

Aberdeen City Council

Audit of housing benefit
Risk assessment report



 AUDIT SCOTLAND

Prepared for Aberdeen City Council
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Key messages

- The benefit service has faced a number of challenges since our last audit, including a corporate restructure, significantly increased workloads arising from the Covid-19 pandemic from 2020/21, and the loss of ten experienced staff in 2021/22.
- Although regular detailed performance is reported at service level, reporting to elected Members could be improved by reporting new claims and change events performance separately, and performance in respect of the recovery of overpayments.
- When compared to 2021/22, claims processing performance declined significantly in the first three quarters of 2022/23. However, the council has been successful in addressing this decline in quarter four, although there remains considerable scope for further improvement in 2023/24.
- The council has a comprehensive programme of quality checks and despite additional workloads and staffing issues, has maintained a consistently high level of claims processing accuracy since 2019/20.
- There is scope for significant improvement in the council's overpayment recovery performance. The council plans to carry out a full review of this area in 2023/24, which should include setting recovery targets, and regularly reporting recovery performance to senior management and elected Members.

Introduction and background

1. 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 its activities.

2. The risk assessment considers the effectiveness of the benefit service's business planning and reporting, in meeting priorities, and delivering outcomes. It was completed as part of Audit Scotland's housing benefit (HB) performance audit programme and does not represent a full audit of Aberdeen City Council's benefit service.

3. Information for this risk assessment was gathered from:

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

4. Since our last audit in 2015 there have been significant changes to the council's Revenues and Benefits service. In 2019, following a corporate restructure, a Customer Application Team was established and incorporated into the service. Although a standalone team responsible for the administration of council applications, benefit assessors have been utilised to support the team when there have been resource issues or significant work volumes.

5. In 2020/21, the Covid-19 pandemic impacted all Scottish councils as staff had to quickly adapt to new ways of working, while managing increased workloads, including the administration of Scottish Government support schemes, such as Low-Income Pandemic Payments and Self-Isolation Support Grants. This resulted in the redeployment of experienced benefit staff to process these applications and in 2021/22, this included nine benefit assessors for a period of approximately two months.

6. When labour markets re-opened in the latter part of 2021 the benefit service suffered a loss of ten experienced staff in a relatively short period of time, further impacting on the delivery of key core HB functions in 2021/22 and 2022/23. The council told us that most of these staff left the service to take up other posts at higher pay grades with similar responsibilities.

7. Managing these changes has been challenging for the council and placed significant additional pressures on the service. Despite this, the council told us

that staff responded positively to these challenges, and it is creditable that the service has maintained a high level of claims processing accuracy throughout this time, and that following a significant downturn in claims processing performance in the first three quarters of 2022/23, performance in quarter four has seen significant improvement.

Business planning and reporting

There is regular reporting of benefit service performance to staff and senior management although there is scope to increase the level and detail reported to elected Members

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

9. Revenues and Benefits is a key service within the People and Organisational Development cluster of the council's Customer function. The [Council Delivery Plan 2023/24](#) details the council's strategic objectives, including the following key anti-poverty driver for the benefit service:

- Support multi-agency efforts to increase benefits uptake by:
 - co-ordinating early intervention and prevention activities to increase benefits uptake and improve debt management.
 - supporting claimants to maximise their income by utilising 'Entitled To' software.
 - carrying out financial assessments for those experiencing homelessness.

10. Operationally, the council's [Governance Service Standards](#) contain the key performance measures for the Customer function. For the benefit service these are to process all new HB claims and change events within an average of 12 days, and to pay the correct amount of benefit to customers in 95 per cent of cases.

11. There is regular reporting of performance against these measures to staff, senior management, and elected Members, to provide assurance that the service is operating efficiently and effectively. This includes:

- monthly at the Revenues and Benefits management meeting
- monthly between the Revenues and Benefits Manager and the Benefits Processing Manager
- weekly operational meetings between the Benefits Processing Manager and benefit team leaders
- weekly between benefit team leaders and assessment staff
- every two months to elected Members of the Communities, Housing and Public Protection committee.

12. When reporting to elected Members, if benefit service performance is more than 20 per cent below the service standard, the Revenues and Benefits Manager is required to provide an explanation and advise the actions being taken to address the decline. For example, in January 2023, elected Members were provided with a detailed summary of the reasons for the decline in claims processing performance and provided with a summary of the actions that had been taken to address the decline.

