Title: Housing Benefit performance in 2015/16

Report of: Andrew Kupusarevic
Interim Customer Services & Revenue and Benefits Delivery Director

Summary

PAASC requested a report detailing Benefits Performance for 2015/2016 and subsequent impacts and recovery. In particular this request referenced the rise in Housing Benefit Overpayments reported to Cabinet in December 2015. The request also asked for the report to detail how the overpayment growth is being managed and monitored.

The report sets out:

- Why the level of Housing Benefit Overpayments increased significantly in 2015/16
- Data showing the increase in volumes, levels of performance, speed of processing and levels of Local Authority (LA) Error in 2015/16
- The value of Housing Benefit Overpayment Debt at the start of the year and the level at the end of the year.
- What actions were taken to manage backlogs within the service and to reduce the level of LA error
- Data showing performance to date in 2016/17 and what actions have been taken to prevent an increase in Housing Benefit Overpayments going forward
- How future increases will be mitigated by the activities of the Welfare Reform Task Group

Recommendation(s)
PAASC is recommended to:
(i) Note the contents of this report.

Reason

Assisting in the Council’s Policy aim of ensuring an efficient organisation delivering its statutory duties in the most practical and cost-effective way. This includes efficient and effective administration of the national HB scheme.
1. **Backlog**

1.1 Due to the overall cumulative impact of Welfare Reform changes seen in 2013/14 and 2014/15 the Benefits Team started the 2015/16 financial year with delays in processing across the service.

The various Welfare reform changes meant the level of work being received increased, these changes included Under Occupancy Charges (Bedroom Tax), Benefit Cap and Real Time Information, the latter being a new system by which Her Majesty’s Revenue and Customs (HMRC) began to provide all Local Authorities with up to date income information.

1.2 The Benefits Service started 2015/16 with:

- 10,092 outstanding pieces of work aged back to September 2014 (the backlog)
- At the start of each financial year Local Authority Error (LAE) subsidy rates are set at Zero. Local Authority Error is created when there are delays or errors caused by the Council when processing new claims or changes in benefit claims. This then changes throughout the year subject to the amount of overpayments created. By the end of April 2015 this rate had increased from 0.00% to 0.689% due to the backlog of work being worked upon.
- At the end of April 2015 New Claims processing had increased from 25 days (March 2015) to 70 days. In order to manage the level of LA error in the last quarter of 2015/16 incoming new Housing Benefit applications were prioritised, which created the backlog noted above. This decision was reversed in April which immediately impacted on the number of processing days.
- At the end of April 2015 Change in Circumstances processing had increased from 9 days (March 2015) to 26 days. In order to manage the level of LA error in the last quarter of 2015/16 incoming new Housing Benefit Changes in Circumstance were prioritised, which created the backlog noted above. This decision was reversed in April which immediately impacted on the number of processing days.
- Outstanding Housing Benefit Overpayments of £13.6m

1.3 Whilst case load for Housing Benefits has remained static at between 22,000 and 23,000 the number of transactions and work received has been increasing steadily year on year.

<table>
<thead>
<tr>
<th>Year</th>
<th>CIC Transactions Processed Year on Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>76904</td>
</tr>
<tr>
<td>2012/13</td>
<td>89533</td>
</tr>
<tr>
<td>2013/14</td>
<td>112640</td>
</tr>
<tr>
<td>2014/15</td>
<td>124,498</td>
</tr>
<tr>
<td>2015/16</td>
<td>136,578</td>
</tr>
</tbody>
</table>
2. **Overpayments**

2.1 The rates of subsidy that apply to overpayments vary according to the circumstances in which they were made:

- Eligible – Claimant error, Fraud and other overpayments.
- Claimant error – this is an overpayment that has been caused by the claimant, failing to provide information or report a change in circumstance.
- Fraud – been found guilty of an offence, admitted an offence in an interview under caution or agreed to pay an administrative penalty.
- LA error - This is an overpayment which has arisen from a mistake being made. This may be in the form of an act, or omission made by the Local Authority. For example: when the Local Authority miscalculates the amount of Housing Benefit made.
- Administrative delay – the Local Authority is notified of a change in Circumstance and has sufficient information to make a decision.

