
To: Audit, Scrutiny & Petitions Board

On: 21 September 2015

Report by: Director of Finance and Resources

Heading: Audit Scotland Report – Benefits Performance Audit Annual Update 2014/15.

1. Summary

- 1.1 The Council's external auditor is Audit Scotland, as part of their remit they are required to carry out Housing Benefit Audit Risk Assessments across the 32 Local Authorities in Scotland. The main objective of the benefit performance audit is to help councils improve their benefit services, but it also holds councils to account for any failing services.
- 1.2 Risk assessment reports are provided to council Chief Executives who are invited to prepare an improvement plan detailing the actions with associated timescales that they will take to address identified risks. These reports are also copied to the Department for Work and Pensions (DWP) to provide assurances over how Scottish councils are performing.
- 1.3 In June 2015 Audit Scotland published their report *Benefits Performance Audit Annual Update 2015/15*" (copy attached as appendix 1) This report provides a summary of the performance audit work carried out by Audit Scotland on Scottish council's housing benefit services during 2014/15.
- 1.6 The report highlights key issues from the Risk Assessments carried out and identifies good practice. The Risk Assessment carried out at

Renfrewshire (described above) is not covered by the Annual Report as it was part of the 2015/16 programme.

2. Recommendations

- 2.1 To note the Audit Scotland Report '*Benefits Performance Audit Annual Update 2014/15*' (appendix 1)
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3. Background

- 3.1 Senior officers within the Service have examined the Audit Scotland report, '*Benefits Performance Audit Annual Update 2014/15*' (appendix 1) in detail including the insights which the report provided.
- 3.2 Officers reviewed the best practices suggested by the report and were encouraged that the majority had been implemented in some format within the Service or indeed were in the process of being introduced. It is planned that further best practice ideas are to be reviewed by the Service.
- 3.3 The Service is encouraged that the key issues raised by the report were not issues raised during the council's own recent risk assessment carried by Audit Scotland in May 2015. The outcome of this risk assessment is being reported separately to the Board at this cycle.

