

Midlothian Council

Housing Benefit Performance Audit



 AUDIT SCOTLAND

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Key messages

- 1** The Revenues Service does not have a formal service plan, meaning its strategic aims, objectives and annual operational targets are not clearly defined. As a result, there is limited transparency over whether resources are aligned to statutory Housing Benefit responsibilities.
- 2** Since 2022/23, the Revenues Service has lost significant technical expertise and experienced staff, reducing its capacity to administer the Housing Benefit service both efficiently and effectively and contributing to ongoing performance challenges.
- 3** Housing Benefit performance reporting to the Performance, Review and Scrutiny Committee focuses solely on speed of processing, preventing a holistic view of service quality, accuracy and risk, and limiting effective strategic oversight.
- 4** The council's decision to prioritise Cost of Living and Scottish Welfare Fund applications created significant long-term pressures on the Revenues Service, affecting workforce stability and overall Housing Benefit administration performance.
- 5** Ongoing operational pressures have prevented the Revenues Service from carrying out its full programme of Housing Benefit accuracy checks since 2023/24, increasing the risk of undetected fraud and error.
- 6** The council is an active participant in national data-matching and accuracy initiatives and takes a proactive approach to identifying and correcting unreported change events.
- 7** The recent decline in Housing Benefit overpayment recovery performance indicates weaknesses in the current control environment, with no documented procedures in place and not all available recovery options being utilised.
- 8** The council has incurred significant Housing Benefit subsidy losses in recent years due to inaccurate and delayed claims processing, highlighting weaknesses in accuracy controls, operational resilience, and financial stewardship.

Recommendations

1. Business Planning and Reporting

The council should strengthen resilience within the Revenues Service by implementing a formal succession plan for key roles and specialist functions. This should include identifying critical knowledge areas, documenting core processes, and establishing structured knowledge-transfer arrangements to ensure that operational capacity, statutory reporting, and audit obligations can be maintained during periods of absence or staff turnover ([paragraph 37](#)).

- Without a formal succession plan for key Revenues Service roles and specialist functions, the council is exposed to loss of critical knowledge and reduced operational resilience, increasing the risk that statutory duties, subsidy requirements and audit obligations cannot be met during periods of absence or staff turnover.

2. Business Planning and Reporting

The council should strengthen strategic alignment and assurance within the Revenues Service by developing a detailed service plan that translates the aims of the [Corporate Solutions Service Plan 2023/2027](#) into clear operational targets, priorities, and performance measures. The plan should include defined indicators and targets for claims processing, financial accuracy, backlog levels, local authority/administrative error rates, and overpayment recovery. This will enable the service to demonstrate how day to day delivery contributes to wider Corporate Solutions objectives and the council's corporate aims ([paragraph 41](#)).

- Without a detailed service plan that translates strategic aims into clear operational targets and measures, the council risks misalignment between Revenues Service activity and corporate priorities, reducing assurance that statutory duties, performance expectations and financial risks are being effectively managed.

3. Business Planning and Reporting

The council should improve transparency and oversight by introducing clear, measurable Housing Benefit performance targets covering claims processing, financial accuracy, backlog levels, local authority and administrative error rates, and overpayment recovery. Performance against these targets should be reported regularly to senior management and elected Members, supported by contextual commentary and benchmarking, both internally and against DWP data. This will ensure that performance information is complete, comparable, and capable of supporting effective scrutiny ([paragraph 51](#)).

- Without clear, measurable Housing Benefit performance targets and contextual reporting, the council risks insufficient transparency and weak strategic oversight, limiting its ability to identify emerging issues, ensure accuracy, and manage financial and statutory risks effectively.

4. Accuracy

The council should develop and implement formal, documented procedures for management checks on the accuracy of claims. These should set out the purpose, frequency, sampling approach, responsibilities, recording, and reporting requirements to ensure checks are applied consistently and that results can be monitored and used to support improvement ([paragraph 79](#)).

- Without formal, documented procedures for management checks, there is a risk that accuracy checking activity is applied inconsistently, leading to undetected errors, variable practice, and reduced assurance over the quality of claims processing. The absence of a standardised approach also increases the likelihood of inequitable treatment of claimants and limits the council's ability to monitor performance, identify systemic issues, and drive continuous improvement.

5. Accuracy

Once the Revenues Service has reduced the backlog of outstanding work and stabilised claims processing times to levels more in line with national averages, it should recommence its full programme of management checks. This will help ensure continued accuracy, compliance, and quality assurance across the Housing Benefit caseload ([paragraph 80](#)).

- Without reinstating routine management checking once processing performance stabilises, the council risks reduced assurance over the accuracy and quality of Housing Benefit assessments, increasing the likelihood of errors, non-compliance and avoidable subsidy loss.

6. Accuracy

To support the sustainable delivery of management checks, the Revenues Service should incorporate the required capacity into future workforce and workload planning. This will help ensure that accuracy controls remain embedded within service delivery during periods of operational pressure and reduce the risk of financial penalties linked to breaching subsidy error thresholds ([paragraph 80](#)).

- Without incorporating the resource requirements for management checking into future workforce and workload planning, the council risks being unable to sustain essential accuracy controls during periods of operational pressure, increasing the likelihood of recurring errors, non-compliance and avoidable subsidy loss.

7. Overpayments

The council should develop and implement documented procedures for the recovery of Housing Benefit overpayments. These should set out clear roles, responsibilities, recovery methods, and escalation routes to ensure that overpayments are pursued consistently, fairly, and in a way that promotes equity across all claimants. The council should also introduce monitoring arrangements to provide assurance that the procedures are being applied and that recovery activity is effective and compliant with legislation ([paragraph 96](#)).

- Without documented Housing Benefit overpayment recovery procedures, recovery action may be inconsistent and inequitable, increasing the risk of errors, unfair treatment of claimants, and non-compliance with legislation. This also limits oversight of recovery performance and reduces assurance that overpayments are being pursued appropriately.

8. Overpayments

The council should review its current approach to applying the one-month grace period after notifying customers of an overpayment and ensure that early engagement and recovery activity begin at the earliest appropriate stage. Given the increasing value of outstanding debt, the council should also make full and timely use of all available opportunities to contact customers and agree repayment arrangements to maximise recovery performance ([paragraph 101](#)).

- Failure to maximise early contact and recovery opportunities leaves the council exposed to continued increases in outstanding Housing Benefit debt and reduced recovery performance, with associated financial pressures.

9. Overpayments

The council should ensure that the findings and recommendations from the Department for Work and Pensions' February 2025 health check are

addressed as early as practicable. Although the council has stated that an action plan would not be developed until 2026/27 due to limited Business Applications resource and competing transformation priorities, it should consider whether any elements of the recommended improvements can be progressed sooner to reduce the period during which these risks remain unmanaged ([paragraph 106](#)).

- If the council delays addressing the findings from the Department for Work and Pensions' February 2025 health check until later in 2026/27, there is a risk that known weaknesses will remain unmitigated for an extended period, increasing the likelihood of continued non-compliance, operational inefficiencies, and avoidable financial or reputational exposure.

10. Overpayments

The council should ensure that all available recovery methods are routinely considered and applied where appropriate, including Direct Earnings Attachment and the Department for Work and Pensions' recovery options such as the Payment Deduction Programme and the Housing Benefit Debt Service. Strengthening the use of these established recovery methods would improve collection rates, reduce the volume of aged debt, and mitigate the risk of avoidable write-offs ([paragraph 106](#)).

- If the council does not make full and routine use of all available Housing Benefit recovery methods, there is a risk that collection rates will remain below potential, leading to increasing levels of aged debt and a higher likelihood of avoidable write-offs, with associated financial pressures for the council.

11. Overpayments

The council should strengthen its monitoring and oversight of Housing Benefit overpayment recovery performance to ensure that recent improvements are maintained. This should include regular analysis of recovery trends, early identification of declining performance, and timely corrective action to prevent further reductions in recovery rates ([paragraph 108](#)).

