

EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

21 February 2019

Report by Clerk

LOCAL EXTERNAL AUDIT REPORT ON HOUSING BENEFIT PERFORMANCE AUDIT RISK ASSESSMENT; AND NATIONAL EXTERNAL AUDIT REPORT ON HOUSING BENEFIT PERFORMANCE AUDIT ANNUAL UPDATE 2017/18

PURPOSE OF REPORT

1. To resubmit information on the local External Audit report on the *Housing Benefit Performance Audit Risk Assessment*, and the national External Audit report on the *Housing Benefit Performance Audit Annual Update 2017/18* for discussion with the Head of Communities, Revenues and Change.

RECOMMENDATION

2. It is recommended that the Committee considers the report and discusses related issues with the Head of Communities, Revenues and Change.

BACKGROUND

3. Copies of the following External Audit reports, published in November 2018, have already been circulated to all Audit and Scrutiny Committee Members:-

- Local External Audit report on the *Housing Benefit Performance Audit Risk Assessment*, and
- National External Audit report on the *Housing Benefit Performance Audit Annual Update 2017/18*.

4. Under the Committee's specialisation arrangements, the Members leading the review of these particular reports are Councillor McLean and Councillor Swift. The Head of Communities, Revenues and Change (previously the Head of Business Change and Revenues) provided comments on these reports, a copy of which is attached and was submitted to the Committee on 24 January. As there was a link between the local and national external audit reports, comments were provided on both in a single report. A copy of the local External Audit report is also amongst papers attached to this report.

5. At the meeting of the Committee that took place on 24 January 2019, following discussion, it was agreed that the Head of Communities, Revenues and Change attend the next meeting to provide an update on progress made addressing issues; and to allow related matters to be discussed with her. The report is resubmitted for that purpose.

RECOMMENDATION

6. It is recommended that the Committee considers the report and discusses related issues with the Head of Communities, Revenues and Change.

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)

e-mail: linda.hutchison@eastrenfrewshire.gov.uk

Background Papers:-

1. Local External Audit report on *Housing Benefit Performance Audit Risk Assessment*;
2. National External Audit report on *Housing Benefit Performance Audit Annual Update 2017/18*; and
3. Related report submitted to the meeting of the Audit and Scrutiny Committee on 24 January 2019.

External Audit Reports – Housing Benefits

Comments for Audit & Scrutiny Committee on 24 January 2019

Prepared by Head of Business Change Services & Revenues

January 2019

INTRODUCTION

1. This paper aims to provide high level comments on the Council's position regarding two External Audit reports on the topic of Housing Benefits. The first is the annual national update by Audit Scotland (*Housing Benefit Performance Audit Annual Update 2017/18*) (circulated previously by the Committee Clerk) and the second is a local report, produced every 2 years (*East Renfrewshire Council Audit of Housing Benefit Risk Assessment Report, November 2018*) (see Annex 1).

BACKGROUND

2. As one of the smallest Housing Benefit services in Scotland, with an annual caseload of around 3,600, we have been planning for the gradual phasing out of Housing Benefit (HB) as a result of the implementation of Universal Credit. There is an eventual national goal to retain only those of pension age and a few complex or specific cases on HB post Universal Credit (UC). National delays in UC implementation have made the planning of resources in recent years a particular challenge.

3. Each year Audit Scotland produces a national update on its Housing Benefit Performance Audit. To produce this overview, Audit Scotland undertakes a Housing Benefit risk assessment in each council every two years. There is a follow-up on the resulting individual council action plans in the interim year.

4. East Renfrewshire Council participated in a Housing Benefit risk assessment in summer 2018, having previously been covered in 2016 – the results were reported to Audit and Scrutiny Committee in November 2016.

5. The purpose of today's paper is to provide the Audit and Scrutiny Committee with comments on this year's national annual report and, to update the Committee on the findings from our own Audit of Housing Benefit in East Renfrewshire Council, carried out in summer 2018 with a report produced by Audit Scotland in November 2018, which is appended as Annex 1. Our resulting action plan is included as Annex 2.

COMMENTS

Housing Benefit Performance Audit Annual Update 2017/18

6. Audit Scotland's Annual Update report provides a useful broader context for our own local report. In a letter to Chief Executives accompanying the report the Chair of the Accounts Commission noted "the report highlights the roll-out of Universal Credit Full Service continues across Scotland and is having an impact on council benefit services. Councils are significantly restructuring benefit services, and the reducing housing benefit caseload and budget pressures are leading to less full-time benefit service employees".

7. The Annual Update states that reports were issued to 5 councils in 2017/18 (not including East Renfrewshire, which was covered in 2018/19). In all 5 councils visited the Accounts Commission concluded that resources available may “not be sufficient to maintain or improve on previous claims processing performance levels”. For these councils a total of 24 risks to continuous improvement were identified. East Renfrewshire will feature in next year’s 2018/19 report.

8. This is a complex area with lot developments which must be planned for and resourced in parallel with maintaining current service provision. Audit Scotland make reference in their report to the ongoing implications of the national roll-out of Universal Credit (UC); the development of the Scottish Social Security Agency and the introduction of two new tools to improve processing performance and debt recovery – the Verify Earning and Pensions (VEP) service which uses real-time information from HMRC and the Debt Service which allows councils to match Housing Benefit debtors to employment and pension data from HMRC – we make good use of these in East Renfrewshire. All of these issues are addressed in a more specific way in the local report we received in November.

