

Housing Benefit Subsidy Audit 2014-15

This report is in response to the findings prepared by KPMG who are responsible for undertaking the annual housing benefit subsidy audit. The audit looked at decisions and assessments carried out in 2014-15.

1. Background

During 2014-15 the council's housing benefit team were managing and maintaining in the region of 25,250 live claims and awarded housing benefit of £117 million to those claimants. The processing of claims must also be set in terms of the complex changes arising from welfare reform and the introduction of separate housing benefit schemes for working aged claimants and those of pensionable age. At the time the caseload could be split into two almost equal parts, half being pensioners the other half working age. As well as the separate housing benefit schemes the council also had to introduce a local council tax reduction scheme for working aged claimants and continue to manage the national scheme for pensioners.

2014-15 was only the second year of operating a number of welfare reforms which further complicated the assessment process for working aged claimants; these included the benefit cap affecting around 100 claims and the spare room supplement, or bedroom tax, affecting around 2,000 claimants.

In addition to the normal case load and to compensate for the significant numbers affected by the 'bedroom tax', the council were given over £500,000 to award in discretionary housing payments (DHP) and over 1,600 claims were received and 1150 awards made, (In comparison to 157 awards in 2012-13). Each of these claims has to be reviewed annually. Whilst this was going on the Housing Benefit Team were working in conjunction with the Department for Work and Pensions to usher in Universal Credit which went live in Wiltshire at the beginning of March 2015, the end of the period in question.

During 2014-15 the service received 20,000 appointments across the four offices it staffs and 75,000 telephone calls. These resulted in 5,000 new claims and 13,000 changes to claims as a result of a reported change in circumstance. A further 24,000 change of circumstance were notified via electronic data exchanges with the DWP, and we automatically managed annual changes in rents and the up-ratings of income and pensions.

Despite the reduction in Administration Grants the overall caseload was generally unaffected by the introduction of Universal Credit. Caseloads at their peak amounted to 25,371 gradually falling to 25,089 by the end of the year.

2. Caseload to Staffing Ratios

The cost of administering the housing benefit scheme is generally met by the housing benefit administration grant which in 2012-13 stood at £2,058,000 to cover staffing costs and administration of the scheme. By 2014-15 this had fallen to £1,813,000 (and has fallen further since). The service remains under significant pressure to reduce its costs. The service had already lost 8 staff, during the previous year, to redundancy, and lost a further 5 experienced staff during 2014-15. (4 assessors left in 2015-16 and only one has been replaced)

The uncertainty for staff and the replacement of housing benefit with universal credit continues to put at risk the service as experienced staff leave.

In terms of the Audit KPMG have highlighted areas of concern and efforts to remedy these issues are set out below, highlighting some of the issues regarding the complexity of the assessment process.

3. Audit Comment and Housing Benefits Subsidy Issues found by KPMG

■ *We identified 39 errors (from a sample of 260 claims) in relation to the recording of income and rental figures as well as rent free periods. These resulting in both under and overpayments of benefits; and*

■ *We also identified 50 inaccuracies (from a sample of 180 claims) in relation to the identification and classification of overpayments resulting in errors in the level of subsidy being claimed.*

■ *Whilst the number of errors identified may appear relatively high, representing 20% of the overall sample, the average value of the errors was only £22 per claim compared to average claim values of £1,535. No adjustments were made to the claim in relation to these errors.*

■ *Adjustments were required for two properties which had been disclosed in the wrong tenancy type and to remove an isolated claim where no evidence could be found to support the entitlement calculation.*

External audit of the Benefit claim across the country does identify similar issues at other authorities, often to a greater extent. This is almost inevitable given the scale, complexity and changing nature of these claims. The action taken by the council and comments on each of KPMG's recommendations is set out below:

i. Rent Free Weeks.

In preparation for the introduction of Universal Credit (Which pays people monthly rather than on a fortnightly basis) 2014-15 was the year in which a number of large social landlords began switching from 50 week rental charges to 52 weekly rental charges. Often contact with the tenant identified they were unaware if they were paying rent over 50 or 52 weeks. Issues were also identified with temporary accommodation and council owned caravans. They were all also subject to rent free weeks until the approach changed so that this no longer applied to new tenants.

