

To: Audit, Risk & Scrutiny Board

On: 28 May 2019

Report by: Director of Finance and Resources

Heading: Audit Scotland Reports

Audit of Housing Benefit Risk Assessment Report &

Housing Benefit Performance Audit 2017/18 – Annual Update Report

1. Summary

- 1.1 The Council's external auditor, Audit Scotland, are required as part of their remit to carry out Housing Benefit Audit Risk Assessments across Local Authorities in Scotland. The main objective of the risk assessment is to determine the extent to which the benefit service is meeting its obligations to achieve continuous improvement in all its activities.
- 1.2 Risk assessment reports are provided to council Chief Executives which incorporate an agreed action plan to address any risks identified.
- 1.3 During October 2018, Audit Scotland carried out a Housing Benefit Risk Assessment for Renfrewshire and provided a report to the Council's Chief Executive on 13 December 2018. (A copy of the report is attached as Appendix 1)

- 1.4 Overall the report noted that the Council demonstrates an awareness of what an effective, efficient and secure benefit service needs to deliver and made three recommendations to address risks to continuous improvement. The report also noted that actions agreed following a previous risk assessment in 2015 have been completed.
 - 1.5 An action plan was been agreed and incorporated within the Audit report attached in Appendix 1. These recommendations have already been implemented and will make a positive contribution to the continuous improvement of the benefits service.
 - 1.6 In November 2018 Audit Scotland published their report "*Housing benefit performance audit annual update 2017/18*" (copy attached as Appendix 2) This report provides a summary of the performance audit work carried out by Audit Scotland with five Councils' housing benefit services during 2017/18
 - 1.7 The report highlights key issues from the Risk Assessments carried out and identifies good practice.
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2. Recommendations

- 2.1 To note the *Audit of Housing Benefit, Risk Assessment Report* (appendix 1) and the action plan submitted in response (appendix 2)
 - 2.2 To note the Audit Scotland Report '*Housing Benefit Performance audit - Annual update 2018* (appendix 3)
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3. Audit of Housing Benefit Risk Assessment Report

- 3.1 As stated in section 1.3, Audit Scotland completed a risk assessment in October 2018 to determine the extent to which the benefit service is meeting its obligations to achieve continuous improvement in all its activities.
- 3.2 Specifically, the risk assessment considered the effectiveness of the benefit service in meeting national and local priorities, business planning and reporting and delivering outcomes.

- 3.3 A risk assessment was previously carried out on the Council's Benefits Service in May 2015 when Audit Scotland identified two risks to continuous improvement. In response the council submitted an action plan in July 2016, to address these risks. The plan was confirmed as completed by Audit Scotland during this most recent risk assessment.
- 3.4 To enable the recent risk assessment to be completed Audit Scotland gathered information from a range of sources including;
- a self-assessment template, supporting evidence and updated action plan (from previous assessment) which was provided by the benefits service.
 - DWP indicators and other performance measures and other performance measures
 - Internal and external audit reports
 - Discussions with the appointed external auditors
 - Discussions with senior officers in the council during a site visit in October 2018.
- 3.5 In Part one of the report, under the heading '*Business planning and reporting*' the report notes the positive changes made by the benefits service to align and link new service areas as well as preparing for the transition to full service Universal Credit. The report notes, '*the service is well positioned to respond to change in the context of continuous improvement and the vision of modernising processes*'
- 3.6 It is further noted in part one, the preparatory work which the Council undertook to manage the challenges arising from the implementation of full-service Universal Credit including a dedicated Welfare Reform Lead Officer, referenced in paragraphs 19-20 of the report.
- 3.7 Part two of the report addresses delivery outcome and the report notes that effective operational processes and IT systems, along with skilled staff, help benefit services deliver sound performance and continuous improvement. The report states that the Council '*has a number of management arrangements in place to support this*'
- 3.8 Paragraph 28 states that the service has received year on year reductions in the level of subsidy for benefits administration from the DWP and highlights the positive actions taken by the service to address this challenge. Including automation and where appropriate, online transactions.
- 3.9 In relation to speed of processing the report mentions a slight decline in the processing speed for new claims but shows this performance indicator recovering to a DWP reported position of 22 days.

- 3.10 In relation accuracy, the report notes that the benefit service places '*significant importance*' on the accuracy and quality of claims processing and describes the actions taken to ensure that an operating framework continues to place focus in this area, noting the challenges in maintaining high levels of accuracy with relatively high levels of staff turnover.
- 3.11 The report also includes the positive activities which the service undertakes in relation to interventions and notes the overall performance of the recovery of in-year HB debt.
- 3.12 Audit Scotland identified three new risks to continuous improvement during the risk assessment. These risks are already being addressed by the Service and the improvement plan referred in 3.2 and attached as appendix 2 has been agreed with Audit Scotland. The actions agreed have already been well progressed by the service.

4. Housing Benefit Performance Audit – Annual Update Report

- 4.1 As stated in section 1.6 above Audit Scotland issued its Housing Benefit Performance Annual Audit 2017/18 report in November 2018. The report notes that during 2017/18, five reports were issued to councils identifying 24 risks to continuous improvement.
- 4.2 The report recognises that the roll-out of Universal Credit Full Service continued across Scotland and was having an impact on council benefit services. (Key Message three)
- 4.3 The report highlights the two new data matching services available to councils from the DWP which are intended to help improve processing performance and debt recovery. (Key Message four)
- 4.4 The report notes the changes to the social security landscape with the new Scottish Social Security agency becoming operational in September 2018
- 4.5 Members may be assured by the comments referred in sections 3.3, 3.4 and 3.9 above where it was noted specifically in the recent risk assessment of this council's preparations and continued focus on Universal Credit Full Service Rollout, wider Welfare Reform response and the adoption of the automation techniques available.

