

# Report

## Governance and Audit Committee

### Part 1

Date: 25 July 2024

**Subject** Housing Benefit Subsidy Audit

**Purpose** Following the Audit Wales report '*Grants and Returns Certification Update-Newport City Council*' presented at Governance & Audit Committee in May 2024', this report sets out the context of the audit and the steps being taken to address the matters raised.

**Author** Revenues & Benefits Manager/Head of Finance

**Ward** All

**Summary** Following the Audit Wales report '*Grants and Returns Certification Update-Newport City Council*' presented at Governance & Audit Committee in May 2024, this report was requested by the committee and sets out the context of the housing benefit subsidy audit and the steps being taken to address the matters raised.

**Proposal** n/a

**Action by** Revenues & Benefits Manager

**Timetable** Immediate

This report was prepared after consultation with:

- Head of Finance
- Head of People, Policy and Transformation
- Head of Housing and Communities

**Signed**

## Background

1. Every year the Audit Wales is required by the Department for Work and Pensions (DWP) to audit the Council's Housing Benefit subsidy claim to ensure that cases are being dealt with in accordance with national regulations and that errors are minimal. If the auditors find that either of these areas contain inaccuracies additional checks are required and ultimately if the issues are considered significant, a financial penalty can be applied.
2. A report has recently been submitted by Audit Wales into the audit of Newport's Housing Benefit subsidy claim for 2022-23, this report sets out to put this into context and provide information on the steps being taken to minimise errors.
3. There are currently around 7,500 active housing benefit claims and each of these require significant amounts of data including household composition, earnings, rent etc. which have to be assessed by staff and input into the core IT system that calculates the housing benefit entitlement.
4. Cases are never static, every case requires some input during the year to reflect rent increases, household changes, fluctuations in income etc. Some of these changes are annual such as rent increases but in many cases, changes are more regular such as income which often changes weekly or monthly depending on the hours worked. There are also many cases relating to emergency and temporary accommodation (hostels, B&B's etc) that require amendments every week to reflect changes in accommodation charges that can alter daily depending on the placement.
5. The auditors have not yet completed auditing the 2022-23 claim, due in part to starting later than usual but also because of the high number of checks required due to errors identified in previous audits. As a result, they have indicated that the fees to be charged and the time taken to complete the audit are likely to be higher than the Welsh average again.
6. Paragraph 11 of the report stated that the cost of certifying grant returns at the Council was above the average for the Welsh Local Government sector. The variance predominantly relates to the cost of certifying the Council's Housing Benefit Subsidy return, and the table below summarises the position at the Council in comparison to the all-Wales average:

	2020-21	2021-22
Newport City Council	£44,429	£40,153
Average for the Welsh LG Sector	£25,500	£29,400

7. The auditors select samples from the 'data cells' on the subsidy claim to be checked. The auditors will sample 20 claims that make up the cell and if a single error is found, no matter how small, a further 40 cases of the same type will need to be checked for accuracy. Regardless of the outcome of the 40 additional checks, the following year the higher number of checks per cell has to be carried out until no errors are found.
  
8. The subsidy cells contain a figure for a claim type and is the cumulative figure of all transactions for the year, for example a cell may contain the information relating to homeless accommodation, this will then be broken down into subtypes such as income, household, rental charges, meals deductions, etc. Due to the large number of data cells in the subsidy claim and subcategories there is a large amount of data that may be subject to checks. The auditors have indicated that as a result of errors found in previous audits and the additional checks that are required in subsequent years the amount of time needed to complete the audit is higher. As a result of the additional time that is required the audit fee for this work is likely to be higher than initially anticipated, the exact amount is not known at this time. As already stated there are thousands of transactions carried out annually of these a relatively small number of errors have been found. The discovery of a single error however, automatically leads to additional testing and a higher testing level for subsequent years, which increases the time for the audit and the overall cost.
  
9. Historically there have been errors found when the subsidy claim has been audited, most recently in the subsidy claims for 2020-21 and 2021-22.
  
10. The type of errors identified in the previous audits fall into the following categories:
  - Missing proof of occupancy for emergency and temporary housing claims.
  - Incorrect tenancy type used.
  - Misclassification of overpayments.
  - Incorrect Bed and Breakfast rates used.
  - Incorrect number of bedrooms used in calculations.
  - Incorrect tax credit and pension income.

