

Briefing Note for Audit Committee - 25th September 2017

Housing Benefit – Estimating HB Expenditure & Subsidy

Local Authorities have a statutory duty to administer Housing Benefit on behalf of the Department of Work and Pensions (DWP). The Revenues & Customer Services team process Housing Benefit claims and make payments directly to tenants (private sector), or directly to rent accounts (council tenants). These payments are funded by Housing Benefit Subsidy payments that are received monthly from the DWP.

Housing Benefit Expenditure (for Subsidy Purposes) - 2016-17 (Revised estimates)

Council Tenants - £13,624,133

Private Tenants - £19,199,371

Total - £32,823,504.

Housing Benefit Entitlement – Subsidy Estimates

The Council is required to provide estimates of future HB entitlement so that the Benefit Subsidy payments can be made monthly to the authority during the period when the HB is actually being paid to the claimant. The initial estimate of HB entitlement is calculated in January for the following year. This is based on actual payments that have been made in the current year (usually as at 30th November or 31st December), these are then used to estimate the entitlement for the following year.

The projected year-end position is also used to revise the 2016/17 budget.

Overpayments / Adjustments

The information provided to the DWP is based upon entitlement however the actual amount paid will differ due to deductions for overpayments, offsetting of underpayments and overpayments and other adjustments.

Overpayments arise for a number of reasons which include claimant error (the claimant not notifying the Council or DWP of a change in circumstances) and local authority error (an error made in determining the claim).

Where an individual is in receipt of on-going housing benefit the amount due to be paid will be adjusted to recover the overpayment known as 'clawback'.

The variance of £624k between the budgeted expenditure and actual expenditure is a result of reduced HB claims or entitlement than forecast and the deduction of overpayments. The out-turn position represents a 1.89% variance to budget.

When the claimant is not in receipt of on-going housing benefit an invoice is raised to re-coup the overpayments. Due to real-time information being received from DWP the level of overpayments and therefore overpayment income is also reducing.

Housing Benefit Subsidy Payments

As discussed above, during the financial year the Council receives subsidy from the DWP to cover the cost of Housing Benefits payments. There is a direct correlation between entitlement and DWP payments received and therefore where Housing Benefit entitlements reduce so

does the amount paid to the Council in subsidy. Further amendments to the subsidy may also occur subject to the outcome of the external audit of the subsidy claim.

The amount of subsidy received is £212k less than budgeted (less than 1% variance to budget).

Future forecasting - Using Government HB expenditure growth forecasts

National growth forecasts are provided by the DWP however, in recent years it is noted that these do not generally fit local conditions. At a time when the government estimates are predicting significant reductions in the numbers of Housing Benefit claimants across the country (for example – in 2017/18 government figures predict a reduction in Social Tenant expenditure by -6.7% and Private Tenant expenditure by -6.9%), here in Ashfield the fall in the number of claimants over recent years has been notably slower than the national average. The effects of using the national figures for Ashfields estimation purposes in 2016-17, would have resulted in the initial estimate of HB expenditure being set too low, resulting in an “overspend” against the HB initial estimate figures (when we find that we have more claimants than the government estimates had predicted).

Conclusion

As identified above there a number of factors which influence the housing benefit expenditure and income budgets. Work is being undertaken to re-assess the budget requirements for 2017/18 onwards. A consideration for 2018/19 shall be the introduction of Universal Credit whereby responsibility for some Housing Benefit payments will transfer to the DWP.