RESPONSE TO CHAIR OF PEOPLE SCRUTINY COMMITTEE ON HOUSING BENEFIT ISSUES FROM THE SYSTEM LEAD FINANCE

PEOPLE SCRUTINY COMMITTEE - 12 MARCH 2018

Responding to a Member in respect of the forecast variance of £400,000 of revenue collection and benefits, the System Lead Finance advised that three areas had contributed to the variance:

1. Less Housing Benefit overpayments raised than the original forecast of £1.8m. Overpayments occur when the Council is advised of a retrospective increase in income or change that means that too much Housing Benefit has been paid out for a past period on a claim. At the end of January, £1.2m had been raised in overpayments with an end of year forecast now being projected to be £1.5m. The majority of overpayments are raised by processing RTI's (Real Time Information). These are notifications sent through to the Council monthly by the Department for Work & Pensions (DWP) following data matching against records held by HM Revenue & Customs to highlight discrepancies. When RTI's were introduced two years ago they created large value overpayments as the retrospective increases in income regularly covered several years. Now, with more up to date information, it is harder to create a large overpayment. The start of year forecast for overpayments is created using a formula which is the sum of the previous 12 months overpayments raised multiplied by a percentage figure given to the Council by the DWP. That percentage figure can be a plus or minus depending on what the DWP predict to happen to the Council's caseload, and this year it was a minus percentage as the DWP were predicting that the Council would be raising less overpayments than last year. It is very hard to actually predict how many overpayments will be raised in a year. Exeter City Council has been consistently the highest achiever in Devon at finding and processing changes, so there is no room for improvement there and the Benefit Team has a dedicated resource for processing the RTI's, and process both the mandatory and optional RTI's on a regular monthly basis. Housing Benefit overpayments account for approx. £300k of the forecast variance.

2. Write-offs for the year were forecasted to be £152k, however they were £172k at the end of January. There was a backlog of write-offs in December that the Collection team have recently processed. There are various reasons why overpayments of Housing Benefit cannot be recovered and are put for write-off including where the claimant has died and there is no money in the estate to claim from, the claimant has moved away and cannot be traced, the debt is included in an insolvency order and cannot legally be recovered, or there are issues of vulnerability (personal and/or financial) and it would not be in the interest of the claimant's welfare to pursue the debt. Write-offs are subject to close scrutiny before being authorised.

3. More unfunded expenditure than forecast. This is where Housing Benefit has been paid out but the Council does not get fully reimbursed through subsidy for what has been paid out. The three areas of subsidy loss are temporary accommodation, supported exempt accommodation and local scheme (local disregards for war pensions).

Temporary accommodation includes spot purchases and Bed and Breakfast, and rents for temporary accommodation can be very high, which is why the Council strives to keep the use of temporary accommodation to a minimum. As Housing will have received full income from Benefits for their temporary accommodation, it is the Housing Benefit budget that bears the cost of the shortfall.

Supported exempt accommodation is provided by a charity, housing association or voluntary organisation and the landlord is responsible for providing care, support or supervision that is more than minimal. If the landlord is a housing association the Council gets full subsidy, but if they are private or voluntary then the subsidy reimbursement is limited to the rent officer (RO) valuation. Rent is far higher in these schemes so there is a large unsubsidised cost to the Council. Where the resident is vulnerable, the Council gets 60% of the expenditure over RO valuation back in subsidy, but zero if they are not. The Council has approximately £500k over threshold subsidised at 60% and £75k of zero subsidy. The most expensive schemes can cost up to £300pw per tenant, and increasing costs are being seen in this area.

Responding to a Member with regard to the risks posed by Universal Credit, the System Lead Finance advised that a report and background paper on Universal Credit Full Service rollout, was presented to People Scrutiny Committee on 4 January 2018. The financial risks are highlighted in the Section 151 Officer comments in the report and also detailed in paragraph 4.1. As there are significant financial risks, an entry has been included in the Corporate Risk Register.

With regard to the Member's enquiry if Housing Benefit Overpayment recovery is at risk, the System Lead Finance can advise that there are no current concerns with recovery levels. Recovery of old year debt is better this year with 74% being achieved compared to 71% last year. Recovery of old and new debt was 72.1% as at the end of January 2018. This indicates improved performance as levels of old and new debt recovery were 70.4% in 2016/17 and 67.3% in 2015/16.