9. In recent years our local focus has been on planning for the shift from HB to UC for the majority of cases below pension-age. For Revenues, this meant restructuring and consolidating benefits services; delivering savings predicated on a forecasted declining HB caseload and developing our staff for the future, including multiskilling to build the resilience of what is a small team. More broadly, across the Council, the focus has been on planning for the wide-ranging impact of UC full service roll-out in East Renfrewshire the latest tranche of which took place in September 2018. Elected members were updated on this in a report to Cabinet in June 2018, with a further update in December.

East Renfrewshire Council – Audit of Housing Benefit Risk Assessment Report

10. Over summer 2018, Audit Scotland conducted the above risk assessment of the Housing Benefit (HB) service, with a report published in November 2018 and a resulting action plan submitted to Audit Scotland in December 2018. The risk assessment considers the effectiveness of the benefit service in meeting national and local priorities, business planning and reporting and delivering outcomes.

11. The report itself is a detailed analysis of the specific issues and we have not sought to replicate that here in these comments, rather a summary of the current position and key issues is given to assure the Audit and Scrutiny Committee of our ongoing drive to understand and improve performance against a complex background of nationally driven changes to the benefits system and budget and resource constraints.

12. The report notes the significant structural changes made within the Revenues service, to merge functions and multi-skill our teams to deliver across the range of benefits tasks for business resilience and budgetary purposes. A single team is now responsible for HB, Council Tax Reduction (CTR), Scottish Welfare Fund (SWF) applications and discretionary housing payments (DHP).

13. The report acknowledges that “the council has remained proactive and committed in its efforts to improve service delivery” (p5) and notes the work undertaken to improve overpayment recovery processes and investigate claims processing performance. We acknowledge that performance is mixed, however the report states that since the last audit 2 years ago, “the council has been very proactive in its efforts to improve performance levels and has worked internally, and with key partners, to introduce a number of new initiatives and changes to processes and procedures”.

14. It is also noted that the Council makes good use of the national verification and information-sharing frameworks available to support the identification of potential fraud and automate change event notifications (including several DWP systems and Audit Scotland's National Fraud Initiative).

15. Given the relatively small team working in this area, the report acknowledges the resourcing challenges we have had with loss of experienced staff, vacancies, performance issues and sickness absence. Whilst these issues impacted performance, particularly in 2016/17, there was some improvement in 2017/18, particularly in dealing with changes of circumstances and performance remains above the Scottish average in that area. The report notes the effective use of temporary staff to boost processing resource in the light of national delays to UC. There have also been continued improvements into 2018/19 in accuracy rates, HB overpayment recovery and the level of overpayments which were due to council error.

16. The Audit Scotland report concludes that there are 5 areas that the Council should address and a further 3 that need further work from the last assessment. These include:

- speed of processing for new claims and changes of circumstance, which had seen a decline at the time of the audit
- resourcing challenges to ensure service is set up to deliver
- issues of accuracy of dates recorded in the system
- methodologies for sampling to ensure balance and checking accuracy
- further improving debt recovery
- utilisation of Direct Earnings Attachments (DEA) as a means of recovering overpaid HB.

17. With new management in place in the Revenues Service since August 2018, following several key retirements, there has been a period of consolidation and getting to know the services, resources and budgets and building priorities for action through a new Service Business Plan. Whilst planning for the onward reduction in HB caseload due to UC full service, we remain committed to improving overall performance in the benefits service. We have an action plan in place which addresses the points above (see Annex 2) and are taking a targeted approach towards better use of data, particularly around processing and error rates to help us drive improvement. We will use this information to plan resourcing, to target specific team development and to prioritise workload.

18. The issues of accuracy of reporting have been addressed and we have seen a good improvement in performance in the year to date figures for 2018/19. Previous issues with a drop in accuracy rates were primarily a result of a proactive approach to dealing with a performance issue in the service, which targeted the greatest number of checks on areas with the most likely mistakes. Because of this intended bias, the check, although very important in its own right, was not an objective measure of pre-payment accuracy. Whilst negatively impacting the performance indicator for a particular period, it did help service management to resolve a performance issue in the team which was to the longer-term benefit of the service. An improved accuracy checking regime is in place and this will continue to be reviewed as a priority area. Refresher training was provided for employees in July 2018, with further follow-up sessions planned for next year.

19. As previously stated, resourcing has been an issue for us and this area is now under consideration, with some temporary resources in place and outline budget savings deferred. We have had issues of turnover; absence; and bedding in of a new structure and roles. As acknowledged by Audit Scotland "benefit services across the country have been planning for caseload reductions in conjunction with year on year reductions in funding from the DWP and wider pressures on council budgets" – East Renfrewshire is no different. Our focus has been on preparing for UC and a gradual winding down of HB. National delays in roll-out have

made this a challenge especially against a background of already declining resources and budgets. In the meantime, as we await the full impact of the long-forecasted phasing out of HB, our focus is towards better use of data to inform delivery, planning and improvement and we have begun to see some improvement in the most recent months. This will include considering the balance of processing times against targeted intervention work.

20. We will also further develop our approach to debt recovery, following some targeted work in 2017/18, which improved the 2016/17 performance by 14% and we have seen a further 11% improvement in the year to date figures for 2018/19. This has included signing up to the DWP's HB Debt Service project which lets us send a number of dormant HB overpayments per month to the DWP to match with real-time HMRC employment and pension data. A further area will include a review of our Debt Recovery Policy, with specific consideration of use of Direct Earnings Attachments (DEA) and targeted approaches towards aged debt.

