East Ayrshire 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 East Ayrshire 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 senior officers in the council during our site visit in June 2016.

Executive summary

5. This is Audit Scotland's fourth risk assessment on East Ayrshire Council's benefit service. At the time of the previous risk assessment in June 2014, we reported that the council's speed of processing was improving after a sixteen month period of decline. This decline was a result of extensive change, which included amongst other factors, welfare reform and the migration to a new IT system against a backdrop of long-standing staff vacancies.

6. The council has done much to further improve and sustain this improvement since then. Importantly there has been no reduction in staff posts, indeed four additional permanent posts have been funded by the council and, while the service is currently fully staffed, if vacancies do arise they are filled with permanent staff. In addition, the resourcing of a Universal Credit (UC) team to support the roll out across East Ayrshire from February 2016 has helped minimise any disruption to core benefits processing.

7. Other effective management arrangements include the use of overtime and the remote processing of changes of circumstances during periods of higher demand, and the implementation of Risk Based Verification (RBV) in January 2015.

8. The above have combined to help to ensure that claims are dealt with promptly even at times of higher demand. New claims performance has been above the Scottish average since

2014/15 and shows improvement year on year, with the latest performance for quarter one of 2016/17 at 17 days.

9. As well as improve its speed of processing performance the service also reintroduced, after five years, pro-active intervention activity. Management information shows that this activity helped to identify and correct 2,752 cases during 2015/16 where the amount of benefit in payment was incorrect.

10. During the previous risk assessment in June 2014, Audit Scotland identified 15 risks to continuous improvement. We found during this risk assessment that 14 risks have been addressed in full, and more work is to be done in the area of targeting accuracy checking on higher risk cases. Information on previous risks is detailed at Appendix A.

Background

11. At the previous risk assessment, the service's performance had started to improve after a period of significant decline. A number of factors had led to this including the migration to a new IT system, the additional resources required to implement the UK Government's Welfare Reform changes and delays in filling long standing staff vacancies.

12. Audit Scotland identified a risk to continuous improvement during the previous risk assessment in that there was no clear strategy to sustain the service and retain experienced staff until the migration to UC.

13. This has been addressed in full. There has been no reduction in staff posts, and indeed four additional permanent posts have been funded by council. Currently the service is fully staffed and if vacancies do arise they are filled with permanent staff.

14. In addition, the Welfare Reform Working Group continues to meet monthly to discuss and manage the implications arising from welfare reform. Elected Members are updated on any developments to ensure that they are aware of the work taking place and any implications for the council.

15. In February 2016, DWP rolled out the initial elements of UC across East Ayrshire. To plan for this, a UC operational sub group was established and in addition a temporary UC Project Officer post was created to lead the UC team within the benefits service. Early indications show that the rollout of UC has caused considerable work for the council but the resourcing of the UC team has minimised any disruption to core benefits processing.

16. A further approach to sustaining the service is optimising automation with the successful introduction of RBV from January 2015. Current plans include the implementation of an electronic claim facility from March 2017 which will be fully integrated with the benefits IT system by March 2018.

17. To help reduce fraud and error, the service has implemented other DWP initiatives, including Real Time Information and the Fraud and Error Reduction Incentive Scheme (FERIS).

18. At a local level a new council-wide transformation strategy covering the period 2017 to 2022 is being developed to cover the longer term when funding is expected to reduce. This will examine how the council will deliver services in the future with a specific workstream being progressed around digitalisation. The likely impact on benefits is unknown although the electronic claim facility will support this strategy.

19. Currently an internal best value review of the Finance & ICT Service is at the set up stage and this will focus on effectiveness and efficiency.

Business planning and reporting

20. 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 can be measured, monitored and reported.

21. There are two business plans that guide the work of the benefit service. The first is the Finance & ICT Service Plan 2016 – 2018 which supports the Economy and Skills theme of the Community Plan. It includes performance targets for speed of processing, work outstanding, accuracy and gross administration cost per claim. Also detailed are three improvement actions specific to HB which include the migration to UC, introducing an electronic claims facility and reviewing debt collection processes.

22. The second plan is the Revenues & Benefits Service Improvement Plan 2016/2017 which sets out the service's vision, aims, and objectives. It includes a review of the previous three years' performance, current year targets for speed of processing, accuracy and overpayment recovery, along with an associated action plan.

23. Within the service there is monthly monitoring and reporting to senior managers on speed, accuracy and interventions; and quarterly monitoring for overpayment recovery. Performance and current workloads are discussed at both management meetings and staff meetings to agree workload priorities. Performance against key indicators, as detailed in the Finance & ICT Service Plan, is reported through the council's electronic performance management system.