- There is a risk that without enhanced oversight and timely intervention, the council will be unable to maintain recent improvements in overpayment recovery, resulting in reduced income, higher levels of outstanding debt, and greater financial pressure on the service.

12. Overpayments

The council should urgently strengthen its quality assurance framework for Housing Benefit processing, with targeted checks on known error areas and early-warning monitoring of local authority/administrative error rates against subsidy thresholds. Given the year-on-year increase in the error rate and the significant financial losses incurred in 2023/24 and 2024/25, sustained intervention will be essential to prevent further avoidable subsidy penalties ([paragraph 116](#)).

- Failure to implement targeted checks and proactive monitoring of local authority/administrative error rates leaves the council exposed to ongoing accuracy issues and significant future subsidy losses, particularly given the rising error trend in recent years.

Introduction and Background

1. The Local Government in Scotland Act 2003 introduced statutory duties relating to Best Value and Community Planning. The primary objective of this performance audit is to assess how effectively Midlothian Council's Revenues Service meets its duty to secure continuous improvement in its administration of Housing Benefit (HB).

2. The audit considers the effectiveness of the Revenues Service's business planning, performance management, and reporting arrangements in supporting priorities and delivering outcomes. It forms part of Audit Scotland's HB performance audit programme and does not constitute a full audit of the council's Revenues Service.

3. Information for the risk assessment was gathered from the following sources:

- Self-assessment and performance matrix, including supporting documentation provided by the council.
- Department for Work and Pensions (DWP) indicators and other performance measures.
- Scrutiny of internal and external audit reports.
- Discussions with council officers and the appointed external auditor.

4. Since the previous performance audit in May 2019, the Revenues Service has faced a series of significant operational challenges in the administration of HB. The most substantial disruption occurred during the Covid-19 pandemic in 2020/21 and 2021/22, when staff were required to adapt to new working arrangements, including extended periods of remote and hybrid working.

5. During this period, councils were also tasked with administering a range of Scottish Government support schemes alongside core statutory responsibilities. This placed considerable additional pressure on the service, impacting both capacity and day-to-day delivery.

6. In response to these competing demands, the council prioritised resources towards these support schemes, Cost of Living applications, (e.g. School Clothing Grants, Discretionary Housing Payments), and Scottish Welfare Fund applications. This was in recognition that applicants were likely to be in priority need and required an immediate decision.

- 7.** In 2022/23, as operations began to return to business-as-usual, the council's decision to prioritise support for customers in immediate need resulted in the Revenues Service having a six-month backlog of outstanding Council Tax and Housing Benefit processing work.
- 8.** To help mitigate this, the council increased processing capacity by establishing an additional Revenues Officer post, funded from within existing service budgets, to help reduce the backlog and stabilise processing performance.
- 9.** However, following a long period of low staff turnover, further resourcing pressures during 2022/23 and 2023/24, including staff resignations and periods of absence, led to a marked deterioration in the time taken to process new claims and change events, and in the financial accuracy of assessments.
- 10.** By 2024/25, the council's claims processing performance was ranked 30th for new claims and 31st for change events among the 32 Scottish local authorities. Rising levels of error, including local authority and administrative error overpayments, resulted in HB subsidy losses of £90,935 in 2023/24 and £120,603 in 2024/25.
- 11.** These losses emerged at a time when the Revenues Service was simultaneously being asked to deliver £300,000 in staffing efficiency savings, further increasing the pressure on available capacity, intensifying the financial and operational pressures already facing the service.
- 12.** Despite the council implementing a range of positive measures during this period aimed at stabilising the service, including actively engaging with the DWPs' Performance Development Team in 2023/24 and again in 2025/26, these interventions have not yet delivered the required improvements.
- 13.** The following sections of the report provide a detailed examination of the council's administration of the benefit service, including its engagement with DWP, its response to ongoing operational challenges, and the remedial actions undertaken to address the decline in performance and strengthen future service resilience.

Business Planning and Reporting

The Revenues Service does not have a formal service plan, meaning its strategic aims, objectives and annual operational targets are not clearly defined. As a result, there is limited transparency over whether resources are aligned to statutory Housing Benefit responsibilities

Since 2022/23, the Revenues Service has lost significant technical expertise and experienced staff, reducing its capacity to administer the Housing Benefit service both efficiently and effectively and contributing to ongoing performance challenges

14. An effective business plan enables the council to clearly define the aims and objectives of each service, setting out the key deliverables against which performance is monitored and reported.

15. Corporate Solutions is the council's overarching corporate framework that brings together Human Resources, Digital, Customer Engagement, Legal and Governance, Transformation, Continuous Improvement, Directorate Performance and Corporate Resources. It provides the central corporate infrastructure and support that underpins service delivery across the organisation.

16. Its stated aim is to 'deliver forward-looking services fit for a modern 21st-century organisation and put the citizen at the centre of Service Redesign.' This reflects the council's intention to modernise its operations, strengthen corporate support functions, and ensure that services are designed around the needs and expectations of residents.

17. The Revenues Service sits within Corporate Resources, alongside Business Applications, Operational Support, Democratic and Document Services, Stores and Employment and Reward. Together, these functions provide the core corporate and back-office infrastructure that supports the council's wider operations and enables frontline services to function effectively.

18. Within this structure, the Revenues Service is responsible for the billing, collection and recovery of the council's key income streams. Its

remit covers a broad range of statutory and discretionary functions, including:

- Assessment and payment of Housing Benefit (HB), including the recovery of overpayments.
- Administration of Discretionary Housing Payments (DHP).
- Council Tax Reduction assessments and the recovery of associated arrears.
- Billing and collection of Council Tax
- Management of council house rents.
- Billing and collection of non-domestic rates (shared service delivered by City of Edinburgh Council).
- Processing of Scottish Welfare Fund applications.
- Participation in the National Fraud Initiative.

19. Collectively, these activities support the council's financial sustainability and ensure that residents and businesses receive timely and accurate access to financial support and statutory services.

20. Roles within the Revenues Service processing team are generic, covering all areas of work except for Council Tax arrears recovery and staff debt, which are managed separately within the Arrears Team.

21. There is no standalone service plan for the Revenues Service. Instead, the [Corporate Solutions Service Plan 2023/2027](#) serves as the primary strategic document guiding benefit service administration. It outlines the overarching vision and purpose for Corporate Solutions, alongside planned activities and priorities for the period.

22. The key aims of the service plan are to:

- Clearly show the vision and purpose of the service and how these relate to the Midlothian Community Planning Partnership's priorities.
- Set out how Corporate Solutions is driving forward key themes in the Transformation Blueprint 2023/2028.
- Provide a basis for measuring and reporting on the progress of the service in achieving its priorities.
- Provide an overarching plan which links to the Single Midlothian Plan, together with council and partner priorities. It forms a basis on which individual service work plans, and individual staff performance and development plans, are developed. Through this golden thread, the workforce can understand how their work

contributes to the service's objectives and, in turn, to the corporate aims of the council and its success in achieving those aims.

23. The service plan also details the council's quarterly performance indicators for the Revenues Service's HB administration. These are:

- Average processing time for new claims (internally calculated).
- Average processing time for change events (internally calculated).
- Number of customers receiving help/support via housing benefits.
- Percentage of Revenues and Benefits transactions received online.

24. As outlined in the [Introduction and Background](#), the Revenues Service faced significant resourcing challenges in 2022/23 as it transitioned back to business-as-usual operations. During the pandemic, staff had been redirected to administer Scottish Government support schemes, Cost of Living support, and Scottish Welfare Fund (SWF) applications to meet urgent community needs.

25. This diversion reduced capacity for HB processing and contributed to a backlog of Council Tax and HB work, which stood at around six months at the start of 2022/23. Although the council recruited an additional Revenues Officer to increase processing capacity, the service then faced unprecedented staff turnover, with four Revenues Officers (3.67 FTE) resigning during the year.