- 11. Missing proof of occupancy** - this relates to claims for households in emergency or temporary accommodation. Ordinarily no claim is paid until all required evidence is received, however during the pandemic there was a Welsh Government requirement to house people sleeping rough and insecurely housed due to the significant public health risks posed by Covid. This led to a significant increase in the number of people placed in temporary accommodation. In a number of these cases the Council acted pragmatically to get housing benefit payments issued quickly and relied upon the occupation confirmation being forwarded at a later date. As the Council was working to meet unprecedented levels of demand, subsequently were unable to gather sufficient evidence of occupation in every case leading to a number of incomplete claims.
- 12. Incorrect tenancy type used** - this again relates to cases covering emergency and temporary accommodation. In some cases, leases expired during the claim, which leads to an incorrect classification.
- 13. Misclassification of overpayments** - a number of local authority error overpayments that should have been classified as 'technical errors' resulted in incorrect subsidy being recorded and additional time spent on checks. These were matters that were spotted and raised by staff during the audit, not by the auditors themselves. This resulted in extended testing. This is no longer an issue because the recording of overpayments has been changed.
- 14. Incorrect Bed and Breakfast rates used** - this relates to claims made for those in emergency or temporary accommodation, where nightly room rates had changed during the year. Room rates regularly change depending on the accommodation provider and in a number of cases these were not notified. This was caused by the focus of all staff on managing increased demands and responding to the public health emergency.
- 15. Incorrect number of bedrooms used in calculations** - this related to a single property and was a minor error where the property was notified as having five bedrooms instead of six which resulted in a higher rent per room being used. Although an error, the amounts paid per room were above the amounts that can be claimed in subsidy so there was no financial loss, however the additional time required to conduct the checks will have impacted on the overall audit fee.
- 16. Incorrect tax credit and pension income errors** - every year the value of pensions and tax credits change, these are now all updated automatically, but at the time of the 2020-21 audit some were still manually input into the IT system. A small number were found to have not been updated. As these annual changes are now automatically updated using DWP data errors of this kind are far less likely to reoccur.

There are number of factors that have contributed to the error rate:

17. **Workload issues** – record numbers of households were placed into temporary accommodation over the pandemic years, and whilst the pandemic has passed the number of households in temporary accommodation has continued to increase and Newport still has extremely high numbers of households in temporary accommodation.
18. **Staffing Issues** – the effect of significantly higher numbers of households in temporary accommodation adversely affected the Housing Benefit team. The additional work required to manage these cases came at a time when there were unfilled vacancies as well as staff resources being redirected to administer covid self-isolation and the winter fuel cost of living payments. This resulted in the team being stretched with staff reassigned to new duties in the pandemic. The Housing Team also experienced similar issues and higher than average staff turnover. The resulting resource issues were managed with temporary, less experienced staff.
19. **Pragmatism during the pandemic** – the high level of demand for temporary housing during the pandemic years and the pressure to get housing benefit claims paid as quickly as possible resulted in the team taking a more pragmatic approach to the supply of evidence that would ordinarily be the case. This was due to the need to quickly adapt to remote working and also ensure that payments were made as soon as possible. In a limited number of temporary accommodation cases the team set up claims with the proviso that key rental or occupancy evidence would follow, in some cases, the auditors were unable to locate all documentation relating the cases being examined.
20. **Systems and processes** – some of the internal processes and systems used were found to be overly burdensome which was previously manageable but the increased workload and staffing issues resulted in delays and some documentation not being easy to locate.

What is being done to address the issues?

21. The overall number of housing benefit cases has decreased since the pandemic years, with the gradual move of claims away from Housing Benefit to universal credit. The caseload for temporary accommodation claims has however actually continued to increase, with Newport now having the second highest number of households in temporary accommodation in Wales.

	Number of Households in Temporary accommodation at 31/03/2023
Cardiff	702
Newport	471
Pembrokeshire	396
Denbighshire	330
Conwy	318
Wrexham	282
Caerphilly	276
Gwynedd	273
Powys	267
Carmarthenshire	258
Swansea	255
Bridgend	252
Monmouthshire	210
Neath Port Talbot	207
Flintshire	183
The Vale of Glamorgan	174
Merthyr Tydfil	168
Rhondda Cynon Taff	150
Torfaen	96
Ceredigion	81
Isle of Anglesey	72
Blaenau Gwent	57

22. Managing this workload remains challenging for the Council and steps have been taken to increase resources in the Housing Team, which has had a direct positive impact on the Housing Benefit Team and the administration of benefits.

23. Staffing issues and especially the under-resourcing of key teams has historically been an issue and whilst in normal times the Council were able to manage, the pandemic and the increase in demand for temporary housing saw the teams struggle to deliver the service.

24. These issues are now being addressed partly by increased resources for Housing but also with the restructure of the Housing Benefits Team that has been incorporated into the Finance Department. Another significant factor is that experienced staff are now back in their normal roles and the reliance on temporary and agency staff to fill gaps has ended.

25. These changes will provide capacity to manage the caseload across both areas and enable the teams to ensure that cases are closely monitored and the

required level of routine checks are carried out as well as ensuring that claim based evidence is available when required.