This change caused a number of issues and challenges for benefits staff during the assessment process in securing the correct information. KPMG's sample equates to 1% of the total claimant population and the errors found equate to only 0.15% of the total claims. Of the thirty nine errors, seven related to rent free weeks. From April 2016 the majority of tenancies are based on 52 week rental other than Aster Housing who still operates a mixture of 48, 50 and 52 week rental charges.

Whilst the overall impact will lessen this issue will continue to affect the minority of new claims and is likely to create subsidy issues.

ii. Notification of a Change

Of the thirty nine errors, thirteen errors were identified where the notification of change was received before the payment was made and therefore the overpayment could have been prevented. This issue concerns the speed of processing and the fact that the service is

subject to a variable workload. There are peak times for processing where it is inevitable this may occur and the team continue to monitor this, and will seek to identify what, if any, lessons can be learnt from the small number of errors identified by KPMG to redress this matter.

iii. Income Calculations

Of the thirty nine errors ten were related to the incorrect calculation of an individuals' income. (Typically an earnings disregard was included within the claim but as the claimant was working less than 30 hours the disregard should not have been applied).

iv. Changes from the wrong date

Of the thirty nine errors, nine errors were found when changes to the claim were applied from the incorrect date and did not go back far enough.

v. Overpayments

Once an overpayment of housing benefit is identified it must be correctly coded to determine the reason (Claimant error, Local authority error, Fraud, administrative delay or DWP error). How the overpayment is coded determines whether it qualifies for subsidy or not. Analysis revealed there was reluctance amongst some staff to code errors to the Local Authority. Subsequently a great deal of training has been put in place not only to explain the importance of correctly coding overpayments but the whole process of managing and recovering benefit overpayments.

In response quality checks are being introduced to all cases where an overpayment has been identified. In fact the concerns over overpayments have resulted in us working with Consultants from the DWP to guide us on best practice.

vi. Subsidy preparation

The subsidy claim divides the total caseload into various types of claim and the results of the checking are entered into cells on the claim form. Within our claim one cell accounts for £105 million in housing benefit expenditure. Any error found in this cell is extrapolated in relation to the content and value of the cell. In claims where there was an income the percentage error rate in calculating that income was deemed to be 0.5%, of the cases checked but this still equates to a theoretical adjustment in subsidy of £538,000. The extrapolation methods used by KPMG are cause for concern when half the content of the cell equates to claims where there are no income figures because the claimant is either a pensioner or the claimant does not work. We will continue to challenge their assumptions. Correspondence with central government subsequent to the submission of previous year claims where the same issue has been raised has always resulted in a common sense approach being recognised by civil servants in reducing this amount to figures less than £50,000.

vii. Insufficient Evidence and tenancy issues

Finally the adjustment to the three remaining cases mentioned in the report had no monetary value. A highly unusual issue arose with one of the claims, where it was found that historic supporting evidence failed to convert from the old to the new system. These findings are exceptions and a review has not identified any other cases, or further action.

4. Training and Development of staff

A variety of processes have been introduced to support the team to assess claims more accurately. The emphasis has moved from the speed of claim processing to the accuracy. However the service and its officers also remain under a great deal of pressure to perform quickly. In recognition of the pressures on staff and the complexity of the caseload it was agreed in late 2015 to close offices to visiting claimants on a Wednesday. This has enabled the teams to meet and undertake regular training from both internal and external specialists in order to discuss and develop best practice. It was also recognised that further claims checking had to be undertaken by team leaders and senior officers which was re-introduced in 2015.

5. Conclusion

Despite the impressions that Universal Credit would greatly reduce our caseload, this has not proved to be the case. Welfare reforms continue to add complexity to the calculations used to assess claims. Consequently more has been done in the last 12 months to ensure staff are equipped to deal with the expectations placed on them by a variety of stakeholders, including the DWP. The DWP will determine the amount of subsidy they are willing to pay which we challenge where it is appropriate to do so. This may mean further claims checking but there remains a determination and willingness on our part to challenge the methods used to extrapolate data and to minimise any possible losses resulting from the subsidy audit.

Ian P Brown

Head of Revenues and Benefits
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