26. To address this, in August 2023 elected Members approved £195,000 of funding for an 18-month pilot to establish a dedicated team to process SWF and Discretionary Housing Payment applications. The team consisted of 4 FTE officers at Grade 4, enabling higher graded Revenues Officers to be released from SWF duties and return to frontline HB processing.

27. This model allowed experienced staff to refocus on the more complex HB workload while maintaining strong SWF performance, and the pilot has since been made permanent. In 2024/25 the Improvement Service identified the council as a high performer in the delivery of the SWF.

28. However, the pattern of resignations continued from 2023/24, with a further eight Revenues Officers leaving the council. All but two of these officers were Institute of Revenues, Rating and Valuation (IRRV) qualified and had several years of post-qualification experience, resulting in a significant loss of technical expertise.

29. This further reduced the service's capacity to address backlogs, improve claims processing performance, carry out management checks, and meet new demand in core HB functions. The council advised that several staff who had resigned reported in 'exit interviews' that being increasingly tasked with assessment work linked to Cost of Living support

and Scottish Welfare Fund (SWF) applications had been a key reason for their decision to leave.

30. The council's prioritisation of Cost of Living support and Scottish Welfare Fund applications has impacted HB administration and contributed to the loss of experienced staff. This is significant, as the council has ranked among Scotland's lowest performing authorities for speed of processing since 2021/22, directly contributing to subsidy penalties. In 2023/24 (£90,395) and 2024/25 (£120,603), the council lost over £210,000 in DWP subsidy due to caseload errors and local authority/administrative error overpayments from backlogs and extended processing times.

31. The council reported recruitment difficulties after staff resignations, with most campaigns failing to attract experienced or IRRV qualified candidates. Consequently, trainees were appointed to fill vacancies, shifting focus to longer-term training and development at the expense of immediate service recovery.

32. The service's in-house training model depended heavily on a single Lead Revenues Officer. Their long-term absence from April 2024 and departure in December 2024 created an immediate training gap, highlighting the lack of a formal plan, documented materials, or user guides.

33. With neighbouring authorities unable to provide equivalent in-house training support, the council commissioned an external provider to design and deliver a comprehensive training package, including supporting documentation, at a cost of £15,750.

34. The decision to recruit trainees was supported through a structured programme of in-house training and mentoring, delivered alongside formal IRRV studies. Each trainee was paired with an experienced Revenues Officer who provided day-to-day guidance.

35. While this approach strengthened skills development and helped build future capacity within the service, it inevitably reduced the time available for experienced Revenues Officers to focus on core processing duties, further constraining short-term operational capacity.

36. The departure of the Lead Revenues Officer also created a significant resilience issue, affecting both the delivery of training and the retention of detailed operational knowledge in benefit administration, funding, and governance. To maintain service continuity and meet statutory and regulatory obligations, including performance reporting, the annual DWP Memorandum of Understanding (MoU), the Subsidy Claim, and the 2025 DWP MoU audit, the council had to upskill Group Leaders and managers while they continued to manage day-to-day workloads.

37. The council acknowledged that the departure of the Lead Revenues Officer exposed a single point of failure in the service's knowledge base

and highlighted the absence of a formal succession plan, which is essential to effective service delivery and organisational resilience. A robust succession plan provides:

- **Continuity of service** - ensuring that essential functions can continue without disruption when key staff are absent or leave the organisation.
- **Retention of operational knowledge** - protecting specialist expertise, processes and institutional memory from being lost when experienced officers depart.
- **Clear development pathways** - enabling staff to build the skills and competencies required to step into more senior or specialist roles.
- **Reduced dependency on single individuals** - minimising the risks associated with single points of failure in critical service areas.
- **Improved workforce planning** - allowing the organisation to anticipate future skills needs and plan recruitment and training accordingly.

Recommendation 1

The council should strengthen resilience within the Revenues Service by implementing a formal succession plan for key roles and specialist functions. This should include identifying critical knowledge areas, documenting core processes, and establishing structured knowledge transfer arrangements to ensure that operational capacity, statutory reporting, and audit obligations can be maintained during periods of absence or staff turnover.

Housing Benefit performance reporting to the Performance, Review and Scrutiny Committee focuses solely on speed of processing, preventing a holistic view of service quality, accuracy and risk, and limiting effective strategic oversight

38. Operational performance is reported fortnightly to Lead Revenues Officers, Group Leaders, the Corporate Resources Manager, and the Chief Officer. These reports are designed to provide assurance that the service is operating efficiently and effectively by tracking key indicators, including:

- Volume of new claims and change events processed (monthly).
- Average processing times for new claims and change events (monthly).
- Financial accuracy of claims processing (monthly).

- Housing Benefit (HB) overpayments raised, recovered, and written off (quarterly).

39. In addition, since October 2025, the Chief Officer has chaired a monthly performance review meeting. The focus of this meeting is on speed of processing, HB overpayments, accuracy, staffing and work allocation, and the rollout of the self-service portal. Operational performance reporting and the performance review meetings enable senior officers to monitor trends, identify emerging pressures, and ensure that statutory requirements and service standards are being met.

40. Although key performance indicators are routinely reported, the absence of a detailed service plan for the Revenues Service that sets out targets, aims, and objectives means that overall performance cannot be meaningfully assessed. This limits the extent to which the service can demonstrate alignment with the expectations of the [Corporate Solutions Service Plan 2023/2027](#), which requires individual services to translate strategic aims into operational work plans and measurable performance outcomes.

41. Establishing defined performance targets and broadening the scope of reporting to include areas such as backlog levels, financial accuracy of claims, and local authority and administrative error rates would provide a more complete picture of operational performance. This would strengthen the connection between day-to-day activity, service level objectives, and the wider corporate aims of the council, supporting more effective scrutiny, improving accountability, and enabling senior officers to identify risks and emerging pressures at an earlier stage.

Recommendation 2

The council should strengthen strategic alignment and assurance within the Revenues Service by developing a detailed service plan that translates the aims of the [Corporate Solutions Service Plan 2023/2027](#) into clear operational targets, priorities, and performance measures. The plan should include defined indicators and targets for claims processing, financial accuracy, backlog levels, local authority/administrative error rates, and overpayment recovery. This will enable the service to demonstrate how day to day delivery contributes to wider Corporate Solutions objectives and the council's corporate aims.

42. The council's [Performance, Review and Scrutiny Committee](#) is responsible for reviewing performance and for commenting on decisions, policies, and their impact on outcomes for local people.

43. The role of elected Members includes:

- **Reviewing performance** against the council's policy objectives and strategic plans, using service plans, performance indicators and other relevant reports.
- **Challenging decisions and policies**, including how they are implemented and the effect they have on service outcomes.
- **Seeking assurance that under-performance is being addressed**, for example by reviewing improvement actions and follow-up reports from services.

44. As part of Corporate Solutions, Revenues Service performance is included within the regular performance reports presented by the Chief Officer to the Committee. These reports provide elected Members with an overview of performance across all five Corporate Solutions service areas and form a key mechanism through which elected Members can scrutinise delivery, challenge performance, and seek assurance on progress against strategic objectives.

45. In respect of the Revenues Service, performance oversight is currently limited to the four Housing Benefit (HB) indicators included in the [Corporate Solutions Service Plan 2023/2027](#). Of these, only two, the average processing times for new claims and change events, provide a direct measure of operational performance.

46. A review of the [Performance, Review and Scrutiny Committee](#) minutes for October 2025 and February 2026, specifically the Quarter 1 and Quarter 2 2025/26 Corporate Solutions Performance Reports, found that claims processing performance was not presented with sufficient context, despite significant performance and resourcing issues during these periods. Although each report included charts showing new claims and change events over the previous five quarters, they did not provide narrative commentary or defined performance targets that would have helped elected Members interpret the data or understand the scale of the decline.

