The Moray Council

Audit of housing benefit

Risk assessment report

AUDIT SCOTLAND

Contents

Introduction

1. This risk assessment was completed as part of Audit Scotland's housing benefit (HB) risk assessment programme. It does not represent a full audit of The Moray Council's benefit service.

2. The Local Government in Scotland Act 2003 introduced new statutory duties relating to Best Value and Community Planning. The key objective of the risk assessment is to determine the extent to which the benefit service is meeting its obligations to achieve continuous improvement in all its activities.

3. Specifically, the risk assessment considers the effectiveness of the benefit service in meeting national and local priorities, business planning and reporting, and delivering outcomes.

4. Information for this risk assessment was gathered from a range of sources including:

   - the self-assessment, supporting evidence, and updated action plan provided by the council

   - Department for Work and Pensions (DWP) indicators, and other performance measures

   - scrutiny of internal and external audit reports

   - discussions with the appointed external auditor

   - discussions with senior officers in the council during our site visit in September 2017.

Executive summary

5. A risk assessment was previously carried out on The Moray Council's benefit service in August 2015 when Audit Scotland identified one risk to continuous improvement in that, when the benefit service's remote processing contract was due to end on 31 December 2015, it was possible that all replacement fully trained benefit staff might not have been in place by that date, which could have resulted in a dip in performance.

6. This was reported to the Chief Executive in September 2015 and, in response, the council took immediate action to mitigate the risk by appointing a new benefit processor with previous experience of processing and front line operations. This provided a three-month overlap before the end of the existing remote processing contract and, as the new processor required minimal training, Audit Scotland was satisfied that the risk had been addressed and advised the Chief Executive in October 2015 that no further scrutiny was necessary.

7. At the time of our previous visit in September 2015, the council was in the process of carrying out a restructure to merge customer services, the revenues service, and the benefit service. The merger proposal was presented by the Director of Corporate Services to the Policy and Resources Committee in March 2014, and was planned for completion by March 2016.

8. Although some actions had been completed, in September 2016, the Director of Corporate Services presented a further report to the Policy and Resources Committee advising that the merger project was to close. The main reasons for the project closure and reverting to the previous functional management structure was that the process to change manager's roles was taking too long, and it was considered that the original structure was better aligned to support the council's approach to poverty and social inclusion.

9. Although the full merger did not take place, there have been a number of changes to the benefit service since our previous visit. These included:

    - the establishment of an Income Maximisation Team in February 2017, under the line management of the benefit manager, which provides customers with benefit and budgeting advice, in response to the impact of welfare reforms

    - the transfer of responsibility for the recovery of HB sundry debtor accounts to the Customer Services Manager in November 2015, and a subsequent transfer of responsibility to the Taxation Manager in May 2017

    - the transfer of responsibility for processing applications for free school meals and educational clothing grants to the benefit service in May 2017

    - the loss of two experienced benefit processors in February and March 2017, and the Benefit Processing Supervisor in July 2017, a senior position that the council advised should be filled by November 2017.

10. As a relatively small council with a caseload of approximately 5,200 claims and nine full-time equivalents (FTE) benefit processors, resource management is an important operational aspect of the benefit service and the council had previously made good use of an external agent to help with benefit processing work until this arrangement ceased in December 2015.

11. It is recognised that the benefit service has maintained or improved on its speed of processing claims performance each year from 2014/15 to 2016/17. However, although the average time to process new claims has been at, or within a day of the Scottish average during this period, the average time to process change events has always been above the Scottish average, and change events performance in 2016/17 placed the council in the bottom quartile of all Scottish councils.

12. It is of concern that the council's speed of processing claims performance has declined significantly in 2017/18, from an average of 23 days for new claims and an average of eight days for change events in 2016/17, to an average of 29 days and 12 days respectively, as at September 2017. This level of performance places the council in the bottom quartile of all Scottish council's for speed of processing when compared to the DWP's 2016/17 published performance statistics.

13. We consider that a number of factors have contributed to the decline in speed of processing performance in 2017/18. Most notably, the level of resources available to the service has had a significant effect with the loss of two experienced processors in February and March 2017, and the Benefit Processing Supervisor in July 2017.