24. These indicators are included in the Head of Finance and ICT's, the Depute Chief Executive's and the Chief Executive's performance scorecards and regular scrutiny facilitates management intervention, where necessary, to address poor performance. Benefits performance is also reported to Elected Members through the East Ayrshire Performs report which is considered by both Cabinet and the Governance and Scrutiny Committee four times per year.

25. These planning, scrutiny and performance management arrangements have helped to provide an on-going focus on performance at a time of increasing demand and reducing DWP funding.

26. Audit Scotland identified five risks to continuous improvement during the previous risk assessment. Two of these related to a lack of an audit trail which documented any remedial action agreed where performance was declining, and no formal reporting to senior officers specifically for speed of processing where performance was significantly below target. These have been addressed. A record is produced of meetings between the Benefits Manager and the Head of Finance & ICT and the escalation process for instigating a report to senior officers is detailed in the Revenues & Benefits Service Improvement Plan.

27. Further risks included overstating performance for accuracy and overpayment recovery, and no formal reporting of the council's speed of processing performance compared to other Scottish councils and the Scottish average. Both of these have been addressed.

28. The final risk related to a lack of specific detailed improvement activities and associated key milestone dates within the service's improvement action plan. While this has been improved, there are a high number of activities which have passed their planned completion date. The service should consider and make clearer what the priorities are and target resources accordingly.

Delivering outcomes

29. Effective operational processes and IT systems, along with skilled staff, help benefit services deliver sound performance and continuous improvement.

Speed of processing

30. 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 who can make informed decisions on complex benefit claims and pay benefit promptly.

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

Exhibit 1: Speed of processing
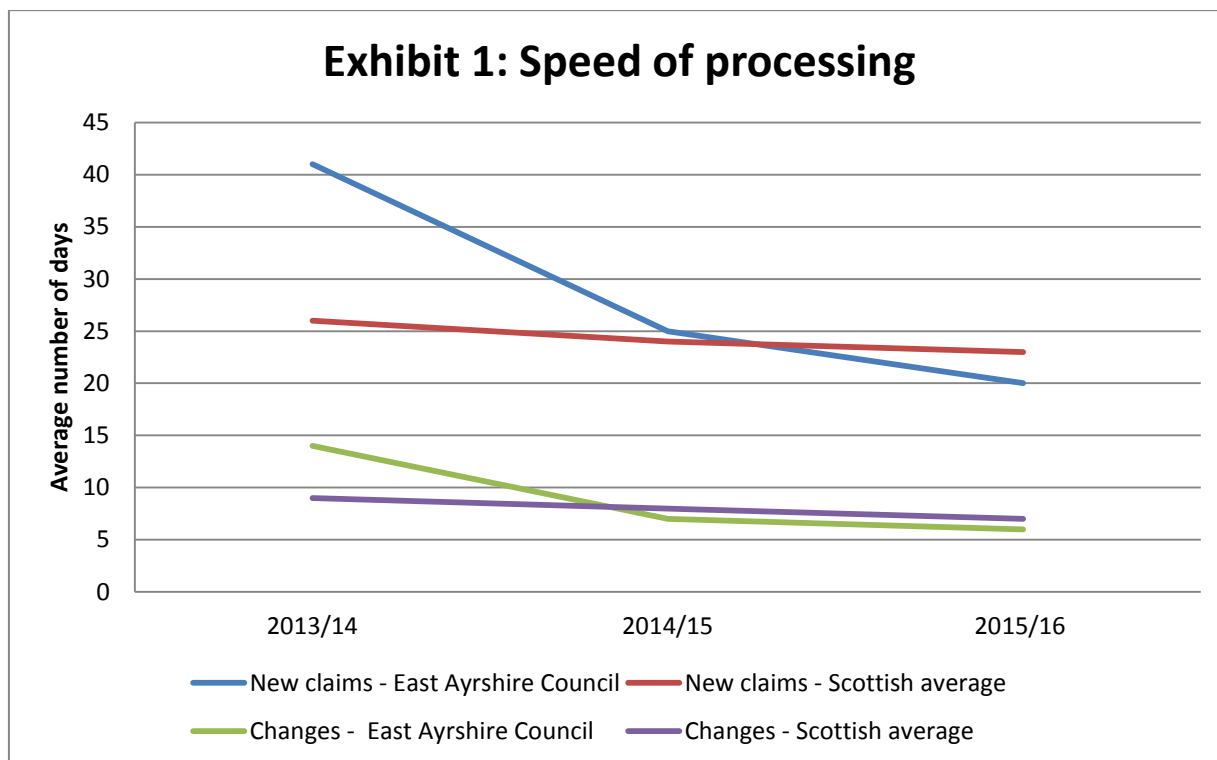
Source: DWP

32. This exhibit illustrates the sustained performance improvement since 2013/14. Full resourcing of the service, along with the use of overtime and the arrangement to outsource the processing of changes of circumstances during periods of higher demand, have helped to ensure that claims are dealt with promptly.