CONCLUSIONS

21. Benefits is a complex and frequently-changing area, with a nationally driven landscape and a range of different agencies involved. National delays in UC implementation have meant maintenance of HB caseloads for far longer than predicted. Against a background of reducing DWP funding and wider pressures on council budgets this has been a challenging time for service delivery and Audit Scotland's annual report highlights that this is the picture across the country. In addition, the DWP have found it difficult to give projections on likely UC caseload with initial projections for the first quarter outstripped within the first month of the recent roll-out in September. This has given us issues in terms of resource planning, particularly in such a small team, and we have had to manage the consequences using the Council's welfare contingency funding.

22. Against this backdrop, we have undertaken a number of initiatives in East Renfrewshire Council to understand and improve benefits processing, which we acknowledge is a mixed picture of performance. Our proactive approach is acknowledged in Audit Scotland's biennial report. We have a firm action plan in place and are committed to continuous improvement and high degrees of accuracy.

Comments from:-

Louise Pringle, Head of Communities, Revenues & Change, January 2019

BACKGROUND REPORTS

- Welfare Contingency Fund - Citizens Advice Bureau: Helping East Renfrewshire Online (HERO) Project, Cabinet 29 November 2018
- Universal Credit Implementation, Cabinet 21 June 2018
- National External Audit Report – Housing Benefit Performance & Audit Annual Update 2016/17, Audit & Scrutiny Committee, 9 November 2017
- National & Local External Audit Reports – Benefits Performance Audit Annual Update 2015/16 and Audit of Housing Benefit and Associated Risk Assessment Report, Audit & Scrutiny Committee 10 November 2016
- National External Audit Reports – Benefits Performance Audit Annual Update 2014/15 and Review of Activity to Reduce Fraud and Error in Housing Benefit, Audit & Scrutiny Committee 21 January 2016

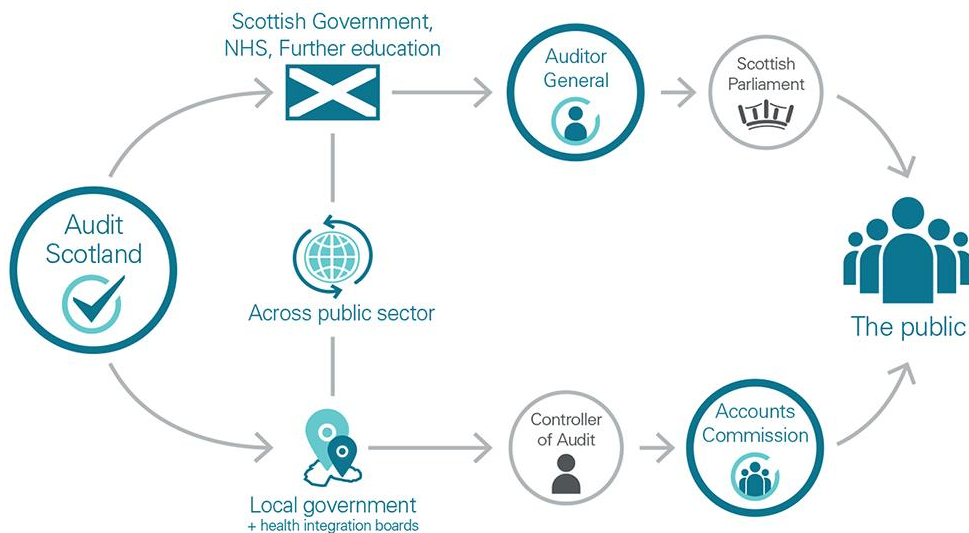
East Renfrewshire Council

Audit of housing benefit Risk assessment report

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non – executive board chair, and two non – executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



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- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

| | |
|--|-----------|
| Introduction | 4 |
| Risks identified | 4 |
| Executive summary | 5 |
| Business planning and reporting | 7 |
| Delivering outcomes | 9 |
| Speed of processing..... | 9 |
| Accuracy | 11 |
| Interventions..... | 14 |
| Overpayments..... | 16 |
| Appendix A | 20 |

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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 East Renfrewshire 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 and the council's internal auditor
 - discussions with senior officers in the council during our site visit in July 2018.

Risks identified

5. The key risks identified during our audit are highlighted within each section of the report. An action plan will be agreed with management and progress will be monitored as part of future benefit performance audits.
6. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to East Renfrewshire Council.
7. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged

Executive summary

8. A risk assessment was previously carried out on the council's benefit service in July 2016 when Audit Scotland identified three risks that were outstanding from the previous risk assessment carried out in 2014 and three new risks to continuous improvement. This was reported to the Chief Executive in July 2016 and, in response, the council submitted an action plan in August 2016 to address the risks.
9. Since our last audit there has been some significant changes within the council. In October 2017 the council's benefit service merged with its Scottish Welfare Fund team to form the Benefits and Discretionary Payments Team. This new team is responsible for processing claims for HB, Council Tax Reduction, Scottish Welfare Fund applications, and discretionary housing payments.
10. In making this change the council aims to provide job security for staff, while ensuring that it delivers an efficient, effective and resilient benefits and discretionary payments service to customers at a time when budgets are being reduced and full-service Universal Credit (UC) is being rolled out.
11. During this period of change the council has remained proactive and committed in its efforts to improve service delivery. For example, by:
 - working in partnership with an external consultant in October 2017 to carry out a full review of its accuracy checking and overpayment recovery processes. As a result of this collaboration, a new management-checking framework was developed, and an additional £42k of overpayments was recovered in 2017/18 following a full review of overpayments that were being recovered from ongoing deductions of HB
 - engaging with the DWP's Performance Development Team (PDT) in December 2017 to establish the reasons for the decline in claims processing performance
 - employing temporary and agency staff to provide additional processing resources for the service.
12. In addition, the council introduced an online digital claims facility in February 2017 to allow customers to submit new claims online and, in August 2017, extended the functionality to allow customers to report a change event online.
13. As a relatively small council with a caseload of approximately 3,500 claims, resource management is an important aspect of service delivery. The loss of experienced staff, or high levels of sickness absence can have a significant impact on performance and, despite the council's continued efforts to improve service delivery, resourcing issues have had an adverse effect on claims processing times.