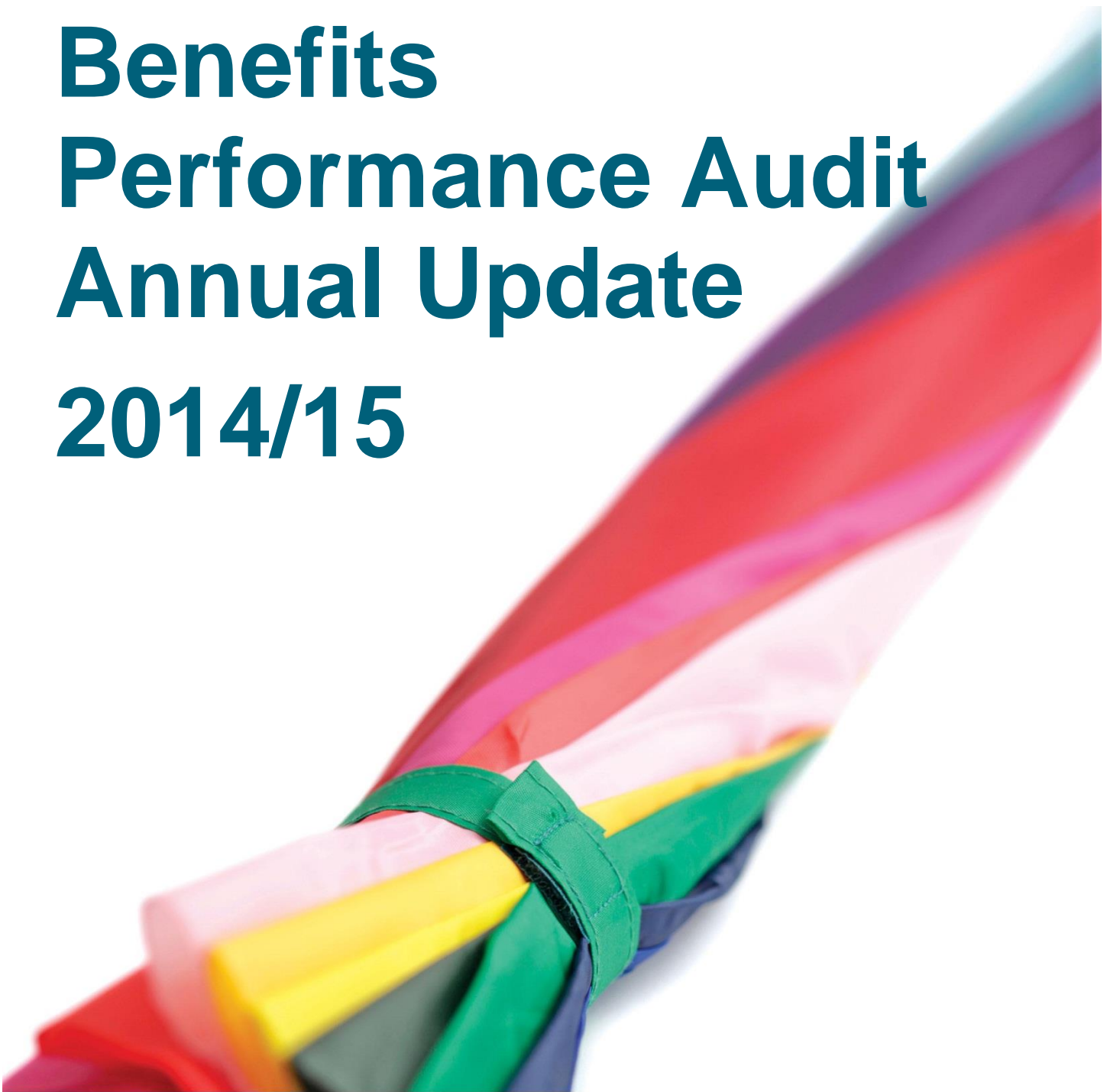
Implications of the Report

1. **Financial** – an efficient, effective Benefit Service assists council tenants meet their financial obligations in terms of rent and council tax and ensures overpayments are minimised and DWP subsidy maximised
 2. **HR & Organisational Development** - *none*
 3. **Community Planning –**

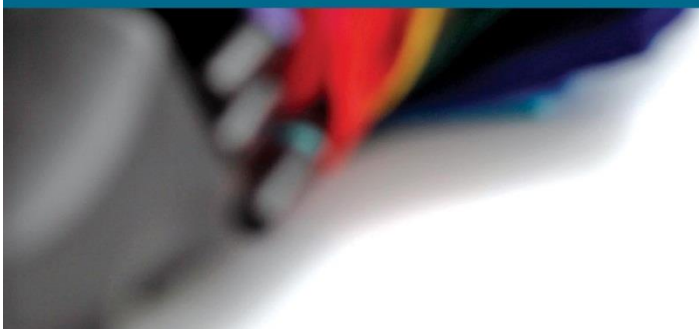
Community Care, Health & Well-being – An effective Benefits service is vital to the quality of life of many of our citizens as it provides vital support for low income households in order to sustain tenancies and meet their rent obligations
 4. **Legal** - *none*
 5. **Property/Assets** - *none*
 6. **Information Technology** - *none*
 7. **Equality & Human Rights**
 - (a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
 8. **Health & Safety** - *none*
 9. **Procurement** – *none*
 10. **Risk** - *none*
 11. **Privacy Impact** - *none*
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Benefits Performance Audit Annual Update 2014/15



Prepared for The Accounts Commission
June 2015



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Purpose

1. This report provides a summary of the performance audit work carried out by Audit Scotland on Scottish council's housing benefit (HB) services during 2014/15.