Implications of the Report

1. **Financial** – None
2. **HR & Organisational Development** - *none*
3. **Community Planning** –
none
4. **Legal** - *none*
5. **Property/Assets** - *none*
6. **Information Technology** - *none*
7. **Equality & Human Rights**
(a) N/A
8. **Health & Safety** - *none*
9. **Procurement** – *none*
10. **Risk** - *none*
11. **Privacy Impact** - *none*

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Renfrewshire Council

Audit of housing benefit
Risk assessment report



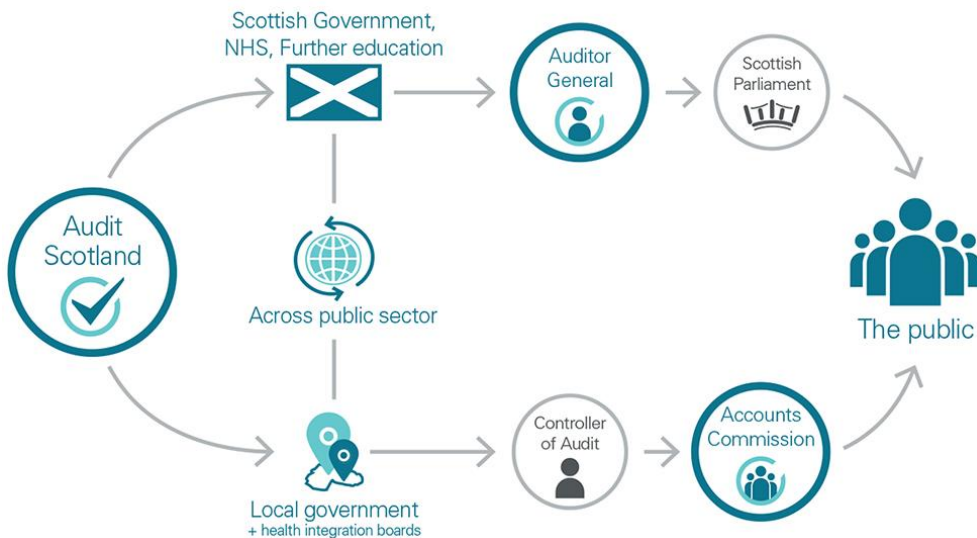
 AUDIT SCOTLAND

Prepared for Renfrewshire Council
December 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

1. The Council demonstrates an awareness of what an effective, efficient and secure benefit service needs to deliver. To ensure continuous improvement we have identified three risks that the council should address.

Business planning and reporting

2. The benefit service reports performance but should extend this to include performance in respect of the recovery of all housing benefit (HB) debt as part of the performance statement provided to the Finance, Resources and Customer Services Policy Board.

Delivering outcomes

3. The Council should review the management check process it uses to target cases to ensure the best use of limited resources and maximise the potential for positive outcomes.
4. Management prepayment checks should be carried out on the day of each payment run to ensure that the council is able to suspend a claim if a financial error has been identified before the payment has been issued.
5. HB debt recovery performance has been in decline and is low compared to other Scottish councils. Management should consider what measures it can take to improve the level of recovery of HB debt which has been outstanding for more than one year.

Introduction

1. The Local Government in Scotland Act 2003 introduced new statutory duties relating to Best Value and Community Planning. The key objective of the risk assessment is to determine the extent to which the benefit service is meeting its obligations to achieve continuous improvement in all its activities.
2. Specifically, the risk assessment considers the effectiveness of the benefit service in meeting national and local priorities, business planning and reporting, and delivering outcomes.
3. A risk assessment was previously carried out on the council's benefit service in June 2015 when Audit Scotland identified two risks to continuous improvement. This was reported to the Chief Executive in June 2015 and, in response, the council submitted an action plan in July 2015 to address the risks.
4. This risk assessment was completed as part of Audit Scotland's housing benefit (HB) risk assessment programme. It does not represent a full audit of Renfrewshire Council's benefit service.
5. Information for this risk assessment was gathered from a range of sources including:
 - the self-assessment, supporting evidence, and updated action plan provided by the council
 - Department for Work and Pensions (DWP) indicators, and other performance measures
 - scrutiny of internal and external audit reports
 - discussions with the appointed external auditor
 - discussions with senior officers in the council during our site visit in October 2018.

Risks identified

6. Our report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from our previous benefit audit and progress against these.
7. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control systems appropriate to Renfrewshire Council.
8. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

Part 1

Business planning and reporting

9. An effective business plan provides an opportunity for the council to set out the aims and objectives for each service and should contain key deliverables against which performance is measured, monitored and reported.

10. Since our last audit there have been a number of changes within Revenues and Financial Support, the area within which the benefit service operates. This has included expanding the remit of the service to incorporate Social Care Billing and Collection, and the administration of Educational Maintenance Awards, which provide financial support to eligible young adults who want to continue learning after leaving school. The integration of these new service areas were intended to provide a more joined up service to customers, and potential cross utilisation of staff skills.

11. To help manage the addition of these services, and to plan for the transition to full service Universal Credit (UC) in September 2018, the Revenues and Financial Support structure was reorganised in December 2017. This restructure was approved by the Director of Finance and Resources and fully implemented by April 2018. It resulted in the creation of three new teams (Quality, Assessment, and Processing), and a reduction from four to three Senior Service Delivery Officers to manage each of the new teams.

12. The changes were made to ensure that:

- current processing levels are maintained and protected
- the service evolves to include automation, and manual processing
- training, audit, and quality control is consistent across all teams
- the service is well positioned to respond to change in the context of continuous improvement, and the vision of modernising processes.

13. The benefit service is part of Revenues and Financial Support, which is an integral part of Finance and Resources, one of the largest of the council's services with over 1,200 employees.

14. At an operational level the Revenues and Financial Support Operational Plan 2018/19 details the benefit service's key objectives and performance indicators, which are the:

- average time to process new claims and change events
- accuracy of payments.

15. The service reports its performance to:

- senior managers, team leaders and benefit staff (new claims / changes / workload) each week
- the Head of Service, senior managers and team leaders (new claims, changes, appeals, revisions, accuracy and overpayments) each month

- the Finance, Resources and Customer Service Policy Board (new claims, changes, appeals, revisions, accuracy) every two months, and in-year overpayment recovery levels each quarter.

16. Individual performance in respect of accuracy, work volumes, and against the service's performance indicators is discussed at quarterly 1-2-1s with staff. Senior benefit officers also meet every six weeks to discuss the outcomes from the monthly accuracy report, and to consider any requirements for individual, team, or service wide training.

17. Although performance is reported as outlined above, the benefit service does not report performance in respect of the recovery of all HB debt as part of the performance statement provided to the Finance, Resources and Customer Services Policy Board.

Action Plan (Appendix 1, Recommendation 1)

18. At the time of our audit, responsibility for the recovery of HB overpayments was being transferred from the Finance Recovery Team to the Verify Earnings and Pensions (VEP) sub team within the Development Team. As part of this process, we understand that a dedicated FTE HB overpayment officer will be appointed, and that targets and performance reports will be developed.