47. The lack of contextual analysis and clear benchmarks limits the Committee's ability to scrutinise performance effectively or to understand the scale and impact of the decline, or the pressures facing the service. Without this information, elected Members cannot fully assess whether service performance is improving, deteriorating, or whether appropriate action is being taken in response to operational challenges.

48. By contrast, the Scottish Welfare Fund (SWF) receives substantially greater attention in both the [Corporate Solutions Service Plan 2023/2027](#) and the quarterly performance reports. The service plan includes 13 performance indicators relating to the SWF, and the performance reports provide detailed narrative commentary under the 'Supporting the Cost of Living Crisis' section.

49. This level of scrutiny stands in marked contrast to that applied to HB, despite HB representing a significantly higher financial risk, with annual expenditure of approximately £17 million compared to around £0.8 million distributed through the SWF. This disparity highlights an imbalance in performance oversight that does not reflect the relative scale of financial exposure or operational risk.

50. Comprehensive performance reporting across all aspects of benefit administration is essential to safeguard the council's financial position and ensure equitable service delivery. A more rounded approach would enable the council to identify issues at an earlier stage, take timely action to address underperformance, and reduce the risk of avoidable overpayments and DWP subsidy penalties arising from inaccurate claims processing.

51. Viewing the service holistically, through regular reporting against defined measures, would also give elected Members a clearer understanding of performance and risk. This is particularly important during the ongoing cost of living crisis, when accurate assessments and timely overpayment recovery are critical to maintaining public confidence and protecting the council's financial position.

Recommendation 3

The council should improve transparency and oversight by introducing clear, measurable Housing Benefit performance targets covering claims processing, financial accuracy, backlog levels, local authority and administrative error rates, and overpayment recovery. Performance against these targets should be reported regularly to senior management and elected Members, supported by contextual commentary and benchmarking, both internally and against DWP data. This will ensure that performance information is complete, comparable, and capable of supporting effective scrutiny.

Delivering Outcomes

The council's decision to prioritise Cost of Living and Scottish Welfare Fund applications created significant long-term pressures on the Revenues Service, affecting workforce stability and overall Housing Benefit administration performance

52. Customers typically claim Housing Benefit (HB) during periods of financial uncertainty, making it essential that the Revenues Service is supported by well-trained staff capable of assessing complex claims accurately and ensuring prompt payment.

53. As outlined in the [Introduction and Background](#), the Revenues Service has experienced significant operational challenges since the pandemic in 2020/21 and 2021/22, which have had a sustained adverse impact on HB administration. Reduced capacity, a decision by the council to focus on Cost of Living support and Scottish Welfare Fund applications, the loss of experienced officers, and ongoing recruitment difficulties have all limited the service's ability to manage demand effectively.

54. [Exhibit 1](#) shows the fully funded staffing establishment for the Revenues Service processing team between 2023/24 and 2026/27.

Exhibit 1

Revenues Service processing resources (Full-time equivalent)

	2023/24 (FTE)	2024/25 (FTE)	2025/26 (FTE)	2026/27 (FTE)
Lead Revenues Officer	2.0	2.0	2.0	2.0
Revenues Group Leaders	3.5	3.5	3.5	3.5
Revenues Officers	18.74	18.74	19.74	19.74
Total	24.24	24.24	25.24	25.24

Source: Midlothian Council

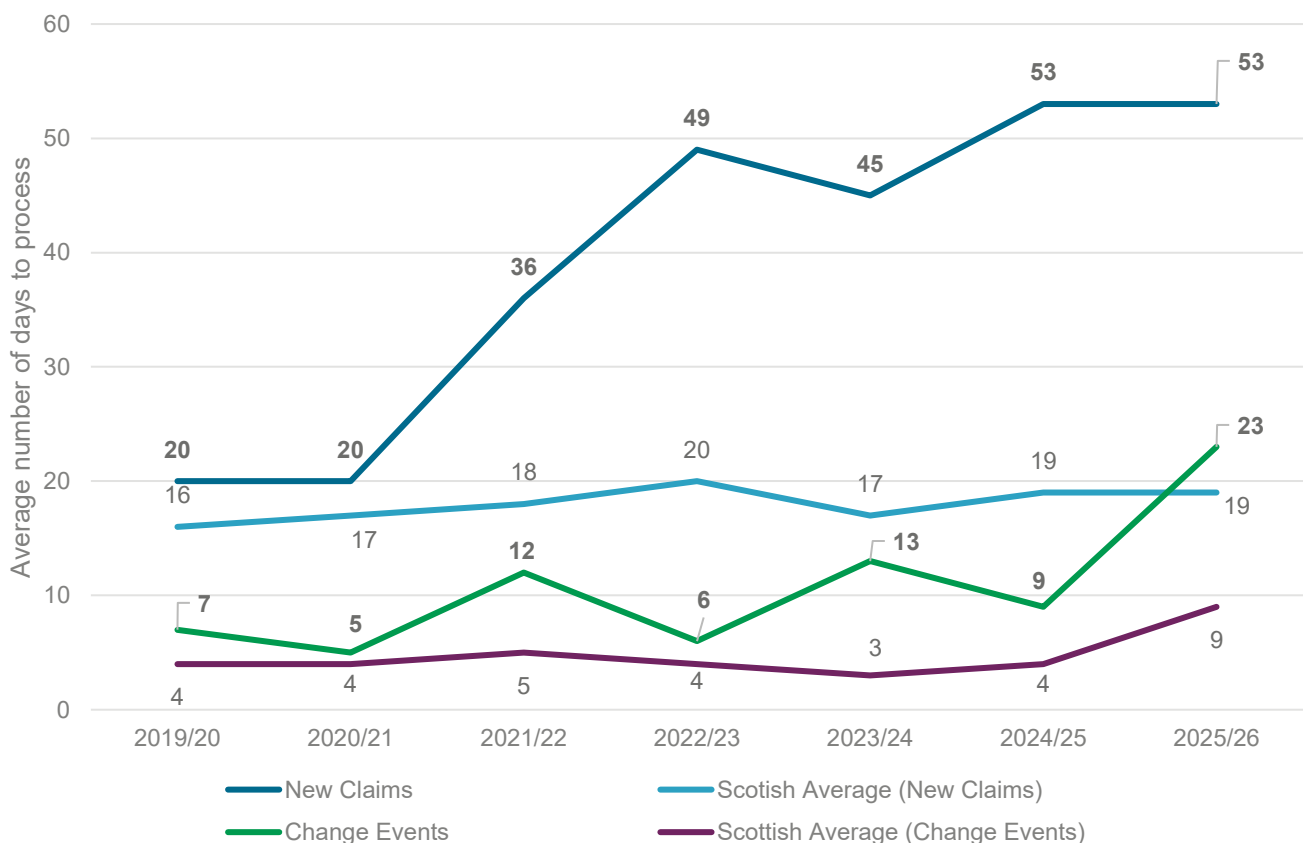
55. The council reported that in 2025/26 the Revenues Service was operating with vacancies for one FTE Lead Revenues Officer and three FTE Revenues Officers, and had six trainees at varying stages of

development. As a result, only around 15.24 FTE (60 per cent) of officers were fully capable of processing all claim types.

56. The council has no plans to recruit to the vacant Lead Revenues Officer post and the other vacant posts are being held, as the service is being asked to deliver £300,000 in staffing efficiency savings for 2025/26, further increasing the pressure on available capacity. A service restructure is being developed to align with the introduction of a new self-service portal in 2026/27, automation and other planned changes, and posts will remain unfilled pending the outcome of this restructure.

57. This reflects a much higher level of operational pressure than is evident from the funded establishment and demonstrates the scale of the capacity challenges facing the service since 2021/22. These pressures have contributed to the deterioration in claims processing performance, as illustrated in [Exhibit 2](#) below.