Key messages

2. During 2014/15 we visited 10 councils and identified 70 risks to continuous improvement with councils accepting all of these risks. We found 83% (86% in 2013/14) of risks identified during previous risk assessments had been either fully or partially addressed. Council feedback on the audit process remains positive.
3. However, we found that business planning and performance reporting is weak in a number of councils. We appreciate that the delay and uncertainty around the roll-out of Universal Credit (UC) has made it difficult for councils to plan ahead. However, despite this, some HB services could do better. We also identified that accuracy checking and intervention activity in some councils could be improved by being more focused on high risk areas.
4. We have found that despite the number of HB claims having increased when compared with the position six years ago and the decrease in administration grant funding from the DWP, where benefit services are well managed they can deliver value for money and high quality services for claimants.
5. Looking forward, UK Government welfare reforms continue to have a significant impact on councils. UC continues to be rolled out across Scotland for the most straight forward claims. The rollout is being carried out in four tranches which will result in all Scottish councils having some of their local residents claiming UC by April 2016. The majority of existing HB claims are due to migrate to UC during 2016 and 2017. However, there remains uncertainty around the specific timing of the migration of HB to UC.
6. The Department for Work and Pensions (DWP) roll out of its Single Fraud Investigation Service (SFIS) has seen 19 Scottish councils already transferring their responsibility for investigating benefit fraud, and in many cases their fraud investigators, to SFIS. The DWP plans to have all councils transferred over by March 2016.

Background

7. In Scotland, one in five eligible households received financial support to help pay for their rent during 2014/15 in the form of means tested HB. Scottish councils paid out £1.74 billion in HB awards in 2014/15. This represents a 2% decrease from 2013/14.
8. Between November 2008 and February 2015, there has been a 12% increase in HB claims in Scotland. However as discussed later at paragraph 26, the increase in claims has not been constant.
9. Councils received £29.5 million (£40.83 million in 2013/14) in funding from the DWP to deliver HB services in 2014/15. The reduction in funding in 2014/15 is due to a 10% efficiency saving and disaggregation from 2014/15 onwards of the joint HB and Council Tax Benefit (CTB) funding following the abolition of CTB in April 2013.
10. The main objective of the benefit performance audit is to help councils improve their benefit services but it also holds councils to account for any failing services. 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.
11. Risk assessment reports are provided to council Chief Executives who are invited to prepare an improvement plan detailing the actions with associated timescales that they will take to address identified risks. These reports are also copied to the DWP to provide assurances over how Scottish councils are performing.
12. When a focused audit is required the Controller of Audit prepares a report to the Accounts Commission. Focused audit reports are provided to council Chief Executives and are also copied to the DWP and published on the Audit Scotland website.

Work carried out during 2014/15

13. We revised our risk based model to ensure that the councils representing what we considered to be the highest risk were visited. Appendix A contains the details of the ten risk assessment visits that were planned and completed during 2014/15. No focused audits were carried out.
14. Following receipt and review of council improvement plans to address the risks identified in our risk assessment reports, progress reports were requested from nine councils. Eight progress reports relate to risk assessment reports issued in 2013/14 as detailed in Appendix B.
15. To date, progress reports have been received from all councils with the exception of East Renfrewshire and West Lothian Councils which are due to report back to us at the end of July 2015. Action taken to address risks was considered to be satisfactory in all updates received.
16. In line with Audit Scotland's objective of identifying and sharing good practices, two thematic studies were undertaken during 2014/15.

The impact of welfare reforms on council rent arrears in Scotland

17. A review was undertaken of council tenant rent arrears in order to determine the extent to which the removal of the spare room subsidy (RSRS) and other welfare reforms have impacted on rent arrears in Scotland.
18. The report highlights that in 2012/13 the value of current tenant rent arrears for all Scottish councils was £28.2 million which represented an increase of approximately 16% on 2011/12 levels. Following the introduction of the RSRS, rent arrears increased further to £35.1 million by 31 March 2014, which represents an increase of approximately 24% on 2012/13 levels.
19. Looking forward, future reforms such as UC, direct payments to claimants, and the fact that many households are, or might be affected by more than one welfare reform change, are likely to make rent collection even more challenging.

Review of housing benefit subsidy errors in 2013/14

20. A review was undertaken of the issues identified by auditors during the certification of the 2013/14 HB subsidy claims. Auditors identified errors which resulted in subsidy being over-claimed by £0.274 million, which represents 0.01% of expenditure (£0.149 million in 2012/13).

