

Report to Audit Committee

By the Director of Resources
INFORMATION REPORT



Not Exempt

2021-22 Housing Benefit audit

Executive Summary

Local Authorities normally receive subsidy from central government for correctly paid housing benefit. Thresholds are set to identify errors and if these margins are exceeded, Local Authorities stand to lose subsidy depending on the value of the error. Any clawback is determined by the DWP.

The audit of the 2021-22 Housing Benefit subsidy claim was completed in March 2023 and identified the likely loss of £65,416 in Housing Benefit subsidy to the Council. This loss is due to the value of the extrapolations and errors in the qualification letter together with the current year Local Authority (LA) error and administrative delay figure on the claim form breaching the LA error and administrative delay lower threshold.

The DWP determines the amount of subsidy to which the Council is entitled. Therefore, we cannot predict precisely the amount of clawback to be requested by the DWP. However, it is likely to request that the total amount of the loss be repaid in full.

Management has introduced robust measures to improve quality assurance in light of the adverse conditions the service has operated under in the last three years arising from Covid-19 and compounded by the cost of living crisis.

Recommendations

That the Committee is recommended to:

- i) Note (a) the expected loss of subsidy that has been identified in the audit of the 2021-22 Housing Benefit claim, and, (b) the measures being taken to improve the process and reduce errors in the future.

Reasons for Recommendations

- i) To make the Audit Committee aware of the subsidy loss and the measures taken to reduce the risk of future subsidy loss.

Background Papers - none

Wards affected: n/a

Contact: Dominic Bradley, Director of Resources, 01403 215300

Background Information

1 Introduction and Background

- 1.1 Horsham District Council's Revenues and Benefits Service entered into a shared service arrangement in April 2018 with LGSS for the provision of the Revenue and Benefits function. This followed the termination of the CenSus Revenues and Benefits arrangement that had lost significant levels of subsidy in 2014/15 and 2015/16 due to high level of errors and poor management. A risk of exceeding thresholds for the LA Error has existed since the commencement of the shared arrangement.
- 1.2 The impact of Covid-19, compounded by the cost of living crisis, has disproportionately increased the workload of Revenues and Benefits teams. Increased use of temporary staff required to meet demand is likely to have had an adverse impact on quality of the function.
- 1.3 The Revenue and Benefits team recognised the risk of increased error and recruited accordingly to form a newly expanded Subsidy and Assurance team in August 2021. This team has subsequently identified a high percentage of past errors from the CenSus era and existing quality issues both of which have impacted negatively the recovery of subsidy. In effect, this means less headroom in the allowable threshold of Local Authority error, should cases be identified and extrapolated during the Housing Benefit subsidy audit.
- 1.4 The 2021-22 Housing Benefit audit was undertaken by KPMG and finalised in late March 2023. The extrapolations from the errors identified in the testing stage shows that the Council exceeded the lower threshold of allowable Local Authority error, meaning that the Council will lose some (£65,416) subsidy. However, the Council has not exceeded the upper Local Authority error threshold, which would have meant losing all the subsidy on the error.

2 Relevant Council policy

- 2.1 The Council continues to provide the quality, value for money services that people need throughout the 2020s.

3 Details

- 3.1 The parameters for loss of subsidy under Local Authority Error regime are based on set percentages of the total subsidy awarded. No subsidy is lost for errors below the lower threshold. The whole amount of the subsidy is repaid to the DWP for errors above the upper threshold. Between the upper and lower thresholds, a percentage is retained by the Council and a percentage is repaid to the DWP.

Full Subsidy	£22,473,392
0.48% Threshold (lower)	£107,872
0.54% Threshold (upper)	£121,356

3.2 Table 2 below summarises the errors that occurred during 2021/22 which were identified during the Council's internal quality assurance checking process and the formal audit.

Area identified	Description	Subsidy impact
Internal QA checking pre audit	LA Error created in year through general claim amendments.	£53,168
LA error post audit cell adjustments	General adjustments made during audit checks.	£4,319
LA error Plus Tariff Income extrapolation (8 o/p errors £8,132.14).	Incorrect calculation of the tariff income used for claimants with capital between £6,000 and £16,000 extrapolated as a percentage of error.	£37,389
LA Error Plus Earned Income and Additional Earning Disregard extrapolation	Incorrect calculation of earnings or additional earnings disregard (<i>prescribed disregards that safeguard benefit entitlement.</i>) extrapolated as a percentage of error.	£8,734
LA Error Plus Rent Adjustment extrapolation	Subsidy sitting in the wrong cell, meaning adjustment in allowable rent used in calculation	£8,210
LA Error Plus Eligible Overpayment extrapolation	Incorrect classification of claimant error when it was proven to be LA error	£5,917
LA error Plus Self Employed extrapolation	Incorrect calculation of self-employed income, extrapolated as a percentage of error	£1,135
LA Error low level Extrapolation – cell adjustment	Smaller adjustments of error found across multiple cells amounting to no greater than £1,909 in total set off against reduction in cells of £1,807	£102
Total error		£119,032

