Scottish Borders 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 Scottish Borders 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 and supporting evidence provided by the council

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

   • a review of internal and external audit reports

   • discussions with the appointed external auditor

   • discussions with senior officers in the council during our site visit in July 2017.

Executive summary

5. A risk assessment was previously carried out on Scottish Borders Council's benefit service in March 2014 when we identified one risk to continuous improvement. This was reported to the Chief Executive in June 2014 and, as only one risk had been identified, the council was not required to provide an action plan.

6. In addressing this risk, the council has contributed positively to the delivery of the benefit service by developing an annual programme of interventions activity, which focuses on customers that are considered to be at high-risk of having an unreported change event.

7. Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefit service, there are six new risks arising from this risk assessment, and in order to ensure continuous improvement, the council needs to address these risks. These include:

   • the average time taken to process new claims and change events has declined significantly in quarter one of 2017/18, and there is a significant risk that based on current resource levels, the benefit service will be unable to maintain or improve on previous performance

   • the performance of the benefit service is not being formally reported to the relevant Council monitoring committee and, in addition, performance in respect of the recovery of all benefit overpayments is not being formally reported to senior management out with the

Customer and Advice Service, or to elected Members as part of the Council's performance management framework

- performance in respect of the accuracy of claims declined significantly in 2016/17.

Background

8. Since our previous visit, there have been some significant changes within the benefit service, including a restructure in 2014 which merged front and back office operations to provide a more efficient and streamlined service. A further restructure, which commenced in 2016, will bring the benefit service into the newly formed Homelessness and Financial Support Division of the Customer and Communities Directorate in preparation for full implementation of Universal Credit in March 2018. We were advised that the current restructure is due to be completed by September 2017.

9. In addition, there has been a significant turnover of staff within the service over the last two years with almost 50% of assessors currently in post having less than two years' experience. These changes have provided significant challenges for the service, in particular around workloads and the training of new staff, which has impacted on new claims processing times and the accuracy of claims. The impact of these changes is discussed in more detail under *Speed of processing* and *Accuracy*.

10. As a relatively small council with a caseload of approximately 7,700 claims and 10.7 full-time equivalent (FTE) benefit assessors, resource management is an important aspect of the service. Since 2013/14, the council has used a number of strategies to manage its resources through peak workloads, the recruitment and training of new staff, and preparing for the full implementation of Universal Credit in March 2018.

11. This has included the use of external agencies to manage the recovery of HB overpayments where the customer is no longer in receipt of HB, and to carry out benefit assessment work. In addition, regular overtime was carried out in 2016/17 and, in order to transfer knowledge and facilitate cross working, the service has made good use of secondments into the benefit service, and from the benefit service to other areas of the council.

12. In respect of claims processing, since October 2015, the benefit service has utilised the services of an external agency for significant periods at approximately 40 hours per week, and from April 2017 to September 2017, has increased the use of this resource to 70 hours per week, which equates to an extra two FTE staff for the service.

13. Despite this, we were advised that benefit assessors are carrying out a number of other activities in addition to core processing duties. These include dealing with Housing Benefit Matching Service (HBMS) referrals, the output from the National Fraud Initiative (NFI) data matching exercise, and dealing with overpayments where the customer is no longer in receipt of HB.

14. It is of concern therefore that, at a time when the service is utilising additional resources to manage the service, claims processing performance has declined from an average of 24 days for new claims, and an average of six days for change events in 2016/17, to an average of 29 days and nine days respectively in the first quarter of 2017/18.

15. This level of performance places the council 28th of 32 councils in Scotland for the average time taken to process new claims, and 18th for the average time taken to process change events, based on the DWP's 2016/17 (Q3) published performance data.

Business planning and reporting

16. 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.

17. The *Corporate Plan 2013-2018* details the council's vision to seek the best quality of life for the people in the Scottish Borders, prosperity for businesses, and good health and resilience for communities. It also sets out the standards to which the council aspires to as follows:

   • putting customers and staff at the heart of what we do

   • being fair, equal and open

   • continually improving services

   • working with partners and stakeholders

   • delivering value for money in the use of resources.