14. The retention and recruitment of experienced staff remains an issue for the council. We reported in November 2011 that, following the council's pay and grading review under the Single Status Agreement, and despite having to make decisions on complicated benefit claims, and being able to understand and interpret complex legislative framework, benefit processors were graded as data inputting staff, and consequently share the same grade as general administrative staff within the council.

15. Therefore, with limited pay progression, the service has been vulnerable to experienced processors leaving for better paid jobs, and this impacts on the resilience of the service and, going forward, on its ability to continually improve performance whilst facing the increasing challenges arising from the UK Government's welfare reform agenda, and the impending roll-out of full service Universal Credit. The resourcing of the benefit service and other contributory factors that could have affected performance are discussed in more detail under *Speed of processing*.

16. In many areas of benefit service delivery the council performs exceptionally well. This includes accuracy, where the council has delivered an excellent level of performance since 2014/15. This is testament to the detailed approach set out in the *Quality Performance Strategy* which has been shared with other council's to help them develop a more effective and structured management checking framework.

17. In addition, the council's intervention activities have helped provide additional assurance on the accuracy of its caseload by ensuring that the right money is going to the right people. Since 2014/15, this has resulted in the identification of over £205,000 of benefit overpayments that may otherwise have gone undetected, and helped vulnerable customers claim an additional £33,000 of HB to which they were rightfully entitled.

18. Although the council continues to demonstrates awareness of what constitutes an effective, efficient and secure benefit service, there are four new risks identified from this risk assessment. In order to ensure continuous improvement, the council needs to address these risks which include:

    • the time take to process new claims and changes of circumstances is in decline, and there is a significant risk that the benefit service will be unable to maintain or improve on previous performance, based on current resource levels

    • the performance of the benefit service is not being formally reported to elected members. In addition, performance in respect of the recovery of benefit overpayments is not being reported to senior management, or elected members, as part of the council's online performance management system

    • the council is not fully utilising the automated function within the DWP's Automated Transfer to Local Authority Systems (ATLAS) facility and is therefore missing an opportunity to reduce the manual workload for the service, and free up resources to carry out other benefit-related tasks.

Business planning and reporting

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

20. The council's Financial Services delivers a number of key services for the council as part of Corporate Services. It includes the benefit service, which aims to provide a prompt, accurate and secure service that recognises and meets the needs of the local community and contributes to its overall welfare. To meet this aim the benefit service's objectives are to:

    - provide effective and efficient administration

    - maximise the take up of benefits and make the service easier to access

    - prevent, reduce and recover overpayments of benefit

    - ensure the benefit system is secure by preventing, deterring, detecting and acting against fraud

    - ensure quality by providing training and guidance to staff, and undertaking processes for checking and monitoring work

    - work together with organisations to improve and promote the service, and contribute to the prevention of poverty and homelessness.

21. At a strategic level, the *Benefit Service Improvement Plan 2017/18* details the priority tasks for the benefit service which are linked to a key outcome within the Financial Services Service Plan 2016/19 that *public services are high quality, continually improving, efficient and responsive to local people's needs*. These tasks include:

    - strengthening the management team within the benefit service

    - implementing the Income Maximisation Team, to support customers with benefits and budgeting advice in respect of welfare reforms

    - expanding email communications within benefits to help reduce the costs of administration, printing and postage

    - preparing for the full implementation of Universal Credit by ensuring the service is represented at DWP and other partner's training events.

22. Operationally, each of the benefit service's team leaders produces an annual team plan that details the team's priority tasks and planned work. In order to monitor progress against the plan the benefit manager meets with each team leader individually on a quarterly basis to:

    - discuss and update the plan tasks

    - discuss the officer's personal priorities as part of the council's Employee Review and Development Process (ERDP)

- discuss audit requirements, quality and performance, and staffing issues such as absences or training needs.

23. In addition, the benefit manager meets with all team leaders every six to eight weeks to discuss progress against priorities in the previous and forward periods, and any matters that could affect performance targets, and team leaders have regular meetings with their respective teams to discuss performance and operational issues, for example, consultation on budget savings.

