

Overview and Scrutiny Questions – 2018/19 outturn

1. This appendix includes the following requested at Overview and Scrutiny Committee on 12 July:-
 - a) The Finance Lead Specialist undertook to include an update on the explanation of the DWP issue in the Quarter One Financial Monitoring Report.
 - b) The Chairman requested that an update on the Building Control deficit be brought to the next Overview and Scrutiny Committee Meeting.

2. Write-off of Housing Benefit overpayments 2018/19

- 2.1. The 2018/19 outturn report explained there was a £143k net overspend on housing benefits due to write-off of older debts and those relating to DWP errors which were judged irrecoverable during migration of outstanding debts as part of the implementation of new software.
- 2.2. During 2018/19 housing benefits of £16.3m were paid. Where an error is identified a debtor account is raised – the majority of this overpayment will be recovered by deductions from future housing benefit payments but there are also payments of cash where benefit payments have stopped.
- 2.3. Overall housing benefit overpayments outstanding at 31 March 2019 were £1,296,103 compared to £1,286,612 at 1 April 2018 so increased by under £10,000 during the year:

Opening balance 1/4/18	£1,286,612
New debts raised during 18/19	£1,029,662
Payments of debts during 18/19	-£941,294
Write-off of debts during 18/19	-£80,805
Refunds during 18/19	£1,928
Balance 31/3/19	£1,296,103

- 2.4. Where there is a possibility that a debt is not going to be repaid the Council is expected to establish a provision for bad debts. This is usually based on previous experience that the older a debt is, the less likely it is to be repaid with percentages applied ranging from 20% for debts of under 3 months to 100% for debts older than 2 years.
- 2.5. Write-offs (£80,805) and contributions to the bad debt provision (£126,705) totalled £207,510 compared to a budget of £64,63 which resulted in an overspend of £142,875.
- 2.6. Write-offs can be for a number of reasons. The write-offs in 2018/19 of £80,805 covered 93 invoices over 61 different debtors:
 - There were 3 write offs over £4000, of which 2 related to the debtor passing away.
 - There were 11 write offs between £1000 and £4000
 - There were 28 write offs between £100 and £1000
 - There were 51 write offs under £100
- 2.7. The most common reason for write-off is where the debtor is deceased:

Description	Amount
Debtor Deceased	£34,040.88
DWP Official Error	£25,872.13

Debt Relief Order	£6,350.45
Conversion Error	£3,603.81
Individual Voluntary Arrangement	£3,599.99
Prison	£2,908.42
Error Correction	£1,808.75
Local Authority Error	£1,753.24
Discretionary Housing Payment	£621.65
Old Debt	£240.00
Small Balance	£62.68

- 2.8. The third large write-off was an invoice of £25,805 written-off due to DWP error. When the housing benefit was awarded it was correct based on the information the Council had at the time and the information the Council had been provided by the DWP and the Council claimed subsidy back for the HB paid out. The DWP changed their decision on entitlement to DWP benefits, this then resulted in the Council having to revise the housing benefit decision based on the new information and create an invoice for overpaid housing benefit. It was later that the Council discovered the change in entitlement to DWP benefits was caused by the DWP error. The Council is required to write off the overpayment if it is caused by DWP error.
- 2.9. The Council has not lost out financially because the amount paid out has been recovered through the subsidy award paid to us. If we were to incorrectly recover the invoice then we would effectively be paid the money twice, once through the subsidy and once from whoever the invoice is recovered from.
- 2.10. The invoice was created in April 2017 and covers 5 years from 2012 to 2017. It was only later in 2017 that it came to light that the change to benefits was due to DWP error but this was while the Council was in the midst of the implementation of the new Revenues and Benefits system so the need to write-off the debt was overlooked. The oversight was picked up in Aug 2018 and the debt written-off.