In addition, five councils were unable to claim a total of £0.784 million (£0.809 million in 2012/13) in subsidy as a result of exceeding the pre-agreed DWP threshold limits for local authority error and administrative delay HB overpayments.

21. Auditors reported 60 errors and other issues in their 2013/14 certification letters in respect of 19 of the 32 Scottish councils. No issues were identified in the certification of the remaining 13 subsidy claims. This is an increase in the number of issues reported in 2012/13 where auditors identified 40 errors across 20 councils.
22. Most errors identified were in the calculation of claimant income and with the classification of overpaid HB. Auditors reported that, in order to help reduce subsidy loss, effective management arrangements should be in place to ensure overpayments, processing errors and administrative delays are minimised and, where they do occur, that overpayments are correctly classified and calculated.

Key issues from 2014/15 Risk Assessments

Outcomes of the risk assessments

23. Audit Scotland identified 70 risks to continuous improvement (64 in 2013/14) in the ten risk assessment visits completed in 2014/15. We are pleased to report that only one risk to continuous improvement was identified in the Scottish Borders Council.
24. Our work identified that 83% (148 out of 179) of previously agreed actions had been fully or partially implemented (86% in 2013/14).
25. Improvement plans have been received from all councils visited with the exception of East Dunbartonshire and Clackmannanshire Councils which are in the process of preparing their action plans. Analysis of the risks identified shows that:
 - 100% (98% in 2013/14) of the identified risks were fully accepted by councils
 - 22% (39/179) of agreed risks from previous risk assessments were carried forward.
26. Councils have cited resourcing issues and on-going welfare reform pressures as reasons why not all agreed actions have been implemented.

27. Between November 2008 and February 2015, there has been a 12% (48,953) increase in HB claims in Scotland. However the increase in claims has not been constant. Exhibit 1 below shows that claims peaked at a high of almost 485,000 during 2012/13 before falling from 2013/14. This trend is replicated across Scottish councils. Exhibit 2 shows the caseload increase for the ten councils we visited between November 2008 and February 2015.

Exhibit 1: Change in HB caseload in Scotland between November 2008 and February 2015

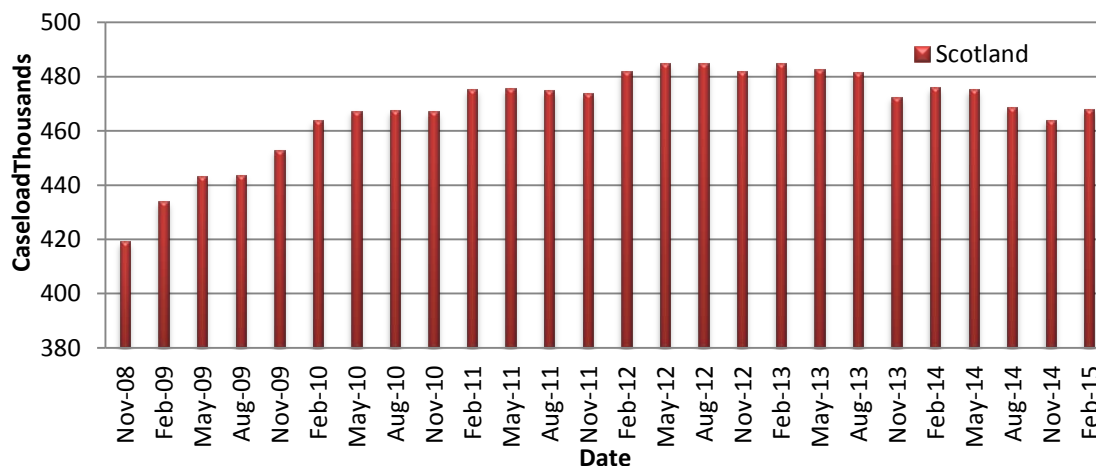


Exhibit 1: Source DWP caseload statistics November 2008 to February 2015

Exhibit 2: Caseload increase November 2008-February 2015 for the ten councils visited during 2014/15