2.2 The Department for Work and Pensions (DWP) is responsible for paying all subsidies in respect of rent rebate and rent allowance. LAs receive, for the greater part of the qualifying benefit expenditure they incur, a direct subsidy of 100%. However, the subsidy for LA errors and Admin delays are determined by thresholds.

2.3 These thresholds, expressed as a percentage of total overpayments are:

- Lower threshold is 0.48% or below = 100% subsidy received
- Greater than 0.48% but less than or equal to 0.54% = 40% of subsidy received
- Upper threshold 0.54% or above = NIL subsidy received

2.4 As Local Authority Error was recorded as 0.689% by the end of April 2015, the Council were due to lose at least £640K of Subsidy by March 2016 if urgent action was not taken to reduce this to below the lower threshold.

2.5 By the 2nd January 2016 LA Error had reduced to below 0.54% which subsequently reduced the expected subsidy loss to £352,000. By the end of March 2016 LA error had been brought back in line and ended the year below 0.43% - which meant any potential loss of subsidy was reduced to zero.

2.6 During this time weekly meetings were held between Finance and the Benefits Service to discuss current performance, overpayments being created, levels of LA Error and the work being carried out to both reduce and sustain this moving forward to ensure maximum subsidy claiming and minimal subsidy loss potential to the LA. Management action was also taken to review any overpayments prior to it being recorded as LA error to ensure all overpayments were correctly assigned.
3. Why the Housing Benefit Overpayments increased significantly in 2015/16

3.1 The Overpayments team entered 2015/2016 with Housing Benefits Overpayment debt totalling £13.6m.

3.2 Overpayments are created when the Housing Benefit service has been notified about a change in the recipient’s circumstances and either the recipient has failed to provide the evidence in a timely manner (Claimant Error) or the department has delayed processing that change or made an error when processing the change (LA Error/Admin Error).

Shown below is the Housing Benefit Overpayment Subsidy Classification split between LA Error, Claimant and Fraud Error broken down into HRA (Council Tenant) Non HRA (Private Sector Leasing – Hostels & Homeless) and Private (Housing Association & Private landlords) Categories.

<table>
<thead>
<tr>
<th></th>
<th>LA</th>
<th>Claimant / Fraud</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-HRA</td>
<td>60,782</td>
<td>317,886</td>
</tr>
<tr>
<td><em>Prior</em></td>
<td>3,079</td>
<td>255,262</td>
</tr>
<tr>
<td>HRA</td>
<td>168,241</td>
<td>1,302,939</td>
</tr>
<tr>
<td><em>Prior</em></td>
<td>42,247</td>
<td>1,666,100</td>
</tr>
<tr>
<td>PT</td>
<td>275,027</td>
<td>2,546,045</td>
</tr>
<tr>
<td><em>Prior</em></td>
<td>30,366</td>
<td>2,967,423</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>£579,742</strong></td>
<td><strong>£9,055,655</strong></td>
</tr>
</tbody>
</table>

*Current: HBOP’s created ‘in year’ for 2016/17
*Prior: HBOP’s created ‘in year’ for previous years

3.3 As the Benefits Service started 2015/16 with a backlog of work going back to September 2014 by the time the service processed these changes numerous overpayments were being created.

3.4 Between April 2015 and August 2015 an average of £851k per month was being created in Housing Benefit Overpayments, however this increased to £1.2m when the service improvement plan was implemented as a decision was made to tackle the outstanding work ‘head on’.

3.5 Overpayments were further enhanced by ‘Real Time Information’, which was the new HMRC matching system that tells Local Authorities when their records do not match those of either the DWP or LA. RTI started in October 2014 and as such was still somewhat in its infancy at the start of April 2015 and some overpayments were being created due to un-declared and/or mis-matched income over a 2-3 year period.
3.6 RTI has now cleared all historic files and by mid 2015 the last of these files were cleared and current income files are sent monthly by the DWP. The Benefits Team ensure these are allocated and worked on within the first 14 days to ensure Overpayment levels are kept to an absolute minimum and any potential subsidy loss (if RTI files are not processed within 28 days of being received any OP’s created after this time result in 0% subsidy being payable) to an absolute zero.