19. To manage the challenges arising from the implementation of full service UC the benefit service has participated in a number of working groups, guided by an overall preparatory plan. These include the:

- Welfare Reform Project Leads Group, which reviews internal actions and activities across all relevant service areas
- UC/DWP Joint Implementation Group, which meets periodically to learn from other councils that have 'gone live', and to keep up to date with current DWP thinking and plans
- Welfare Reform Finance Sub Group, which carries out analysis and modelling work to monitor the potential/expected financial impact of Welfare Reform on the council's budgets.

20. In addition, the council has funded a dedicated Welfare Reform Lead officer within Revenues and Financial Support with a remit to:

- ensure that knowledge of welfare reforms and regulations is current, by scanning and researching all information outlets
- provide expertise and advice to the working groups
- undertake analysis and modelling on the effect of welfare reforms.

Part 2

Delivering Outcomes

21. Effective operational processes and IT systems, along with skilled staff, help benefit services deliver sound performance and continuous improvement. The council has a number of management arrangements in place to support this.

Speed of processing

22. When customers claim benefit, it is a time of financial uncertainty for them and as such, it is essential that the service has sufficiently trained and effective benefit processors in place that can make informed decisions on complex benefit claims and pay benefit promptly.

23. Exhibit 1 below shows that there has been a slight decline in new claims processing performance, taking an average of 23 days in 2017/18 (22 days in 2015/16), with improvement in new claims processing during 2018/19 following the reorganisation previously detailed. The time taken to process change events has remained relatively consistent over the period with an average of seven days in 2017/18.

24. Based on the DWP's 2017/18 published performance statistics the council was ranked 17 in Scotland for the time taken to process new claims, and 24 for the time taken to process changes events.

Exhibit 1: Speed of processing performance (average number of days)					
	2015/16	2016/17	2017/18	2018/19 Scottish Average (Q1)	2018/19 (at 30 Sep)
New claims	22 days	23 days	23 days	22 days	20 days
Change events	7 days	6 days	7 days	7 days	8 days

Source: Renfrewshire Council & DWP

25. Resource management is an important aspect of service delivery and the loss of experienced staff, or high levels of sickness absence can impact on performance.

26. In 2017/18, the benefit service experienced significant resourcing challenges with the loss of 22 officers mainly due to internal movement of staff who had taken the opportunity to work on other council projects. The service was proactive in filling these vacancies, however, this was at a time when 20% of benefit staff were already new to the council with varying levels of experience.

27. Exhibit 1 shows that as new staff have gained experience, the time taken to process new claims in the first two quarters of 2018/19 has improved to an average of 20 days. However, the time taken to process change events has increased by one day, to an average of eight days.

28. The service is operating in an environment of reducing budgets and caseloads, and year on year reductions in the levels of subsidy provided by the DWP. To address this the service has:

- utilised agency staff to provide additional processing resource at key times of increased workloads
- extended the use of risk-based verification to include change events
- automated approximately 72% of change event notifications received from the DWPs Automated Transfer to Local Authority Systems (ATLAS)
- used a commercial product which provides management with detailed productivity and performance information. This is used to manage workloads and individual staff performance.
- implemented the DWPs Verify Earnings and Pensions (VEP) service in 2017 and signed up to the enhanced alerts service which went live in July 2018. The VEP service provides the council with:
 - real-time access to Her Majesty's Revenues and Customs (HMRC) records to verify a customer's earnings/pension details which should help reduce the time taken to establish a customer's income
 - real-time alerts to notify when a customer's income details have changed to ensure that a change can be processed timeously, ensuring payment accuracy and reducing the potential for an overpayment to arise.

29. The council launched the MyAccount portal in June 2016, which allows customers to submit a HB claim and to report a change event online and has received over 2,000 claims via this channel.

30. Exhibit 2 below details the number of claims received through the portal, and the average time taken to process these when compared to claims received in the post, or in person at nominated council offices. The council is processing these claims on average eight days quicker than those received through normal business routes.

Exhibit 2: Comparison of new claims speed of processing performance
(average number of days)

	No of claims received	Avg. days to process	% of all claims received
Portal (Jun 16- Mar 17)	722	15	21%
Renfrewshire Council	3,512	23	79%
Portal (Apr 17- Mar 18)	1,069	15	27%
Renfrewshire Council	3,949	23	73%

Source: Renfrewshire Council

31. The number of new claims as a percentage of all claims process through the portal has increased from 21% in 2016/17 to 27% in 2017/18. The council continues to encourage HB customers to claim using MyAccount as part of its overall improvement plans.

32. Once the impact of full service UC is known the council has plans to continue to improve the benefit service. This includes reviewing and improving its approach to risk-based verification and utilising robotic processes to automate administrative, logic-based tasks to help streamline the service and improve claims processing times.

Accuracy

33. The accurate and secure administration of HB should be a key priority for every council, and to support this, it should have a robust quality assurance framework in place.

34. The benefit service places significant importance on the accuracy and quality of claims processing, and accuracy is a key performance indicator in the Revenues and Financial Support Operational Plan 2018/19 and is reported throughout the service.

35. As part of the restructure of Revenues and Financial Support, the service changed the focus of its approach to quality to ensure that, where errors were found, there was sufficient available resource to provide training, support and guidance to staff.

36. To meet this objective the council established a Quality Team in June 2018, which incorporates training and compliance and consists of three FTE training and auditing officers and one FTE auditing officer. At the time of our audit the service was in the process of recruiting an additional FTE training and auditing officer and the team was expected to be fully operational by December 2018, following a period of training and consolidation.

37. The benefit service's Quality Checks Policy and Procedures provides the operating framework for its management checking activities and contains its statement of objectives, which are to:

- ensure that benefit is awarded and paid correctly, not to find errors
- identify areas for service delivery improvements
- be seen as a positive measure to reduce inaccuracy
- avoid conflict where one person's view overrides another's.

38. This document is comprehensive and details the council's approach which is to carry out a daily pre-payment check on a minimum of 4% of claims randomly selected from the benefit IT system, the day after the claim has been processed. A pro-forma is completed for each check and, where an error is found, the officer is asked to correct the claim and advise the Quality Team accordingly.

Action Plan (Appendix 1, Recommendation 2)

39. To ensure a clear audit trail, all actions are recorded on the benefit service's document imaging system and are signed off as complete by the Quality Team when the appropriate corrective action has been taken. In addition to routine management checking activities, the level of checks is increased to 100% when:

- a new assessor is appointed. Checks are reduced incrementally as the assessor's accuracy levels improve
- staff are under-performing
- assessors have requested additional support
- training has been provided on a specific area, to ensure that the training was effective.