18. At an operational level, the annual *Customer Services Business Plan* is comprehensive and contains the benefit service's key activities and performance indicators. The key performance indicators include the:

   • average time to process new claims and change events

   • percentage of interventions resulting in a change

   • accuracy of benefit claims.

19. However, there are no performance indicators in respect of the service's performance in respect of the recovery of HB overpayments raised and recovered in-year, or in respect of all debt recovery.

20. There is regular reporting of benefit service performance to staff and senior management which provides a level of assurance that the service is operating effectively and efficiently. This includes:

   • weekly tele-meetings between the Locality Team Leader (Benefits Lead), Locality Team Leader, and the Benefit Supervisor to discuss work priorities, resourcing, and key issues

- weekly senior management meetings between the Customer Services Manager, Customer Services Operations Manager, and the Lead Officer (Development and Support) to discuss performance and resources

- weekly Customer and Community Management Team meetings to discuss the strategic direction of the service in the context of the council's strategic direction

- monthly 1-2-1 meetings with staff at which individual performance concerns are raised, if appropriate

- quarterly 'all staff' briefings

- six monthly individual 1-2-1 meetings for staff as part of the council's annual Performance Review and Development process.

21. A weekly 'dashboard' is also produced and disseminated to all benefit staff which details work outstanding and claims processing performance. In addition, the council makes good use of an online performance management tool, which is updated monthly with the service's key performance indicators, and is available to view by senior management and elected Members.

Risks to continuous improvement	
1	There is a significant risk that based on current resource levels, the benefit service will be unable to maintain or improve on previous performance.
2	The performance of the benefit service is not being formally reported to the relevant Council monitoring committee and, in addition, performance in respect of the recovery of all benefit overpayments is not being formally reported to senior management out with the Customer and Advice Service, or to elected Members as part of the Council's performance management framework.

Delivering outcomes

22. 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

23. 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.

24. As detailed under *Background,* the benefit service has been through a number of changes since our previous visit in May 2014. Throughout this period, the council has strived to deliver a full benefit service while experiencing significant change, including the recruitment and

training of five new staff over the last two years, two service restructures, and additional workloads.

25. Consequently, claims processing times declined in 2015/16 to an average of 29 days for new claims, and an average of eight days for change events. This level of performance placed the council 28th out of 32 councils in Scotland for the average time to process new claims, and 25th for the average time to process change events, based on the DWP's 2015/16 published performance data.

26. The council took action to address this decline by implementing a number of process improvements, and continuing to work closely with its key stakeholders. These improvements included:

    • making good use of the DWPs Automated Transfer to Local Authority Systems (ATLAS) to automate approximately 80% of change events

    • implementing an e-Benefits online benefit calculator and claim form

    • utilising customer service advisors and administrative staff to carry out general pre-assessment work to allow experienced assessors to focus on claims processing duties

    • engaging external agents to provide additional resources to assist in claims processing and HB overpayment recovery activities.

27. In particular, the implementation of e-Benefits has been successful. The council advised us that, as at June 2017, approximately 50% of new claims are being received via e-Benefits and that it is planned to extend this facility to allow customers to report a change event online by the end of the 2017/18 financial year. There are a number of advantages to e-Benefits. These include:

    • reducing the number of customers attending council offices

    • reducing the costs in respect of the production of claim forms, and associated postage

    • having a completed claim form available to benefit assessors within approximately 15 minutes of online completion

    • reducing the number of claims received that require assessment, but result in no entitlement, as customers are able to determine if they are entitled to receive any benefit by using the benefit calculator before they commit to completing the claim form.

28. It is recognised, and commendable, that the action taken by the council to address performance resulted in a significant improvement in claims processing times in 2016/17, to an average of 24 days for new claims, and an average of six days for change events. This level of performance placed the council 22nd in Scotland for the average time taken to process new claims, and 5th for the average time taken to process change events, based on the DWP's 2016/17 (Q3) published performance data.

