

Report of the Finance Director to the meeting of the Governance and Audit Committee to be held on 17 April 2015

AO

Subject:

Report on the management controls that have been implemented in order to reduce the likelihood of income being calculated incorrectly, resulting in the overpayment of Housing Benefit subsidy.

Summary statement:

The cost of administering and paying Housing Benefit is met to a large degree through subsidy received from the Department for Work and Pensions.

To ensure that accuracy of subsidy claims each annual return is subject to audit.

The audit for the 2013/14 claim found examples of Housing Benefit cases where the claimants 'earned income' had been calculated incorrectly. The consequence of this being an overpayment of the subsidy the Government has paid to the Council.

Members have requested a report on the measures that have been put in place to ensure that 'earned income' is calculated correctly when assessing Housing Benefit subsidy.

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Overview & Scrutiny Area:

Corporate



SUMMARY

This report details the management controls that are in place in order to reduce the likelihood of income being calculated incorrectly, resulting in the overpayment of Housing Benefit subsidy.

1. BACKGROUND

The Council administers the Housing Benefit (HB) scheme on behalf of the Department for Work and Pensions (DWP) and is paid a subsidy each year to reflect the amount of HB paid. An annual subsidy claim is submitted by the Council and this claim is subject to audit by external auditors to ensure that the amount claimed is correct.

In financial year 2013/14 a total of £180,765,038 was paid in HB and the Council received subsidy of £177,485,918. The difference is because certain expenditure (such as some overpayments and some high rents paid to tenants in supported accommodation) is unsubsidised and this shortfall has to be met by the council. Should the audit of the subsidy claim find errors and the claim is “qualified”, there is potential for a reduction in the amount of subsidy paid and therefore the council having to contribute more from its own funds.

The Council received 245,000 pieces of work relating to Housing Benefit in 2013/14, either new claims or changes to claims that are already in payment.

Because the errors found in the claim were related to a claimants ‘earned income’, this report focusses on this issue. However, there are several other factors that are considered when assessing a claim and any of these could equally be wrong and make the payment incorrect.

Subsidy, whilst important financially to the Council, should never be the prime reason for ensuring a customer’s claim is accurate; paying a resident’s benefit correctly must always be the Council’s primary focus.

The remainder of this report outlines the steps the Council has made, and continues to make, to ensure the accuracy of our resident’s benefits payments, particularly with regards to earned income

Assessing housing benefit is complicated and requires a good understanding of some complex legal requirements and a high attention to detail; the scheme is also subject to regular and significant change. To ensure staff are capable, the Council has a rigorous recruitment process and an extensive induction and on the job training programme.

It also has comprehensive performance management arrangements and management checks are a major part of these arrangements. For new starters, 100% of work is checked until we are confident they are competent in the work being undertaken. For more experienced members of staff, a minimum check of 4% of work is undertaken - a figure agreed with auditors. In the year just ended 8.4% of all work was checked. Where mistakes are found, various actions are taken, including; improvement plans; further training and an increased amount of checking which would continue until the problem is resolved.



These management checks have been in place for a number of years but following the audit report of 2013/14 additional controls were introduced to give further assurance that earned income is calculated correctly.

In the autumn of 2013, when issues relating to accuracy of earned income were first raised, additional targeted checking was introduced. A monthly report is produced of all cases processed that month, containing earned income and a selection of these is checked. At least one piece of work for each member of staff, who has input a claim with earned income in that period, is checked.

These additional checks have confirmed what the established checking process (outlined above) shows, which is that the majority of errors are not due to a lack of knowledge but down to human error; transposing figures or mistyping for example. It also confirmed that it is not the same people making repeat errors; where it is, additional support through training and improvement plans are being used.

Technology also has a role to play and features within the system, such as value limits and help texts are utilised to aid the calculation of income, but data still needs to be input to the system by staff.

The Council will continue to use the measures outlined in this report, to ensure a culture where attention to detail is paramount, to reduce the risk of errors entering the system.

2. OTHER CONSIDERATIONS

The issue of subsidy qualification is not unique to Bradford; in May 2014 the DWP reported that subsidy qualification letters had been issued to 78% of Councils for the 2011/12 claim. Four principal areas of qualification were identified, two of which were “assessment” errors and “data entry” errors. Further analysis identified the top eight reasons why claims were qualified, of these three were down, in part, to the miscalculation of income.

Whilst this in no way undermines the Council commitment to accuracy in assessing benefits, it does give an insight to the challenges faced with such a complex and ever changing system

3. FINANCIAL & RESOURCE APPRAISAL

From an overall subsidy of £ £177,485,918 the Council has been required to pay back a total of £494. The amount of overpaid subsidy due to the miscalculation of earned income amounted to £56,508, however the audit also identified an under claim of subsidy amounting to £55,530, resulting in a net overpayment of £978. This highlights why the focus is on more than earned income in the checking process.

A further adjustment made by the DWP has led to an amount of £494 being repayable; this has been deducted from the March 2015 monthly subsidy payment.

Previous year’s subsidy claims have also been qualified, as follows;



2010/11	subsidy loss, £820	principally due to incorrect entry of earned income
2011/12	subsidy loss, £16,630	due to a variety of reasons including incorrect entry of tax credits onto a claim
2012/13	subsidy loss, £1,074	principally due to incorrect application of tax credits

4. RISK MANAGEMENT AND GOVERNANCE ISSUES

Robust management checks will remain in place to ensure that benefits is paid accurately to our residents, that the correct amount of subsidy is claimed and that the risk of having to repay a significant amount is minimised

5. LEGAL APPRAISAL

There are no legal issues

6. OTHER IMPLICATIONS

6.1. EQUALITY & DIVERSITY

none

6.2. SUSTAINABILITY IMPLICATIONS

none

6.3. GREENHOUSE GAS EMISSIONS IMPACTS

none

6.4. COMMUNITY SAFETY IMPLICATIONS

none

6.5. HUMAN RIGHTS ACT

none

6.6. TRADE UNION

none

6.7. WARD IMPLICATIONS

none

6.8. AREA COMMITTEE ACTION PLAN IMPLICATIONS

none

7. NOT FOR PUBLICATION DOCUMENTS

none

8. OPTIONS

none

10. RECOMMENDATIONS



The Governance and Audit Committee is asked to note the approach taken to the management checking of Housing Benefit claims that include earned income.

11. APPENDICES

No appendices

12. BACKGROUND DOCUMENTS