40. All management check outcomes are recorded on a detailed spreadsheet which is summarised and analysed by the Quality Team to help the service identify any trends or patterns of error that can be used to provide remedial training at individual, team, or service level, as appropriate.

41. Each month an accuracy report is produced which provides a detailed breakdown of errors found, and approximately every six weeks senior benefit officers meet to discuss the report with a view to identifying any specific training needs.

42. The advantage of carrying out a management check pre-payment is that it allows for the correction of an error before a payment has been made, therefore ensuring the accuracy of the payment, and avoiding a potential overpayment and subsequent loss of subsidy.

43. However, the council confirmed there are two benefit payment runs each month where a prepayment check is not undertaken. Claims checked the day after the payment run are therefore post payment and already in the live HB system. The council has therefore lost the opportunity to correct the payment before issue and any financial error will result in an overpayment of HB.

44. Since 2015/16 accuracy performance has been in steady decline and, at the time of our audit was well below the target of 95%. The service has advised that this is indicative of the high turnover of staff and the need to carry out 100% checks of the work of new staff. Exhibit 3 illustrates the council's current and previous accuracy performance.

Exhibit 3: Financial accuracy performance

	Internal Target	Achieved
2015/16	95%	96%
2016/17	95%	92%
2017/18	95%	91%
2018/19 (at 31 Oct)	95%	90%

Source: Renfrewshire Council

Interventions

45. To minimise error in the caseload, councils must encourage customers to report change events on time and the council must have a robust intervention programme to identify changes and take appropriate corrective action.

46. To support this, benefit service notification letters and claim forms remind customers of the requirement to report any change event. The council's website provides information on the various options available to contact the benefit service.

47. The service uses the benefit IT system diary facility to highlight claims where future changes could affect the customer's entitlement to benefit, for example, a significant birthday or a change in household details.

48. The council participates in the DWP's Housing Benefit Matching Service, Audit Scotland's National Fraud Initiative and from July 2017, the DWPs Verify Earnings and Pensions (VEP) service. These initiatives all help to identify possible unreported change events that require further investigation.

49. Prior to participating in VEP the council used the DWP's earlier version, the Real Time Information (RTI) and optional RTI data matching services. The majority of the council's interventions activity has been derived from the RTI output and Optional RTI service. To manage this additional work, in June 2017, the benefit

service utilised DWP funding of £58,000 to establish a dedicated team of two FTE officers.

50. Exhibit 4 below details the outcomes from the council's interventions activity.

Exhibit 4: Interventions performance				
	Number of completed interventions	Number of decreases in HB identified	Number of increases in HB identified	% resulting in a change to benefit
2015/16	1,488	992	95	73%
2016/17	1,533	979	95	70%
2017/18	2,194	1,159	90	57%
2018/19 (at 30 Sep)	621	263	16	45%
TOTAL	5,836	3,393	296	63%

Source: Renfrewshire Council

51. The council has identified an un-notified change in benefit in over 63% of interventions carried out since 2015/16. This helps the council stop incorrect benefit being paid and identify customers that are entitled to receive more benefit than their current entitlement. Since May 2016, the benefit service's work in this area has identified approximately £690,000 of overpayments, and more than £26,000 in weekly HB savings.

52. As detailed earlier, the benefit service opted in to the DWP's VEP service in July 2017, and its enhanced service from July 2018. To support its activities the council received approximately £70,000 in funding from the DWP. The council plans to utilise the funding to recruit a FTE officer with responsibility for managing the VEP output. The council aims to improve claims processing times by reducing the need to request earnings and pension information from customers, and to identify fraud and error.

53. The council has also signed up to the DWPs self-employed data match exercise, which targets customers that have had no change to their self-employed earnings in the past 12 months. At the time of our audit the council had contacted affected customers and was working through the responses.

Overpayments

54. To protect public funds, councils should take appropriate steps to ensure that benefit overpayments are minimised and that, when they do occur, they are correctly classified and rigorously recovered.

55. The HB Overpayment Policy - Guiding Principles details the council's approach and commitment to the recovery of HB overpayments. The council aims to:

- reduce losses to public funds
- provide revenue for the council
- help reduce the loss from overpayments
- deter fraud and error

- demonstrate a commitment to accuracy, and to the provision of a quality service to its customers.

56. To minimise HB overpayments, the benefit service prioritises change events that could lead to an overpayment, uses benefit IT system reports to predict changes, and reminds customers of the need to report any changes. In addition, the service checks the output from the DWPs ATLAS system daily and prioritises claims where an overpayment could arise.

57. This proactive approach has helped minimise the number of local authority (LA) /administrative error overpayments that can arise because of processing delays. This is particularly important as a council can lose subsidy where its LA/administrative error rate exceeds 0.48% of all HB payments made. Since 2014/15 the council has performed well below this threshold.

58. Where it is not possible to recover an overpayment from ongoing benefit entitlement, the debt is passed to the Finance Recovery Team who issue an invoice to the customer, followed by a reminder, and a final notice. Where no response is received after the final notice stage, the Finance Recovery Team uses all available recovery options including:

- utilising the DWP's Payment Deduction Programme to automate the recovery of HB overpayments from DWP benefits, where appropriate
- using the DWP's Customer Information System to trace customers who are no longer resident within the council area
- using a Direct Earnings Attachment (DEA) when the customer is in employment
- utilising Sheriff's Officers for difficult to recover debt
- using other commercial products.

59. The council's use of DEA as a means of initiating recovery of a debt has proved effective. At the time of our audit, the council had issued letters to customers and employers in respect of £85,115 of HB overpayments and had recovered £22,716 (27%).

60. The council continues to be proactive in reducing the levels of outstanding debt and improve overall recovery performance. Improvement actions include:

- working with the DWPs Performance Development Team (PDT) in December 2017 to carry out a full review of overpayment procedures which resulted in the implementation of a six-point action plan
- signing up to the recently launched DWP HB Debt Service project. This service allows councils to send up to 1,200 dormant HB overpayments per month to the DWP to match with real time HMRC employment and pension data
- transferring the responsibility for the recovery of HB Overpayments from the Finance Recovery Team to the RTI/VEP team in October 2018 to provide more control over the overpayment process, and planning to appoint a FTE overpayment officer dedicated to the recovery of benefit debt.