24. There is regular reporting of performance within the benefit service and a comprehensive spreadsheet has been developed and is used to manage, monitor and report performance to staff and senior officers on a weekly, monthly and quarterly basis. The spreadsheet contains caseload details and detailed information on the:

- average time to process new claims and change events (updated weekly)
- total number of claims processed (updated weekly)
- accuracy - financial and non-financial (updated quarterly)
- overpayments (updated quarterly)
- appeals and reconsiderations (updated quarterly).

25. This spreadsheet is also used by the Benefit Support Team (BST) to update the council's online performance management tool each month with performance in respect of the average time to process new claims, the average time to process change events, accuracy of claims, appeals and reconsiderations, and overpayments. The council told us that the online performance management tool is available to view by senior management and elected members.

26. Although the benefit service regularly reports to the Policy and Resources Committee, reports are mainly focussed on how the service is managing the demands and challenges of the government's welfare reform agenda. We found no evidence in the minutes of the Policy and Resources Committee meetings from August 2016 to August 2017 that the benefit service had reported any aspect of its performance to elected members during this period.

Risks to continuous improvement	
1	There are no benefit performance indicators in the Corporate Services Service Plan 2017/18, and the service is not formally reporting performance to the Policy and Resources committee. Therefore, there is no evidence that the service is being recognised for delivering good performance, or that it is being challenged and supported when performance is below expectations.
2	Although the service reports the value of overpayments raised, recovered and written off as part of the online performance management tool, recovery performance is not reported regularly to senior management or elected members.

Delivering outcomes

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

Speed of processing

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

29. Exhibit 1 illustrates the council's current and previous performance.

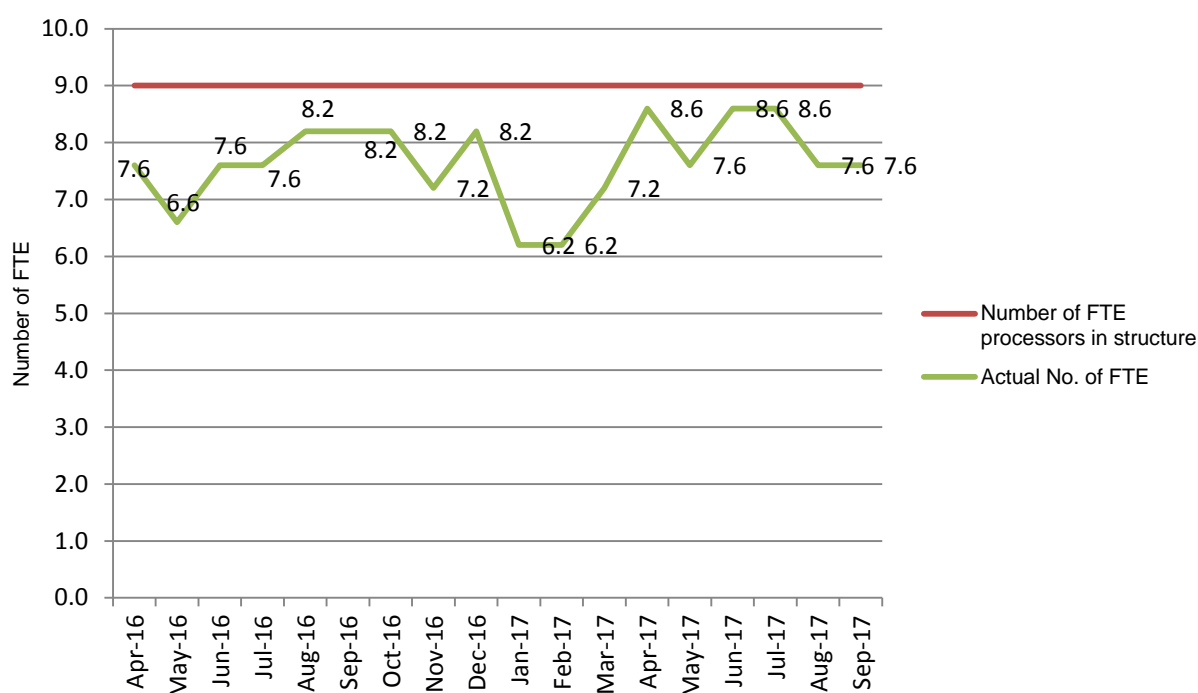| Exhibit 1: Speed of processing performance (average number of days)					
	2014/15	**2015/16**	**2016/17**	**2016/17 Scottish Average**	**2017/18 (17 Sep)**
New claims	24 days	23 days	23 days	22 days	29 days
Change events	10 days	9 days	8 days	6 days	12 days