3.3 The value of the extrapolations and errors (contained in the qualification letter) together with the current year Local Authority (LA) error and administrative delay figure (contained in the claim form) breached the LA error and administrative delay lower threshold. Therefore, an element of the subsidy will need to be repaid. The DWP determines the amount of subsidy to which the Council is entitled. Therefore, we cannot predict the value of the subsidy repayment to be requested by the DWP. However, it is likely to request that the total amount (£65,416) be repaid in full.

3.4 Analysis of the causes in 2021/22:

- Around 17% (£20,000) of the total overpayment was a result of Admin Delay (length of time to process a change after notification). This counts as LA error, exacerbated by the capacity issues and high demand.
- Around 17% (£20,000) of the LA Error created is a result of using temporary members of staff. Although temporary members of staff are an essential support to

resourcing high demand, they can present more of a risk in quality due to reduced investment of professional development due to short contract led employment.

- Around 50% of the financial portion of error (£59,300) is a result of historic CenSus errors which still present as an issue today.

History

- 3.5 The CenSus Revenues and Benefits function suffered significant qualitative errors and poor management during the 2010s, and the Council suffered losses of HB subsidy due to Local Authority overpayment error of £50k in 2013/14, £188k in 2014/15 and £236k in 2015/16. Accordingly, the Council joined LGSS on 1 April 2018 following the termination of the CenSus arrangement.
- 3.6 The Revenue and Benefits service was in poor shape at the point of transfer. Only two FTE trained benefit officers transferred into the new service, and this led to an over reliance on temporary staff. There were data migration issues out of the data centres for both Mid Sussex District Council and the Council which were complex and bespoke. As such, the service underwent a period of transition and change, and quality assurance and monitoring measures were instituted to improve the provision of this service.
- 3.7 The service was in good shape in Q4 of 2019/20 performing well across all performance indicators and had managed to avoid any further subsidy loss despite uncovering several historic errors from the period under CenSus.
- 3.8 This was despite an increase in the complexity of cases, a more transient workforce developing due the rise of zero hours contracts, a more complicated tax credit system and the growing complexity of Housing Benefit rules, regulations and requirements.

Context over the last three years

- 3.9 Government imposed significant reactionary changes to business rates, and asked the service to distribute around £57m across twenty separate grants schemes, often without clear guidance and in short timeframes. The service had to write several local discretionary schemes, verify and check applications and deal with a rising number of complaints from an increasingly and ever demanding public. The Council is receiving more unreasonable complaints and these prove time consuming to conclude effectively.
- 3.10 The Revenues and Benefits service is suffering from exhaustion. The impact of Covid-19 cannot be underestimated. Service quality suffered as a result of staff having to learn new ways of working whilst dealing with increasing caseloads.
- 3.11 The cost of living crisis has elongated the fatigue felt by officers in this service. The introduction of Government schemes has diverted resource away from the day job. This has included implementing the £150 energy rebate scheme, the current energy bills support schemes, as well as three years managing the Council Tax Reduction Scheme support for those of working age with up to £150 in previous years, which in 2023/24 will be extended to £195. In order to process the CTRS scheme this year, manual inputting is required owing to system constraints.
- 3.12 Added to this, the removal of Northamptonshire County Council from the LGSS partnership in 2022 further disrupted the service, creating uncertainty as officers were put at risk of redundancy, adding further pressure. The service has also tried

to improve the way in which it works, by moving for example, Capita (the housing benefit system) into the cloud, which has longer term benefits, but a short-term disruption impact.

- 3.13 Unsurprisingly, this new environment has caused a number of staff to leave the service. We recognise this is due also to an increase in casework complexity and the fact that staff in this service are not highly remunerated.
- 3.14 Increased workloads have had to be supported with additional use of temporary resource, and this lack of capacity and resource mix is likely to have reduced the level of service quality. As is being felt across many authorities and other service areas, this has worsened the long-term challenge to recruit and retain good quality Revenues and Benefits officers.