3.7 The overall consequence of the backlog was a higher volume of overpayments being created and these overpayments were larger than historic years. As such the Overpayments Team came into April 2016 with over £18.1m in debt to be recovered. i.e.

<table>
<thead>
<tr>
<th>Description</th>
<th>£m's</th>
</tr>
</thead>
<tbody>
<tr>
<td>HB Overpayments Debt 01 April 2015</td>
<td>13.6</td>
</tr>
<tr>
<td>Raised during 2015/16</td>
<td>9.6</td>
</tr>
<tr>
<td>Collected during 2015/16</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Written Off during 2015/16</td>
<td>(0.2)</td>
</tr>
<tr>
<td>HB Overpayments Debt 31 March 2016</td>
<td>18.1</td>
</tr>
</tbody>
</table>

3.8 As of July 2016 there are approximately 14,500 individual debts that total £18.9m and these debts are being managed, monitored and recovered by all means available including deduction from earnings, deduction from DWP state benefits, weekly HB Deductions, *blameless tenant deductions and weekly/monthly repayment plans.

*(Blameless tenant deductions – if a landlord fails to repay a housing benefit overpayment the Authority can decide to recover the debt from housing benefit paid to the landlord for other tenants)*

4. Service Improvement Plan

4.1 Due to the increasing overpayments and the financial implications of LA Error for the Council, a structured improvement plan was formulated during 2015 and additional staff were brought into the service on an interim basis. These resources were funded by Elevate and were not a cost to the Council.

4.2 These additional resources were recruited between July and November 2015.

4.3 The Service Improvement Plan focused on splitting the work into segments based on age of work and a complement of staff were assigned to each with strict time scales for completion. As each segment was completed the staff were re-tasked to another segment.

4.4 All work was allocated manually to staff to ensure that only the prescribed work was worked on, the work was cleared fully, and performance could be monitored and addressed immediately if required and allowed the service to calculate exactly how many days it would take to clear all work. It was estimated that the work would be at one month old by the end of December 2015.

4.5 Reports were run twice daily to monitor the flow of work, age of work and volumes and also allowed for re-calculations to ensure no slippage occurred. The
Performance Indicators were monitored throughout the day and this allowed for any spikes in processing dates to be addressed. This monitoring allowed for flexibility in staff deployment and movement and the ability to amend the plan, if required.

4.6 Over the same period, with a view to increase productivity, staff targets were reviewed and subsequently increased across all work streams.

4.7 The plan was due to be completed by the end of December 2015 however due to the tight controls and monitoring the outstanding work was under one month old by the end of November 2015.

4.8 In addition, the delays within the service were noticed by the DWP and to pre-empt and prevent additional audits the DWP Performance Team agreed to ‘monthly’ performance reporting for LA Error, New Claims and Change in Circumstances. They also required full data on total work received, split down into work flow categories, age of oldest work, volumes cleared and outstanding work at the end of each month. This was ongoing so they could monitor and ensure the service remained focused and on target until they were reassured the service was sustainable.

5. 2015/16 Outcome and 2016/17 Prospects

5.1 The Benefits Service finished the 2015/16 financial year with:

- 2,604 pieces of work all under 1 month old
- Local Authority Error (LAE) of 0.42%
- New Claims being assessed in an average of 49.04 days
- Changes being assessed in an average of 14.04 days
- Outstanding Housing Benefit Overpayments of £18.1m

5.2 The monitoring, plans and staff targets put into place throughout 2015/16 have been maintained in 2016/17 and the service started the year in a far better position than previous years. All work streams are still being monitored daily and reported weekly into a ‘central’ dashboard as well as an overall ‘operational’ dashboard. LA Error and Admin delay continues to be checked daily to ensure cases are being recorded accurately and LA Error is reported weekly and continues to be forecasted to the end of the year. Staff performance targets remain enhanced and regular briefings are held with all staff across all sites to ensure all relevant changes are notified, work plans explained, training briefed and issues addressed.