Source: The Moray Council & DWP

30. As detailed in the *Executive Summary* there have been a number of changes to the benefit service since our previous visit including the loss of two experienced processors in February and March 2017, the loss of the Benefit Processing Supervisor in July 2017. The service's workload has also increased as a result of the transfer of responsibility for processing applications for free school meals and educational clothing grants in May 2017.

31. Although the two experienced processor posts were replaced in April 2017, the council told us that new staff require a minimum of six months training before they can be considered competent and fully productive. The Benefit Processing supervisor post is expected to be filled by November 2017.

32. In addition, we were told that the service had been operating with varying levels of resource since 2016/17 as a result of maternity leave, long-term sick leave, peak annual leave, secondments, and placements. Despite this, it is testament to staff that new claims processing performance was maintained, while the average time taken to process change events improved by one day.

33. However, although the average time taken to process new claims since 2014/15 has been at, or within a day of the Scottish average, the average time taken to process change events has

always been above the Scottish average, and performance in 2016/17 placed the council in the bottom quartile of all Scottish councils.

34. At the time of our visit the council's speed of processing new claims and change events had declined significantly from an average of 23 days for new claims and an average of eight days for change events, to an average of 29 days and 12 days respectively, as at September 2017. This level of performance places the council 29th in Scotland for the time taken to process new claims and 32nd for the time taken to process change events, when compared to the DWP's 2016/17 published performance statistics.

35. In order to determine the reasons for this decline we looked at the processor resources available to the benefit service between April 2016 and September 2017. At full complement, the benefit service has nine FTE processors within the structure.

36. Our analysis showed that, during this period, the service had never operated at full capacity, with available processor resources ranging from a low of 6.2 FTE between January and February 2017, to a high of 8.6 FTE in April 2017, and between June and July 2017. At the time of our site visit, the service had been operating with 7.6 FTE since August 2017.

37. In addition, there had been three occasions where processor resources were unavailable for an extended period of time as follows:
   - April 2016 to February 2017 - 0.8 FTE processor on secondment (11 months)
   - March 2016 to July 2016 - 0.6 FTE on sick leave (5 months)
   - May 2017 to February 2018 - 0.6 FTE on maternity leave (up to 10 months)

38. Exhibit 2 below details the council's available processing resource between April 2016 and September 2017.

Exhibit 2 - Available benefit processor resources

Source: The Moray Council

39. Although the benefit service has not operated at full capacity since April 2016, we consider that there are a number of other factors, which have contributed to the decline in the speed of processing performance in 2017/18. These include:

- the additional work required to implement the processing of applications for free school meals and educational clothing grants

- the lack of document imaging system scanners at area offices. Post is collected on a daily basis which could result in a delay before it is scanned on to the document imaging system and available to be processed by the benefit service

- the backlog of work outstanding. At the time of our site visit, we were told that there were 255 items that had been waiting to be processed for up to seven weeks

- the low levels of ATLAS automation being used by the benefit service. At approximately 25%, this level is extremely low when compared to other Scottish council's where Audit Scotland has regularly seen automation levels in excess of 50%.

40. The council told us that discussions had taken place with the IT department with a view to introducing scanning facilities at area offices and, if implemented, it could help provide a more streamlined, efficient, and effective service.

Risks to continuous improvement	
3	Speed of processing performance in 2017/18 is in decline, and there is a significant risk that the level of processor resources within the benefit service is insufficient to maintain or improve on previous performance levels.

	Risks to continuous improvement
4	The council is not fully utilising the automated function within the DWP's ATLAS facility, and is therefore missing an opportunity to reduce the manual workload for the service, and free up resources to carry out other benefit-related tasks.