61. As illustrated in Exhibit 5 the council has improved its overall performance in the recovery of in-year HB debt, however there has been a steady decline in its performance in respect of the recovery of all HB debt.

Action Plan (Appendix 1, Recommendation 3)

Exhibit 5: Overpayment levels and recovery performance				
	2015/16	2016/17	2017/18	2018/19 (at 30 Sep)
Total HB overpayments carried forward	£5,954,122	£7,086,948	£7,214,511	£7,589,389
Total overpayments identified in-year	£3,205,020	£2,234,722	£2,436,669	£990,123
Total value of HB debt	£9,159,142	£9,321,670	£9,651,180	£8,579,512
Total value of HB debt recovered	£1,915,068	£1,771,916	£1,770,253	£859,253
Total value of HB debt written off	£155,541	£349,098	£285,505	£97,588
% of in-year debt recovered	60%	79%	73%	90%
% of total HB debt recovered	21%	19%	18%	10%

Source: Renfrewshire Council

Appendix 1

Action plan 2018/19

2018/19 recommendations for improvement



No. Issue/risk



Recommendation



Agreed management action/timing

1 HB debt

The benefit service does not report performance in respect of the recovery of all HB debt.

Risk

There is a risk that members are not fully sighted on all debt recovery performance.

The Council should report all debt recovery performance to the Finance, Resources and Customer Services Policy Board.

The Council will revise its report to include all HB debt recovery performance and this will include supporting commentary

Pat Boyle

April 2019

2 Accuracy

The Council selects claims randomly from the benefit IT system for prepayment checks.

Risk

There is a risk the Council is not effectively targeting claims it has identified from its data analysis that are most likely to result in an error.

The Council should consider a more targeted approach to ensure the best use of limited resources and to maximise the potential for positive outcomes.

The Council will reconsider its approach to quality checking and will devise a new strategy which includes a more targeted approach.

Gary Caldwell

31 March 2019

3 Overpayments and recovery

The council's all debt recovery performance has declined in recent years.

Risk

There is a risk that the older the HB debt the more difficult it will be to recover.

Management should consider what measures it can take to improve the level of recovery of HB debt which has been outstanding for more than one year.

The Service will use the new integrated team to ensure a targeted and end to end approach to HB debt recovery which will include all years. Results will be closely monitored through a new more comprehensive monthly report to senior management.

Pat Boyle

31 March 2019

Follow up of prior year recommendations

b/f 1 Write offs

Evidence of spot checks on write offs were not documented, and there are no procedures to ensure that

The Development Team created a bespoke write off report that is produced each month and passed to the



No. Issue/risk



Recommendation

Agreed management
action/timing

these checks were being carried out to provide assurance that benefit overpayments were being written off appropriately in all cases.

benefit team leaders for action. This report is monitored by the Development Team to ensure appropriate action has been taken.

Complete

b/f 2

2. Overpayment recovery performance

There was a discrepancy in the council's reported overpayment recovery performance.

There is a risk that the council does not accurately reflect the total amount of debt outstanding to show the council's overpayment recovery performance.

The discrepancy was the result of the system offsetting a customer's underlying entitlement when an overpayment had occurred. The DWP is aware of this issue; it affects all users of the same benefit IT system, and the council continues to work with its IT provider to find a solution.

Complete

Renfrewshire Council

Audit of housing benefit

Risk assessment report

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Appendix 2**Audit of Housing and Council Tax Benefit Risk Assessment Report – Action Plan**

ISSUE/RISK	RECOMMENDATION	AGREED MANAGEMENT ACTION/TIMING	CURRENT POSITION
<p>The benefit service does not report performance in respect of the recovery of all HB debt.</p> <p>Risk: There is a risk that members are not fully sighted on all debt recovery performance</p>	<p>The Council should report all debt recovery performance to the Finance, Resources and Customer Services Policy Board.</p>	<p>The Council will revise its report to include all HB debt recovery performance and this will include supporting commentary by April 2019.</p>	<p>Analysis has been completed on the data available from the Benefits system and the Housing Benefit Overpayment debt collection performance will be monitored comprehensively for 2019/20. Collection performance is being segmented into methods of recovery utilised.</p> <p>The new reporting regime will be incorporated into future reports submitted to the Finance & Resources and Customer Services Policy Boards from April 2019.</p> <p><i>Work is currently ongoing to create the equivalent baseline data covering the 2017/18 & 2018/19 financial years.</i></p>
<p>The Council selects claims randomly from the benefit IT system for prepayment checks.</p> <p>Risk: There is a risk that the Council is not effectively targeting claims it has identified from its data analysis that are most likely to result in an error.</p>	<p>The Council should consider a more targeted approach to ensure the best use of limited resources and to maximise the potential for positive outcomes</p>	<p>The Council will reconsider its approach to quality checking and will devise a new strategy which includes a more targeted approach</p>	<p>Changes have been made to the Quality Check process from 29 April 2019 for both new claims and changes in circumstance. Claims are targeted for checking using the risk indicator provided by Risk Based Verification Software.</p>

<p>The council's all debt recovery performance has declined in recent years.</p> <p>Risk: There is a risk that the older the HB debt, the more difficult it will be to recover.</p>	<p>Management should consider what measures it can take to improve the level of recovery of HB debt which has been outstanding for more than one year.</p>	<p>The Service will use the new integrated team to ensure a targeted and end to end approach to HB debt recovery which will include all years. Results will be closely monitored through a new more comprehensive monthly report to senior management.</p>	<p>Resource has been realigned and dedicated to recovery of HBO. This resource has been augmented with support from existing staff. Recovery action is being undertaken using all available tools to maximise collection. Improvements in performance, and the relative success or otherwise of the various methods of recovery, will be closely monitored via new reporting procedures. Updates will be circulated to management monthly from April 2019.</p>
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Housing Benefit Performance audit