Exhibit 2
HB claims processing performance 2019/20 to 2025/26 (at 28 February 2026)



Source: DWP and Midlothian Council

58. As illustrated above, the council delivered a good level of claims processing performance in 2019/20 and, during the first year of the pandemic in 2020/21, maintained average new claims processing times at 20 days while improving the time taken to process change events to five

days. This level of performance was commendable given the operational pressures and competing demands placed on the Revenues Service during this period.

59. However, in 2021/22 performance declined significantly, with average processing times increasing to 36 days for new claims and 12 days for change events. In 2022/23, as the service returned to business-as-usual activity, this deterioration was compounded as the council continued to prioritise support for vulnerable residents, resulting in HB processing resources remaining focused on Cost of Living and Scottish Welfare Fund (SWF) applications.

60. Rising demand for assistance from the SWF meant that staff with specialist HB skills were diverted to the less complex SWF workload, reducing capacity to manage backlogs, management checks, and new demand within core HB functions. The council also told us that several experienced staff who resigned during this period indicated in their exit interviews that being unable to undertake the work they had been trained for was a contributing factor in their decision to leave.

61. As the council focused its efforts on improvement during 2022/23, 2023/24 and 2024/25, gains in processing change events were consistently accompanied by slower processing of new claims, and improvements in new claims were similarly associated with longer times to process change events. This pattern shows that the service did not have sufficient capacity to improve both areas at the same time.

62. This has continued into 2025/26. While average processing times for new claims have stabilised at 53 days, the time taken to process change events has deteriorated significantly from nine days to 23 days as at 28 February 2026.

63. Using the DWP's most recently published performance statistics at the end of quarter two of 2025/26, the council was ranked 31st out of the 32 Scottish councils for processing new claims and 28th for processing change events. To put this into context, the average speed of processing in Scotland at quarter two of 2025/26 was 19 days for new claims and nine days for change events.

64. In response to the decline in claims processing performance, the council implemented a range of positive measures aimed at stabilising the service, increasing operational capacity, and mitigating the risk of further decline. These included:

- **Utilising overtime** to increase processing capacity.
- **Engaging an external provider** for six months in 2024/25 to supply qualified and experienced processing staff at a cost of £85,000.

- **Prioritising new claims** to ensure timely support for applicants with immediate needs.
- **Working with the DWP's Performance Development Team** to identify opportunities to strengthen service delivery.
- **Reviewing internal systems** to identify opportunities for increased automation.
- **Securing an external provider** to design and deliver a training package at a cost of £15,750.
- **Expanding digital access channels**, including the development of a new customer portal to reduce reliance on telephone and in-person contact and improve the customer experience.

65. Notwithstanding these positive remedial actions, the council has encountered persistent challenges in securing significant improvements in claims processing performance. In recognition of these issues, and following senior management review, a strategic decision was taken in December 2025 to fundamentally restructure the service delivery model established in 2020/21.

66. As outlined in the [Introduction and Background](#), the Revenues Service transitioned to a remote-working model during the pandemic. Following the pandemic, the continued use of home working coincided with reported difficulties for the contact centre in accessing Revenues Officers to resolve customer enquiries, which added further pressure to the service.

67. This generated a high volume of 'call-back' requests, which emerged as a competing workstream and further limited core processing capacity. Although a hybrid rota was introduced in 2023/24 to improve accessibility, it did not deliver the anticipated improvements in performance.

68. While it is not possible to conclude that the change to home-working directly caused the subsequent increase in backlogs and 'failure demand', it is likely to have been a contributing factor.

69. Consequently, the council determined that, from January 2026, all Revenues Service staff would be required to work from the office full-time, with exemptions only for those on formal full-time home-working contracts.

70. While a formal assessment of this change has yet to be carried out, the council reported that early feedback from associated services indicated improved cross-team communication and more efficient query resolution. It is anticipated that these operational changes will help reduce call-back volumes and provide the necessary support to improve overall claims processing performance.

Ongoing operational pressures have prevented the Revenues Service from carrying out its full programme of Housing Benefit accuracy checks since 2023/24, increasing the risk of undetected fraud and error

71. The accurate and secure administration of Housing Benefit (HB) is a core responsibility for every council. To support this, a robust quality assurance framework should:

- reduce the risk of fraud and error entering the benefit system.
- minimise the likelihood of HB overpayments and the associated cost of debt recovery
- provide a clear audit trail to ensure identified errors are corrected promptly and consistently
- generate insight into both financial and non-financial errors, enabling targeted training and risk-based checking
- support transparent reporting of accuracy performance to senior management and elected Members

72. A well-designed framework not only safeguards public funds but also strengthens operational resilience and drives continuous improvement across the service.

73. The Revenues Service has no documented procedures for carrying out management checks on the accuracy of claims. The intended process is that Revenues Service Group Leaders carry out checks on new claims and change events, with a random monthly sample of around 30 cases generated from the Council's document management system for review.

74. Where errors are identified, these are highlighted to the Revenues Officer who processed the claim. The officer is responsible for correcting the error and returning the claim to the Group Leader for confirmation that the correction has been completed accurately.

75. Outcomes from management checks are recorded electronically on a comprehensive spreadsheet, which details the aspects of each claim that have been reviewed and the council's financial and non-financial error rates. This provides a clear audit trail of errors identified and the corrective action taken.

76. Where recurring themes or processing issues are identified, guidance or instruction notes are issued to staff to prevent recurrence. If concerns arise about the quality of an individual's work, these are managed under the council's Performance Improvement Policy.

77. Although the council's aim is to review 30 cases per month, this has not been achieved since 2023/24 due to competing priorities, including

processing the increased volumes of Scottish Welfare Fund applications and the associated rise in first-tier reviews and second-tier submissions to the Scottish Public Services Ombudsman.

78. Information provided by the council shows that, between September 2024 and December 2025, only four management checks had been carried out. We recognise that the council prioritised improving claims processing performance during this period. However, the very low volume of checks means that errors are not being identified or corrected, and the council has no assurance over the accuracy of its caseload.

79. The absence of a formal management checking framework, including documented procedures, is a significant control weakness given the decline in claims processing performance. This gap reduces assurance over the accuracy of assessments and contributes to the increase in local authority and administrative error overpayments, resulting in avoidable financial losses for the council.

Recommendation 4

The council should develop and implement formal, documented procedures for management checks on the accuracy of claims. These should set out the purpose, frequency, sampling approach, responsibilities, recording, and reporting requirements to ensure checks are applied consistently and that results can be monitored and used to support improvement.

80. The council advised that, following the January 2026 changes to primarily deliver the service through office-based working and the reallocation of workloads, it recommenced its programme of accuracy checking. However, only six checks were completed in January 2026 and a further four in February 2026, although the council stated that it intends to reinstate its full programme of quality assurance checks in 2026/27.

Recommendation 5

Once the Revenues Service has reduced the backlog of outstanding work and stabilised claims processing times to levels more in line with national averages, it should recommence its full programme of management checks. This will help ensure continued accuracy, compliance, and quality assurance across the Housing Benefit caseload.

Recommendation 6

To support the sustainable delivery of management checks, the Revenues Service should incorporate the required capacity into future workforce and workload planning. This will help ensure that accuracy

controls remain embedded within service delivery during periods of operational pressure and reduce the risk of financial penalties linked to breaching subsidy error thresholds.

The council is an active participant in national data-matching and accuracy initiatives and takes a proactive approach to identifying and correcting unreported change events

81. To minimise error within the Housing Benefit (HB) caseload, councils must ensure that customers report change events promptly and that a robust intervention framework is in place to identify unreported changes and take corrective action.

82. The Revenues Service reinforces this requirement through routine customer communications. Notification letters clearly set out the customer's responsibility to report any change in circumstances. The council's website also provides examples of changes that could affect benefit entitlement, and details of how to report a change by telephone and email.

83. Although there is no digital facility to submit a new claim or provide details of a change in circumstances using the council's website, this functionality will form part of a new customer portal project that was approved by the council's Business Transformation Steering Group in November 2024.

