

Report for: Corporate Committee – 18th March 2020

Title: Housing Benefit Subsidy Update

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

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Ward(s) affected: Not Applicable

**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. The administration of benefit is undertaken on behalf of the DWP, and the Council receives a subsidy from the DWP to cover the cost.
- 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.

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.
- 2.5 However, as we breached both thresholds due to the number of errors identified, the Local Authority were not able to recover any amounts for the £1.445 million local authority error and administrative delay in overpayments.

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 2017/18 to 17.7 days in January 2020 and a reduction in days taken to process changes of circumstances from 17.12 days in 2017/18 to 6.99 days.

	2017/18	2018/19	2019/20 (As at Dec 2019)	February 2020
New Claims Processed in	23.64	22.51	18	17.4

Days (Target – 20 days)				
Change in Circumstances Processed in Days (Target – 12 days)	17.12	13.78	7.74	6.59

4.3 We are confident that this performance trend will continue as a result of the changes and interventions made and are satisfied that the 2018/19 subsidy claim will reflect this.

5. Financial Year 2018/19

5.1 The external audit for 2018-19 has just been finalised and the qualification letter has been sent to the DWP. Once the DWP have agreed the content and our final position we can confirm the details.

5.2 We anticipate confirmation for 2018/19 to be known by March 2020.

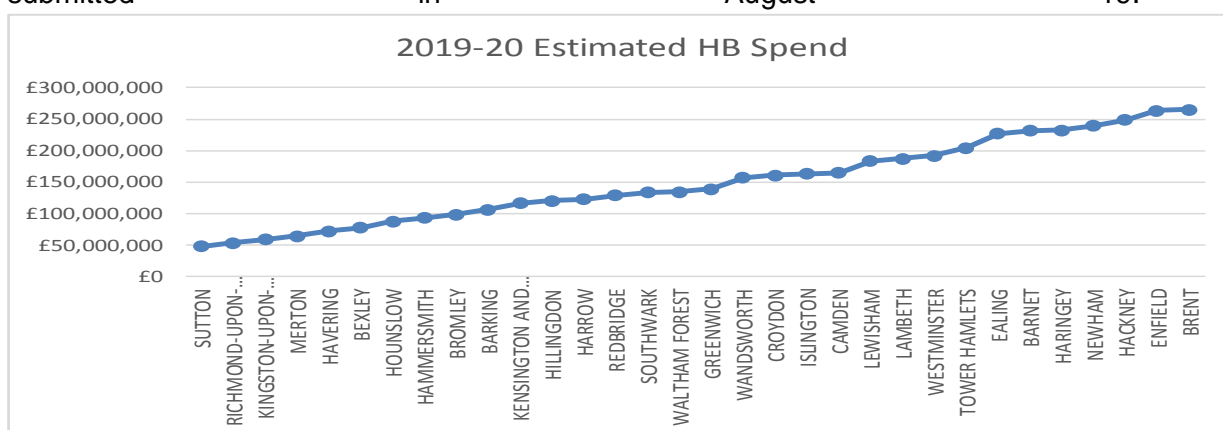
5.3 In 2018-19 we have not breached neither threshold, therefore we will receive 100% subsidy for all of the overpayments created through local authority error and delay.

5.4 The audit checking has confirmed that although we have had more cases checked for 18/19, our error rate has improved. Some of the improvements within certain areas are earnings down 19%, self-employed down 41% and overpayments down 78%. However, we still have work to do in other areas to continue reducing our error rate.

6. Comparison with Other Authorities

6.1 When comparing the total expenditure across all English LA's Haringey has the 5th highest spend (8th in 18/19 and 9th in 17/18) across London LA's as shown below.

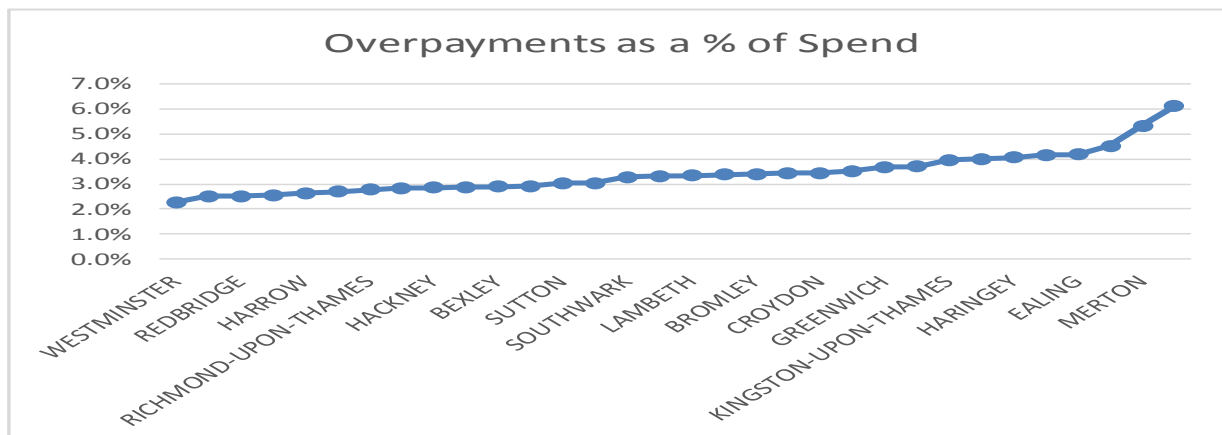
6.2 The following is based on the DWP data issued for the mid-year estimates for 2019/20 submitted in August 19.