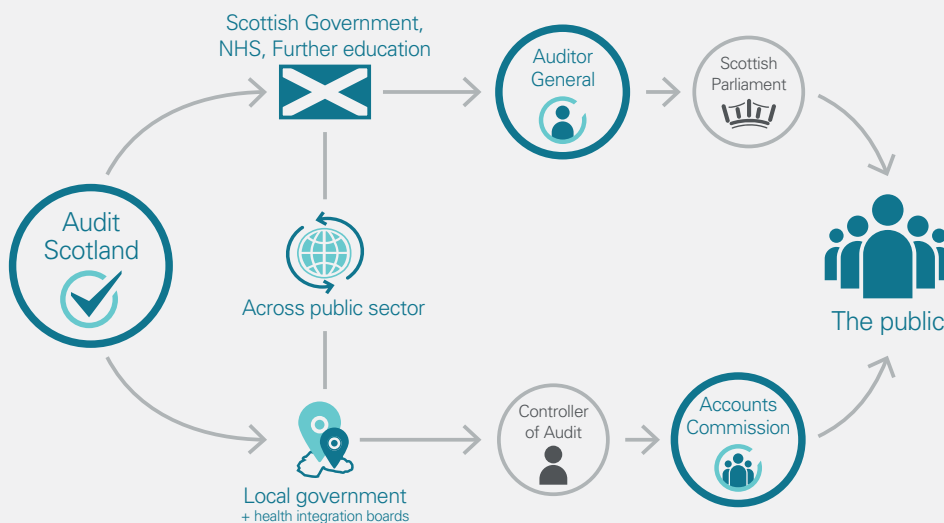
Annual update

2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

- 1** During 2017/18, we issued reports to five councils which identified a total of 24 risks to continuous improvement, all of which were accepted. We found that 78 per cent of risks identified during our risk assessments in previous years had been either fully or partially addressed (80 per cent in 2016/17).
- 2** We risk assess all councils every Autumn, and then update this assessment each quarter. The assessment is based on a range of factors, including the DWP's most recent published speed of processing performance statistics, and allows us to select councils for a more individual in-depth risk assessment and report. This approach ensures that councils not performing well, or where performance has significantly declined, are prioritised for an audit.
- 3** The roll-out of Universal Credit (UC) Full Service (UCFC) continues across Scotland and is having an impact on council benefit services. Councils are significantly re-structuring benefit services, and the reducing housing benefit caseload and budget pressures are leading to less full-time benefit service employees. In all five councils visited, we reported that the level of resources might not be sufficient to maintain or improve on previous claims processing performance levels.
- 4** The DWP has introduced two new services for councils which should lead to improved processing performance and debt recovery. The Verify Earning and Pensions service allows council to verify earnings and pensions information from claimants using real-time information from Her Majesty's Revenue and Customs (HMRC). The Debt Service project allows councils to match housing benefit debtors to employment and pension data from HMRC. It is too early to determine the impact of these services on council performance.
- 5** The social security landscape across Scotland continues to change. The new Scottish social security agency became operational in September 2018. Significant decisions are still to be made about the local presence of the agency across Scotland.

- 6 At UK level, the roll out of UCFC remains the most significant change to the social security landscape. In June 2018 the National Audit Office (NAO) concluded that UC is not delivering value for money and it is uncertain that it ever will. The NAO also considered the impact of the roll out of UC on local organisations that help administer the new system. It found that UC was creating additional costs for local authorities, particularly due to the processing of housing benefit stop notices and the impact of rent arrears which can take significant time to be recovered. The Scottish Government has introduced flexibilities for Scottish UC recipients so that they have a choice about how they can receive their benefit payments.
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Background

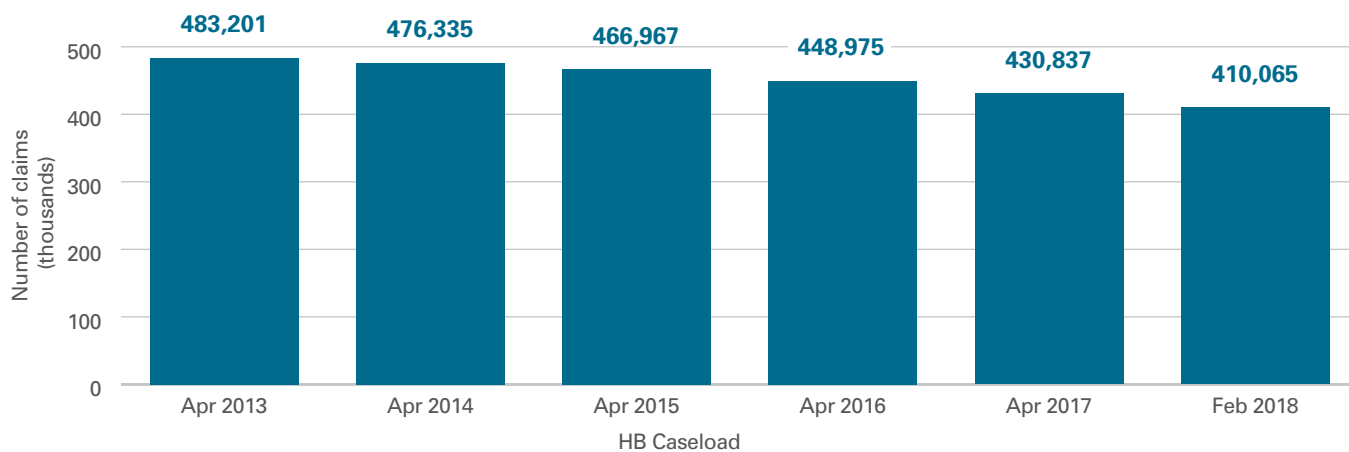
1. During 2017/18, approximately 18 per cent of Scottish households received financial support to help pay their rent in the form of means tested Housing Benefit (HB). Scottish councils paid out £1.63 billion in HB awards in 2017/18 (£1.74 billion in 2016/17), a reduction in spend of 6.3 per cent.
2. In 2017/18, Scottish councils received £22.8 million (£25.2 million in 2016/17) in funding from the DWP to deliver HB services. This 9.5 per cent reduction in funding in 2017/18 is due to DWP assumed efficiency savings.
3. On 23 March 2016, Musselburgh Job Centre, which serves East Lothian Council, was the first Job Centre in Scotland to deliver UCFS, which provides customers with an online UC account to manage their claim, report changes, send messages to their work coach, and find support. Further rollouts of UCFS have since taken place and the DWP expects a full rollout across the UK to be completed by December 2018 for all new HB claims, with the migration of the remaining working age HB claimants to UCFS to be completed by 2023.
4. The continued rollout of UCFS during 2018/19 will result in reduced HB caseloads in councils as fewer new HB claims are received. Working age claimants will start to move to UCFS with councils typically retaining claimants of pension age, some complex cases, and contribution-based Jobseekers and Employment and Support Allowance claimants.
5. The HB caseload has fallen from a high of 483,201 in 2013 to 410,065 at February 2018, as shown in [\(Exhibit 1, page 7\)](#). This represents a 15 per cent decrease in the number of claims during this period. [\(Exhibit 2, page 7\)](#) shows that claim numbers continued to fall during 2017/18 with a reduction of 4.8 per cent between April 2017 and February 2018.