13. Actions included:

- the recruitment of new staff.
- a review of training packages in order that areas of greatest priority are targeted first.
- reviewing processes and automating activities, where possible.
- re-distributing resources throughout the team to better manage workloads.

14. The weekly operational meeting is the main forum for the benefit service to discuss workloads, work priorities, staff availability, training updates, system issues, and any other issues or information affecting the delivery of the service. A comprehensive summary of this meeting is maintained and provided to team leaders to ensure that relevant information is disseminated to assessment staff. This provides an audit trail of issues raised and progress made.

15. Although performance is monitored and regularly reported in detail at service level, the [Governance Service Standards](#) for claims processing, which are reported to elected Members, are a cumulative DWP claims processing measure, known as the Right Time Indicator (RTI). This indicator has not been used by the DWP since 2013 when it was superseded by the Speed of Processing (SoP) indicator, which details the average time to process new claims and change events separately, providing a more accurate representation of performance.

16. The council advised that SoP performance is available to elected Members within the council's performance management system. However, to ensure consistency of reporting, the [Governance Service Standards](#) should be updated to include separate reporting of new claims and change events performance.

17. Additionally, when reporting claims processing performance to elected Members, the benefit service should consider reporting performance against the Scottish average, as this would allow elected Members to fully understand claims processing in the national context and enable elected Members to robustly challenge the service when under-performing, while recognising good performance.

Recommendation 1

The council's Governance Service Standards should be updated to show claims processing performance as the average time to process new claims and change events separately. This would ensure consistency of reporting with the council's performance management framework and provide elected Members with a clearer picture of the benefit service's overall claims processing performance.

Delivering outcomes

Although improving, there remains significant scope for further improvement in the council's claims processing performance

- 18.** When customers claim housing benefit (HB) it is at a time of financial uncertainty. It is therefore essential that the benefit service has sufficiently trained staff to make informed decisions on complex benefit claims and make payments promptly.
- 19.** As detailed under [Introduction](#), the benefit service has faced significant challenges since our last audit, most notably managing increased workloads arising from the Covid-19 pandemic from 2020/21, and the loss of ten experienced staff in 2021/22.
- 20.** Although a recruitment exercise was carried out to replace these staff it was a lengthy process as the council is committed to developing and utilising its existing workforce in line with a core principle in its Recruitment and Selection Policy to 'Ensure that opportunities for internal recruitment are given high priority.'
- 21.** Although the recruitment campaign was successful, the service will take some time to fully recover from the loss of so many experienced staff, as inexperienced staff can take up to 18 months to be able to work independently across all aspects of benefit service delivery.
- 22.** The council reported that the benefit service's transition to remote working during the Covid-19 pandemic was smooth. However, the resultant increased workloads arising from applications for the Scottish Government's Covid-19 support schemes placed a significant strain on the service and impacted on claims processing performance in 2020/21 with over 18,000 covid-related applications received in that year, reducing to 7,369 in 2021/22, and to 972 in 2022/23.
- 23.** The council highlighted that the need to prioritise these applications contributed to the decline in new claims processing performance in 2020/21 from an average of 17 days to an average of 26 days. However, while new benefit customers had to wait longer to get their claim processed, the council prioritised change events, such as an increase in household income, to ensure that potential HB overpayments were minimised. This decision helped improve the time taken to process change events in 2020/21 from an average of six days to an average of five days.
- 24.** In 2021/22, as the number of Covid-19 support scheme applications reduced, the council prioritised new claims and, while this resulted in an increase in the time taken to process change events, the time to process new claims reduced significantly from an average of 26 days to an average of 18 days.
- 25.** However, as new claims processing performance was recovering, the unexpected loss of ten of the benefit service's experienced staff in the latter part

of 2021/22 saw a decline in the average time taken to process new claims in quarter four of 2021/22, and a significant decline in new claims and change events processing times in quarters one, two and three of 2022/23.

26. [Exhibit 1](#) details the council's claims processing performance.