Accuracy

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

42. The council places significant importance on the accuracy of its claims and the main aim of its *Quality Performance Strategy* is to 'pay the right amount of benefit to the right person at the right time - every time'. Achieving this helps the council to:

- reduce the level of official and customer error entering the benefit system

- detect and correct existing errors

- deliver a better quality of service to customers.

43. A dedicated resource within the Benefit Support Team (BST) provides quality assurance for the benefit service and the BST aims to carry out a check on a minimum of 10% of all processing work each year. As the majority of checks are carried out pre-payment, the service can correct any errors before a payment has been made and this is considered good practice, as it helps to reduce the potential for local authority overpayments to arise.

44. On a daily basis, the BST selects a random sample of cases using the benefit IT system dedicated quality checking module and a full claim check is carried out. While the check is being carried out the claim is suspended to ensure a payment cannot be made, and the result of each check is documented on a comprehensive management check sheet that covers up to 30 test check questions covering all aspects of the claim. These include questions in respect of the:

- validation of the information on the application form

- verification of the claim details

- customer's personal details

- household and income details

- customer's council tax liability.

45. Where an error is identified, the BST advises the processor by e-mail of the error and the action required to correct the claim. Once this action has been taken the claim check record on the benefit IT system would be released which produces the correct notifications for the customer. To ensure a complete audit trail, a final check is carried out by the BST to provide assurance that the required corrective action has been taken.

46. In addition to daily management checks, the service carries out a 100% check of the work of new staff, which is reduced incrementally until the officer achieves a level of competence. This is considered good practice.

47. The outcomes from management checks are recorded electronically and analysed by the BST to identify any trends or patterns of error, and there is a clear support and training framework in place. For example, following analysis of errors found, training notes are issued or 1-2-1 training is provided by the Benefit Processing Supervisor, if appropriate.

48. We were told that recent training notes had been developed to help processors when dealing with student income and exempt accommodation and, following discussions between the Benefit Processing Officer and the Appeals Officer, when an earned income issue had been identified, the service contracted a specialist to provide remedial training for all benefit processors.

49. To ensure there is regular monitoring of accuracy performance, as part of the council's ERDP, each processor has an accuracy target, which is set at the beginning of the year based on experience, ability and previous accuracy performance.

50. A report is produced each quarter by the BST, which provides detailed individual performance analysis for the team leader to discuss with each processor as part of the quarterly 1-2-1 meetings. The report includes information on the:

- number of transactions completed
- average number of transactions per day
- total number of claims checked
- percentage of claims checked that are correct
- number of financial and non-financial errors identified.

51. This provides the service with a regular opportunity to revise individual targets, and to develop team or individual training plans to help deliver improved performance.

52. Exhibit 3 illustrates the council's current and previous accuracy performance.

Exhibit 3: Financial accuracy performance		
	Target	**Achieved**
2014/15	90%	98%
2015/16	99%	99%
2016/17	99%	99%
2017/18 (30 Jun)	99%	99%

Source: The Moray Council

53. The benefit service has continued to deliver an excellent level of accuracy performance each year, which is testament to staff, and to the importance that the service places on its quality approach. It is also recognised that the council has shared its *Quality Performance Strategy* over the years with other Scottish council's that are looking to develop a more effective and structured approach to carrying out management checks.

Interventions

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

55. To support this, the benefit service notification letters remind customers of the requirement to report any change in circumstances. In addition, the council website provides customers with details of office opening hours, information on how to contact the benefit service by telephone, letter, or e-mail, and an online change event form that can be downloaded for offline completion.

56. The council also actively participates in the DWP's Housing Benefit Matching Service (HBMS), Audit Scotland's National Fraud Initiative (NFI), and more recently the DWP's Real Time Information (RTI) and optional RTI data matching services, which all help to identify possible unreported change events that require further investigation.

57. In addition, the council has developed an annual programme of proactive intervention activity that targets customers considered to be at high risk of failing to notify a change event. The majority of the council's interventions are postal, and each year the Benefit Support Officer sets out a timetable of activity based on analysis of results from previous years.

58. The programme for 2017/18 details the six main claim types to be targeted, and includes an additional five campaigns, which would be carried out if sufficient resources are available. The main activities include:

- May/June/July - all claims where the customer has school age dependants
- July/August - students
- September/October - customers in receipt of a private or occupational pension
- October/November - customers with earnings and self-employed.