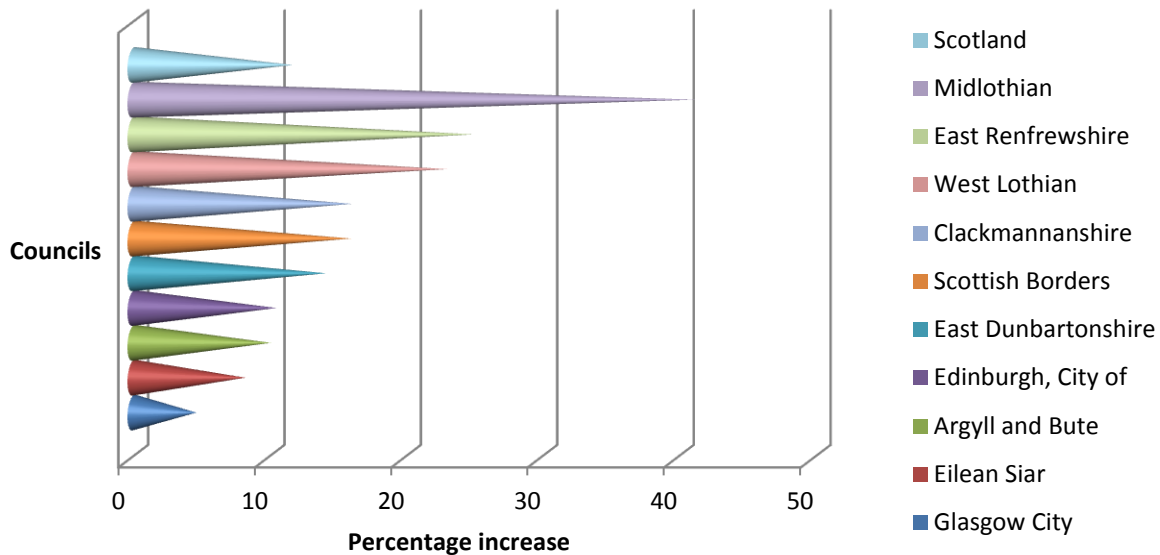


Exhibit 2 Source DWP caseload statistics November 2008 to February 2015

28. We have found that despite increasing numbers of claims over the last six years along with decreasing administration grant funding for the DWP, where benefit services are well managed they can deliver value for money and high quality services for claimants.

Good practices identified

29. A number of areas of good practice have been identified in Scottish benefit services during 2014/15. These include:

National and local priorities

30. The Scottish Borders Council has adopted a collaborative working approach to welfare reform by integrating its welfare reform programme into the local community planning process. This programme is managed by a joint delivery team comprising of senior executives from partner organisations and the council's Chief Executive.

Business planning and reporting

31. Midlothian Council provides staff with a detailed breakdown of their individual performance to ensure that each member of staff fully understands how their performance impacts the overall performance of their team, and the service as a whole.

Delivering outcomes -speed of processing

32. To maximise efficiency the Scottish Borders Council put in place a number of practices and arrangements, including the introduction of a pre-assessment function to allow assessors to focus on decision making, homeworking, and individual performance monitoring. The council also plan to implement an electronic benefits claim along with risk based verification.
33. Argyll & Bute Council use a performance management tool to help the service identify and analyse 'waste' in the claims process. The 'waste' report includes a review of the time taken to allocate claims for processing, and the verification of claims.
34. In order to improve speed of processing, Midlothian Council
 - improved its claim indexing process
 - reviewed evidence requirements
 - introduced a fast-track service
 - provide training on evidence standards to key internal and external stakeholders.
35. Comhairle nan Eilean Siar has introduced the closure of the benefits offices to the public each Wednesday and an appointment system at all other times to allow staff to process claims uninterrupted.
36. The City of Edinburgh Council has put in place several initiatives to improve processing speed including:
 - the ongoing use of temporary agency staff when required
 - a contract with an external provider for off-site processing
 - the recruitment of additional staff on fix term contracts to help sustain the service until the roll out of UC
 - an arrangement where a benefit processor works in three housing associations offices
 - introducing Risk Based Verification for new claims and for changes
 - the implementation of a fully integrated e-form for new claims.