3. Building Control deficit

- 3.1. The building control regime in England is governed by the Building Act 1984 (the Building Act). While the actual requirements for building work are contained in regulations which the Building Act empowers the Secretary of State to make (the current version of which is the Building Regulations 2010 as amended (the Building Regulations)), the regime for their implementation is contained almost fully within the Building Act.
- 3.2. District councils in England are obliged by section 91 of the Building Act to "carry the Act into execution in their areas" and to "enforce building regulations in their areas". As these are duties of the Council, they will not be able to delegate them (except to another local authority through a delegation of functions) and the Council will remain responsible.
- 3.3. Sections 47 and 48 of the Building Act require district councils, where certain procedural conditions are met, to allow "Approved Inspectors" to take responsibility for the supervision of building work within their area. Where no Approved Inspector takes responsibility, however, the Council is obliged to supervise the work.
- 3.4. The Building Control service is separated into Building Control Chargeable, and Building Control Non-chargeable functions.
- 3.5. Building Regulations require that a Local Authority does not make a profit from the Building Control Chargeable function, and that the principle is to achieve the full

recovery of costs by aiming to break-even over a reasonable period of time. There are other limits to charging, for instance Regulation 5 of The Building (Local Authority Charges) Regulations 2010 does not allow Building Control Authorities to charge for the first hour in providing chargeable advice.

3.6. A strategic review of the building control service was considered by Cabinet in 2017 as part of the Customer Connect programme, examining options for the future service delivery. After examining various options including approaching a neighbouring authority to establish whether or not there was a benefit to both authorities of the other authority being the statutory Building Control authority for the South Lakeland Area.

3.7. The review threw a number of issues into sharp relief:

- Market competition and the need to generate income and future income streams;
- Overall service costs and the need to examine savings opportunities to address the deficit position;
- The challenge of increasing Corporate recharges;
- The importance of maintaining a sustainable Local Authority Building Control service into the future, so that customers have choice; and

Staff consultation and HR processes associated with revised operating approaches.

3.8. One of the fundamental issues currently faced by SLDC emerging from the detailed financial analysis is that whilst Building Control Chargeable income covers all the operational costs of providing that part of the service, it does not recover sufficient fees in the competitive market to recoup all the corporate recharges currently allocated to the chargeable service and therefore this element of service continues to show an overall deficit position year on year.

3.9. However, as a result of the review, the allocation of corporate recharges was revised to better reflect the actual charges incurred by Building Control for the chargeable and non-chargeable service elements.

3.10. This report concluded that the in-house provision was the most appropriate service model.

3.11. An internal audit review of building control was carried out in 2017/18 which gave substantial assurance and found:

- a) The Building Control service is fulfilled by a very knowledgeable, experienced and appropriately qualified team.
- b) Although Building Control has let lapse its ISO Quality Standard accreditation, this has had no adverse effect on the professional and timely service delivery.
- c) New Building Control Standards and ISO accreditation are anticipated in 2018 and the team intends to ensure full compliance to again achieve accreditation.
- d) The Budget Monitoring Report to Period 6 2017/18 showed Building Control to be performing ahead of budget.

3.12. The Customer Connect programme will bring major changes to the Building Control service including new IT systems, a new staffing structure and new support structures. It is not possible yet to determine the impact this will have on the direct costs of the service.

3.13. The direct costs of the building control service for 2018/19 are shown in the table below:

	2018/19 Actual £000	2018/19 Working Budget £000	2018/19 Variance £000	Comments
Building Control – Chargeable - Building Regulations - Administration and enforcement function of building regulations in construction, alterations and changes of use, including examination of plans and site inspection of work				
Direct Expenditure				
Employees	209.3	202.8	6.5	Overspend due to not meeting 4% vacancy saving on salaries - no vacant posts
Transport	16.1	14.3	1.8	Mileage claims higher than budgeted
Supplies and Services	13.6	18.7	-5.1	Lower than budgeted spend over a number of budgets including engineers fees
	239.0	235.8	3.2	
Income				
Customer Receipts	-314.1	-329.7	15.6	Lower than budgeted income from both approvals and inspection fees
	-314.1	-329.7	15.6	
Net Expenditure	-75.1	-93.9	18.8	
Building Control - Non- Chargeable - Street Naming & Numbering - advice to the public - Statutory function to initiate, consult and advise developers, key services and individual property owners. Assistance to Development Control Group - Unauthorised building operations.				
Direct Expenditure				
Employees	96.9	93.4	3.5	
Transport	6.0	6.8	-0.8	
Supplies and Services	2.9	2.9	0.0	
	105.8	103.1	2.7	
Net Expenditure	105.8	103.1	2.7	