

Corporate Governance and Standards Committee Report

Ward(s) affected: All

Report of Director of Service Delivery

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Audit Report on the Certification of Financial Claims and Returns 2019-20: Housing Benefit Subsidy and Pooling of Housing Capital Receipts

Executive Summary

The Council receives annual audit reports on the certification of financial claims and returns. The audit covers claims returns relating to expenditure of over £27.6 million, spanning:

- Housing Benefit Subsidy worth £27.6 million
- Pooling of Housing Capital Receipts

We have received the 2019-20 report for Housing Benefit Subsidy; however, the smaller Pooling of Housing Capital Receipts has not been received at the time of writing this report.

The auditor provides assurance to the Department for Work and Pensions (DWP) around the accuracy of the Subsidy claim. This recompenses us for payments to help residents on low incomes with their rent.

The DWP does not have a financial tolerance level so any errors are reported. This leads to the claim being qualified and results in additional testing in subsequent years. The more records that are tested, the more likelihood there is that an error will be identified.

Our subsidy claim has been qualified since 2012-13. Statistics on qualified subsidy claims are not routinely published. However, in 2012-13 over 77% of claims were qualified, indicating that Guildford is not an unusual case.

Whilst the auditors found a new error type during their audit, the overall errors in 2019-20 remained low and no amendments have been made to our claim. As has been the case in recent years, this means that we do not have to pay funds back to the DWP as a result of the audit.

It remains challenging to balance capacity, speed, and accuracy to ensure that claimants

receive the help they require whilst not exposing the Council to an increased financial risk as a result of errors. We have, however, provided the DWP with assurance that we will continue to work to reduce errors further.

Recommendation to Committee

The Committee is asked to note the position regarding the certification of financial claims and returns in respect of Housing Benefit Subsidy for 2019-20.

Reason for Recommendation:

To formally sign off our claims and returns for 2019-20.

Is the report (or part of it) exempt from publication? No

1. Purpose of Report

- 1.1 To inform the Committee of the position regarding the certification of financial claims and returns for the year 2019-20, following work by our auditors Grant Thornton (GT).

2. Strategic Priorities

- 2.1 The audit of claims and returns support our values for our residents to deliver quality and value for money services.

3. Background

- 3.1 We engaged with GT to carry out the Housing Benefit (Subsidy) Assurance Process for 2019-20.
- 3.2 GT provided the S151 Officer of Guildford Borough Council and the Department for Work and Pensions (DWP) with assurance relating to our Housing Benefit Subsidy claim of £27.6 million.
- 3.3 We also asked GT to carry out work on our Pooling of Housing Capital Receipts return.

4. Housing Benefit Subsidy

Audit Findings:

- 4.1 We pay Housing Benefit to residents on low incomes to help them with their rent. At the end of each financial year we complete a subsidy return. This consists of over 100 cells of information that allow the DWP to apply detailed subsidy allowance rules and calculate how much Housing Benefit they will reimburse to us.
- 4.2 GT is engaged to complete the Housing Benefit (Subsidy) Assurance Process (HBAP) in accordance with the DWP reporting instructions. This means that they:
- check that the annual uprating of the values used to calculate claims is correct - this includes annual increases in DWP benefits, personal

allowances, and premiums for specific circumstances (such as disability and carers).

- check that relevant software patches have been applied
- complete specific test requirements on the sample basis set out by the DWP.

4.3 GT identified some issues when completing the assurance work, the details of which are contained in their report attached at **Appendix 1**.

4.4 GT found no issues with the annual uprating or software checks.

4.5 However they identified some issues on the sample test, which consists of two elements:

- An initial sample test of 20 cases. If an error is found within this sample, then a further sample of 40 cases is selected based on that error.
- Where errors have been identified in previous years a sample of 40 cases for each type of error is tested.

The value of errors is extrapolated across the caseload for the specific cells affected. A small error on one case can extrapolate to a substantial sum.

4.6 Disappointingly, a new error type was identified in the initial 20 case sample. Bed and Breakfast information is manually added to the subsidy claim and one error of £202 was identified because the wrong end date was used. Testing of a further sample of 40 cases did not identify any further errors. The individual error extrapolated to £477 across the cell.

4.7 Five error types had additional 40 case testing following errors in previous years, although none were found in the initial 20 case sample. From the 40 case samples, three errors were found that affected subsidy. The individual error values were £0.12, £87.00 and £146.00. These extrapolate to a total of £2,670.

The five error types are:

- Earned income for HRA Rent Rebate Claims: four errors, of which two (£0.12 and £146) affect subsidy and extrapolate to £1,443
- Tax Credits for Rent Allowance Claims: one error of £87 extrapolating to £1,227
- Occupational Pension Income for HRA Rent Rebate Claims: one error that does not affect subsidy.
- Tax Credits for HRA Rent Rebate: two errors that do not affect subsidy.
- Self Employed Income for Rent Allowance Claims: six errors that do not affect subsidy

4.8 It has been a particularly difficult year due to the pandemic and the requirement for both auditors and officers to "work from home where possible". GT reflect on these issues in Appendix D of their report.