5.3 Overall work pressures continue to rise due to increased volumes of work being received due to the continued Welfare Reform changes and claimants reduced incomes, putting further pressure on Council Tax and Rent Collection levels. However, this is being monitored very closely with flexibility being shown in how resources are targeted effectively and efficiently to minimise adverse effects being felt and ensure work remains controlled with targets being achieved.

5.4 The Council has also recognised the increase in workload and signed off on 6 additional FTE benefit officers

5.5 As of 29th August 2016 The Benefits Service Performance is:
2,729 pieces of work outstanding
Local Authority Error (LAE) of 0.21%
New Claims being assessed in an average of 29.98 days
Changes being assessed in an average of 10.52 days

5.6 More Welfare Reform changes are due in 2016/17 and 2017/18:

- May 2016 saw the removal of family premium from all new claimants and the gradual transition of existing claimants for removal. There are 10,321 claims currently in receipt of family premium.
- September 2016 will see the reduction of benefit cap from current £26,000 to £23,000, it is estimated that there are an additional 400 to 600 claimants who will be affected.
- In addition to the proposed Benefit Cap reduction the Government has now proposed further exemptions for claimants receiving Guardians Allowance, Carers Allowance and the Carers element of Universal Credit. The borough currently have 1,737 customers in receipt of the above that will need to be reviewed and exempted accordingly.
- April 2017 will see Tax Credits restricted to a maximum of 2 children per household for new claimants and existing claimants will be affected upon receipt of any relevant change of circumstances that ends with a break in claim and which will require them to reclaim. There are presently 3,800 potential households affected.
- April 2017 will also see the removal of the work related component from ESA which could potentially affect 765 households.

5.7 The Council has been collating the data proactively so the service is prepared when these changes come into effect and have also formed the Welfare Reform Task Force.

5.8 The Welfare Reform Task Force will take preventative action to minimise and mitigate the impacts that follow the Welfare Reform changes. The Council’s Welfare Reform Task Force can help households:

- Get into work or increase their hours of work,
- Find alternative housing that they can afford
- Maximise all the benefits that they are entitled to
- Provide Debt Advice

6. Options Appraisal

Not relevant to this report as its purpose is to provide information on the 2015/16 Benefits Performance.

7. Consultation

This report has been prepared by Elevate and finalised with the agreement of the Strategic Director of Finance and Investment.
8. **Financial Issues**

*Implications completed by: Kathy Freeman, Finance Director*

8.1 The debt relating to Housing Benefit overpayment is currently £18.9m. It is important that recovery action continues to reduce this level of debt, by either invoicing former claimants, or offsetting the debt against their current entitlement.

8.2 Local Authority error must be monitored closely to ensure it remains less than 0.48% to enable the Council to reclaim 100% subsidy on the overpayments made.

9. **Legal Issues**

*Implications completed by: Dr. Paul Feild, Senior Governance Lawyer*

9.1 Local authorities receive subsidy according to the level of their Local Authority error overpayments when compared to the total amount of correct benefit payments they make. This formula is set out in a Statutory Instrument, and can be varied. The current level of subsidy that Councils can receive for Local Authority error is determined by set thresholds, expressed as a percentage of total benefit payments made. As set out in the report the current funding formula adopted, carries heavy penalties, because if the Local Authority error should exceed the thresholds of 0.48% the subsidy is reduced to 40% and if it exceeds 0.54% it is lost completely.

9.2 This report sets out the monitoring that takes place on an ongoing basis and measures taken to maintain its overall error is less than 0.48%. Because of the gearing effect of exceeding the targets it is cost effective to direct additional resources to ensure the threshold of >0.48 is not crossed, should the risk be identified.

10. **Other Issues**

10.1 Risk Management - None

10.2 Contractual Issues - None

10.3 Staffing Issues - None

10.4 Corporate Policy and Customer Impact - None

10.5 Safeguarding Children - None

10.6 Health Issues - None

10.7 Crime and Disorder Issues - None

10.8 Property / Asset Issues - None