7. Overpayments as a % of total expenditure

7.1 Across all English LA's overpayments average 2.7% of HB expenditure, with a slightly higher average of 3.4% for London Authorities (no change from 18/19).

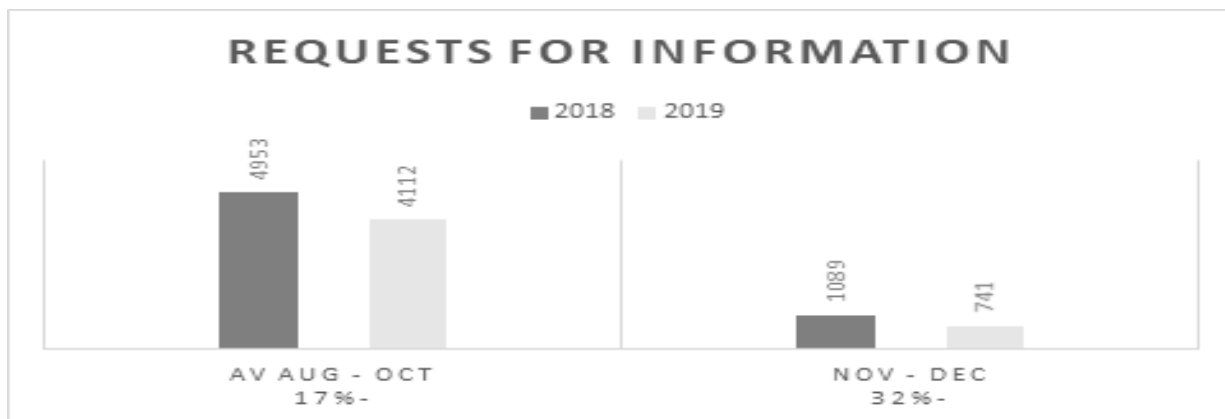
- 7.2 Haringey's overpayments were 4.1% (3.9% in 18/19 and 5.3% in 17/18) which puts us 27th (up from 30th in 18/19) out of 32 London Authorities.
- 7.3 The table below shows the % for London Borough's.



- 7.4 Overall the average overpayments come in at 3.4% of spend (no change for 18/19), ours is slightly higher at 4.1% which is slightly up from 3.9% in 18/19. This is due to proactive projects we have undertaken to update information held on our database and to avoid future errors.
- 7.5 Overpayments can be caused because we are not informed (or we are informed late) about changes in circumstances. Delays in processing can also cause overpayments, though this is minimised as much as possible.

8. Productivity Improvements

- 8.1 As part of the FOBO Transformation Programme we introduced Risk Based Verification (RBV) to assist with the processing of Housing Benefit and Council Tax Reduction claims on 01.11.19.
- 8.2 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.
- 8.3 Each claim is given a risk category, Low, medium or High. This risk determines the likelihood of fraud and error occurring on the claim.
- 8.4 Over a third of our claims will require less evidence with RBV than was previously requested (low risk).
- 8.5 Since the introduction of RBV in November 2019 we have seen a 49% decrease in the number of letters we send requesting further information compared to the same period last year.



- 8.6 To ensure that our RBV policy is robust and will not increase overpayments, we have put monitoring processes in place. We are able to review what overpayments have been created broken down by risk group.
- 8.7 Having this level of data enables us to take proactive action to ensure our RBV policy does not increase the levels of overpayments created. Undertaking this activity on a month by month basis ensures we can act quickly should we need to.
- 8.8 For overpayment value broken down by risk group, the data shows:

	Low Risk (45% of caseload)	Medium Risk (30% of caseload)	High Risk (25% of caseload)
2018	29%	40%	31%
2019	23%	41%	36%
Since RBV Live Nov 19	18%	61%	22%

8.9 In 2018, 29% of overpayments created were from claims that would be categorised as low risk. For 2019 this was 23%. Since going live with RBV, only 18% of all overpayments created were for cases classified as Low risk. So, 45% of the caseload only generate 18% of the overpayments. This demonstrates that reducing the level of evidence we required for these claims has not increased overpayments. High risk cases have greater scrutiny than before and the overpayments here have reduced indicating that the extra validation here is helping to reduce fraud and error in high risk cases.

9. Other successful delivered opportunities

9.1 Landlord Portal:

Used primarily by landlords who receive direct payments of Housing Benefits for customers. The portal enables these landlords to self-serve and provide us with information to ensure claims are assessed promptly and correctly. Since the introduction of the portal, the number of general enquiries received from these landlords has dropped by 56%

9.2 Improving our letters to Customers:

We have reviewed some of our more complex letters so that more of our customers can understand them without needing our assistance. Since making these changes we have received over 1000 fewer queries regarding our letters compared to the same period last year.

9.3 Benefits Portal:

The Benefits portal went live 06.12.19 and in the first 7 weeks' customers sent us over 500 claims/ changes via the portal. Customer can make new claims, report any changes and upload evidence via the portal. Because the portal follows the same RBV rules our staff apply when requesting evidence, it applies those rules as soon as the customer provides their details. The advantage to the customer is they know immediately exactly what evidence our staff need to see to process their claim. They no longer have to wait until our staff have received and reviewed the form and written out to them to request the evidence.