4.9 There were no amendments to the claim form following GT's Assurance Report.

4.10 The DWP has confirmed that no changes are required. They requested assurances that procedures have or will be put in place to reduce the possibility

of the errors as reported by the reporting accountant being repeated in future claims. We have provided these assurances.

- 4.11 This is the eighth year running that the subsidy claim has been qualified. The DWP does not have a financial tolerance level so any errors are reported. The more records that are tested, the more likelihood there is that an error will be identified. This makes it incredibly difficult to reach a point where the subsidy audit is unqualified by virtue of no errors being found.
- 4.12 Statistics on qualified subsidy claims are not routinely published. However, in 2012-13 over 77% of claims were qualified, indicating that Guildford is not an unusual case.
- 4.13 Set against the overall subsidy of £27.6 million, the errors are pleasingly low; however, the techniques of extrapolation used by GT following DWP guidance could easily count against us in the future, as they did in 2012-13 and 2013-14.

Managing the Subsidy Risk

- 4.14 We have strived over the years to eliminate and minimise errors by comprehensive training of new benefit assessors, the use of experienced temporary resources, and checking 100% of new claim calculations. The Benefits Manager has focussed on quality over quantity, striving to balance the need to assess claims as quickly as possible whilst maintaining accuracy.
- 4.15 It is important to note that the Council can be penalised through subsidy for both errors in calculation (for example calculations based on incorrect or missing information) and delays in recalculating claims (for example where we are notified that a claimant's circumstances have changed, but we make a further payment before we recalculate to a lower award). Throughout the year, the DWP monitors the speed with which we process claims and, where they are concerned about delays, instigate additional reporting and intervention.
- 4.16 As reported in previous years, managing capacity to allow claims to be calculated both quickly and accurately has been challenging for the following reasons:

Universal Credit

In 2012, the government introduced Universal Credit. The calculation of working age Housing Benefit was to be removed from local authorities by 2017, with pension age claims following on. The rollout of Universal Credit has two elements: natural migration where a claimant moves to universal credit due to a change in circumstance, and managed migration where residual caseload is removed from local authorities. Natural migration continues, but the date and process for managed migration remains unclear. It remains difficult to plan resources in this uncertain climate.

Vacancies and anticipated restructures

The Revenues and Benefits Service has carried vacant posts in recent years, the intention being to restructure. The first restructure was unfinished when Future Guildford was announced. No one anticipated that the restructures would take so long to complete. Some posts were filled (and fell vacant again), whilst others continued to be covered by temporary resources in anticipation of the posts changing with the restructure. In 2017, disheartened by the general poor quality of traditional agency temps, we signed an agreement with Civica OnDemand for their resilience service. This has provided us with experienced temporary resources, and a supportive account manager.

Caseload and DWP initiatives

An increase in in work claims and fallout from the introduction of Universal Credit has made assessment more complex. There is also an increasing number of DWP initiatives to incorporate into the daily workload aimed at reducing fraud and error. Where the initiative can be isolated and is accompanied by a sufficiently large administration grant, we have used a Civica OnDemand resource to deliver it; however, inevitably additional workload falls on the assessors.

- 4.17 Looking to the future, Future Guildford seeks to address issues of processing capacity and remove the need for ongoing temporary resources by creating the new Customer, Case and Parking Services team. Capacity issues will not be resolved overnight given the knowledge and experience needed to assess benefits both accurately and quickly. Staff in the new team will be on a steep learning curve as they adapt to the new ways of working and gaining new knowledge and skills. In the long term it should put the Council in a better position to minimise the subsidy risk.

5. Pooling Housing Capital Receipts

- 5.1 At the time of writing, the final report has not been received.

6. Key Risks

- 6.1 Timeliness and accuracy underpin the Subsidy grant. In recent years vacancies have affected timeliness of processing, and the quality of temporary staff affected accuracy. The Future Guildford Programme should increase resilience by ensuring a bigger pool of staff are available to work on claims. However, training and retention are key to making this work. It may be that in the short term we need to continue to use the OnDemand Assessment Service to provide additional capacity.

7. Financial Implications

- 7.1 The financial implications arising from this report are set out in the main text. Once again, the audit has not led to us having to repay monies to the DWP.
- 7.2 The fee paid to Grant Thornton for the 2019-20 Subsidy Audit was £29,000, which comprised of a core fee of £20,000 plus £9,000 for the additional 40 case sample tests.

8. Legal Implications

8.1 There are no legal implications arising from this report.

9. Human Resource Implications

9.1 There are no HR implications arising from this report.

10. Equality and Diversity Implications

10.1 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report.

11. Climate Change/Sustainability Implications

11.1 No relevant climate change/sustainability implications apply.

12. Conclusion

12.1 The Housing Benefit subsidy claim has been qualified since 2012-13 and, as a result, Grant Thornton completed additional checking in 2019-20. Although errors were found, they were minimal and did not change the amount of the claim. This could change in future years should identified errors result in extrapolated figures meaning we owe the DWP money. We will continue to try to eradicate the errors and remove the HB subsidy claim from qualification in future years.

13. Background Papers

None

14. Appendices

Appendix 1: Grant Thornton letter and report.