84. The portal will provide customers with a self-service platform to complete a range of online forms, including:

- applying for Council Tax and Housing Benefit
- reporting a change in circumstances
- applying for a Single Person Discount
- applying for a Council Tax refund.

85. Although the portal project was planned to start in early 2025 and run for 12 months, internal staffing pressures and supplier issues have delayed full implementation until December 2026. The council is pursuing these matters with the supplier at Chief Executive level and aims to resolve outstanding issues as soon as possible.

86. Once fully implemented, the portal will make information submitted through it immediately available in the Revenues Service benefits IT system. This should remove postal and internal handling delays and reduce the risk of misdirected documents, supporting improvements in claims processing performance.

87. The council also participates in a range of national data-matching and accuracy initiatives designed to identify unreported changes and support caseload integrity. These include the Department for Work and Pensions' Housing Benefit Matching Service, the Housing Benefit Accuracy Award (HBAA) initiative, and the Verify Earnings and Pensions (VEP) service, as well as Audit Scotland's National Fraud Initiative (NFI). Collectively, these activities form an established framework for detecting unreported changes and helping to maintain the accuracy of Housing Benefit claims.

88. In recent years, the Revenues Service reported that it had approached the NFI and, more recently, the HBAA initiative as standalone projects, requiring significant dedicated resource and diverting capacity away from core activities such as claims processing. In 2025/26, the service revised its approach by integrating NFI and HBAA responsibilities into day-to-day operational activities.

89. This has enabled the service to maintain its focus on improving claims processing performance while still meeting the required workloads of both initiatives. Incorporating these tasks into routine operations also reduces the risk of avoidable overpayments, helping to limit the number and value of local authority and administrative error overpayments that could lead to further subsidy penalties.

90. [Exhibit 3](#) summarises the council's participation in the DWP's HBAA initiative in 2025/26, at 28 February 2026.

Exhibit 3

Housing Benefit Award Accuracy Initiative

Year	Number received	Number completed	Percentage completed
2025/26 (at 28 Feb 26)	635	591	93%

Source: Midlothian Council

91. The council reported that it is on target to meet the required number of HBAA initiative case reviews by the target date of June 2026.

The recent decline in Housing Benefit overpayment recovery performance indicates weaknesses in the current control environment, with no documented procedures in place and not all available recovery options being utilised

92. Councils have a responsibility to safeguard public funds by maintaining effective controls and taking proactive steps to prevent Housing Benefit (HB) overpayments. Key elements of this include

ensuring initial assessments are accurate, processing reported change events promptly, and making full use of data-matching tools such as the Department for Work and Pensions' (DWP) Housing Benefit Matching Service and Audit Scotland's National Fraud Initiative.

93. When overpayments occur, councils must ensure they are classified correctly, distinguishing between claimant error, local authority (LA) or administrative (admin) error, and fraud, and that recovery action is undertaken promptly and in line with DWP requirements and local recovery policies to prevent overpayments from increasing unnecessarily.

94. Recovery activity should be fair, proportionate, and applied consistently across the caseload. It should also be supported by clear audit trails and strong performance monitoring arrangements to ensure transparency, demonstrate compliance, and support ongoing improvement.

95. Processing staff within the Revenues Service work generically and are responsible for all aspects of HB claims processing, including the recovery of overpayments. Where a customer has an overpayment and remains in receipt of HB, recovery is made through deductions from ongoing entitlement. If the customer is no longer receiving HB, a sundry debtor invoice is issued.

96. There are no documented procedures for the recovery of Housing Benefit overpayments, and therefore the council lacks a formal framework to ensure that recovery activity is carried out consistently, fairly, and in a way that promotes equity across all claimants. In the absence of clear guidance, there is an increased risk of inconsistent decision-making, variable recovery practices, and potential inequity in how overpayments are pursued.

Recommendation 7

The council should develop and implement documented procedures for the recovery of Housing Benefit overpayments. These should set out clear roles, responsibilities, recovery methods, and escalation routes to ensure that overpayments are pursued consistently, fairly, and in a way that promotes equity across all claimants. The council should also introduce monitoring arrangements to provide assurance that the procedures are being applied and that recovery activity is effective and compliant with legislation.

97. [Exhibit 4](#) details the council's HB overpayment recovery performance from 2022/23 to 2025/26, at 31 December 2025.

Exhibit 4

HB overpayments and recovery performance

	2022/23	2023/24	2024/25	2025/26 (at 31 Dec)
Total value of HB overpayments carried forward	£3,396,299	£3,498,005	£3,485,562	£3,551,678
Total value of overpayments identified in-year	£653,895	£494,832	£639,908	£463,893 (£618,524*)
Total value of HB debt	£4,050,194	£3,992,837	£4,125,470	£4,015,571 (£4,170,202*)
Total value of all HB debt recovered (in-year)	Not available	Not available	Not available	Not available
Total value of all HB debt recovered	£583,213	£799,161	£800,904	£471,989 (£629,319*)
Total value of HB debt written off	£37,135	£49,012	£73,888	£24,368 (£32,491*)
Total value of HB debt outstanding	£3,466,981	£3,193,676	£3,324,556	£3,543,582 (£3,508,392*)
Percentage of total HB debt recovered	14%	20%	19%	12% (15%*)

Source: Midlothian Council and DWP

*Projected year-end performance

98. Where a customer has an overpayment and remains in receipt of benefit, the debt is recovered from ongoing entitlement at a prescribed rate, unless the customer notifies the council of financial hardship. In such cases, an income and expenditure assessment is carried out and a reduced recovery rate is agreed with the customer, where appropriate.

99. If a customer is no longer receiving HB, the council makes use of a range of recovery options to pursue overpayments. These include:

- issuing an invoice for repayment.
- recovery from a third-party landlord, where appropriate.
- engaging Sheriff's Officers for debt that is difficult to recover.

100. When a customer has been notified of an overpayment, the council waits one calendar month before initiating recovery action to allow the

customer the opportunity to appeal the overpayment decision. However, this delays the recovery process, making it potentially harder to engage with the customer and recover the debt.

101. Although it is considered good practice to allow a one-month grace period, councils are not obliged to provide this. Given the increasing value of outstanding debt, the council should ensure it is making full use of every opportunity to engage with customers at the earliest stage and initiate repayment promptly to maximise recovery potential.

Recommendation 8

The council should review its current approach to applying the one-month grace period after notifying customers of an overpayment and ensure that early engagement and recovery activity begin at the earliest appropriate stage. Given the increasing value of outstanding debt, the council should also make full and timely use of all available opportunities to contact customers and agree repayment arrangements to maximise recovery performance.

102. As outlined in the [Introduction and Background](#) section, the council has been actively engaging with the DWP's Performance Development Team since 2022/23, initially to address a decline in claims processing performance during a period of significant organisational change.

103. As part of this continued external support, the council requested that the DWP undertake a health check of its HB overpayments process. This review was completed in February 2025, with the findings and 16 recommendations presented to the council in March 2025.

104. As part of the feedback, the DWP's Performance Development Team reported that the council was not making full use of all available recovery options for HB overpayments. In particular, the council was not routinely applying for Direct Earnings Attachment or utilising the DWP's Payment Deduction Programme and Housing Benefit Debt Service. These mechanisms provide important routes for recovering outstanding debt and should be considered in all appropriate cases to maximise recovery and minimise the risk of aged or unrecoverable debt.

105. The council accepted all recommendations and confirmed that an action plan would be developed during 2026/27 to address them. While the council's acceptance of the recommendations is positive, deferring the development of an action plan until 2026/27 creates a risk that identified weaknesses will remain unaddressed for an extended period.

106. Given the financial exposure associated with LA/admin error overpayments and the year-on-year increase in the error rate ([see paragraph 112](#)), timely implementation of the DWP's recommendations will

be critical to strengthening controls and reducing the risk of further subsidy losses.