14. These have included significant levels of staff sickness absence and unfilled vacancies. In particular, between 2016/17 and 2017/18, sickness absence increased by 70% from 84 days to 141 days and, in the first three months of 2018/19 the service had lost another 58 days to sickness absence. As a consequence, the time taken to process claims has declined significantly since our last audit. This is discussed in more detail under *Speed of processing* at paragraph 23
15. To prepare for the DWPs roll out of full service UC on 26 September 2018, the council has established a UC Implementation Board chaired by the Head of Business Change & Revenue Services and is well positioned to ensure that it is prepared and ready to assist its customers during the transition to full service UC.
16. Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefit service, there are five new risks arising from this risk assessment, and three risks outstanding from the previous risk assessment. To ensure continuous improvement, the council needs to address these risks. This includes:
 - addressing the reasons why the council's cumulative speed of processing performance for new claims, at an average of 31 days in 2017/18, is significantly above the DWPs most recent published Scottish average of 22 days, at 31 December 2017, and why change events performance has declined from an average of five days in 2017/18, to an average of nine days, at 30 June 2018
 - ensuring that the level of processing resource within the benefit service is sufficient to improve on current performance levels
 - ensuring the accuracy of the recorded time taken to process change events after an internal audit in May 2018 found that, in nine of 15 (60%) claims scrutinised, the actual time taken to process the change was, on average, 13 days more than that recorded on the benefit IT system
 - addressing the reasons for the significant decline in accuracy performance, and considering a more targeted approach to selecting cases for a management check to ensure the best use of limited resources, and to maximise the potential positive outcomes
 - improving the level of performance in respect of all debt recovery, which remains low when compared to other Scottish councils.
 - utilising Direct Earnings Attachments as an alternative means of recovering overpaid HB, to help further improve HB debt recovery performance.

Business planning and reporting

17. 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.
18. The *Revenues Service Plan 2017/18* is the key strategic document covering the work of the Benefits and Discretionary Payments team and details the service's focus which is to provide an efficient and effective service for the council, and to maximise income streams. Underpinning this are the service's key activities and performance indicators. Key activities include:
 - continuing to improve online forms so that customers can access the service digitally
 - supporting residents through the changes arising from Welfare Reforms and the rollout of UC
 - developing 'one notification' for council tax and benefit awards.
19. The key indicators for the Benefits and Discretionary Payments team include the:
 - time taken to process claims
 - accuracy of payments
 - time taken to deal with requests for reconsiderations and appeals
 - recovery of HB overpayments.
20. The service plan is updated six monthly by the Operations Manager and progress is reviewed by the Head of Service, Director and the Chief Executive at the mid-year and end-year points. Where key activities or performance are not on target, the Operations Manager is required to provide a detailed explanation.
21. In addition to the high-level review of the service plan, there is regular detailed reporting of HB performance at an operational level. This includes:
 - weekly focus meetings between the Head of Revenues and Business Change, the Revenues and Business Support Manager and the Operations Manager
 - fortnightly meetings between the Operations Manager and the Senior Revenues Officer
 - monthly 1-2-1 meetings between the Senior Revenues Officer and the Team Leader
 - monthly Revenues Management, Senior Management and Departmental Management team meetings
 - bi-monthly 1-2-1 meetings between the Benefits and Discretionary Payments Team Leader and team members.

22. The council also makes good use of an online performance management tool, which is updated six monthly by the Operations Manager and contains all the service's key performance indicators.

Delivering outcomes

23. 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

24. When customers claim benefit, it is a time of financial uncertainty for them and, as such, it is essential that the service has sufficiently trained and effective benefit processors in place that can make informed decisions on complex benefit claims and pay benefit promptly.
25. 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 | 2017/18 Scottish Average (Q3) | 2018/19 (Apr-Jun) |
| New claims | 27 days | 24 days | 32 days | 31 days | 22 days | 31 days |
| Change events | 7 days | 4 days | 5 days | 5 days | 9 days | 9 days |

Source: East Renfrewshire Council & DWP

26. Since our last audit, the council has been very proactive in its efforts to improve performance levels and has worked internally, and with key partners, to introduce a number of new initiatives and changes to processes and procedures. These include:
- introducing a generic approach to claims processing in 2016/17 by training HB staff to process claims from the public and private sector. Since the creation of the Benefits and Discretionary Payments team in October 2017 further cross training has been given to staff to provide more resilience and flexibility to the team and to provide opportunities for improvements in claims processing times
 - utilising external agents and temporary appointments to assist in the processing of new claims and change events. Throughout 2017/18 the service utilised a FTE agency processor, an additional FTE agency processor on an ad-hoc basis, and a FTE temporary processor. These contracts ended on the 31st March 2018. However, the council has secured the services of 2x FTE processors on a temporary contract until 31st March 2019, to help the service transition through the rollout of full service UC in September 2018