29. However, as detailed under *Background*, despite increasing the number of hours of additional resource provided by an external agency from 40 hours to 70 hours in April 2017, claims processing performance has declined in the first quarter of 2017/18, to an average of 29 days for the time taken to process new claims, and an average of nine days for the time taken to

process change events. This level of performance places the council 28th of 32 councils in Scotland for the average time taken to process new claims, and 18th for the average time taken to process change events, based on the DWP's 2016/17 (Q3) published performance data.

30. 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**	**2017/18 (at 30 Jun)**
New claims	23 days	29 days	24 days	29 days
Change events	6 days	8 days	6 days	9 days

Source: Scottish Borders Council & DWP

31. It is acknowledged that the council is continually seeking new ways to improve the service, and we were advised that the service plans to introduce risk-based verification to its claims processing procedures before the end of 2017, and would be utilising the DWPs Wider Use Real Time Information (WuRTI) data from August 2017, both of which the council anticipates will help improve claims processing times.

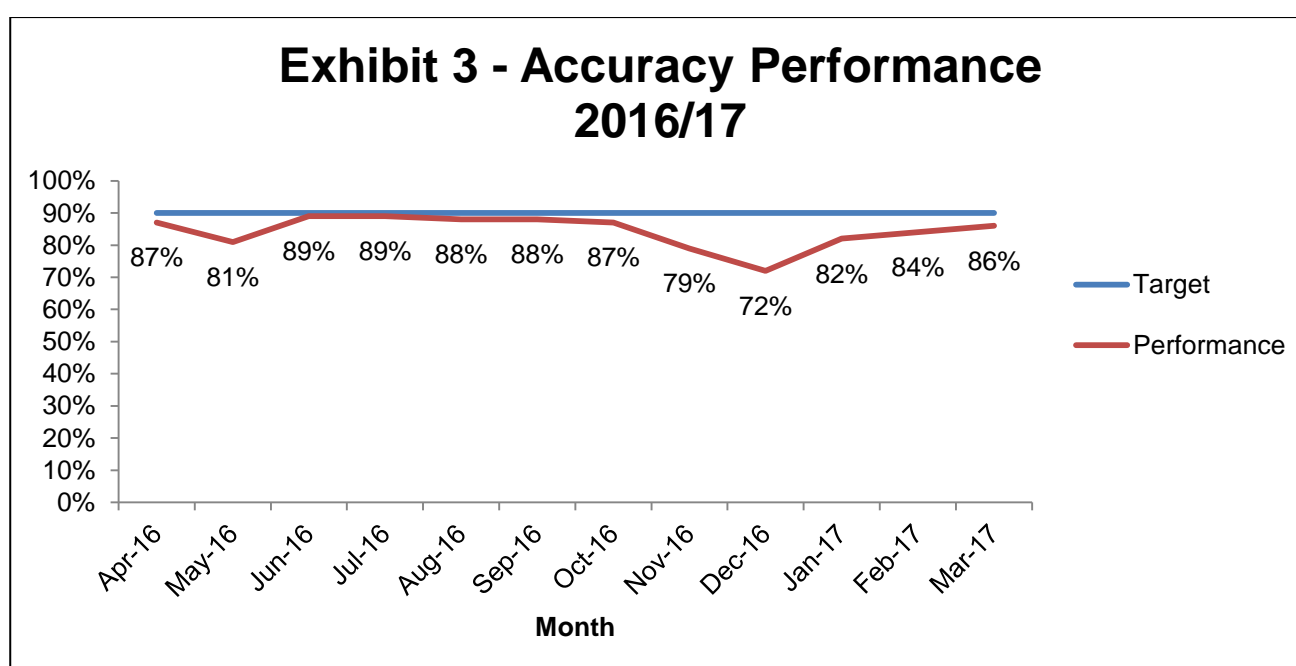| Risk to continuous improvement	
3	The average time taken to process new claims and change events has declined significantly in quarter one of 2017/18.