Recommendation 9

The council should ensure that the findings and recommendations from the Department for Work and Pensions' February 2025 health check are addressed as early as practicable. Although the council has stated that an action plan would not be developed until 2026/27 due to limited Business Applications resource and competing transformation priorities, it should consider whether any elements of the recommended improvements can be progressed sooner to reduce the period during which these risks remain unmanaged.

Recommendation 10

The council should ensure that all available recovery methods are routinely considered and applied where appropriate, including Direct Earnings Attachment and the Department for Work and Pensions' recovery options such as the Payment Deduction Programme and the Housing Benefit Debt Service. Strengthening the use of these established recovery methods would improve collection rates, reduce the volume of aged debt, and mitigate the risk of avoidable write-offs.

107. Despite the issues identified, the council improved its recovery of HB overpayments between 2022/23 and 2023/24, with performance rising from 15 per cent to 20 per cent and its national ranking improving from 18th to 13th. However, performance declined to 19 per cent in 2024/25, placing the council 20th, and early indications for 2025/26 suggest a further fall.

108. Based on the information provided at [Exhibit 4](#), if current levels were sustained to year end, the value of outstanding HB debt recovered could fall by £171,585 to £629,319, equating to a full-year recovery rate of around 15 per cent. Without making full use of all available recovery options, recovery performance is likely to deteriorate further.

Recommendation 11

The council should strengthen its monitoring and oversight of Housing Benefit overpayment recovery performance to ensure that recent improvements are maintained. This should include regular analysis of recovery trends, early identification of declining performance, and timely corrective action to prevent further reductions in recovery rates.

The council has incurred significant Housing Benefit subsidy losses in recent years due to inaccurate and delayed claims processing, highlighting weaknesses in accuracy controls, operational resilience, and financial stewardship

109. Local authority (LA) and administrative (admin) error overpayments arise where HB has been paid incorrectly due to mistakes made by the council during the assessment or ongoing maintenance of claims. Because these errors are within the council's control, they are treated separately from claimant error or fraud and are a key indicator of processing quality.

110. The LA/admin error rate is calculated by expressing the value of LA/admin error overpayments as a proportion of the council's total annual HB expenditure that attracts full subsidy. As this expenditure remains relatively stable year-to-year, even small increases in the value of LA/admin errors can materially affect the overall error rate and, in turn, the amount of subsidy the council receives from the DWP.

111. Under the DWP's HB subsidy scheme, subsidy on LA/admin error reduces once defined error rate thresholds are exceeded. Councils receive full subsidy when the annual error rate is below 0.48 per cent, reduced subsidy of 40 per cent on all LA/admin error overpayments when the rate is between 0.48 per cent and 0.54 per cent, and no subsidy when the rate exceeds 0.54 per cent. Breaching these thresholds can therefore lead to disproportionately large financial losses.

112. [Exhibit 5](#) shows the council's performance and the financial impact of LA/admin error overpayments from 2021/22 to 2025/26, at 31 October 2025.

Exhibit 5

Local authority/administrative error overpayments (at 31 October 2025)

Year	HB Expenditure attracting full subsidy	LA / Admin Error Overpayments	Error Rate	Subsidy Loss
2021/22	£18,413,222	£64,605	0.35%	£0
2022/23	£17,321,311	£68,700	0.40%	£0
2023/24	£16,364,874	£90,935	0.55%	£90,935
2024/25	£16,477,146	£120,603	0.73%	£120,603

2025/26 (at 31 Oct)	£6,743,877	£29,669	0.44%	£0
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Source: DWP and Midlothian Council

113. In 2021/22 and 2022/23, the error rate remained below the lower threshold, meaning all LA/admin error overpayments attracted full subsidy. However, in 2023/24, the error rate rose to 0.55 per cent, breaching the upper threshold. As a result, the council received no subsidy on £90,935 of LA/admin error overpayments, incurring a full financial loss.

114. Performance deteriorated further in 2024/25, with the error rate increasing to 0.73 per cent. This generated an additional £29,668 of LA/admin error overpayments year on year, despite overall HB expenditure remaining broadly stable. Because the upper threshold was again exceeded, the full £120,603 of LA/admin error overpayments in 2024/25 attracted no subsidy, representing a significant escalation in financial exposure.

115. This is concerning, as the council has incurred financial losses from 2023/24 at a time when the Revenues Service was being asked to deliver £300,000 in staffing efficiency savings, had lost a considerable number of experienced staff, and was under-performing in the delivery of the benefit service.

116. Although the 2025/26 position to 31 October shows an in-year rate of 0.44 per cent, which is below the lower threshold, as this is a part-year position, no conclusion can be drawn about the full-year outturn. The underlying trend to date remains one of deterioration, and the council will need to sustain improved processing accuracy for the remainder of the year to avoid further subsidy penalties.

Recommendation 12

The council should urgently strengthen its quality assurance framework for Housing Benefit processing, with targeted checks on known error areas and early-warning monitoring of local authority/administrative error rates against subsidy thresholds. Given the year-on-year increase in the error rate and the significant financial losses incurred in 2023/24 and 2024/25, sustained intervention will be essential to prevent further avoidable subsidy penalties.

Appendix

2025/26 recommendations

Issue / Risk	Recommendation	Agreed management action / timing / responsibility
<p>1. Business Planning and Reporting</p> <p>Without a formal succession plan for key Revenues Service roles and specialist functions, the council is exposed to loss of critical knowledge and reduced operational resilience, increasing the risk that statutory duties, subsidy requirements and audit obligations cannot be met during periods of absence or staff turnover.</p>	<p>The council should strengthen resilience within the Revenues Service by implementing a formal succession plan for key roles and specialist functions. This should include identifying critical knowledge areas, documenting core processes, and establishing structured knowledge-transfer arrangements to ensure that operational capacity, statutory reporting, and audit obligations can be maintained during periods of absence or staff turnover.</p> <p>Paragraph 37</p>	<ul style="list-style-type: none"> The staffing and operation of the service is currently being redesigned. This is to achieve the £300k of staffing savings that were agreed in 2022/23; and alongside the implementation of significant IT upgrades to implement automation and more efficient processes. <p>Included in this redesign is strategic workforce planning, as it has been identified as a high-risk area for workforce planning.</p> <p>The redesign will be presented to Corporate Management Team by June 2026 and expected to be implemented by Autumn/Winter 2026.</p> <p>This will include focused resource to document core processes</p> <ul style="list-style-type: none"> Autumn/Winter 2026 Chief Officer Corporate Solutions

Issue / Risk	Recommendation	Agreed management action / timing / responsibility
<p>2. Business Planning and Reporting</p> <p>Without a detailed service plan that translates strategic aims into clear operational targets and measures, the council risks misalignment between Revenues Service activity and corporate priorities, reducing assurance that statutory duties, performance expectations and financial risks are being effectively managed.</p>	<p>The council should strengthen strategic alignment and assurance within the Revenues Service by developing a detailed service plan that translates the aims of the Corporate Solutions Service Plan 2023/2027 into clear operational targets, priorities, and performance measures. The plan should include defined indicators and targets for claims processing, financial accuracy, backlog levels, local authority/administrative error rates, and overpayment recovery. This will enable the service to demonstrate how day to day delivery contributes to wider Corporate Solutions objectives and the council's corporate aims.</p> <p>Paragraph 41</p>	<ul style="list-style-type: none"> • Following on from the service redesign a service plan and performance management framework will be designed • Autumn/Winter 2026 • Chief Officer Corporate Solutions