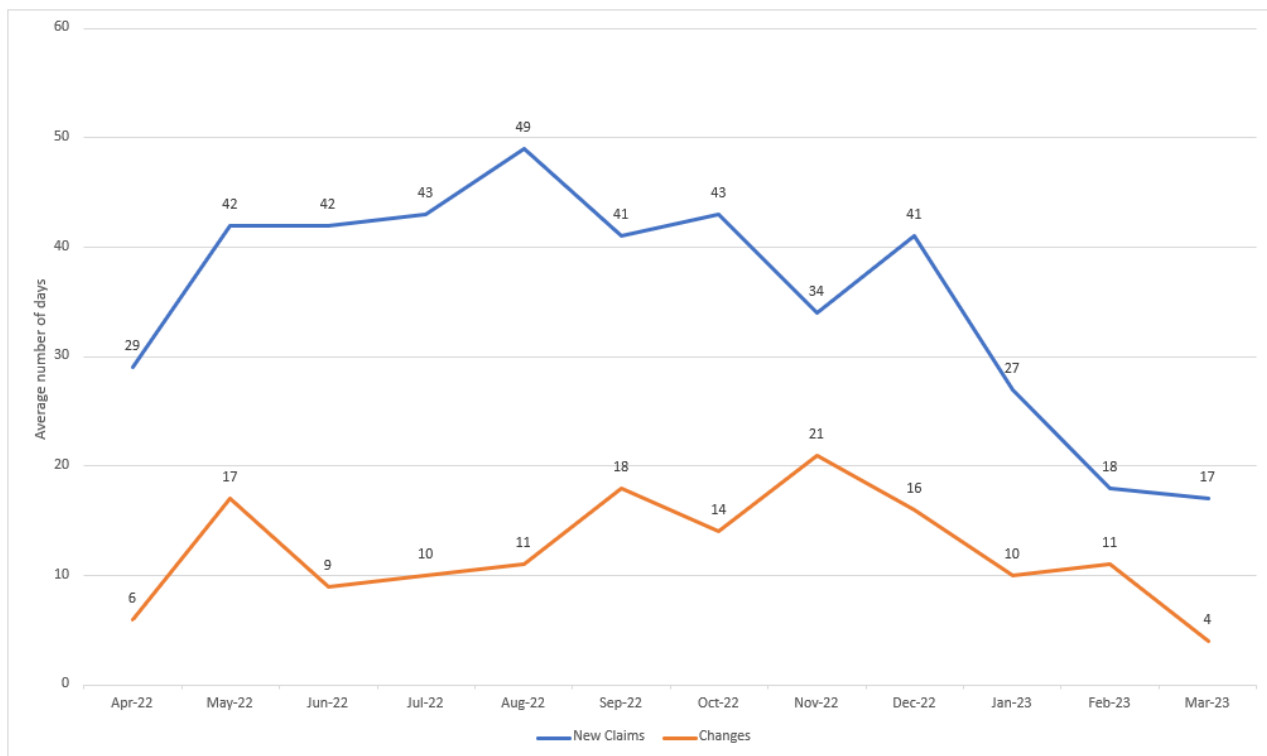
Exhibit 1

Speed of processing performance (average number of days)

	2019/20	2020/21	2021/22	2022/23	Scottish average 2022/23
New claims	17 days	26 days	18 days	33 days	20 days
Change events	6 days	5 days	8 days	10 days	4 days

Source: Aberdeen City Council and DWP

27. Although the council's performance in 2022/23 is significantly poorer than the Scottish average, and there remains considerable scope for improvement, the direction of travel is encouraging. [Exhibit 2](#) details new claims and change events performance by month and illustrates that the council's efforts to address claims processing performance are proving effective.

Exhibit 2**Speed of processing performance 2022/23 (average number of days)**

Source: Aberdeen City Council and DWP

The council has maintained a high level of claims processing accuracy since 2019/20, however, there is scope to improve the accuracy checking process

28. The accurate and secure administration of housing benefit (HB) should be a key priority for every council. To support this, it is vital that a robust quality assurance framework is in place that:

- reduces the potential for fraud and error to enter the benefit system.
- helps reduce the potential for HB overpayments to occur and the associated costs of pursuing this debt.
- provides an audit trail to ensure that errors found are corrected.
- provides the service with invaluable information on the type of financial and non-financial errors occurring, allowing for the identification of specific training, and to target checks on areas of greatest risk.
- provides the service with information to report accuracy performance to senior management and elected Members.

29. The benefit service places significant importance on the accuracy and quality of claims processing and a team of benefit officers have responsibility within their job profile to carry out accuracy checks. However, to maintain consistency of approach, the council reported that accuracy checks are generally tasked to one benefit officer. Accuracy is also a key service standard that is regularly reported to staff, senior management, and elected Members.

30. Each month a system generated report is used to randomly select five 'live' claims per assessor for scrutiny and a comprehensive check sheet is completed for each claim. The check sheet covers all aspects of a claim including:

- Household composition
- Effective dates
- Income and capital
- Rent details.

31. Errors found are notified to team leaders who discuss the case with the assessor to ensure that there is an understanding of why the error occurred, and that the appropriate corrective action is taken.

