

Report to Audit Committee

27 March 2024

By the Director of Resources

INFORMATION REPORT



**Horsham
District
Council**

Not Exempt

2022-23 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 Department of Work and Pensions (DWP).

Following the audit of the 2021/22 Housing Benefit claim, the Council incurred a loss of subsidy of £65,416 after breaching the lower threshold.

The pre-audit position in 2022/23 was a 0.58% Local Authority error rate breaching the upper threshold of 0.54%, with an expected lost subsidy cost of £122,925.

The audit of the 2022-23 Housing Benefit subsidy claim was completed in March 2024. This identified the likely loss of £191,235 in Housing Benefit subsidy to the Council after taking into consideration the value of the extrapolations and errors in the qualification letter.

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 continued to apply robust measures to improve quality assurance in light of the adverse conditions the service has operated under in the last four 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 2022-23 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

2021/22 Housing benefit audit report to Audit Committee on 29 March 2023

https://horsham.moderngov.co.uk/documents/s23678/2021_22%20Housing%20Benefit%20audit%20report.pdf

Wards affected: n/a

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Background Information

1 Introduction and background

- 1.1 Covid-19 and, more recently, the cost of living crisis, has disproportionately increased the workload of Revenues and Benefits teams. The effects are still being felt. Increased use of temporary staff required to meet demand is likely to have had an adverse impact on quality.
- 1.2 The Revenues and Benefits team recognised the risk of increased error following the first loss of subsidy in 2021/22, and recruited accordingly, forming a Subsidy and Assurance team in August 2021. This team continues to identify a high percentage of past errors from the pre-April 2018 CenSus era and existing quality issues both of which have negatively impacted 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.
- 1.3 The 2022-23 pre-audit position had in fact breached the upper threshold with a self-identified error rate of 0.58% compared to the 0.54% upper threshold limit. The 2022-23 Housing Benefit audit was undertaken by KPMG and finalised in March 2024. Extrapolations from the errors identified in the testing stage indicated that the Council would lose £191,235 in subsidy in total.

2 Relevant Council policy

- 2.1 The 2023-27 Council Plan - listening, learning and improving the support to residents and businesses.

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 Department for Work and Pensions (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.
- 3.2 Table 1 below sets out the subsidy levels for 2022/23 and the prescribed percentage thresholds based on our Housing Benefit payment levels.

Table 1

Full Subsidy in 2022/23	£21,336,044
0.48% Threshold (lower)	£102,557
0.54% Threshold (upper)	£115,377

- 3.3 Table 2 below summarises the errors that occurred during 2022/23 which were identified during the Council's internal quality assurance checking process and the formal audit.

Table 2

Area of Error	Total Error Found	Extrapolated Amount
LA Error pre-audit	£122,926	
Post Audit Breakdown		
Earned income	£882	£7,876
Rent	£653	£35,007
Start dates	£254	£1,205
Private pensions	£462	£5,565
Overpayment adjustment	£586	£7,569
Tariff income	£105	£693
Self-employed income	£118	£392
100% workbooks	£10,001	£10,001
		£68,308
Final Error position (initial error + extrapolated amount) = £191,235		

- 3.4 The value of the extrapolations and errors (contained in the qualification letter) increased the current year Local Authority (LA) error and administrative delay figure (contained in the claim form) which had already breached the LA error and administrative delay upper 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.
- 3.5 At the end of the 2022/23 financial year, the final claim was submitted based on known costs which included the pre-audit £122,925 position. The 2022/23 financial year then closed which included the pre-audit figure. Now the final claim has been audited, the Council will be notified by the DWP on the final adjusted figure of Subsidy paid out, and actual subsidy due in relation to 2022/23. The council maintains a reserve to support the variances across the claims and to support the pressures within the budget (those that do not attract full subsidy). The council is still waiting the final confirmation from the DWP, but estimate the final cost in 2023/24 relating to the 2022/23 claim will be approximately £65,000, which includes some underlying benefit entitlement. We cannot predict the value of the subsidy repayment to be requested by the DWP, but it is likely to request that the total amount to be repaid in full.
- 3.6 Analysis of the causes in 2022/23:
- The pre audit position of £122,926 included 22 large overpayments totalling £91,526. Around 45% of this cost was attributed to historic error remaining within the system.
 - Table 2 demonstrates the pressure extrapolation places on final figures against the subsidy incentive. £3,060 of found error becomes £58,307 of extrapolated error. Extrapolation occurs when the size of the subsidy cell is too large to carry out a 100% check.

- 11% (£14,702) of the total overpayment was a result of Admin Delay (length of time to process a change after notification). This counts as LA error and was exacerbated by the capacity issue and demand coming into the service.
- 18% 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 a risk in quality due to reduced investment of professional development due to short contract led employment.
- Removing the financial impact of the pressures listed above the service would have finished at 0.28% which would be well below the lower threshold.
- Further training and development has commenced for our retained staff on the key areas of risk: Self Employed Income, Rent Calculations, Self Employed and Earned income. This training will be refreshed each year.

