefit Grant Claim and certification for the financial year ended 31 March 2018.

2.2 The auditors highlighted that as a result of clearing a large part of the backlog in 2017/18, the Council created a higher than usual number and value of overpayments arising from local authority errors and administrative delays. As a result, they estimated that the impact of the errors could result in the DWP withholding approximately £458k of subsidy.

2.3 Following on from BDO’s report, additional sample checks were carried out which highlighted that the initial percentages quoted were high, the DWP then agreed to amend the financial loss figures.

2.4 A formal response was received by the DWP on 13th June 2019 stating that the subsidy loss for 2017/18 would reduce from £458k to £61k.

3 Context

3.1 During 2017/18, Haringey Council administered Housing Benefit and Council Tax Reduction for approximately 27,000 and 25,000 claimants respectively. Our changes in circumstances average 3-4 changes per annum per case therefore our incoming work is significantly high and reflects the transient nature of our Borough.

3.2 Errors within the calculation of customers earned income has been an issue for both 2017/18 and prior years. Claimants’ payslips are sometimes difficult to interpret as a result of zero hours contracts, and seasonal/term timework. This has added to the complexities of fluctuating self-employed and earned income cases.

3.3 Although the further sample checks conducted by the Service resulted in a significant reduction in the original estimated subsidy loss, the Benefits Service took the BDO findings on board and made a number of changes as a result in order mitigate against the possibility of future subsidy losses.

3.4 These include:
   - A more cohesive approach to Quality Assurance to include subsidy requirements and immediate identification and correction of any errors. This is closely monitored by managers and addressed in performance
management meetings. There are two officers on regular percentage checking and two officers on targeted checking the high-risk areas.

- Comprehensive guidance notes on earned income have been written, distributed and delivered through workshops, and are now available as a source of reference to all staff.
- Team Leaders exclusively check the daily classification of overpayments created as this is an area that was identified as high financial risk.
- Formal processes have been established to target and analyse error trends and feedback to officers.

4 Benefit Performance Update

4.1 The service has been working on a reduction plan and have reduced the amount of outstanding work significantly in the last year. As part of a concerted focus on work reduction all officers now work on a distinct patch of claims, thereby promoting ownership and pride in work.

4.2 This has led to a reduction in days taken to process new claims from 23.64 days in 17/18 to 18 days in 19/20 and a reduction in days taken to process changes of circumstances from 17.12 days in 17/18 to 7.74 days in 19/20. The following table breaks this down further.

<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20 (to date)</th>
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</thead>
<tbody>
<tr>
<td>New Claims Processed in Days</td>
<td>23.64</td>
<td>22.51</td>
<td>18</td>
</tr>
<tr>
<td>(Target – 20 days)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Change in Circumstances</td>
<td>17.12</td>
<td>13.78</td>
<td>7.74</td>
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<tr>
<td>Processed in Days</td>
<td></td>
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<tr>
<td>(Target – 12 days)</td>
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4.3 We are confident that this performance trend will continue as a result of the changes and interventions and are satisfied that the 2018/19 subsidy claim will reflect the hard work and improvements made.

5 Financial Year 2018/19

5.1 The external audit for 2018-19 is underway. The audit consists of initial testing and then specific testing based on errors found within previous years. The
auditors have selected the samples and the team is currently working through them.

5.2 The testing we undertake is subject to re-performance checks by the auditors. Once the auditors have undertaken these checks, they will draft a qualification letter to the DWP detailing their findings and the potential impact of errors found.

5.3 We anticipate the final picture in terms of any subsidy loss and any impact to grant income for 2018/19 to be known by March 2020.

6 Comparison with Other Authorities

6.1 When comparing the total Housing Benefit spend across all London Local Authorities Haringey had the 7th highest spend in 2018/19 as shown in the following graph.

![2018/19 HB Spend](image)

6.2 Across England, Local Authority overpayments average approximately 3.1% of Housing Benefit expenditure, this rises to 3.4% for London Local Authorities. Haringey’s overpayments for 2018/19 were 3.9%, a reduction of 1.4% from 2017/18.

6.3 Haringey is part of a London wide benchmarking group where best practice is discussed and learning is shared.

7 Productivity Improvements

7.1 As part of the FOBO Transformation Programme we introduced Risk Based Verification (RBV) to assist either the processing of Housing Benefit and Council Tax Reduction claims on 01.11.19.
7.2 RBV relates to the level of checks that are undertaken on a claim before benefit is awarded. Its primary purpose is to target resources to where fraud and error are more likely to occur and thus help minimise fraud and error.

7.3 Each claim is given a risk category, Low, medium or High. This risk determines the likelihood of fraud and error occurring on the claim.

7.4 Over a third of our claims will require less evidence with RBV than was previously requested (low risk).

7.5 In the last financial year, we received 4471 new claims and 145,819 changes of circumstances for customers. We sent out 21,049 letters to customers requesting further information. It takes on average 10 minutes extra processing time for each letter we send out for additional information, and adds on average, 2 weeks onto the processing time for each customer.

7.6 The remaining two thirds (medium and high-risk claims) would remain broadly the same. However, the verification approach to these claims would be more structured, consistent and based on statistical evidence.

7.7 Targeting our resources to those claims which provide a higher risk of fraud and error will help reduce fraud, error and overpayments. The RBV software company has confirmed that those claims that carry the very highest risk rating in the high-risk group have a 40% chance of error.