

Housing Benefit Performance audit

Annual update 2019



 AUDIT SCOTLAND

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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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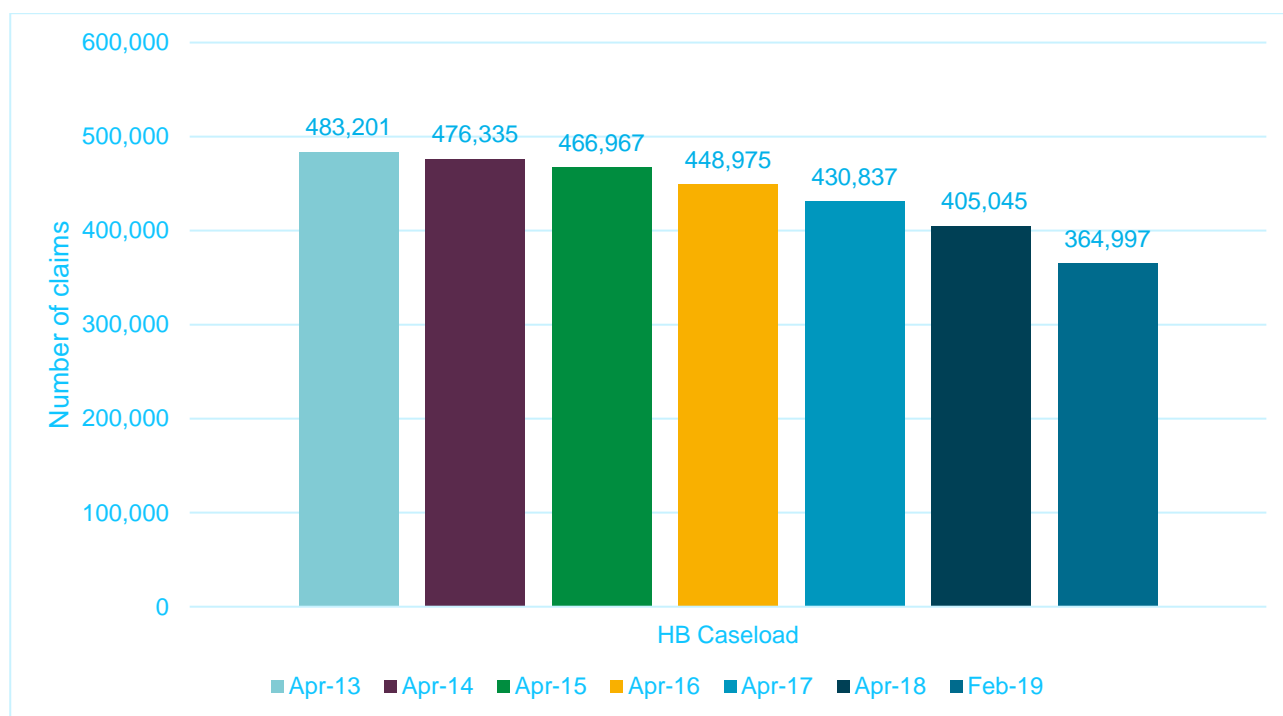
Key messages

- In 2018/19, we issued five risk assessment reports. This is the last year where we will solely review individual councils. In March 2019, the Accounts Commission agreed to change the approach to housing benefit (HB) performance audit, to look more thematically at the issues raised across councils, while continuing to assess risk at individual councils. For 2018/19, we updated our risk assessment every quarter based on a range of factors, including the Department for Work and Pension's (DWP) most recent published speed of processing performance statistics. This allowed us to select five councils for a more individual in-depth risk assessment and report.
 - We identified a total of 21 risks to continuous improvement, all of which were accepted. We found that 69 per cent of risks identified during our risk assessments in previous years had been either fully or partially addressed (78 per cent in 2017/18). The main areas of weakness included a lack of reporting to elected members, declining payment accuracy and low rates of overpayment recovery.
 - The roll-out of Universal Credit (UC) continues across Scotland and is having an impact on council benefit services. The restructuring of benefit services, reducing housing benefit caseloads and budget pressures are leading to less full-time benefit service employees. In all the councils visited, we reported that resourcing has been difficult as experienced staff left the service. This has resulted in the use of agency staff at times of peak workload in four of the five councils.
 - As caseloads continue to reduce, benefit services are being restructured to maintain the service and provide job security. In three of the councils visited, restructuring had resulted in the benefit service taking on additional responsibilities. For example, in East Renfrewshire Council the benefit service merged with the council's Scottish Welfare Fund Team, and in Renfrewshire Council, the benefit service's remit had been expanded to include Social Care Billing and Collection and the assessment of Educational Maintenance Awards.
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Background