Management Actions

- 3.15 The service recognised the risk of increased error and accordingly recruited a newly expanded Subsidy and Assurance team in August 2021. The following measures have also been introduced to try to minimise the risk of error:
- (i) technical quality assessment checks are undertaken,
 - (ii) regular and detailed technical training is provided to staff,
 - (iii) increased cross-site working is encouraged,
 - (iv) sharing areas of expertise is a prerequisite, and,
 - (v) the re-defining and focusing of the QA / training programme against known subsidy risk areas. These are self-employed income, rent calculations, and earned income.
- 3.16 Naturally, however, these improvements have led to the team identifying a high percentage of past errors and existing quality issues which impact the recovery of subsidy.
- 3.17 The Service is targeting the recruitment of specialists with the Capita housing benefit system knowledge and looking at ways in which to do this in terms of pay / conditions and at the same time, trying to recruit and then retain staff generally. This is reflected in the additional cost of the service in 2023/24.
- 3.18 We are also feeding back to Government to request that they do not burden us with the implementation of further Government schemes that require the Revenues and Benefits service, so that it can recuperate and catch up on all core functions. As this is more of a national matter than a local one it is one we may not be able to influence.
- 3.19 The Director of Resources holds regular performance meetings with the Group Head of Revenues and Benefits across Milton Keynes Council and Horsham District Council, the Operations Manager (Horsham Revenues & Benefits), and two Revenues and Benefits Service Delivery Managers. This involves the review and analysis of the monthly subsidy positions for in month LA error reporting as the year progresses, as well all performance indicators and issues.

The Future

- 3.20 The current projection for 2022/23 is delicately poised, as the final numbers are projections based with two weeks still to go in the financial year, and the audit will not commence until towards the end of the 2023 calendar year.

Full Subsidy (projected)	£21,036,950
0.48% Threshold (lower)	£100,977
0.54% Threshold (upper)	£113,600
Internal QA checking before the audit started	£51,468

- 3.21 There is less headroom for errors identified through the audit, partly as a result of continued high levels of quality assurance checking, and also because the threshold amounts have reduced, as customers move to Universal Credit.
- 3.22 As is the situation every year, it only takes one error in a larger sized case going back a couple of years to cause an extrapolation of sufficient size to go over the thresholds.

Conclusions

- 3.22 The circumstances facing the Revenues and Benefits service now is very different from the circumstances that led to the CenSus breakup. Then, the performance was an outlier compared to the national position, but this time around, there has been a weakening of performance across the whole sector.
- 3.23 Management is very much focused on getting through the current situation and dealing with the issues, and improving and resolving the issues. It showed that it could do that following the break-up of CenSus, and is determined to do so once again.
- 3.24 However, the big risk remains that once errors are identified, it often gets worse before it gets better, as the measures to improve training and technical knowledge take time to feed through the process.

4 Next steps

- 4.1 The Director of Resources will regularly update the Audit Committee on progress of the actions being taken in the Revenues and Benefits service to mitigate further error and the 2022-23 Housing Benefit audit, which is not due to commence until the end of the 2023 calendar year.

5 Outcome of consultations

- 5.1 The Monitoring Officer and the Head of Finance and Performance were consulted to ensure legal and financial probity.

6 Other courses of action considered but rejected

- 6.1 Additional testing of all cases within the affected cells was considered but would be extremely resource intensive and require further audit testing. This option was rejected on the grounds that it could cost more than the lost subsidy.

7 Resource consequences

- 7.1 The loss of subsidy will hit the 2022/23 financial year. However, anticipating the likelihood of subsidy at some point in the future, the Council has an earmarked Housing Benefit loss reserve which at 31 March 2022 contained £0.9m for such events. Therefore, the additional cost in 2022/23 will be absorbed by this earmarked reserve and not worsen the outturn for 2022/23. The earmarked reserve will continue to mitigate any subsidy loss that might occur in the future.

8 Legal Considerations and implications

- 8.1 There are no legal implications from the report.

9 Risk assessment

- 9.1 The risk of losing further levels of subsidy in future years has increased. This is partly the result of higher levels of internal quality assurance checking identifying our own errors and partly enhanced audit checks in the areas identified this year are likely to uncover more errors next year. These, when extrapolated are more likely to take us over the thresholds which have reduced in value.
- 9.2 The risk is compounded by the residual pool more likely to contain errors as new customers move to Universal Credit, the effect of which has reduced the gross subsidy awarded, and therefore, by calculation, the value of the lower and upper thresholds. Often the situation gets worse, before it gets better.

10 Procurement implications

- 10.1 There are no procurement implications.

11. Equalities and Human Rights implications / Public Sector Equality Duty

- 11.1 There are no implications on equalities and human rights, or public sector equality duty.

12 Environmental implications

- 12.1 There are no environmental implications.

13 Other considerations

- 13.1 There are no GDPR or Data Protection or crime and disorder implications.