Housing benefit performance audit

6. The main objective of the benefit performance audit is to help councils improve their benefit service, but it also holds councils to account for any failing service. The audit has two phases:
 - a risk assessment phase that identifies risks to continuous improvement
 - a focused audit phase that examines the service, or parts of it in more detail, if a council is unable or unwilling to address key risks identified in phase one.

Exhibit 1

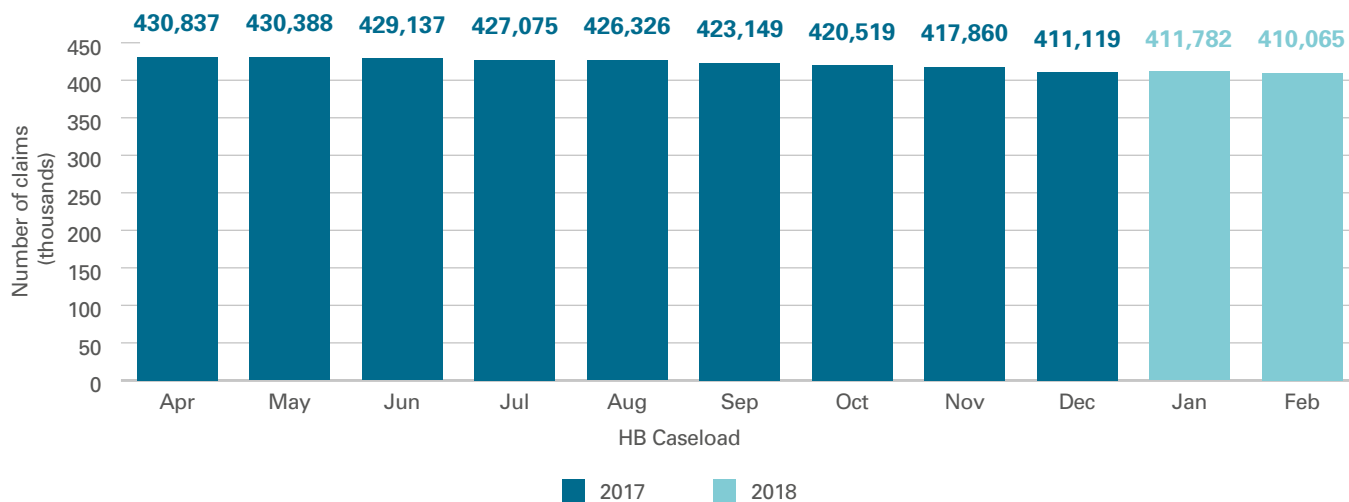
Changes to Scottish HB caseload 2013 to 2018



Source: DWP

Exhibit 2

Changes to Scottish HB caseload April 2017 to February 2018



Source: DWP

7. Risk assessment reports are provided to council Chief Executives who are invited to prepare an improvement plan detailing the actions, responsible persons and associated timescales, to address the identified risks. When a focused audit is required, the Controller of Audit prepares a report for the Accounts Commission. These reports are also copied to the DWP and published on the Audit Scotland website to provide transparency and assurances over how councils are performing.

Work carried out in 2017/18

8. We risk assess all councils every Autumn, and then update this assessment each quarter. The assessment is based on a range of factors, including the DWP's most recent published speed of processing performance statistics, and allows us to select councils for a more individual in-depth risk assessment and report. This approach ensures that councils not performing well, or where performance has significantly declined, are prioritised for an audit.

9. We issued individual risk assessment reports to five council Chief Executives during 2017/18 (eight in 2016/17). No focused audits were carried out as we didn't identify any significant concerns from the initial risk assessments. The five councils were:

- Stirling
- East Dunbartonshire
- Scottish Borders
- Moray
- Comhairle nan Eilean Siar

10. Each of the five councils developed an improvement plan to address the points raised. On receipt and review of council improvement plans, we requested further updates in respect of speed of processing performance from four of the councils (East Dunbartonshire; Scottish Borders; Moray; Comhairle nan Eilean Siar). We received progress reports from all four councils and, based on the updated performance information, we were satisfied with the improvements made in each council.

Outcomes of the 2017/18 risk assessments

11. Audit Scotland identified 24 risks to continuous improvement (18 in 2016/17) in the five risk assessments completed in 2017/18. Our work identified that 78 per cent (18 out of 23) of previously agreed actions had been fully or partially implemented (80 per cent in 2016/17).

12. Improvement actions were received from all councils visited. Analysis of the risks identified shows that:

- 100 per cent (100 per cent in 2016/17) of the identified risks were fully accepted by councils
- 26 per cent (6 out of 23) of agreed risks from previous risk assessments were carried forward (20 per cent in 2016/17).

13. The outstanding risks relate to:

- Accuracy
- Interventions
- Overpayments.

14. Councils have cited workforce numbers and reducing budget as reasons why not all agreed actions have been fully implemented. UCFS continues to roll out across councils, and we found that each of the five councils that we risk assessed had undertaken significant internal restructures to refocus the benefit service as UCFS is implemented. As our risk assessment is completed each quarter we continue to monitor all councils' performance for improvements or significant risks.

15. As UCFS is being implemented, benefit services have been planning for caseload reductions in conjunction with year on year reductions in funding from the DWP, and wider pressures on council budgets. There has been an impact on the level of full-time benefit service employees available to manage the transition, with councils increasing their use of outsourcing and employing temporary staff on fixed-term or rolling contracts. In all five councils audited, we reported that the level of resources might not be sufficient to maintain or improve on previous claims processing performance levels.

16. During 2017/18 Audit Scotland has identified weaknesses in the following key areas:

- Business planning and performance reporting - in four councils (Stirling/Moray/East Dunbartonshire/Scottish Borders) we found that the benefit service was not formally reporting its performance to elected members. This means that there was limited assurance that, where performance was below expectations, the service was being challenged to improve. We also considered that an opportunity was being missed to raise the profile of the service, and for elected members to recognise good performance. The Accounts Commission view formal reporting to elected members of the performance of the benefit service as an important part of the assurance and scrutiny of the service.
- Accuracy – the levels of accuracy in two councils (Stirling/Scottish Borders) were in decline. One council (Stirling) was not routinely analysing the outcomes from its management checks to help identify trends and patterns of error that could help improve accuracy rates.
- Interventions – in three councils (East Dunbartonshire/Comhairle Nan Eilean Siar/Scottish Borders) we found that, although interventions outcomes were recorded, the level of detail was not sufficient to allow the council to determine the effectiveness of its approach in financial terms, or the effectiveness of each intervention campaign. This information could help ensure that future activity is informed, risk-based, and cost effective.