Issue / Risk	Recommendation	Agreed management action / timing / responsibility
<p>3. Business Planning and Reporting</p> <p>Without clear, measurable Housing Benefit performance targets and contextual reporting, the council risks insufficient transparency and weak strategic oversight, limiting its ability to identify emerging issues, ensure accuracy, and manage financial and statutory risks effectively.</p>	<p>The council should improve transparency and oversight by introducing clear, measurable Housing Benefit performance targets covering claims processing, financial accuracy, backlog levels, local authority and administrative error rates, and overpayment recovery. Performance against these targets should be reported regularly to senior management and elected Members, supported by contextual commentary and benchmarking, both internally and against DWP data. This will ensure that performance information is complete, comparable, and capable of supporting effective scrutiny.</p> <p>Paragraph 51</p>	<ul style="list-style-type: none"> • A revised set of key performance indicators will be developed for the 2026/27 performance reporting year and implemented for Q1 2026/27. • Q1 2026/27 • Chief Officer Corporate Solutions
<p>4. Accuracy</p> <p>Without formal, documented procedures for management checks, there is a risk that accuracy checking activity is applied inconsistently, leading to undetected errors, variable practice, and reduced assurance over the quality of claims processing. The absence of a standardised approach also increases the likelihood of inequitable treatment of claimants and limits the council's ability to monitor performance, identify systemic issues, and drive continuous improvement.</p>	<p>The council should develop and implement formal, documented procedures for management checks on the accuracy of claims. These should set out the purpose, frequency, sampling approach, responsibilities, recording, and reporting requirements to ensure checks are applied consistently and that results can be monitored and used to support improvement.</p> <p>Paragraph 79</p>	<ul style="list-style-type: none"> • Focused resource will be allocated to document management checks. • Autumn/Winter 2026 • Chief Officer Corporate Solutions

Issue / Risk	Recommendation	Agreed management action / timing / responsibility
<p>5. Accuracy</p> <p>Without reinstating routine management checking once processing performance stabilises, the council risks reduced assurance over the accuracy and quality of Housing Benefit assessments, increasing the likelihood of errors, non-compliance and avoidable subsidy loss.</p>	<p>Once the Revenues Service has reduced the backlog of outstanding work and stabilised claims processing times to levels more in line with national averages, it should recommence its full programme of management checks. This will help ensure continued accuracy, compliance, and quality assurance across the Housing Benefit caseload.</p> <p>Paragraph 80</p>	<ul style="list-style-type: none"> • This will commence from April 2026 • April 2026 • Chief Officer Corporate Solutions
<p>6. Accuracy</p> <p>Without incorporating the resource requirements for management checking into future workforce and workload planning, the council risks being unable to sustain essential accuracy controls during periods of operational pressure, increasing the likelihood of recurring errors, non-compliance and avoidable subsidy loss.</p>	<p>To support the sustainable delivery of management checks, the Revenues Service should incorporate the required capacity into future workforce and workload planning. This will help ensure that accuracy controls remain embedded within service delivery during periods of operational pressure and reduce the risk of financial penalties linked to breaching subsidy error thresholds.</p> <p>Paragraph 80</p>	<ul style="list-style-type: none"> • Linked to recommendation 1 – the redesign of the service and strategic workforce planning • Autumn/Winter 2026 • Chief Officer Corporate Solutions

Issue / Risk	Recommendation	Agreed management action / timing / responsibility
<p>7. Overpayments</p> <p>Without documented Housing Benefit overpayment recovery procedures, recovery action may be inconsistent and inequitable, increasing the risk of errors, unfair treatment of claimants, and non-compliance with legislation. This also limits oversight of recovery performance and reduces assurance that overpayments are being pursued appropriately.</p>	<p>The council should develop and implement documented procedures for the recovery of Housing Benefit overpayments. These should set out clear roles, responsibilities, recovery methods, and escalation routes to ensure that overpayments are pursued consistently, fairly, and in a way that promotes equity across all claimants. The council should also introduce monitoring arrangements to provide assurance that the procedures are being applied and that recovery activity is effective and compliant with legislation.</p> <p>Paragraph 96</p>	<ul style="list-style-type: none"> • Focused resource will be allocated to document Housing Benefit overpayments recovery processes. • Autumn/Winter 2026 • Chief Officer Corporate Solutions
<p>8. Overpayments</p> <p>Failure to maximise early contact and recovery opportunities leaves the council exposed to continued increases in outstanding Housing Benefit debt and reduced recovery performance, with associated financial pressures.</p>	<p>The council should review its current approach to applying the one-month grace period after notifying customers of an overpayment and ensure that early engagement and recovery activity begin at the earliest appropriate stage. Given the increasing value of outstanding debt, the council should also make full and timely use of all available opportunities to contact customers and agree repayment arrangements to maximise recovery performance.</p> <p>Paragraph 101</p>	<ul style="list-style-type: none"> • This will be reviewed in April 2026 • April 2026 • Chief Officer Corporate Solutions

Issue / Risk	Recommendation	Agreed management action / timing / responsibility
<p>9. Overpayments</p> <p>If the council delays addressing the findings from the Department for Work and Pensions' February 2025 health check until later in 2026/27, there is a risk that known weaknesses will remain unmitigated for an extended period, increasing the likelihood of continued non-compliance, operational inefficiencies, and avoidable financial or reputational exposure.</p>	<p>The council should ensure that the findings and recommendations from the Department for Work and Pensions' February 2025 health check are addressed as early as practicable. Although the council has stated that an action plan would not be developed until 2026/27 due to limited Business Applications resource and competing transformation priorities, it should consider whether any elements of the recommended improvements can be progressed sooner to reduce the period during which these risks remain unmanaged.</p> <p>Paragraph 106</p>	<ul style="list-style-type: none"> • The findings will be reviewed, and an Action Plan will be developed with clear implementation timelines • June 2026 • Chief Officer Corporate Solutions
<p>10. Overpayments</p> <p>If the council does not make full and routine use of all available Housing Benefit recovery methods, there is a risk that collection rates will remain below potential, leading to increasing levels of aged debt and a higher likelihood of avoidable write-offs, with associated financial pressures for the council.</p>	<p>The council should ensure that all available recovery methods are routinely considered and applied where appropriate, including Direct Earnings Attachment and the Department for Work and Pensions' recovery options such as the Payment Deduction Programme and the Housing Benefit Debt Service. Strengthening the use of these established recovery methods would improve collection rates, reduce the volume of aged debt, and mitigate the risk of avoidable write-offs.</p> <p>Paragraph 106</p>	<ul style="list-style-type: none"> • Linked to recommendation 8 – this will be reviewed • June 2026 • Chief Officer Corporate Solutions

Issue / Risk	Recommendation	Agreed management action / timing / responsibility
<p>11. Overpayments</p> <p>There is a risk that without enhanced oversight and timely intervention, the council will be unable to maintain recent improvements in overpayment recovery, resulting in reduced income, higher levels of outstanding debt, and greater financial pressure on the service.</p>	<p>The council should strengthen its monitoring and oversight of Housing Benefit overpayment recovery performance to ensure that recent improvements are maintained. This should include regular analysis of recovery trends, early identification of declining performance, and timely corrective action to prevent further reductions in recovery rates.</p> <p>Paragraph 108</p>	<ul style="list-style-type: none"> • Linked to recommendation 7 - focused resource will be allocated to document Housing Benefit overpayments recovery processes and monitoring of overpayment recovery. • Autumn/Winter 2026 • Chief Officer Corporate Solutions
<p>12. Overpayments</p> <p>Failure to implement targeted checks and proactive monitoring of local authority/administrative error rates leaves the council exposed to ongoing accuracy issues and significant future subsidy losses, particularly given the rising error trend in recent years.</p>	<p>The council should urgently strengthen its quality assurance framework for Housing Benefit processing, with targeted checks on known error areas and early-warning monitoring of local authority/administrative error rates against subsidy thresholds. Given the year-on-year increase in the error rate and the significant financial losses incurred in 2023/24 and 2024/25, sustained intervention will be essential to prevent further avoidable subsidy penalties.</p> <p>Paragraph 116</p>	<ul style="list-style-type: none"> • Will commence in April 2026 • April 2026 • Chief Officer Corporate Solutions

Midlothian Council

Housing Benefit Performance Audit



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