- introducing a digital online claims facility in February 2017 for new claims and extending the functionality in August 2017 to allow customers to report change events online. At the time of our audit, further functionality allowed customers to upload evidence in support of a change event, and the council advised that it was trialling the same upload functionality for new claims, with a view to offering customers a fully digital claims process
 - working with the DWPs PDT team in December 2017. The PDT scrutinised 18 new claims and reported no issues with processes or procedures, but concluded that a lack of resource was the main factor for the decline in the council's speed of processing performance
 - implementing the DWPs Verify Earnings and Pensions (VEP) service in 2017 and signing up to the enhanced alerts service which was due to go live in July 2018. The VEP service provides councils with:
 - real-time access to Her Majesty's Revenues and Customs (HMRC) records to verify a customer's earnings/pension details which should help reduce the time taken to establish a customer's income
 - real-time alerts to notify when a customer's income details have changed to ensure that a change can be processed timeously, therefore ensuring payment accuracy and reducing the potential for an overpayment to arise.
27. In addition, the council makes good use of the DWPs Automated Transfer to Local Authority Systems (ATLAS) service to automate approximately 77% of change event notifications received and advised that it was prioritising its workload to process new claims received with all information available, and claims that have been outstanding the longest, with the aim to clearing the current backlog of work.
28. As a relatively small council with a caseload of approximately 3,500 claims, resource management is an important aspect of service delivery. The loss of experienced staff, or high levels of sickness absence can have a significant impact on performance and, despite the council's continued efforts to improve service delivery, resourcing issues have had an adverse effect on claims processing times. These have included significant levels of staff sickness absence and unfilled vacancies. In particular, between 2016/17 and 2017/18, sickness absence increased by 70% from 84 days to 141 days and, in the first three months of 2018/19 the service had lost another 58 days to sickness absence.
29. In 2016/17, new claims processing performance declined significantly from an average of 24 days to an average of 32 days, while the time taken to process change events declined slightly from an average of four days to an average of five days. However, despite a significant increase in sickness absence in 2017/18, new claims performance improved slightly to an average of 31 days, while the time taken to process change events was maintained at an average of five days.

30. In the first quarter of 2018/19, while maintaining the time taken to process new claims at an average of 31 days, the time taken to process change events had declined to an average of nine days. This level of performance placed the council 28th in Scotland for the time taken to process new claims and 19th for the time taken to process change events, when compared to the DWP's 2017/18 quarter three published performance statistics.
31. In addition, following an internal audit of the benefit service in May 2018, the auditor reported that, in nine claims (60%) out of a sample of 15 claims selected at random where a change event had been processed, the date on the benefit IT system, used to determine the time taken to process the change, had been incorrectly recorded.
32. Audit Scotland's analysis of this sample established that, had the council recorded the correct date of the change, the time taken to process each of the nine claims would have been, on average, 13 days more than that recorded and subsequently reported to the DWP. In accepting the findings of the internal auditor, the benefit service has reacted promptly to provide remedial training to staff.
33. However, based on the high level of error found in the internal audit sample, the council cannot take assurance that its reported speed of processing performance in respect of change events is accurate until it carries out further work to establish the extent of the problem.

Risks to continuous improvement

| | |
|---|--|
| 1 | The council needs to address the results of the findings of the internal audit in May 2018 to provide assurance that its reported performance in respect of the time taken to process change events is accurate. |
| 2 | The level of processing resource within the benefit service might not be sufficient to significantly improve on current below target performance levels. |

34. Audit Scotland identified one risk to continuous improvement that was originally carried forward from our audits in 2014 and 2016 in that the council's cumulative new claims speed of processing performance, at an average of 30 days in 2014, and an average of 24 days in 2016, remained above the Scottish average at the time of the audits.
35. In view of the council's current level of new claims processing performance, which at an average of 31 days for new claims in 2017/18 remains well above the Scottish average of 22 days, based on the DWPs 2017/18 quarter three published performance statistics, we consider that this risk remains outstanding.

Accuracy

36. 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.

37. The council places significant importance on the quality and accuracy of its claims processing activities and historically has delivered a high level of performance in this area. In 2014/15 and 2015/16 the service reported its financial accuracy rate at 99%. However, in 2016/17, accuracy performance declined significantly to 93%.
38. To understand and address the reasons for the decline, in October 2017, the council worked in partnership with an external consultant to carry out a full review of its management checking framework. This review found that the council's focus on targeting many of its checks on new staff and staff that were under-performing was introducing a negative bias which, despite claims being corrected before payment, had resulted in the decline in reported performance.
39. As a result of this review, a new management checking framework was implemented in April 2018 with the aim to ensure that all management checks are selected randomly from the benefit IT system and carried out wherever possible before a payment and notification letter are issued. A new post-payment check of 300 claims per year was also introduced to specifically record the financial accuracy of the live caseload.
40. Management checks are carried out by the Benefits and Discretionary Payments Team Leader and two Lead Officers. This should provide the service with flexibility and resilience to ensure that checks are routinely carried out. On a daily basis the service aims to carry out a pre-payment and pre-notification check on a minimum of 2% of decisions selected randomly from the live HB system.
41. A comprehensive audit check form is used to record the outcomes of these checks and, where an error is identified the officer is advised of the error and asked to correct the claim. When the claim has been amended the checking officer ensures that the appropriate corrective action has been taken before signing off the check on the audit form, which is then retained on the electronic workflow system to ensure a complete audit trail of actions taken.
42. The outcomes from management checks are recorded electronically, summarised and analysed to identify any trends or patterns of error. Where an officer is making recurring errors the Team Manager, or one of the Team Leaders provides guidance and support which could involve assisting in the processing of a similar claim to ensure that the officer is aware of the reasons for the error, and how to correct it. Where there is a pattern of error across the service, the Senior Revenues Officer would provide remedial training as appropriate.
43. In addition to the 2% daily pre-payment checks, new staff are subject to a 100% check of their work which is reduced incrementally until the officer is considered to be competent. There is also a 100% check of all payments in excess of £1500 and, where an error is found, the payment can be recalled before issue to the customer.
44. The service regularly reports accuracy performance to staff and senior management through:
 - bi-monthly 1-2-1 meetings between the Team Leader and team members

