

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 2020-21: Housing Benefit Subsidy and Pooling 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 £25.4 million, spanning:

- Housing Benefit Subsidy worth £25.4 million
- Pooling of Housing Capital Receipts

We have received the 2020-21 report for 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 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 three new error types during their audit, the overall errors in 2020-21 remained low and two other error types have been concluded. The overall extrapolation and corrections are also less than in 2019-20, at a total of £587 compared to £3,147. This is 0.002% of the overall claim of £25,368,833.

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 will, however, provide 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 claims and returns for 2020-21.

Reason for Recommendation:

To formally sign off our claims and returns for 2020-21.

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 2020-21, following work by our auditors Grant Thornton (GT).

2. Strategic Priorities

- 2.1 The audit of claims and returns demonstrates our values of supporting the most vulnerable members of our community, whilst spending money carefully and delivering good value for money services.

3. Background

- 3.1 We engaged with GT to carry out the Housing Benefit (Subsidy) Assurance Process 2020-21.
- 3.2 GT provided the Council's S151 Officer and the Department for Work and Pensions (DWP) with assurance relating to our Housing Benefit Subsidy claim of £25.4 million.
- 3.3 We also asked GT to carry out work on our Pooling of Housing Receipts return.

4. Housing Benefit Subsidy

Audit Findings:

- 4.1 We pay Housing Benefit to residents 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 three new error types were identified in the initial 20 case sample:
- Incorrect calculation of earned income for Rent Allowance: two errors in the initial testing of which one (£1) affects subsidy; four errors in the additional 40 cases, of which three (varying from £0.44 to £39) affect subsidy. Together these extrapolate to £445.
 - Incorrect non-dependent deduction calculation for Rent Allowance. One alignment issue was discovered in the initial testing for £3. Alignment is the way the regulations deal with mid-week or multiple changes. Two additional errors were found in the additional 40 cases, of which one (£3) affects subsidy. Together the errors extrapolate to £14
 - Misclassification of expenditure for Bed and Breakfast. Bed and Breakfast accommodation is administered manually and added to the claim. During initial testing 15 cases were identified where expenditure was misclassified. All 100 cases were checked, and amendments made to the form. Cell 012 was understated by £5,597 and Cell 013 overstated by the same sum. This change increased the subsidy being claimed.
- 4.7 Six 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 (£1, £2, £0.02) were found that affected subsidy and were extrapolated to £23. Additionally, the whole of one cell was checked leading to one error adjustment of £105. Two error types had no further errors and so the issues are closed, unless identified again in the initial 20 case sample.

The six error types are:

- Earned income for HRA Rent Rebate Claims: three errors, of which two (£2 and £1) affect subsidy and extrapolate to £20
- Self Employed Income for Rent Allowance Claims: four errors of which one of £0.02 (rounded to £1) affects subsidy and extrapolates to £3
- Occupational Pension Income for HRA Rent Rebate Claims: one error that does not affect subsidy.
- Tax Credits for HRA Rent Rebate: no errors so the issue is considered closed.

- Tax Credits for Rent Allowance Claims: no errors so the issue is considered closed
 - Incorrect Bed and Breakfast end date for HRA Rent Rebate. These cases are managed outside of our main system. An error was found in 2019-20. As there are only 100 cases, they were all checked. One error was found affecting 3 cells to a total of £105.
- 4.8 GT also report of the HRA Rent Rebate's lack of evidence for affordable rent properties. This relates to the lack of a formal letter from the S151 Officer notifying the auditors of the property included in the Affordable Rents Scheme. This has been remedied and we will ensure the required letter is available for future years.
- 4.9 Amendments were made to the claim form for the Bed and Breakfast errors where all the cases were checked. The claim form was then submitted alongside GT's Assurance Report.
- 4.10 We are awaiting DWP's confirmation that no further changes are required. When requested we will provide them with assurances that procedures have been, or will be, put in place to reduce the possibility of the errors as reported by the reporting accountant being repeated in future claims.
- 4.11 This is the ninth 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. Whilst it is bad news that more error types have been identified, it is good news that the issues around Tax Credits are now considered closed. The overall extrapolation and corrections are also less than in 2019-20, at a total of £587 compared to £3,147.
- 4.13 Set against the overall subsidy of £25.4 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 circumstance has 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

Prior to Future Guildford, the Revenues and Benefits Service carried vacant posts, 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 are 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, additional workload inevitably falls on the assessors.

- 4.17 Last year we reported that Future Guildford sought to address issues of processing capacity and remove the need for ongoing temporary resources by creating the new Customer, Case and Parking Services team. We said: “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, however, put the Council in a better position to minimise the subsidy risk.”
- 4.18 Unfortunately Phase B of Future Guildford saw three assessors leave under VCR and another promoted to team leader. This means that the Case Team does not currently have the number of assessors that the Future Guildford model expects. Attempts to recruit permanent staff have so far failed,

although recruitment is ongoing. Agency Staff and OnDemand resources continue to be used.

The service faces the following difficulties:

- The pandemic has changed workforce expectations. Benefits assessors generally expect to work remotely for 100% of the time and can do so through organisations such as Civica OnDemand. The agile working offered by Guildford Borough Council is not attractive.
- Demand for experienced benefits temps exceeds capacity. This has two consequences: additional temporary resources cannot be obtained, and knowledgeable assessors will be snapped up by temporary agencies where they can work remotely.
- It is unlikely that experienced staff will be recruited. The alternative is to train staff from scratch. We have had success with this in the past, but there is a cost as, in addition to external courses, an experienced member of the team must train them. A new member of staff will not become proficient for around six months.

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. We expected the Future Guildford Programme to increase resilience by ensuring a bigger pool of staff were available to work on claims. To date the reverse has been true. There is a high risk that overstretched assessors make mistakes, and our subsidy will be reduced because of delays in processing.

6.2 The DWP expects local councils to comply with their fraud and error initiatives. The latest of these is the Housing Benefit Accuracy Award. This requires councils to carry out a stated number of full claim reviews. Whilst some funding is made available, as explained in paragraph 4.18 above, demand exceeds supply for temps. We have regretfully had to explain that we do not have capacity to join in with the initiative for 2022-23. At the time of writing, we do not know what the consequences of this may be.

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 the DWP.

7.2 The fee paid to GT for the 2020-21 Subsidy Audit is £37,000. Comprised of a core fee of £20,000 plus £15,000 for the additional 40 case sample tests (10 at £1,500) and £2,000 for three more detailed 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, GT completed additional checking in 2020-21. Although errors were found they were minimal. 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: GT letter and report.