Accuracy

32. 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.

33. The council places significant importance on the accuracy of its claims and has a comprehensive management checking process in place to help provide assurance that the customer is receiving the right amount of benefit.

34. To reduce the potential for an overpayment to arise, the majority of management checks are carried out pre-payment. This is considered good practice as it allows the benefit service to correct any errors before a payment has been made.

35. On a daily basis a benefit IT system report is produced which details all claims that have been calculated that day and a sample of claims is selected for a management check, with a focus on claims which have an underpayment, or an overpayment. Once selected, each claim is subject to a comprehensive check, which covers up to 96 aspects of the claim, where appropriate. This includes checks on:

- claim keying

- household details

- earned income

- capital

- rent

- overpayments.

36. When an error is found, the assessor receives an e-mailed copy of the checklist and is asked to correct the error and update the claim history record before returning the checklist to the Benefit Supervisor, who would ensure that the appropriate corrective action had been taken.

37. The outcomes from accuracy checks are recorded electronically on a detailed spreadsheet, which is summarised and analysed to identify any trends or patterns of error, and is used to address any specific remedial training needs, for example, the development of guidance notes and desk aids.

38. We were advised that there is a 100% check of the work of new staff by experienced benefit assessors, which is gradually reduced as accuracy levels improve. In addition, there is a 100% check of all payments over £500 to ensure the accuracy of the payment before it is issued.

39. There is also a weekly check of the DWPs Single Housing Benefit Extract (SHBE) data by the Benefit Supervisor to correct any claims where an incorrect effective date might have been used, and to identify claims that have taken over 40 days to process so that appropriate action can be taken.

40. Although the benefit service does not have a dedicated training officer, there is a clear support and training process. Instruction notes and desk aids have been produced to help and guide staff through the assessment process. For example, new process maps have recently been developed to assist staff in determining the correct start date of a new claim.

41. In addition, the council has developed a knowledge database for its customer service advisors, and an HB Info database for benefit assessors that are regularly updated, which help to assist staff by providing answers to frequently asked questions, and links to guidance on relevant subjects.

42. Exhibit 2 illustrates the council's current and previous accuracy performance.

Exhibit 2: Financial accuracy performance		
	Target	**Achieved**
2014/15	94%	94%
2015/16	94%	94%
2016/17	90%	82%
2017/18 (at 31 May)	90%	92%

43. Although the council met its accuracy target in 2014/15 and 2015/16, there was a significant decline in accuracy performance in 2016/17. We were advised that the main reason for the decline was the number of new staff in the service that were receiving a 100% check of their work and, consequently, more errors were identified.

44. When we analysed the 2016/17 monthly accuracy data and removed the two assessors that accounted for 57% of all checks carried out during the year, we found that the council's accuracy rate had increased to 89%. However, this level of performance was still below the relatively low target of 90%, and below performance in 2015/16, at 94%

45. In addition, when new and inexperienced staff join the service we would expect to see the benefit service's accuracy rate improve over time, as these staff gain experience, and the service learns from analysis of its accuracy checks. However, as detailed in exhibit 3 below, the council's accuracy rate fluctuated throughout the year, and in the last five months, performance was below what was reported in April 2016.

Exhibit 3 - Accuracy Performance 2016/17

Source: Scottish Borders Council

46. It is acknowledged that the council had identified accuracy as an area for improvement, and had developed an accuracy action plan to address performance. At the time of the site visit in July 2017, we found that eight of the 11 planned actions had been completed. These actions included:

- completing a year-end analysis of all assessor errors
- considering new checklists and desk aids
- providing refresher training to staff, as appropriate
- having a regular quiz for assessors to test their knowledge.