1. During 2018/19, Scottish councils paid out £1.59 billion in Housing Benefit (HB) awards to help people pay their rent (£1.63 billion in 2017/18), a reduction in spend of 2.5 per cent.
2. In 2018/19, Scottish councils received £21 million (£22.8 million in 2017/18) in funding from the Department for Work and Pensions (DWP) to deliver HB services. This 7.8 per cent reduction in funding in 2018/19 is due to DWP assumed efficiency savings as more claimants move to Universal Credit (UC).
3. The continued rollout of UC during 2019/20 will result in further reductions in HB caseloads in councils as fewer new HB claims are received. Working age claimants will start to move to UC with councils typically retaining claimants of pension age, some complex cases, and contribution-based Jobseekers and Employment and Support Allowance claimants. DWP estimate that the migration of the remaining working age HB claimants to UC will be completed by December 2023.
4. The Scottish HB caseload has fallen from a high of 483,201 in April 2013 to 364,997 at February 2019, as shown in [Exhibit 1](#) below. This represents a 24 per cent decrease in the number of claims during this period.

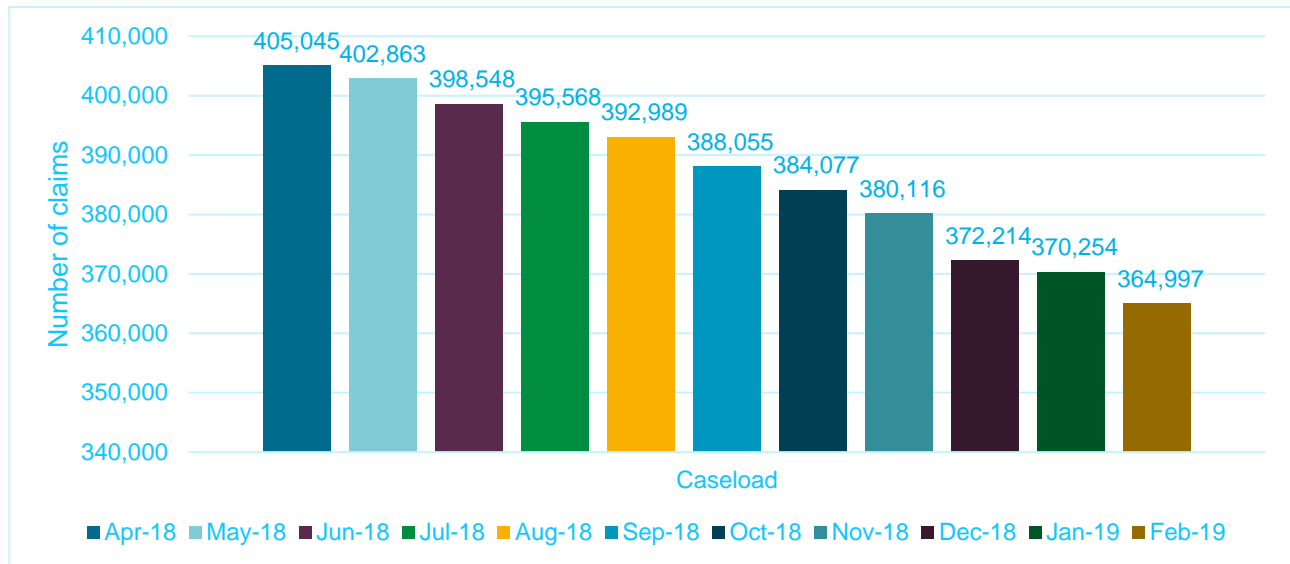
Exhibit 1 Changes to Scottish HB caseload April 2013 to February 2019



Source: DWP

5. [Exhibit 2](#) shows that claim numbers in Scotland continued to fall during 2018/19, with a reduction of 9.9 per cent between April 2018 and February 2019.

Exhibit 2 Change to Scottish HB caseload April 2018 to February 2019



Source: DWP

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.

7. In December 2018, we presented a paper to the Accounts Commission setting out a change to the approach for delivering HB performance audit. The paper outlined a change in balance between reviews of individual councils and thematic reviews of cross-cutting risks, and how work across the wider range of Commission outputs could complement this work. This change enables a move toward a more strategic approach. This approach was discussed with DWP.

8. The Commission agreed the new approach in March 2019 and in 2019/20 our work programme includes two HB performance audits and two thematic reviews. The thematic reviews, agreed by the Commission at the December 2018 meeting, focus on the efficacy of Scottish councils in the management of HB overpayments, and the resourcing of Scottish council's benefit services.

9. The thematic reviews of councils' benefit services will provide comparative information across Scotland which will help highlight areas of concern, examples of good practice, and provide meaningful data on DWP initiatives, in particular the Housing Benefit Debt Service. Findings will form part of the dataset that Audit Scotland uses to inform its future HB performance audit work programme.

Work carried out in 2018/19

10. 2018/19, was the last year of the previous approach where we solely produced reports on individual councils. Each audit had 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, 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.

12. 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.