32. Once corrected, the check sheet is co-signed by the assessor and the team leader. This is considered good practice as it provides an audit trail confirming that the assessor has understood the reasons for the error, and details of the corrective action taken.

33. In January 2023, Internal Audit carried out an audit of the quality assurance process, which included a review of a sample of claims. In all cases, Internal Audit reported that team leaders were notified of the outcome of the check, and that appropriate corrective action had been taken, including consulting with the member of staff on the detail of the error.

34. In February 2023, Internal Audit concluded that:

'The level of net risk is assessed as **MINOR** with the controls framework deemed to provide **SUBSTANTIAL** assurance over the Council's management of Housing Benefit (HB) and Council Tax Reduction (CTR).'

35. The council told us that one minor recommendation to update and expand quality assurance procedures to cover all elements of the quality assurance process had been accepted and implemented.

36. In addition to routine accuracy checking activities, the work of inexperienced staff, and staff where there are performance concerns, is subject to a 100 per cent check, which is reduced as the assessor becomes more competent, and a 100 per cent check of payments more than £1,500 payable to private tenants provides assurance that high value payments are correct before issue.

37. Since 2019/20 the benefit service has delivered a high level of accuracy as detailed in [Exhibit 3](#).

Exhibit 3

Housing Benefit Financial Accuracy

Year	Target	Achieved
2019/20	95%	96%
2020/21	95%	97%
2021/22	95%	98%
2022/23	95%	97%

Source: Aberdeen City Council

38. In 2022/23, the council carried out an accuracy check on 532 of the 8325 (6.4 per cent) claims actioned in 2022/23. Of these, 154 (29 per cent) were claims that had been 'passported'. This type of claim is from customers that are in receipt of one or more DWP benefits and are considered minimal risk, as the customer's information has been verified by the DWP.

39. It is re-assuring that the council is checking a considerable number of claims while maintaining a high-level of accuracy, and there are many positive aspects to the council's quality assurance process. However, the benefit officer accuracy checking resource is finite, and further improvements could be made to enhance the process and provide additional assurance.

40. For example, by:

- carrying out accuracy checks pre-payment, which allows financial errors found to be corrected before a payment is made. This reduces the potential for avoidable overpayments and a subsequent loss of subsidy.
- considering a more selective approach for accuracy checks based on robust analysis of previous checks to identify cases where there is a higher risk of an error, for example, in working-age claims, or where there has been a legislative change
- reducing the number of accuracy checks, allowing benefit officers to target claim selection on areas of greater risk identified from outcomes analysis.

Recommendation 2

The council should consider a more selective approach for its accuracy checks based on robust analysis of previous checks to identify cases where there is a higher risk of an error, for example, in working-age claims, or where there has been a legislative change.

Recommendation 3

Accuracy checks should be carried out pre-payment, where possible, as this allows financial errors to be corrected before a payment is made and reduces the potential for avoidable overpayments and a subsequent loss of subsidy.

The council is a key participant in DWP and Audit Scotland data matching initiatives and proactive in identifying and correcting un-reported change events

41. To minimise error in the caseload, councils must encourage customers to report change events on time and have a robust intervention programme to identify unreported changes and take appropriate corrective action.
42. To support this, benefit service notification letters remind customers of the requirement to report any change event. The council website also advises customers of the need to report change events and has a facility to report a change online.
43. The council also actively participates in the DWPs Housing Benefit Matching Service, Audit Scotland's National Fraud Initiative, DWPs Verify Earnings and Pensions (VEP) service, and in April 2022 signed up to the DWPs Housing Benefit Accuracy Award (HBAA) initiative. These activities are designed to help councils identify unreported change events to ensure the accuracy of the caseload.
44. In 2021/22, the council told us that it had achieved 90 per cent of its expected HBAA initiative outcomes and that this level of performance had placed it in the top quartile of all Scottish councils in three out of the four quarters in the year. However, due to the resource issues documented in this report, the council told us that it had been unable to achieve a similar level of performance in 2022/23 (Q1-Q3).

There is scope for significant improvement in the council's overpayment recovery performance

45. To protect public funds, councils should take appropriate steps to ensure that housing benefit (HB) overpayments are minimised and that, when they do occur, they are correctly classified and recovered.
46. Since 2015, the benefit service has been responsible for the recovery of HB overpayments. However, in November 2021, responsibility for any debt that the

benefit service is unable to recover is transferred to the new Corporate Debt Team established to improve the collection of all debts due to the council.