Accuracy

37. The City of Edinburgh Council's accuracy checking includes pre and post payment random sampling of individual cases, targeted reviews of certain processes and reviews of individual officer's processes. As part of the council's performance development process, all processing staff have an accuracy target and all errors are fed back to the individual staff member and their team manager. Where performance is below target a support and monitoring process begins.
38. East Renfrewshire Council's checking process consists of a daily check of cases randomly selected from a benefit IT system report and a benefit audit check form is completed in each case. Outcomes are recorded and analysed in order to help identify patterns of error. Where recurring errors are identified remedial training is carried out.
39. Glasgow City Council has a number of initiatives in place to improve accuracy performance. These include:
 - staff recording errors found when processing claims on a log which is reviewed to identify patterns of error and areas where remedial training could be beneficial
 - providing staff whose accuracy rate falls below target with dedicated support and training.

Overpayments

40. To reduce overpayments from occurring, Glasgow City Council has a benefit officer co-located in four Glasgow Housing Association (GHA) offices and an IT interface automatically suspends benefit claims when GHA tenants change address.
41. As a result of these initiatives the value of GHA tenants' overpayments outstanding reduced significantly from £286,670 at October 2013 to £57,345, at October 2014. This is a reduction of approximately 80% which is highly commendable.
42. The Scottish Borders Council tries to minimise overpayments through analysis of overpayment causes to identify changes to working practices to help reduce future occurrence, checking BACS payments over £500 and monthly monitoring of all overpayments as part of the budget monitoring.
43. East Renfrewshire Council is one of the first councils in Scotland to use the decree certification process to recover overpayments. This means the council can apply for the arrestment of customers' wages, freeze funds in customers' bank accounts and petition for bankruptcy proceedings against the customer.

44. Argyll & Bute Council has entered into a contract with an external provider to pursue debt that is difficult to recover. It is also one of the first councils in Scotland to use Direct Earnings Arrestment (DEA) as a means of recovering benefit overpayments.

Areas for improvement

45. Audit Scotland has identified that improvement is required in the following key areas:
- Business planning and performance reporting weaknesses have been identified. Specifically, either targets are not set for all areas of the service and/or there is limited reporting to senior management in respect of all areas of the service. We appreciate that the delay and uncertainty around the roll-out of UC has made it difficult for councils to plan ahead. However, despite this some HB services could do better.
 - Cases selected for quality checking are selected without a focus on higher risk cases. While in most instances processes are in place to record the results of quality checks, the results are not analysed to a level to inform a risk based approach to checking, either by officer or claim type.
 - Intervention approaches need to be reviewed in many cases to ensure they are effectively and efficiently focused on identifying unreported changes and errors. Analysis of the outcomes from interventions activity is not to a level that would enable the easy identification of trends and to help inform any future intervention programme targeted on risk.
 - There is limited assurance in a number of councils that the value of overpayments raised, recovered and outstanding is being accurately recorded and reported.

Stakeholder feedback

46. Feedback questionnaires are issued to benefit managers after each risk assessment. The questions are designed to gain assurances over whether the audit methodology and documentation are effective and to look for areas which can be improved. During 2014/15, we received replies from nine councils.
47. Overall the responses were positive and provided assurance that the audit methodology is fit for purpose and proportionate. The following comments help illustrate these responses:

- "This has forced us to take a step back from the detail and refocus on better ways of doing things. The audit process helps to focus on high risk areas and to take action to improve processes and make relevant changes."
- "The audit had a positive impact in the transparency of reporting and governance and financial management of the service. The Performance Management Framework and performance reporting have been reviewed following the risk assessment."
- "The auditor was very knowledgeable about benefits."
- "We felt there was recognition and appreciation of the various challenges faced by housing benefit services."

48. Whilst the majority of the responses were positive not every council found the process to be so. Particular concerns raised were:

- "A minor improvement would have been to put more emphasis on the fact that performance was showing sustained recovery and more recognition of the efforts of the workforce to affect recovery."
- "There could have been increased flexibility in terms of audit approach and reporting and more focus on "now" and future direction."