Changes to housing benefit verification and debt recovery

DWP Verify Earnings and Pensions (VEP) Service

17. The VEP service was rolled out to all councils between April and November 2017 and enables council staff to verify claimant/partner earnings and pensions information in real-time from HMRC's payment system in respect of new claim assessments, change of circumstances and reviews.

18. The DWP has now developed an alerts service that has been rolling out across the UK since May 2018. This will use HMRC payment data to trigger an alert to councils as and when there are certain changes to a customer's earnings/pension information during the life of an HB claim. There are two alert categories:

- 'Start' alerts – this will alert a council that a claimant/partner has new employment earnings or non-state pension
- 'Fluctuating' alerts – this will alert a council that a claimant/partner's employment earnings or non-state pension has changed.

19. There are a number of potential benefits to councils and customers from this service. It provides councils with access to up to date and accurate information that might not have been provided by the customer/partner at the time of their new claim. Where the customer/partner has a current claim and has failed to notify the council that their earnings/pension amount has changed, this information will be alerted to councils automatically. Therefore, in taking prompt action to process an alert, it should provide councils with an opportunity to:

- deliver improvements in claims processing times
- reduce the potential for an avoidable overpayment/underpayment.

DWP HB Debt Recovery Project

20. The HB Debt Service project commenced in April 2018 and provides councils with the opportunity to match outstanding HB debtors to real-time information on HMRC's employment and pension data. Since April, the DWP advise that 25 councils in Scotland are using the service with approximately 10,200 cases sent for matching.


21. Councils can send up to 1,200 outstanding debtor files to the DWP for matching each month and, although it is too early to say how successful this service has been for Scottish councils, it should lead to improved collection and recovery performance.

22. The DWP reported that, during the pilot stages of the project, it worked with 46 councils (one in Scotland) that submitted 11,300 records in respect of HB debts raised in 2013-14 where no recovery had taken place. Of these cases, 65 per cent were matched and returned to councils with up-to-date employed, self-employed or pension data.

Move to Universal Credit

23. Once HB claimants move onto UC it may be more difficult for councils to recover any outstanding overpayments of HB from claimants. This is because one of the most effective and commonly used methods for recovering overpaid HB is through regular deductions from ongoing HB.

24. Following the migration to UC, councils will no longer have this option. Councils can apply to have previous HB debt recovered from UC, but HB debt would be ranked along with other potential debts the claimant may have and is considered a low priority debt.

25. In October 2017, the Scottish Government introduced two flexibilities to how Scottish UC claimants can choose to receive their payments, under powers devolved through the Scotland Act 2016. The Universal Credit Scottish Choices allow claimants to request twice monthly payments (instead of monthly) and to request that the housing element of their entitlement is paid directly to their landlord. The Scottish Government anticipates that offering direct payments to landlords will help to prevent rent arrears. [Scottish Government data](#)  for the period 4 October 2017 to 21 December 2017 shows that around 17 per cent of new UC applicants in Scotland, who were offered the choices, requested direct payments to their landlord.

Wider welfare reform


26. In March 2018, the Accounts Commission considered a paper on the changing social security landscape. This provided an overview of changes to the social security system at the UK level and of the powers being devolved to Scotland. Also, in March 2018, the Audit General for Scotland (AGS) reported on the Scottish Government's implementation of the devolved social security powers, concluding that good early progress was being made but that a significant amount of work remained.

27. The Social Security (Scotland) Act received Royal Assent in June 2018. The Scottish Government is continuing to plan and implement the devolved powers on a phased approach. It is yet to take decisions on and set out plans in a number of important areas which may have implications for local authorities. This includes how it intends to deliver on its commitment to provide a local presence as part of the new social security agency. In December 2017, the Scottish Government and COSLA signed a delivery agreement setting out guiding principles with the aim of ensuring social security services are delivered in a consistent way across Scotland. The Scottish Government is currently exploring potential local delivery models.

28. The new Scottish social security agency, Social Security Scotland, became operational from the start of September 2018. This coincided with the launch of the Carers Allowance Supplement. The size and complexity of the agency will increase significantly as it becomes fully established to deliver the full range of devolved benefits.

29. Audit Scotland is the appointed auditor for Social Security Scotland and the payments that it administers. The AGS will also appoint the auditor for the Scottish Commission on Social Security, which was established under the Social Security (Scotland) Act 2018.

30. Audit Scotland has set up a new social security audit team that will be responsible for all our financial and performance audit work on social security, including our existing housing benefit performance audit work. By establishing a single, cross-organisational team, we will be able to effectively identify and examine issues of audit interest across the social security landscape. We will continue to review our resource needs for this work and build additional capacity as more social security benefits are devolved through to 2021.

31. At the UK level, the roll out of UC remains the most significant change to the social security landscape. In June 2018, the [National Audit Office \(NAO\)](#)  reported on the progress being made by the DWP to implement UC. The NAO concluded that UC is not delivering value for money and it is uncertain that it ever will. It reports that implementation of UC has taken significantly longer than planned and it may cost more to administer than the package of benefits it is

replacing. It also found that, due to a lack of data, the DWP is unable to evidence that UC is achieving the stated aim of increasing employment.

32. The NAO looked at the experience of UC claimants. It found that claimants and organisations representing them report hardship because of moving onto UC. It also found delays to claimants being paid in full and on time, mainly due to the DWP having difficulties in verifying claimant details. The NAO also reports on the challenges some claimants face in accessing and successfully using the digital application systems.

33. The NAO also considered the impact of the roll out of UC on local organisations that help administer the new system. It found that UC was creating additional costs for local authorities, particularly due to the processing of housing benefit stop notices and the impact of rent arrears which can take significant time to be recovered. It also found that there were additional demands on local authorities due to their role in providing local support services on behalf of the DWP. The NAO also reported that some local authorities claim that the funding provided by the DWP does not cover the costs of providing these services.

Housing Benefit Performance audit

Annual update 2018

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