Context since 2020

3.7 The key issues facing the service since 2020 are summarised below, each of which has an effect, but especially cumulatively:

- Impact of Covid-19: Government imposed significant reactionary changes to business rates. £57m distributed across twenty separate grants schemes, often without clear guidance and in short timeframes.
- Service had to write several local discretionary schemes, verify and check applications
- Service quality suffered as a result of staff having to learn new ways of working whilst dealing with increasing caseloads.
- Cost of living crisis has elongated the fatigue felt by officers in this service.
- Introduction of Government support schemes has diverted resource away from the day job:
 - £150 energy rebate scheme via Council Tax list
 - Energy Bills support schemes
 - Processing Council Tax Reduction Scheme support payments for those of working age.
- Service now dealing with a rising number of unreasonable complaints from an increasingly and ever demanding public which prove time consuming to conclude effectively.
- 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.
- Service improvements by moving, for example, Capita (the housing benefit system) into the cloud, which has longer term benefits, but a short-term disruption impact.
- Sector issues with recruiting and retaining good quality Revenues and Benefits Officers.
- Increasing casework complexity and the fact that staff in this service are not highly remunerated.
- Increased workloads supported with additional use of temporary resource to improve capacity and resource mix often has a correlation with reduced levels of service quality.
- 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.

Management Actions

- 3.8 The service recognised the risk of increased error and accordingly recruited an expanded Subsidy and Assurance team in August 2021. The team implemented the following measures to try to minimise the risk of error:
- (i) detailed 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.
- 3.9 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.
- 3.10 The Service targeted the recruitment of specialists with Capita housing benefit system knowledge and the number of temporary staff has reduced. The service has deliberately over-recruited at times, which is reflected in the costs of the service to mitigate against having to use temporary staff when someone leaves. This is in the context that recruitment and retention is difficult generally in the revenues and benefits sector at the moment.
- 3.11 We fed 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 something we may not be able to influence. The Revenues and Benefits service had to administer the Energy Bills Support Scheme during 2023/24.
- 3.12 The Director of Resources holds regular performance meetings with the Assistant Director for Revenues and Benefits across Milton Keynes Council and Horsham District Council, two Revenues and Benefits Service Delivery Managers and the Operations Manager (Horsham Revenues & Benefits). 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.
- 3.13 The service has engaged with the DWP's Partner Delivery Team to carry out a health check on processes and procedures to support identification of improvements to the customer journey, removing opportunity for error and to increase efficiency in service delivery.

The Future

- 3.14 The current projection for 2023/24 looks brighter than the projection for 2022/23 this time last year. The final numbers are projections based on Month 11, and the audit will not commence until towards the end of the 2024 calendar year.

Full Subsidy (projected)	£22,170,544
0.48% Threshold (lower)	£106,418
0.54% Threshold (upper)	£119,720
Forecast value of error through QA	£58,322
Headroom to lower threshold	£48,096

- 3.15 Subject to negotiating the final month without significant issues, we are anticipating some headroom below the lower threshold for errors identified through the audit, although it still remains tight, partly as a result of continued high levels of quality assurance checking, and also because the threshold amounts will reduce, as customers move to Universal Credit.
- 3.16 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

- 3.17 There has been a weakening of performance across the whole sector and the Council is not an outlier. Management has focused on getting through the current situation and dealing with the issues and improving and resolving the issues.
- 3.18 The risk remains that once errors are identified, it is difficult to get out of the cycle of loss of subsidy. The measures to improve training and technical knowledge take time to feed through the process. Finding more errors results in more testing. However, the positive signs are in the reduction in seven additional 40+ workbooks for next year.

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 2023-24 Housing Benefit audit, which is not due to commence until the end of the 2024 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 A £65,000 additional loss of subsidy will hit the 2023/24 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 2023 contained £0.9m for such events. Therefore, the additional cost in 2023/24 will be absorbed by this earmarked reserve and not worsen the outturn for 2023/24. The earmarked reserve will continue to mitigate any subsidy loss that might occur in the future.
- 7.2 The audit fee for the work on 2022/23 is calculated at £69,725. This compares to £58,900 in 2021/22. The fee for the 2023/24 should in theory be lower if there are fewer additional workbooks next year.

Fee	£	Explanation
Base Fee	£12,800	
Additional workbooks	£55,200	23 workbooks (40+)
Complexity / failure	£1,725	3 days for time spent on high fail rates and complex cases (cell 094 earnings and cell 094 self-employed income)
Total fee	£69,725	

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 remains high. 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 may uncover a similar number of 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.