- the Revenues Service Plan, which is updated six-monthly and reviewed by the Head of Service, Director and Chief Executive
- the council's online performance management framework, which is available to view by senior management and updated six-monthly by the Operations Manager.

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

| Exhibit 2: Financial accuracy performance | | |
|--|------------------------|-----------------|
| | Internal Target | Achieved |
| 2013/14 | 98% | 99% |
| 2014/15 | 97% | 99% |
| 2015/16 | 98% | 99% |
| 2016/17 | 98% | 93% |
| 2017/18 | 100% | 77% |
| 2018/19 (at 30 Sep 2018) | 100% | 90% |

Source: East Renfrewshire Council

46. Although the council had been proactive in its efforts to address the decline in accuracy in 2016/17, the council advised that accuracy performance declined significantly in 2017/18 as a result of the underperformance of some members of staff.
47. Although the decline in performance is of concern, it highlights the importance of targeted checks over random checks as the service had been focussing its resources on staff that were causing most errors and seeking to resolve this by providing additional support and guidance.
48. If the council decides to fully adopt the random checking approach as detailed in the new management checking framework, we consider that there is an increased likelihood that under-performing staff might avoid checks of their work, and that checks could be carried out on low-risk claims that have been passported from the DWP.
49. Passported claims are where the customer's entitlement to HB is provided by entitlement to a qualifying DWP benefit. As these claims are considered to be less complex, it could be reasonably assumed that the DWP has carried out the necessary checks on their customer's entitlement to the qualifying benefit and therefore more beneficial for the benefit service to carry out management checks on more complex claim types where recurring errors are most found.

50. Audit Scotland identified the following risks to continuous improvement during our previous audit in 2016 in that:
- the council needed to review and recommence its programme of management checks as soon as possible and have robust arrangements in place to ensure that management checks were routinely carried out to minimise the potential for fraud and error to enter the system.
 - there was limited analysis of management check outcomes and therefore the council was missing an opportunity to identify trends and patterns of error that could help identify areas for learning and development of staff and the service.
51. We consider that both these issues have been addressed as the council has recommenced its management checks, carries out detailed analysis of the outcomes, and worked in partnership with an external consultant in October 2017 to carry out a full review of its processes and procedures.

| Risks to continuous improvement | |
|---------------------------------|---|
| 3 | The council needs to address the reasons for the decline in accuracy performance. |
| 4 | The council should consider a more targeted approach to selecting cases for a management check to ensure the best use of limited resources and to maximise the potential for positive outcomes. |

Interventions

52. 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.
53. To support this, the benefit service notification letters remind customers of the requirement to report any change event. In addition, the council's 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 is fully automated.
54. The council also actively participates in the DWP's Housing Benefit Matching Service, Audit Scotland's National Fraud Initiative, the DWP's Real Time Information (RTI) and optional RTI data matching services, and more recently the DWP's VEP service. These should all help to identify possible unreported change events that require further investigation.
55. On a daily basis the service 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.

56. Exhibit 3 below details the outcomes from the council's normal interventions activity.

| Exhibit 3: Interventions performance | | | | |
|---|-----------------------------------|--------------------------------------|--------------------------------------|------------------------------------|
| | Number of completed interventions | Number of decreases in HB identified | Number of increases in HB identified | % resulting in a change to benefit |
| 2015/16 | 480 | 100 | 35 | 28% |
| 2016/17 | 16 | 10 | 1 | 68% |
| 2017/18 | 77 | 40 | 8 | 62% |
| 2018/19 (at July 2018) | 61 | 27 | 8 | 57% |

Source: East Renfrewshire Council

57. Since our last audit there has been a significant reduction in the number of proactive interventions carried out. However, in 2016/17, with limited resources and a decline in claims processing performance, a decision was taken to reduce proactive interventions activity and focus resources on improving claims processing times.
58. Since 2016/17, proactive interventions activity has focussed on an annual review of customers in receipt of a work/private pension. In the most recent exercise carried out in May 2018, 121 review forms were issued, and, at the time of our audit, 61 forms had been returned and fully reviewed.
59. Of these, 57% had resulted in a change to the amount of HB paid, which indicates that the council is effectively targeting cases where the customer has not declared a change in their circumstances. This activity also helps the council to identify overpayments that may otherwise have gone undetected, and to ensure that customers that are entitled to more benefit receive their correct entitlement.
60. While the outcomes from interventions are recorded on the benefit IT system, the system can only record whether there has been an increase, decrease, or no change to benefit. As such, it was not possible for the council to fully analyse the outcomes of interventions in order to inform the scope and focus of future intervention campaigns.
61. Audit Scotland identified one risk to continuous improvement that was carried forward from our audit in 2014 in that:
- the council did not have a formalised interventions strategy and had not recorded or analysed the outcomes from its interventions activity since 2011/12. In order to ensure that resources are being used to best effect, and to help inform future intervention

strategies, the council should fully document its interventions approach, and link intervention outcomes to the value of overpayments/underpayments identified.

