

## **Housing Benefit Subsidy**

### **Action Plan 2020**

#### **Background**

Housing Benefit (HB) is a means tested benefit, administered by local authorities on behalf of the Department for Work and Pensions (DWP). HB is intended to help claimants meet housing costs for rented accommodation both in the private and the social rent sector. The administration of HB is now very complex due to the ever-changing regulations. During recent years there have been over 100 changes to the scheme making it increasingly difficult to train officers and to make accurate assessments.

The introduction of the full Digital Service for Universal Credit is also impacting on the workload within the Benefits team. The caseload for working age customers is expected to reduce in Cherwell from 3233 in May 2019 to 2324 by the end of March 2021 as people transfer to Universal Credit. However, Councils will retain the more complex cases for working age customers such as temporary and supported accommodation, Housing Benefit for those of pension age and Discretionary Housing Payments for Housing Benefit and Universal Credit.

Local authorities reclaim HB that has been paid to claimants by submitting annual subsidy claims to the DWP. The subsidy claim details the HB expenditure which is recorded in various cells on the form. The claim divides the total caseload into various claim types. Within the Cherwell claim one item of data collection accounts for over £30m in HB expenditure.

There are complex subsidy rules that determine how much of the HB expenditure by the Council is recouped from the Government. Where HB has been correctly paid, DWP will normally provide 100% subsidy to the Council. However, where HB has been overpaid, DWP provides different rates of subsidy.

Each local authority's appointed external auditor is required to certify that the annual claim is fairly stated and to report any errors to the DWP in a covering letter that accompanies the claim. Where there are errors, the claim is qualified and the DWP will seek to reduce subsidy payments to the Council. 80% of councils have been qualified on their subsidy claim. Although the value of any errors may be low the DWP method of extrapolation means that the value will be substantially increased. Although it is widely recognised that the extrapolation method is unfair there is no opportunity to challenge this with Government

### **Audited claim for 2018-2019**

For the financial year 2018-2019 CDC submitted a Housing Benefit claim with a total value of £30,655,296. The audit of the subsidy claim was undertaken by Ernst and Young using a methodology determined by the DWP

Testing of the initial sample of 40 claims for CDC identified the following problems:

#### Non-Housing Revenue Account

- incorrect application of earnings on 1 claim

#### Rent Allowances

- Incorrect calculation of self-employed earnings on 2 claims one of which resulted in an underpayment, one resulted in an overpayment
- Incorrect rent and effective date impacting on 3 claims one resulting in an underpayment and 2 in overpayments.
- Family Premium incorrectly applied on one claim. Not all the errors had a negative impact on the subsidy claim but resulted in 40 plus additional testing.

In line with the requirements of the subsidy audit additional testing was also carried out based on the preceding audit findings (known as cumulative assurance knowledge and experience or CAKE). This resulted in additional testing on overpayments (claimant error and earned income calculation) and private pension calculations

As per DWP methodology an additional sample of claims was selected for each of the problem areas: 40 rent allowance claims with income, 40 rent allowance claims with eligible overpayments, 40 temporary accommodation claims with eligible overpayments and 40 temporary accommodation claims with income. A summary of the errors found is shown below:

| <b>Sample</b>   | <b>Number of errors</b> | <b>Type of error</b>   |
|---|-------------------------|--|
| 40 rent allowance self-employed income cases                          | 21                      | The errors were mostly the same, 11 claims had an underpayment of benefit and 10 claims were overpaid.   |
| 40 rent allowance claims with rent and effective dates of rent change | 3                       | Rent incorrectly calculated. One of the incorrect claims was as a result of an incorrect assessment (100% rent included on claim which should have been based on 50%) by Capita prior to system conversation |
| 40 rent allowances with family premium                                | 0                       |  |
| 40 Rent allowances overpayments                                       | 2                       | Miscalculation of earnings   |