49. Audit Scotland has taken these comments on board in the planning and delivery of risk assessments. We give councils as much notice as possible of risk assessments. We also try to concentrate on the challenges facing each council and how they respond to those challenges. We continue to share copies of all our risk assessment plans and reports with DWP.

50. We will also continue to monitor our approach going forward in conjunction with the DWP through quarterly meetings between the Manager, Benefits-Technical and senior officers in the DWP's Housing Delivery Division.

Welfare reform

51. Scottish councils continue to work with partners to implement changes to help deliver the UK government's welfare reform agenda. During 2014/15 UC has continued to be roll-out in the Inverness Jobcentre area where single claimants have claimed UC since November 2013. This has expanded with claims from couples going live in June 2014 and claims from families going live in January 2015. Highland Council has been providing personal budgeting support, digital access, housing cost knowledge, and advice and support to claimants. So far over 200 Highland Council HB claimants have moved over to UC. In the Inverness area 90% of UC

claims have been made online, although this may include claims completed with the support of council or Jobcentre Plus officers.

52. The rollout of UC across Scotland began from February 2015 for single people who would otherwise have been eligible for income based Jobseeker's Allowance, including those with existing HB and Working Tax Credit claims. The rollout is being carried out in four tranches which will result in all Scottish councils having some of their local residents claiming UC by April 2016.
53. Indications from councils are that some UC claimants are in arrears with rent payments. However accurate information is not available due to:
 - new UC claimants not receiving their first payment until five weeks after claiming
 - arrears statistics not showing an aged debt analysis, and whether or not the debtor is claiming UC.
54. The Smith Commission proposals to allow the frequency of UC payments to be changed and to make direct payment to landlords may help keep rent arrears minimised.
55. New claims to legacy benefits such as HB are expected to be closed from 2016 with the migration to UC to follow thereafter. However uncertainties remain which make it difficult for councils to plan effectively.
56. The latest information from the DWP states that the majority of the HB caseload will migrate to UC during 2016 and 2017 although no detailed migration plans are in place. This planned migration will not include HB claims for customers who have reached the age to qualify for Pension Credit, HB customers in receipt of Employment Support Allowance (ESA) or customers living in supported or specified accommodation. These customers are expected to remain with councils until after 2017.
57. The DWP has been rolling out its Single Fraud Investigation Service (SFIS) since July 2014. So far, 19 Scottish councils have transferred their responsibility for investigating benefit fraud, and in many cases their fraud investigators, to SFIS. The DWP plans to have all councils transferred over by March 2016. Councils should ensure sufficient resources are in place to investigate non-benefit fraud such as council tax reduction fraud, tenancy fraud and other corporate fraud.

Appendix A – The 2014/15 risk assessment programme

Date on site	Council	Date reported
May 2014	Argyll & Bute	August 2014
May 2014	Scottish Borders	June 2014
July 2014	Midlothian	October 2014
July 2014	Comhairle nan Eilean Siar	October 2014
November 2014	West Lothian	February 2015
October 2014	East Renfrewshire	January 2015
January 2015	Glasgow City	March 2015
January 2015	City of Edinburgh	March 2015
March 2015	Clackmannanshire	Report issued to Chief Executive in May 2015. Currently awaiting the council's improvement plan
March 2015	East Dunbartonshire	Report issued to Chief Executive in May 2015. Currently awaiting the council's improvement plan

Appendix B – Progress reports requested during 2014/15

Council	Date progress report received/expected	Conclusion on action taken to address risks
South Ayrshire Council	April 2014 January 2015	Updates received and satisfactory progress made. A full risk assessment is planned for 2016
City of Edinburgh Council	April 2014	Update received and satisfactory progress made. A full risk assessment was carried out in 2014/15.
West Dunbartonshire Council	April 2014	Update received and satisfactory progress made.
Aberdeen City Council	August 2014	Update received and satisfactory progress made.
Perth & Kinross Council	November 2014	Update received and satisfactory progress made.
Falkirk	November 2014	Update received and satisfactory progress made.
East Ayrshire Council	April 2015	Update received and satisfactory progress made.
East Renfrewshire Council	July 2015	
West Lothian Council	July 2015	