62. The council told us that it had engaged with its benefit IT system supplier with a view to improving the level of intervention information that can be recorded on the system, however at the time of our audit it had been unable to progress this satisfactorily due to the supplier's other business priorities and commitments.
63. In view of this, and as the council does not have an intervention strategy, was not fully documenting its approach, and was not linking interventions outcomes to the value of overpayments/underpayments identified, we consider that this risk remains outstanding.

Overpayments

64. To protect public funds, councils should take appropriate steps to ensure that benefit overpayments are minimised and that, when they do occur, they are correctly classified and rigorously recovered.
65. The *Corporate Debt Policy*, approved by members in June 2016, details the council's approach to the recovery of outstanding debt and has a stated commitment to maximise the collection of debts owed, minimise write offs, and wherever possible assist customers by minimising any additional recovery costs.
66. The policy aims include:
 - developing a council wide approach to debt collection
 - ensuring a professional, timely, and consistent approach to recovery action
 - reducing the levels of debt owed to the council
 - treating customers consistently and fairly and ensuring that their rights are protected.
67. To minimise HB overpayments, the benefit service 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. In addition, the council checks the output from the DWPs ATLAS system daily and prioritises claims where an overpayment could arise.
68. This proactive approach has helped minimise the number of local authority (LA) /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. Since 2014/15, the council has been well below this threshold, which is commendable.
69. Where it is not possible to recover an overpayment from ongoing benefit entitlement, the debt is passed to the Corporate Debt Recovery team (CDRT) who issue an invoice to the

customer, followed by a reminder, and a final notice. Where no response is received after the final notice stage, the debt recovery team makes good use of all available recovery options including:

- utilising the DWP's Payment Deduction Programme to automate the recovery of HB overpayments from DWP benefits, where appropriate
- using the DWP's Customer Information System to trace customers who are no longer resident within the local authority area
- working in partnership with other councils to recover an overpayment from ongoing benefit received by the customer in another council area
- utilising Sheriff's Officers for difficult to recover debt.

70. Exhibit 4 illustrates the council's current and previous recovery performance.

| Exhibit 4: Overpayment levels and recovery performance | | | | |
|---|----------------|----------------|----------------|----------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| Total HB overpayments carried forward | £1,189,729 | £1,232,391 | £1,451,055 | £1,550,356 |
| Total overpayments identified in-year | £395,284 | £442,902 | £398,230 | £376,760 |
| Total value of HB debt | £1,585,013 | £1,675,293 | £1,849,285 | £1,927,116 |
| Total value of HB debt recovered | £230,512 | £224,238 | £228,103 | £268,000 |
| % of in-year debt recovered | 58% | 51% | 57% | 71% |
| % of total HB debt recovered | 15% | 13% | 12% | 14% |

Source: East Renfrewshire Council

71. Historically, the council's level of debt recovery has been low when compared to other Scottish councils where Audit Scotland regularly sees all debt recovery rates in excess of 20% and in-year recovery rates in excess of 60%.
72. The council recognised this as an area for improvement and, in October 2017, worked in partnership with an external consultant to carry out a full review of its overpayments processes and procedures. The review was concluded in February 2018 and resulted in a number of changes designed to improve recovery rates supported by a set of protocols developed by the council in January 2017 to standardise its approach.
73. The *HB Debt Protocol* underpins the *Corporate Debt Policy* and is a set of 11 protocols setting out the council's approach to recovering HB overpayments. These include:
 - legal compliance - in all respects the council's approach must always be legally compliant
 - assertive transparency - ensuring the debtor is aware that recovering debt helps to fund public services while highlighting to the debtor the potential consequences of defaulting on payments or not engaging with the council
 - optimal rate of recovery - ensuring that the maximum recovery rate is set in all cases, except those that could result in financial hardship for the customer
 - fairness - treating all customers fairly and equitably
 - full asset utilisation - making good use of all available resources and technology to aid in the recovery of debt.
74. As part of the review by the external consultant, the council analysed 380 claims where the overpayment of HB was being recovered from ongoing deductions of benefit. This analysis found that 315 (83%) customers had been repaying their debt at less than the maximum allowed rate of £11.10, with an average weekly repayment rate of £5.75 and, in 254 of the 380 cases (67%), the weekly recovery rate was less than £5.75.
75. The council took immediate action to address this by contacting affected customers and advising that recovery rates would be increased to £11.10 per week. Customers were also advised at this time that due consideration, and advice and assistance would be available if the proposed increase would cause hardship.
76. As a result of this action, the council improved its in-year and all debt recovery performance by recovering an additional £42,000 of overpaid benefit in 2017/18.
77. To help further improve recovery rates, the council has signed up to the recently launched DWP HB Debt Service project. This service allows councils to send up to 1,200 dormant HB overpayments per month to the DWP to match with real time HMRC employment and pension data.