## Subsidy Improvement plans

### 1. Subsidy audit for 2019-2020

An analysis has been carried out on the errors found during the 2018-2019 subsidy audit process. This information has been used to formulate an action plan to mitigate some of the risk from the 2019-2020 audit which will be carried out from May 2020. The following actions have been agreed and progress will be monitored

| <b>Area</b>           | <b>CDC Case numbers</b> | <b>Method</b>                 | <b>Who will check</b> | <b>Timescales</b>   | <b>Update Dec 19</b>   | <b>Update Jan 20</b>                                   | <b>Update 31<sup>st</sup> March 2020 and RAG rating</b> |
|-----------------------|-------------------------|-------------------------------|-----------------------|---|--|--|---|
| Earnings – historical | 1121                    | To be compared to spreadsheet | Ali                   | Ali to start 9 <sup>th</sup> December to estimate work/timescales | 11 checked<br>55% accuracy<br>rate<br>duplications in sheet.<br>Numbers reduced to 264 10 a week | 33 cumulative – 13 financial errors. 61% accuracy rate | .<br>106 claims checked with 66% accuracy               |
| Earnings – on-going   |                         | Identified via VEP            | Craig                 | On-going until 31 <sup>st</sup> March 2020                        |  | 289 checked since Nov<br>93% accuracy                  | Checking to be lifted – low risk                        |
| Self-                 | 226                     | Already                       | Nick K                | On-going until  | Work   | Work   | cases   |

|                              |       |   |   |  |           |                 |                              |
|------------------------------|-------|---|---|--|-----------|-----------------|------------------------------|
| employed - historical        |       | identified  | and Hayley T  | 31 <sup>st</sup> March 2020  | continues | continues       | checked and errors corrected |
| Self-employed – on-going     |       | Claims to be passed to SPS by dedicated officers after assessment   | Nick and Hayley   | On-going until 31 <sup>st</sup> March 2020   |           |                 |                              |
| Rent historical and on-going | 5,290 | assessors to check rents on all claims assessed as matter of course | All officers and to be recorded on notebook (excluding GUH) | Immediate and on-going   |           |                 | Ongoing but low risk         |
| Modified schemes             | 11    | Identified  | Tracey to check   | On-going until 31 <sup>st</sup> March 20   |           | completed       | completed                    |
| Eligible overpayments        | 1178  | No impact from audit so prevention main aim                         | Training to be offered - Denise                             | Training to be arranged in January 20<br><br>If Senior capacity eligible overpayments high value to be checked |           | Outstanding     | Training completed           |
| Private pensions             | 31    |   | Tracey to check   | On-going   |           | On radar for TH |                              |
| PRP and occ                  |       | 218   | Mandy   | On-going   |           | SNC: 31         | CDC PRP                      |

|                |  |                          |     |  |  |   |  |
|----------------|--|--------------------------|-----|--|--|---|--|
| pens           |  |                          |     |  |  | checked over 4 days (2/3 an hour) 71% accuracy rate .<br><br>CDC: 13 checked 4 errors 69%<br>Mainly effective dates | 12 checked 100% accuracy<br><br>SNC PRP 124 checked 87% accuracy<br><br>Occ pen 148 checked 83% accuracy |
| Family premium |  | New claims to be checked | TBC |  |  | SQL   | completed  |

## 2. Subsidy improvement for 2020 onwards

- Following the subsidy audit for 17-18 a new performance framework was introduced for the Benefits team from April 2019. Under the new framework a total of 2,864 claims (for both Cherwell and South Northants Councils) have been accuracy checked from April to December from a total of 19,357 claims assessed so around 14%. Results from the checking are given to officers each month and training needs identified. This will continue in 2020-2021.
- A considerable amount of training has also been undertaken from April 2019 including sessions on self-employed assessments, income and earnings.
- A temporary Subsidy Improvement Officer has been in place from 17<sup>th</sup> February 2020. The officer who has vast experience in the area of subsidy will be reviewing the results from the audits of the 2017-2018 and 2018-2019 claims. Plans include working with officers on an individual basis to offer training and support as well as identifying subsidy high risk areas for scrutiny throughout the year.

- The approach to accuracy checking will be changing again from September 2020. Working alongside the Subsidy improvement officer there will be two Senior Officers working on checking the 'problem' areas moving forward. Feedback will be given to officers and this will be linked to training plans.