47. Although the council's accuracy performance declined in 2016/17, it is acknowledged that, at 31 May 2017, performance had improvement considerably to 92%. However, it was established that there are a number of other management checks and activities that are carried out which are not recorded as part of the general management checking process. For example:

- outcomes from checks of payments over £500

- reconsiderations and appeals, where the outcome resulted in a change to the customer's benefit

- checks on overpayments

- results from interventions activities.

Risks to continuous improvement	
4	Accuracy performance declined significantly in 2016/17.
5	The benefit service is not formally recording the outcomes from all of its management checking activities, and is therefore unable to report on the accuracy of the service as a whole.

Interventions

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

49. The council is very proactive in its efforts to educate customers of the need to report a change event. This includes providing a reminder on all benefit letters, examples on the council website of types of changes that should be notified, information on how to report a change by e-mail, telephone and mail, and a change event form that can be downloaded for offline completion.

50. In addition, the council has taken action to raise awareness of the need to report a change event by utilising social media, advertising on its contact centre television screens, the local radio station, and in local magazines and tenant newsletters. We were also advised that customers that have provided a mobile phone number are contacted periodically by text message to remind them of the need to report any change in their circumstances.

51. In 2015/16 and 2016/17, the council was successful in achieving approximately £39,000 from the DWP's Fraud and Error Reduction Incentive Scheme (FERIS) which provides council's with funding to target intervention activities at specific areas of its caseload that are considered to be at high-risk of having an unreported change event.

52. In 2016/17, the council used this funding to provide additional resource to the benefit service to carry out a programme of postal interventions. For example:

- February - customers with declared childcare costs

- April - customers in receipt of statutory sick pay for six months

- June - customers in receipt of a private pension

- July - customers that have stocks and shares

- August - customers with capital in excess of £15,000

- November - customers of pension age with capital in excess of £9,000.

53. In 2016/17, the council was one of a few councils in Scotland that received payments from the DWP by exceeding its quarterly baseline threshold for identifying change events in quarters one, three, and four. In addition, year on year since 2015/16, the benefit service has identified an increasing number of unreported change events from its interventions activities, which demonstrates effective targeting. This is commendable.

54. The outcomes from interventions are recorded on the benefit IT system as an increase, decrease, or no change to benefit, and exhibit 4 below summarises these outcomes.

Exhibit 4: Interventions performance			
	No. of interventions completed	No. of changes identified	%
2014/15	1,457	673	46%
2015/16	1,718	1,001	58%
2016/17	2,475	1,607	65%
2017/18 (at 31 May)	254	159	63%

Source: Scottish Borders Council

55. In addition to its proactive interventions activities, the benefit service makes good use of the benefit IT system diary facility to produce reports that highlight claims where future change events are expected, or known, which could affect the customer's benefit entitlement, for example, a significant birthday, or an increase in earnings.

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. We were also advised that the service will have access to the DWP's WuRTI data from August 2017, which will provide real time earnings details for customers and help the benefit service to process these changes timeously, and reduce overpayments.

58. The service has also opted into to the DWP's Right Benefit Initiative and has received approximately £25,000 in funding, which we were advised would be used to outsource some benefit processing activities to free up time for staff training and quality improvement initiatives.

	Risk to continuous improvement
6	Although interventions outcomes are recorded, the level of detail is not sufficient to allow the council to determine the effectiveness of its approach in financial terms, or the effectiveness of each monthly intervention campaign, which could help ensure that future activity is informed, risk-based, and cost effective.

59. As mentioned in the *Executive summary* we identified one risk to continuous improvement during our previous risk assessment in that, with the introduction of ATLAS, the number of interventions now required had reduced. The service needed to review and revise its interventions approach to ensure that it was effectively focused on identifying unreported changes and error in its caseload.

60. We consider that this risk has been addressed, as the council has been effectively targeting its caseload and evaluates its activity based on the number of changes identified against the number of interventions completed to give a more accurate assessment of performance.

Overpayments

61. 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.