33. The introduction of RBV in January 2015 has also improved new claims performance. Analysis for 2015/16 shows that low risk claims (57.5%) were processed within an average of 15 days, while medium risk claims (21.5%) took 19 days and high risk claims (21%) took 21 days. Overall the reported performance for 2015/16 of 20 days is an improvement of four days when compared to 2014/15 performance.

34. A formal training programme has been developed to ensure that all new staff receive training to deal with all types of claims and that all staff are updated on any significant changes.

35. Audit Scotland identified three risks to continuous improvement during the previous risk assessment. The first two related to a lack of clarity as to how the council planned to further improve performance and deal with changes of circumstance with a view to minimising any future subsidy loss. These have both been addressed in full as the current and much improved performance illustrates.

36. The final risk related to individual productivity targets set at that time but which the service acknowledged needed more work to ensure they were demanding enough to facilitate maximum output and optimum efficiency. This has been addressed but rather than individual productivity targets, team working was introduced in the summer of 2014. Work is automatically directed to individual teams' work trays and team members discuss and agree how this work will be cleared.

Accuracy

37. 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.

38. Guided by the service's Accuracy Strategy Procedure document, checking is done by the four team leaders who randomly select the cases to be checked to include all officers. The service aims to, and does, check the majority of cases before payments and notifications have been issued. Exhibit 2 illustrates the council's current and previous performance.

Exhibit 2: Accuracy performance		
	Target	**Achieved**
2013/14	98%	98%
2014/15	97%	97%
2015/16	97.5%	96%
2016/17 (YTD June)	97%	97%

Source: East Ayrshire Council

39. The objective of these accuracy checks, as set out in the Accuracy Strategy Procedure document, is to measures the percentage of claims accurately processed each month and to focus on higher risk cases to improve performance and minimise losses. To that end, the findings from the checks are collated and discussed at managers meetings, and with individuals at one to one meetings.

40. Audit Scotland identified two risks to continuous improvement during the previous risk assessment. The first was that cases to be checked were selected from the electronic workflow system rather than the benefits IT system. While the selection process remains as before, the service introduced checks on cases selected from the benefits IT system to ensure that supporting paperwork and claims information is held. This will help prevent and deter internal fraud.

41. Further activity to help ensure accuracy include checks on:
- recent decisions to evaluate compliance with the RBV policy
- monthly subsidy reports to measure Local Authority (LA) error against threshold
- LA error cases to determine causes and ensure correct overpayment classification.

42. The second risk previously identified was that there was no process in place to ensure a focus on higher risk cases. Despite a commitment to review the approach half way through each year to ensure the correct types of claims are targeted, this risk remains.

43. Management information shows that during 2015/16 there were 99 financial errors identified. Of these, 50 were as a result of incorrect income. In addition, external audit identified one

error during the 2014/15 subsidy audit which also related to incorrect income. Despite these findings there has been no targeted checking or training delivered on this high risk area.

Risk to continuous improvement	
1	The audit trail with the results and findings from the accuracy checking is not sufficiently detailed to aid continuous improvement and importantly the service does not use the results to inform a risk based approach to checking or its training programme, as it commits to do so in the Accuracy Strategy Procedure.

Interventions

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

45. Audit Scotland identified two risks to continuous improvement during the previous risk assessment. We found that there was little or no assurance that all changes were being identified and actioned since the service's visiting function was disbanded in 2010; and that the results of the diary-led intervention work at that time were unknown. Both these risks have been addressed.

46. The service engaged with DWP's Performance Development Team to develop an Interventions Strategy. This involves two separate work streams, which are:

- encouraging and educating customers to report changes of circumstances timeously
- case control activity, which includes an annual, local risk based intervention programme of cases to be contacted either by phone or post.

47. The service also signed up to DWP's FERIS and uses the funding received through this for its case control activity which started January 2015. Exhibit 3 illustrates the council's current and previous performance.

Exhibit 3: Intervention performance			
	Interventions completed	Changes identified	%
2015/16	4740	2752	58%
2016/17 (YTD June)	1034	511	49%

Source: East Ayrshire Council

48. At a case control meeting in March 2016, the service acknowledged that while there was a high percentage of claims being reviewed where there was no change to benefit entitlement, it was the first full year of implementing the strategy and bedding in the process. As a result, the

programme for 2016/17 was developed to include different priorities from 2015/16 and less frequent reviews of income cases where earnings do not fluctuate.