26. Accommodation rates for temporary accommodation fluctuate and changes to the rates charged by providers were not always notified to the Housing Benefit Team in a timely manner. Internal processes have been changed with the Housing Benefit Team now having direct access to Housing electronic records, which reduces the overall administrative burden and enables access to documentation when required.
27. Processes have been put in place to reduce the possibility of evidence not being supplied and ensure accuracy over room rates and occupancy details. The Housing Benefit Team has changed its procedures so that it no longer allows payment of any case until all evidence is received and verified. This enables better accuracy in the processing of benefit payments.
28. There is now a systematic approach to providing evidence and whilst this is still a work in progress the risk of significant numbers of errors has been reduced. Where possible Housing are agreeing fixed costs for each hotel to reduce the fluctuations in nightly rates.
29. Assessing Housing Benefits is extremely complex with a large number of regulations to understand as well as learning how to input the information held into the core system correctly, given that there are multiple options and codes to be used. There is an intensive programme of staff training in place for new starters and training is also carried out when there are changes to regulations or procedures for assessing claims.
30. When staff are dealing with complex case work some data entry errors are to be expected, those that have been identified are relatively minor and low in number.
31. New staff and less experienced staff have their work checked more frequently. As with training the checks are carried out by the team leaders and managers.
32. Automation of claims is now in place for changes to DWP benefits, housing association rent increases and terminating housing benefit claims and this works well, reducing the risk of errors.
33. As detailed the key issues that contributed to the errors found by the auditors are being addressed and whilst the changes are still bedding in, it is anticipated that the 2022-23 audit that is currently being undertaken should have fewer recorded errors. This should result in subsequent audits being concluded in less time due

to less additional testing being required, it is hoped that this will be reflected positively in the level of future fees.

## Risks

34. The risks associated with housing benefit administration and payment relate to the subsidy that the Council receives from the DWP and the potential to pay too much or too little to claimants for their housing costs.
35. Due to the number of transactions that are carried out annually and the capacity for errors to be made this risk is well documented and is shown in the Council's Corporate Risk Register.
36. Should the audit of the subsidy claim identify too many errors that have a significant financial cost, the claim may be qualified and the DWP may withhold the subsidy attributable to the element of the subsidy claim that is found to be problematic. If this was to happen the Council would receive less grant than expected and would have to fund the expenditure itself.
37. The continued high number of homeless cases and the number and diversity of properties being used mean that both teams continue to be under pressure. The overall risks of evidential errors has been reducing since the 2020-21 audit due to the work of the Benefits and Housing Teams, and should improve further.

<b>Risk Title / Description</b>	<b>Risk Impact score of Risk if it occurs* (H/M/L)</b>	<b>Risk Probability of risk occurring (H/M/L)</b>	<b>Risk Mitigation Action(s)</b> What is the Council doing or what has it done to avoid the risk or reduce its effect?	<b>Risk Owner</b> Officer(s) responsible for dealing with the risk?
Errors found in the housing benefit calculation.	M	L	Extensive staff training and quality checks on work carried out.	Revenues and Benefits Manager/ Benefits Manager
Supporting information not available.	H	M	New processes in place to ensure that claims are not paid unless all documents are available.	Revenues and Benefits Manager/



				Benefits Manager
Changes to accommodation rates not reported.	H	M	Significant changes to internal processes between housing and Benefits have reduced the likelihood of changes not being reported.	Revenues and Benefits Manager/ Benefits Manager

\* Taking account of proposed mitigation measures

### **Links to Council Policies and Priorities**

Reducing homelessness and increasing the availability of affordable housing is set out within the Council’s Corporate Plan and the Housing and Communities Service Plan.

The payment of housing benefit to assist those on low incomes to meet their housing costs plays a vital role in preventing homelessness.

### **Options Available and considered**

This report is for information.

### **Comments of the Monitoring Officer**

The report is for noting and there are therefore no legal implications arising from it. The Committee may seek clarification or further information regarding any of the points raised should they consider it necessary.

### **Comments of Chief Financial Officer**

The report provides an explanation to the higher-than-average error rate found in the Councils Housing Benefit claim and the resulting higher cost of auditing the claim. It confirms that the unprecedented increase in HB claims, mainly coming from temporary accommodation claims supported by the Council’s Housing Department was the root cause of the errors.

Better access to Housing Dept data and information, a stricter requirement to provide evidence prior to accepting/approving a claim, on-going improvements in dialogue and working with the Council’s Housing Departments and better systems and

processes have improved the situation and should hopefully be reflected in lower levels of errors found in going forward.

### **Comments of Head of People, Policy and Transformation**

This report is in response to the questions and further assurance required by the Council's Governance & Audit Committee in May 2024. This report provides a detailed overview of the Housing Benefit audit process and the Council's response to the audit process / findings. There are no staffing implications detailed in this report and considers the necessary statutory requirements which the Council fulfils.

### **Scrutiny Committees**

Not applicable

### **Fairness and Equality Impact Assessment:**

This is an information only report for the purpose of the Governance & Audit Committee and therefore no FEIA or Well-being for Future Generations Act considerations are required.

### **Consultation**

This report has been prepared in consultation with the Head of Housing.

### **Background Papers**

[Audit Wales Report – Grants and Returns Certification Update – Newport City Council](#)

Dated: 08 July 2024