59. Outcomes from interventions are recorded electronically and analysed to identify how successful each type of campaign is. This helps the council decide on the most cost effective use of its resources when planning its future strategy, and is considered good practice.

60. On a daily basis, the benefit service also makes good use of the benefit IT system diary facility to highlight claims where future changes are expected, or known, which could affect the customer's entitlement to benefit, for example, a significant birthday or a change in household details.

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

Exhibit 4: Interventions performance			
	No. of interventions completed	No. of changes identified	%
2014/15	636	414	65%

Exhibit 4: Interventions performance			
2015/16	1,259	722	57%
2016/17	925	483	52%
2017/18 (30 Jun)	810	223	28%

Source: The Moray Council

62. The council's intervention activities help to provide assurance on the accuracy of its caseload by ensuring that the right money is going to the right people. Since 2014/15, this has resulted in the identification of over £205,000 of benefit overpayments that may otherwise have gone undetected, and helped vulnerable customers claim an additional £33,000 of HB to which they were rightfully entitled.

Overpayments

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

64. The council's *Overpayment Recovery Strategy* aims to provide a working framework to recover HB overpayments that will facilitate and encourage repayment. The aims of the strategy are to;

- reduce the time taken to recover overpayments.
- minimise the administrative recovery costs
- prevent hardship for individual debtors, or organisations
- reduce anxiety for the customer resulting from the recovery process.

65. At an operational level, the *HB Overpayment Recovery Policy* details the actions the benefit service will take when deciding, calculating and classifying HB overpayments. If a customer has continued entitlement to benefit, recovery is initiated by deductions from ongoing entitlement.

66. If a customer is no longer receiving benefit, the overpayment is passed to the Taxation team to take further appropriate action. We were told that all new debt invoices are issued weekly by the Taxation Support Team, and are payable within 35 days. No reminders are issued to customers, and where the customer has not engaged with the council, a final notice is issued and the customer advised that full payment is required within 14 days.

67. Where the customer fails to respond, and there is no opportunity to commence recovery from ongoing deductions, the council makes good use of all available recovery options including:

- utilising the DWP's Payment Deduction Programme to automate the recovery of HB overpayments from Universal Credit, where appropriate
- using the DWP's Customer Information System to trace customers who are no longer resident within the local authority area

- using other commercial products

- working with Sheriff Officers, where all other available recovery options have been exhausted.

68. In order to minimise benefit overpayments, the council prioritises change events that could lead to an overpayment, uses benefit IT system reports to predict changes, and reminds customers wherever possible of the need to report any changes. We were also told that a claim would be suspended immediately if there was any doubt over entitlement.

69. This proactive approach has helped minimise the number of local authority (LA) and administrative error overpayments that can arise as a result of processing delays. This is particularly important as a council can lose subsidy where its LA/administrative error rate exceeds 0.48% of all HB payments made.

70. In 2015/16 and 2016/17, the council has performed exceptionally well against this target by recording an LA/administrative error rate of 0.17% and 0.13% respectively.

71. Exhibit 5 illustrates the council's current and previous recovery performance.

Exhibit 5: Overpayment levels and recovery performance				
	2014/15	**2015/16**	**2016/17**	**2017/18 (30 Jun)**
Total overpayments c/f	£844,963	£872,685	£890,106	£895,324
Total overpayments raised in-year	£531,173	£457,697	£389,329	£52,281
HB debt recovered	£447,179	£411,390	£367,235	£145,407
% of total HB debt recovered	33%	31%	29%	15%

Source: The Moray Council

72. The council has a clear focus on the importance of recovering overpaid HB and, each year since 2014/15, has recovered in excess of 29% of all debt outstanding. This compares very well to recovery levels seen by Audit Scotland in other Scottish councils.

73. Although the council has a high level of performance in this area, as detailed under *Performance Reporting* there is no mechanism in place to report recovery performance to senior management and elected members using the council's online performance management tool. The Taxation Manager, who has only had full responsibility for HB overpayment recovery since May 2017, has acknowledged that this is an area for improvement and plans to take action to identify how this can be resolved going forward.