47. The council's Corporate Debt Recovery Policy sets out its approach to the collection and recovery of debt and has a key aim to 'maximise income collection and to minimise the cost of collection, while maintaining and improving the customer experience through collection and recovery.'

48. The policy details 11 strategic objectives to meet this aim which include:

- billing, collecting, and recovering charges in an economic, effective, and efficient manner that meets with legislation.
- encouraging people to pay regularly; using the most cost-effective method.
- promoting early personal contact across all income streams and recognising the need to prevent debts escalating.
- seeking satisfactory arrangements for payment of debts at all stages of recovery. Where this cannot be achieved, taking recovery action using the appropriate legal remedies.
- applying best practice to debt collection, to ensure all debtors are treated fairly and objectively.

49. To minimise benefit overpayments, the benefit service prioritises change events that could lead to an overpayment, uses benefit IT system reports to predict changes, and reminds customers of the need to report any changes on benefits documentation and on its website. In addition, the service checks the output from the DWP's Automated Transfer to Local Authority and VEP systems and prioritises claims where an overpayment could arise.

50. This proactive approach has helped minimise the number of local authority (LA) /administrative error overpayments that can arise because of processing delays. This is particularly important as a council can lose subsidy where its LA/administrative error rate exceeds 0.48 per cent of all HB payments made. Since 2019/20 the council has performed well below this threshold.

51. The council told us that assessors are provided with extensive overpayments training to enable them to identify and classify an overpayment and, to ensure propriety, any overpayment exceeding ten pounds that is being considered for write off requires prior authorisation from a team leader.

52. Where a customer has an overpayment and remains in receipt of benefit, the debt is recovered from ongoing benefit at a prescribed rate, unless the customer notifies the council that they are experiencing hardship. In these circumstances, a means test would be carried out, and a reduced rate of recovery would be agreed with the customer, as appropriate.

53. If the customer is no longer receiving HB, the council makes use of all available recovery options including:

- issuing an invoice for repayment.
- utilising the DWP's Payment Deduction Programme to automate the recovery of HB overpayments from DWP benefits.
- recovering the debt from the customer's employer using a Direct Earnings Attachment.
- recovery from a third-party landlord, if appropriate.
- utilising Sheriff's Officers for difficult to recover debt.

54. [Exhibit 4](#) details the council's HB overpayment recovery performance.

Exhibit 4 Overpayment levels and recovery performance

	2019/20	2020/21	2021/22	2022/23 (28 Feb 23)
Total value of HB overpayments carried forward	£8,601,394	£8,293,408	£7,713,145	£7,542,043
Total value of overpayments identified in-year	£1,541,235	£823,645	£953,672	£1,130,387
Total value of HB debt	£10,142,629	£9,116,693	£8,667,417	£8,672,440
Total value of all HB debt recovered (in-year)	£574,730	£381,901	£389,652	£447,064
Total value of all HB debt recovered	£1,494,244	£1,196,420	£949,374	£786,294
Total value of HB debt written off	£329,603	£198,360	£153,403	£168,269
Percentage of total HB debt recovered	15%	13%	11%	9%

Source: Aberdeen City Council

55. Although robust processes are in place to minimise overpayments, historically the council's all debt recovery performance has been low, placing it 24th in 2019/20, 17th in 2020/21, 29th in 2021/22, and 29th in 2022/23 out of 32 Scottish councils.

56. The council advised that from 2020/21 overpayment recovery activity was reduced to prioritise other key areas of service delivery because of the impact of the Covid-19 pandemic and the significant loss of experienced benefit staff.

57. Although it is acknowledged that the council had significant resource issues during 2021/22 and 2022/23, the recovery of HB overpayments is a key area of the benefit service that could be improved. For example:

- there are no documented overpayment recovery targets, despite a key aim of the Corporate Debt Recovery Policy to ‘maximise income collection’
- performance is not reported to, or scrutinised by elected Members
- there has been a long-standing council ‘clawback’ policy not to use the DWP’s maximum prescribed rate of deduction where customers are still in receipt of benefit.

58. [Exhibit 5](#) details the maximum weekly amount for 2022/23 that the DWP advises councils can recover from ongoing benefit, compared to the amount that the council recovers under its ‘clawback’ policy.