62. The new *HB Overpayment and Debt Recovery Policy* developed in August 2016, and approved by council in March 2017 is comprehensive and sets out the council's approach and principles in the recovery of debt, details the types of overpayments that can be recovered, and the methods of recovery that are available.

63. Where an overpayment is not being recovered from on-going benefit, the council makes use of all available recovery options including:

- issuing an invoice when the customer is no longer in receipt of benefit
- utilising the DWP's Payment Deduction Programme to automate the recovery of HB overpayments from Universal Credit, where appropriate
- offsetting an overpayment using a credit on a customer's rent account
- using the DWP's Customer Information System to trace customers who are no longer resident within the local authority area
- using a Direct Earnings Attachment (DEA) when the customer is in employment
- working with Sheriff Officers, where all other available recovery options have been exhausted.

64. 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 advised that a claim would be suspended immediately if there was any doubt over entitlement.

65. 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. In 2015/16 and 2016/17, the council has performed well against this target by recording an LA/administrative error rate of 0.21% and 0.28% respectively.

66. The council does not have a dedicated HB overpayment recovery officer, and in 2014/15 entered into a 12-month contract with an external agent to pursue HB sundry debtor accounts on its behalf. At the end of the contract in July 2015, the work was brought back in-house. However, we were advised that, from July 2015 until January 2017, HB sundry debtor accounts, where the customer had not responded to the council's correspondence, had not been actively pursued, as there were insufficient resources available during this time.

67. As detailed earlier under *Performance reporting* there are no documented targets for in-year, or all debt recovery, and therefore there is limited reporting of overpayment recovery performance. However, we were advised that the Customer Service Manager sets an annual cash collection target for the benefit service, as part of the budget planning process and that performance against this target is monitored and reported monthly to the Service Director.

68. We were also advised that this target had always been achieved and that, in respect of 2017/18, a cash collection target of £235,000 had been set, which includes a separate target of £25,000 for claims where a Direct Earnings Arrestment is in place.

69. Exhibit 5 illustrates the council's current and previous HB overpayment recovery performance.

Exhibit 5: Overpayment levels and recovery performance				
	2014/15	**2015/16**	**2016/17**	**2017/18 (at 31 May)**
Total overpayments c/f	£1,057,745	£1,516,832	£2,747,605	£2,898,712
Total overpayments raised in-year	£1,016,218	£1,199,214	£1,033,061	£214,638
HB debt recovered	£747,164	£1,209,644	£1,035,401	£211,006
HB written off	£33,544	£4,918	£137,387	£253
% of in-year debt recovered	74%	101%	100%	98%
% of total HB debt recovered	36%	45%	27%	7%

70. As a result of historical system issues, the council has not had confidence in the overpayment information provided by the benefit IT system, and consequently there is limited assurance that the data provided to Audit Scotland as part of the evidence to support its self-assessment is an accurate reflection of actual performance.

71. As detailed above, there is a difference of approximately £1.25million between the closing balance in 2015/16 and the opening balance in 2016/17, which we have been unable to reconcile. However, following discussions with council officers we have been assured that reported performance from 2016/17, to date, is accurate and that overpayment amounts reconcile in-month, and at year end.

72. Since March 2016, the council has taken positive action to identify the reasons for the year-end reconciliation issues and has continued to take corrective action to make the overpayment recovery process more robust by:

    • developing a new *HB Overpayment and Debt Recovery Policy,* which sets the operational framework for the recovery of HB overpayments

    • engaging with a benefit IT system consultant in an attempt to identify and resolve the issues around the year-end reporting of HB overpayment recovery performance

    • carrying out data cleansing activities, including the identification of cases where overpayment recovery action can recommence. For example, in August 2017, the council plans to use the DWPs WuRTI data to recommence recovery action in cases where the customer is in employment, and has not previously responded to the council's correspondence.

73. It is recognised that the council is aware that this is an area that requires improvement and that, since this work came back in-house in July 2015, the actions already taken, and planned actions going forward will help to deliver the required improvements.