13. We issued individual risk assessment reports to five council chief executives during 2018/19 (five in 2017/18). No focused audits were carried out as we didn't identify any significant concerns from the initial risk assessments. The five councils were:

- West Dunbartonshire Council
- City of Edinburgh Council
- East Renfrewshire Council
- Renfrewshire Council
- Midlothian Council.

14. Each of the five councils developed an improvement action plan to address the points raised. On receipt and review of these plans we were satisfied with the proposed approach to address the risks identified.

Outcomes of the 2018/19 risk assessments

15. Audit Scotland identified 21 risks to continuous improvement (24 in 2017/18) in the five risk assessments completed in 2018/19. Our work identified that 69 per cent (18 out of 26) of actions previously agreed by these five councils from previous risk assessments had been fully or partially implemented (78 per cent in 2017/18).

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

- 100 per cent (100 per cent in 2017/18) of the identified risks were fully accepted by councils
- 31 per cent (8 out of 26) of agreed risks from previous risk assessments were carried forward (22 per cent in 2017/18).

17. The outstanding risks relate to:

- Business planning (1 risk)
- Speed of processing (2 risks)
- Accuracy (2 risks)
- Interventions (1 risk)
- Overpayments (2 risks).

18. Councils have cited workforce numbers and reducing budget as reasons why not all agreed actions have been fully implemented. UC continues to roll out across councils and as it 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.

19. There has been an impact on the level of full-time benefit service employees available to manage this transition, with councils increasing their use of outsourcing and employing temporary staff on fixed-term or rolling contracts. In four of the five councils audited, the benefit service had utilised agency staff at times to ensure that it could continue to deliver an effective service.

20. During 2018/19, Audit Scotland identified weaknesses in the following key areas:

- Business planning and performance reporting – in four councils (West Dunbartonshire / City of Edinburgh / Renfrewshire / Midlothian) 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 was in decline (City of Edinburgh / East Renfrewshire). Two councils (East Renfrewshire / Renfrewshire) were not effectively targeting management checks to maximise the potential for positive outcomes, and one council (West Dunbartonshire), while performing well in this area, was advised to reduce the number of checks carried out to a level that still provided the council with assurance, but that would free up resources to help deliver improvements in claims processing times.
- Overpayments – in three councils (West Dunbartonshire / City of Edinburgh / Renfrewshire) the levels of overpayment recovery were low when compared to other Scottish councils. In East Renfrewshire Council, Direct Earnings Arrestment was not being used as an alternative means of recovering debt, and in Midlothian Council we reported that the council had not been fully utilising the DWP's Housing Benefit Debt Service to help recover aged debt.

21. We also found significant changes to working practices in four councils. Due to the continued roll-out of UC, councils are reviewing how benefit services are delivered to make services more efficient and effective and provide for cross-utilisation of skills as caseloads reduce. These changes included:

- expanding the remit of the benefit service to include Educational Maintenance Awards assessments and the administration of Social Care Billing and Collection (Renfrewshire Council)
- merging the benefit team with the Scottish Welfare Fund team to make the newly formed Benefits and Discretionary Payments team more resilient, and to provide staff with job security (East Renfrewshire Council)
- co-locating all revenues and benefit staff in one central location to provide a more streamlined service for customers (West Dunbartonshire Council)
- forming a Transactions team by clustering similar work processes to deliver a more effective, streamlined and resilient service (City of Edinburgh Council).

Department for Work and Pensions HB Debt Recovery Project

22. The HB Debt Service project commenced in April 2018 and provides councils with the opportunity to match dormant HB debt to real-time HMRC employment and pension data. Councils can send up to 1,200 outstanding debtor files to the DWP for matching each month. The DWP advise that approximately 22,000 cases have been sent by Scottish councils between April 2018 and May 2019.

23. The DWP are planning to evaluate this service in 2019/20. Although it is too early to say how successful the service has been, early indications from DWP are that it is providing councils with additional information to recommence recovery action.

24. Approximately 95 per cent of cases sent for matching result in the council being provided with updated customer details and, of these, 65 per cent have enough information for the council to establish contact with the customer and recommence recovery action. Our first thematic review of 2019/20 is focusing on overpayments and council's use of the service.

Move to Universal Credit

25. The roll-out of UC Full Service was completed on 12 December 2018 for new claims, or for people having to make a new claim due to a change in circumstances. The next phase of implementation is called 'managed migration' and the Secretary of State recently announced that DWP would commence the

transfer of approximately 10,000 people in July 2019 as part of a pilot scheme in Harrogate, North Yorkshire and that no further managed migration would be carried out until the pilot has been completed and assessed. DWP advise that full migration is still planned for completion by December 2023.

26. 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 which will no longer be available following migration to UC.

27. 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.

28. 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.

29. 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 28 February 2019 shows that around 47 per cent of new UC applicants in Scotland, who were offered the choices, requested at least one of the options available to them¹.

¹ <https://www2.gov.scot/Topics/Statistics/Browse/Social-Welfare/SocialSecurityforScotland/UCMIFeb2019>

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