Exhibit 5

Housing Benefit recovery by deduction rate 2022/23

	DWP	Aberdeen City Council
Non-fraud (passported claim)	£11.55	£3.85
Non-fraud (working age)	£11.55	£9.00
Fraud	£19.25	£19.25

Source: Aberdeen City Council

59. In January 2023, the benefit service reported to the Anti-Poverty and Inequalities Committee that two thirds of HB overpayments are being recovered at the £3.85 rate or less, instead of the £11.55 rate.

60. While some customers will be repaying an overpayment at a lesser rate than £3.85 or £9.00 per week due to hardship, a blanket policy of reduced deductions means that the council is not meeting the stated aim in its Corporate Debt Recovery Policy to maximise income collection.

61. In addition, although the council makes use of all available recovery options, it is not rigorously recovering fraud overpayments and administrative penalties as detailed in [Exhibit 6](#). This is important, as it can act as a deterrent to others considering fraud against the council.

Exhibit 6**Value of outstanding fraud overpayments and administrative penalties**

	2020/21	2021/22	2022/23	Change 2020 - 2023
Fraud overpayments	£468,765	£453,600	£432,916	-7.6%
Administrative penalties	£ 13,044	£ 12,847	£ 12,768	-2.1%

Source: Aberdeen City Council

62. The recovery of HB overpayments is key to delivering an efficient and effective benefit service as it can generate additional revenue for the council. The council told us that it recognises this as an area for improvement and told us that it plans to carry out a full review of overpayments policies and procedures in 2023/24.

Recommendation 4

The council should have documented targets for in-year and all debt recovery and performance against these targets should be regularly reported to senior management and elected Members.

Recommendation 5

The council does not monitor the recovery of fraud overpayments and administrative penalties to ensure rigorous recovery, and to act as a deterrent. It is therefore unclear how effective it is at recovering this type of debt.

Recommendation 6

Unless there has been an income and expenditure assessment, the council should re-consider its policy of making deductions from ongoing benefit below DWP prescribed rates.

Recommendations

2023/24 recommendations

Issue / risk	Recommendation	Agreed management action / timing
<p>Business planning and reporting</p> <p>The level of detail provided to elected Members is not sufficient to allow elected Members to determine performance in respect of new claims and change events processing.</p>	<p>The council's Governance Service Standards should be updated to show claims processing performance as the average time to process new claims and change events separately. This would ensure consistency of reporting with the council's performance management framework and provide elected Members with a clearer picture of the benefit service's overall claims processing performance.</p> <p>Paragraph 17.</p>	<p>Agreed and implementation date to be aligned with the start of the new financial year.</p>
<p>Accuracy</p> <p>The council randomly selects claims from a benefit IT system report for its accuracy checks and therefore there is a risk that claims most likely to result in an error are not being targeted.</p> <p>The council carries out accuracy checks post-payment which allows for avoidable financial errors to enter the benefit system.</p>	<p>The council should consider a more selective approach for its accuracy checks based on robust analysis of previous checks to identify cases where there is a higher risk of an error, for example, in working-age claims, or where there has been a legislative change.</p> <p>Paragraph 40.</p> <p>Accuracy checks should be carried out pre-payment, where possible, as this allows financial errors to be corrected before a payment is made and reduces the potential for avoidable overpayments and a subsequent loss of subsidy</p> <p>Paragraph 40.</p>	<p>Agreed and will review checking regime with implementation date of 1/4/24.</p> <p>Agreed and will review checking regime with implementation date of 1/4/24.</p>

Issue / risk	Recommendation	Agreed management action / timing
<p>Debt recovery performance</p> <p>The council's housing benefit debt recovery performance has been in the bottom quartile of all Scottish councils since 2021/22. The longer benefit debt remains outstanding the harder and more costly it will be to recover.</p>	<p>The council should have documented targets for in-year and all debt recovery and performance against these targets should be regularly reported to senior management and elected Members.</p> <p>Paragraph 62.</p> <p>The council does not monitor the recovery of fraud overpayments and administrative penalties to ensure rigorous recovery, and to act as a deterrent. It is therefore unclear how effective it is at recovering this type of debt.</p> <p>Paragraph 62.</p> <p>Unless there has been an income and expenditure assessment, the council should re-consider its policy of making deductions from ongoing benefit below DWP prescribed rates.</p> <p>Paragraph 62.</p>	<p>Agreed and will be reviewed as part of our review of HB Overpayments with implementation date of 1/4/24.</p> <p>.</p> <p>Agreed and will be reviewed as part of our review of HB Overpayments with implementation of 1/4/24.</p> <p>Agreed and will reconsider and discuss with our internal stakeholders with implementation date of 1/4/24.</p>

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