Overpayments

49. 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.

50. The service has a number of practices in place to minimise overpayments and these include:
    - customers being informed at every opportunity and by various methods of their duty to report all changes of circumstances
    - cases prioritised where a change is likely and prompt suspension of benefit where appropriate
    - optimal automation of DWP's ATLAS notifications.

51. The HB overpayment team is part of an integrated collections team with processes and procedures to help ensure that all overpayments are pursued consistently, either through direct recovery from on-going benefit or through the sundry debts process. Exhibit 4 illustrates the council's current and previous performance.

Exhibit 4: HB overpayment recovery performance			
	2013/14	2014/15	2015/16
Carried forward from previous year	£2,244,624.00	£3,488,603.00	£4,313,451.00
Overpayments raised	£2,844,742.00	£1,892,081.00	£2,119,998.00
Total overpayments	£5,089,366.00	£5,380,684.00	£6,433,449.00
HB debt recovered	£1,591,997.00	£1,037,895.00	£1,112,229.00
HB debt written off	£8,766.00	£29,338.00	£10,412.00
% recovered of total HB debt	31%	19%	17%

Source: East Ayrshire Council

52. Exhibit 4 shows that HB recovery performance has declined since 2013/14. However improving the recovery of all debt is a priority for the council and as such it has entered into a contract with an external debt collection agency to facilitate this. Sundry debts of under £200 that the council is unable to recover will be passed to the agency for further pursuit. This will streamline the collection of debts and help ensure that they are pursued as rigorously as possible.

53. Audit Scotland identified two risks to continuous improvement during the previous risk assessment. We found that there was no analysis of claimant error overpayments to help minimise future overpayments and no routine monitoring of the recovery of fraud overpayments and administrative penalties to ensure they are rigorously recovered and that benefit fraud is deterred. These have both been addressed.

Appendix A

Progress against action plan dated July 2014			
No	**Risk identified**	**Target completion date**	**Addressed in full**
1	There is no clear strategy to sustain the service and retain experienced staff until the migration to UC.	Mar 2015	Yes
2	The improvement action plan within the Benefits Section Improvement Plan includes only high level actions. These high level actions need to be supported with specific detailed improvement activities and associated key milestone dates to facilitate more effective planning and monitoring.	Dec 2014	Yes
3	Whilst the current improvement indicates that corrective action was taken, there is no documented trail of supporting evidence of challenge and remedial action being agreed for those areas where performance is declining, such as speed of processing.	Dec 2014	Yes
4	Performance is overstated for: • overpayment recovery where the amount recovered is compared to the amount outstanding as opposed to the total debt available for recovery • accuracy where the figures are adjusted for cases checked before payment.	Jul 2014	Yes
5	There is no formal reporting process to senior officers or Members when performance, specifically speed of processing, was significantly below target for an extended period of time and had attracted the attention of DWP.	Aug 2014	Yes
6	There is no formal reporting of the council's speed of processing compared to DWP national figures.	Sep 2014	Yes
7	While the council's latest performance demonstrates improvement, it is unclear what is planned to sustain and further improve performance to ensure it compares favourably to the national averages.	Dec 2014	Yes
8	It is not clear how the council plans to deal with change of circumstances with a view to minimising any future subsidy loss.	Jul 2014	Yes

Progress against action plan dated July 2014			
9	The service sets individual productivity targets but acknowledges that more work is required to ensure they are demanding enough to facilitate maximum output and optimum efficiency.	Mar 2015	Yes
10	All cases to be checked are selected from the electronic workflow management system rather than the benefits IT system. Selecting cases from the latter would assist the identification and deterrence of internal fraud and provide better assurance on security.	Dec 2014	Yes
11	Cases are selected to ensure that all processing staff are included but there is no process in place to ensure that the selection is also focused on higher risk cases, in order to improve performance and help minimise any losses.	Dec 2014	No
12	Despite diary dates being noted there is little or no assurance that all changes are being identified and actioned. More work is required to avoid a higher level of incorrect benefit payments in the caseload and subsequently more and larger overpayments.	Dec 2014	Yes
13	The results of the current diary-led intervention work are unknown and, as such, there is little assurance on the effectiveness and efficiency of this work.	Dec 2014	Yes
14	There is no specific analysis of claimant error overpayments to help minimise overpayments occurring, to help inform the council's intervention strategy and any education programme that reminds customers of their responsibility to promptly notify change events.	Dec 2014	Yes
15	The council does not routinely monitor the recovery of fraud overpayments and administrative penalties to ensure they are rigorously recovered and that benefit fraud is deterred.	Dec 2014	Yes