78. At the time of our audit, the council had sent an initial batch of 77 cases for matching and was reviewing the 34 cases that had been returned. Although it is too early to assess how successful this will be, it is another aspect of the recovery process that the council can fully utilise to help deliver further improvements in recovery performance.
79. Audit Scotland identified one risk from our previous audit in 2016, and one risk carried forward from our 2014 audit in that:
- the information in respect of benefit overpayment recovery performance that is provided by the CDRT to senior management does not provide sufficient information for the council to determine the effectiveness of its approach or provide assurance that it is meeting its debt recovery policy aims
 - with the exception of in-year recovery performance for 2014/15, the council's performance in respect of recovering benefit debt is considered well below normal recovery rates.
80. We consider that the first risk has now been addressed as the benefit service receives monthly reports from the CDRT providing a breakdown of payments received and debts outstanding. However, despite an improved recovery performance in 2017/18, the council's level of performance in respect of all debt recovery remains low when compared to other Scottish councils and therefore we consider that this risk remains outstanding.

Risk to continuous improvement

| | |
|---|---|
| 5 | The council is not utilising Direct Earnings Attachments as a means of recovering overpaid HB and is therefore missing an opportunity to further improve its debt recovery performance. |
|---|---|

Appendix A

| Progress against action plan agreed after previous benefit audit in 2016, as at March 2018 | |
|--|-------------|
| The council needs to review and recommence its programme of management checks as soon as possible and have robust arrangements in place to ensure that management checks are routinely carried out to minimise the potential for fraud and error to enter the system. | Completed |
| There is limited analysis of management check outcomes and therefore the council is missing an opportunity to identify trends and patterns of error that could help identify areas for learning and development of staff and the service. | Completed |
| The information in respect of benefit overpayment recovery performance that is provided by the CDRT to senior management does not provide sufficient information for the council to determine the effectiveness of its approach or provide assurance that it is meeting its debt recovery policy aims. | Completed |
| With the exception of in-year recovery performance for 2014/15, the council's performance in respect of recovering benefit debt is considered well below normal recovery rates. | Outstanding |
| The council's cumulative speed of processing performance for new claims and change events remains higher than the Scottish average time taken, at 31 October 2014. | Outstanding |
| The council does not have a formalised interventions strategy and has not recorded or analysed the outcomes from its interventions activity since 2011/12. In order to ensure that resources are being used to best effect, and to help inform future intervention strategies, the council should fully document its interventions approach, and link intervention outcomes to the value of overpayments/underpayments identified. | Outstanding |

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East Renfrewshire CouncilAudit of Housing BenefitAction Plan November 2018

| Risk number | Description of risk | Action to be taken | Officer Responsible | Timescale for completion |
|--------------------------|--|--|---|---|
| 1 | The council needs to address the results of the findings of the internal audit in May 2018 to provide assurance that its reported performance in respect of the time taken to process change events is accurate. | Team members were all provided with DWP's speed of processing (SOP) document and refresher training was provided in July 2018. This is an area closely reviewed during the accuracy checking process. Should any issues arise whilst carrying out the accuracy checks, these will be immediately addressed. Any repeat issues identified will be subject to an improvement plan. Plans are in place to do a further refresher training session on this in 2019/20 | Benefits and Discretionary payments Team leader | Complete. Area subject to ongoing monitoring |
| 2 | The level of processing resource within the benefit service might not be sufficient to significantly improve on current below target performance levels. | Resource is being reviewed at present to establish the requirements for the team going forward. | Senior Revenues Manager | September 2019 |
| risk c/f from 2016 audit | In view of the council's current level of new claims processing performance, which at an average of 31 days for new claims in 2017/18 remains well above the Scottish average of 22 days, based on the DWPs 2017/18 quarter three published performance statistics, we consider that this risk remains outstanding | Resource levels are currently being reviewed in the team as are performance levels. | Senior Revenues manager | September 2019 |

| Risk number | Description of risk | Action to be taken | Officer Responsible | Timescale for completion |
|--------------------------|--|---|---|--------------------------|
| 3 | The council needs to address the reasons for the decline in accuracy performance. | The reasons for lower rates of accuracy in 2017/18 have been addressed. We have an improved accuracy checking regime in place, which to some extent is limiting the number of claims processed. Accuracy will continue to be reviewed as a priority area. | Senior Revenues officer | In place |
| 4 | The council should consider a more targeted approach to selecting cases for a management check to ensure the best use of limited resources and to maximise the potential for positive outcomes. | A new management checking framework will be developed which will not be based on random sample checking, and will be more targeted. | Senior Revenues officer | May 2019 |
| risk c/f from 2016 audit | The council does not have a formalised interventions strategy. In order to ensure that resources are being used to best effect, and to help inform future intervention strategies, the council should fully document its interventions approach, and link intervention outcomes to the value of overpayments/underpayments identified. | There is ongoing intervention activity carried out using the resource available from optional real time information (RTI) , verifications of earnings and pensions (VEPS). The service acknowledges that the results from intervention activity are not analysed in detail. This area will be investigated further including implications for resourcing. | Operations Manager | December 2019 |
| c/f from 2016 audit | With the exception of in-year recovery performance for 2014/15, the council's performance in respect of recovering benefit debt is considered well below normal recovery rates | A number of improved processes have been implemented in the last year to 18 months and these have improved in year recovery rates. Targeted approaches on the aged debts will now be investigated and implemented | Senior Revenues Officer (NT) & corporate debt team leader | June 2019 |

| Risk number | Description of risk | Action to be taken | Officer Responsible | Timescale for completion |
|-------------|---|---|---------------------|--------------------------|
| 5 | The council is not utilising Direct Earnings Attachments as a means of recovering overpaid HB and is therefore missing an opportunity to further improve its debt recovery performance. | This will be taken forward as part of a wider review of our Debt Recovery Policy which will then be taken to Cabinet for approval | Operations Manager | September 2019 |

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