

South Ayrshire Council

Audit of housing benefit

Risk assessment report



 AUDIT SCOTLAND

Prepared for South Ayrshire Council

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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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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 South 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 March 2016.

Executive summary

5. At the time of the previous risk assessment, in August 2013, the service's speed of processing performance had significantly declined and a backlog of work had accrued. This was due to staff losses, the subsequent recruitment and training of new staff, and the substantial resources required to plan, implement and answer the increased enquiries on the extensive welfare reform changes that had been introduced at that time. Such was the decline that the council was required to provide regular updates on performance to both DWP and Audit Scotland.
6. Since then, the service has done much to achieve and sustain performance above the Scottish average, from quarter three of 2014/15. Changes in working practices which have been implemented to support this improvement include:
 - integrating three members of customer services staff to supervisory posts
 - increasing the automation of changes notified by DWP to 60%
 - creating a specialist new claims team
 - contracting an external provider to process changes of circumstances remotely.

7. In addition the service hopes to further improve its speed of processing performance and help sustain the service by optimising automation through the implementation of fully integrated electronic new claims and changes facilities over the next two years.
8. Even when faced with arrears of work, the service has always maintained its focus on fraud and error. Since the previous risk assessment it has implemented practices to support the DWP's initiatives to identify and reduce fraud and error in the HB caseload. Accuracy checking continues with little error found although, as we report later, the service's approach would be more effective and efficient if it was more focused on risk.
9. During the previous risk assessment in August 2013, Audit Scotland identified five risks to continuous improvement. We found during this risk assessment that three risks have been addressed in full and that more work is required in the remaining two, one of which was first identified in 2009. Information on previous risks is detailed at Appendix A.

Background

10. At the previous risk assessment, in August 2013, the service's performance had significantly declined and a backlog of work had accrued as a result of staff losses and the substantial resources required to plan, implement and answer the increased enquiries on the extensive changes that had been introduced as part of the welfare reform agenda at that time.
11. To help reduce the arrears of HB work and progress welfare reforms, collaborative working was introduced. This saw council colleagues in housing, customer services and welfare rights dealing with customers enquiring about the shortfall in their rent rather than automatically directing them to the benefits service.
12. In addition, to better coordinate the council's approach to future welfare reform changes and impact, the Welfare Reform Steering Group was established in early 2015/16 to take over the role of the previous Corporate Welfare Reform Working Group. This new group includes internal and external stakeholders, meets every two months and is chaired by the Executive Director of Resources, Governance and Organisation. It is supported by three operational sub groups which cover frontline delivery of Universal Credit (UC), customer interface and strategy.
13. The service has implemented other DWP initiatives, including Real Time Information (RTI) and the Fraud and Error Reduction Incentive Scheme (FERIS). It also prepared for and transferred responsibility for investigating HB fraud to the DWP Single Fraud Investigation Service (SFIS) from October 2014, and was included in the phased roll out of UC from October 2015.
14. Retaining staff is one of the key means of sustaining the service and as such there has been no reduction in staff posts with any vacancies filled with permanent staff. In addition four extra temporary posts have been funded by the council since March 2014 to assist with increased workloads as a result of welfare reform.

15. However looking to the future, it is envisaged that the benefit service will be included in a council-wide service review during 2017/18. In addition, consideration is currently being given to the likely impact the migration of existing working age HB cases to Universal Credit will have on the service. When the migration timetable is confirmed by DWP, the council will align staff resource requirements accordingly. This will be based on the phased reduction of working age HB cases up to 2020/21 as well as the remaining HB pensioner, Council Tax Reduction, Scottish Welfare Fund and Discretionary Housing Payments caseloads.
16. With this in mind, a further approach to sustaining the service is to optimise automation. The service plans to introduce a fully integrated electronic claims facility along with Risk Based Verification (RBV) during 2016/17. This will be available initially in autumn 2016 for use by customer services and selected partners and stakeholders, and then rolled out for wider use by all customers in 2017/18.
17. In addition, the service hopes to implement the FERIS portal within its website which allows the customer to report changes of circumstances which can then be automatically updated on the benefits system. These initiatives will reduce the need for manual intervention with benefit claims.

Business planning and reporting

18. 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.
19. There are two business plans that guide the work of the benefit service. The first is the Finance Service and Improvement Plan (SIP) which covers the period 2014 to 2017 and sets out how Finance, within which the service sits, will support the council's vision, strategic objectives and outcomes, and what it aims to achieve. The plan includes six performance targets for HB which cover speed of processing, overpayment recovery and gross administration cost per claim.
20. The second plan is the Benefits Service Delivery Plan 2015/2016 which sets out the mission, aims, objectives and priorities of the service. It includes a wide range of performance targets, of which six, the same ones that feature in the Finance SIP, have been identified as the overarching targets for the service. Performance against these targets is reported to Members and the Senior Management Team.
21. In addition the service is pro-active in scrutinising Audit Scotland's published reports on HB such as our reviews on HB subsidy certification and activity to reduce fraud and error. It also advises Members of the findings and recommendations in these reports and seeks agreement on the actions it will take forward through the SIP.

22. 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 and the targeting of staff resource on these agreed priorities.
23. Audit Scotland identified two risks to continuous improvement during the previous risk assessment. We found that the council did not consider or compare its speed of processing performance against other councils and the Scottish average as reported in quarterly DWP national statistics. This has been addressed and, in addition, the result of such comparison is reported in Members bulletins.
24. The second risk, which had first been identified in 2009, related to little evidence of routine progress monitoring of the key improvement activities included in its business plan. While a number of key improvement activities have been successfully completed this risk remains. An example is that during 2015/16 the service committed to improving information to customers to assist the production of claims evidence. However nothing specific has been done and we report later that this is having an adverse affect on its new claims speed of processing performance.

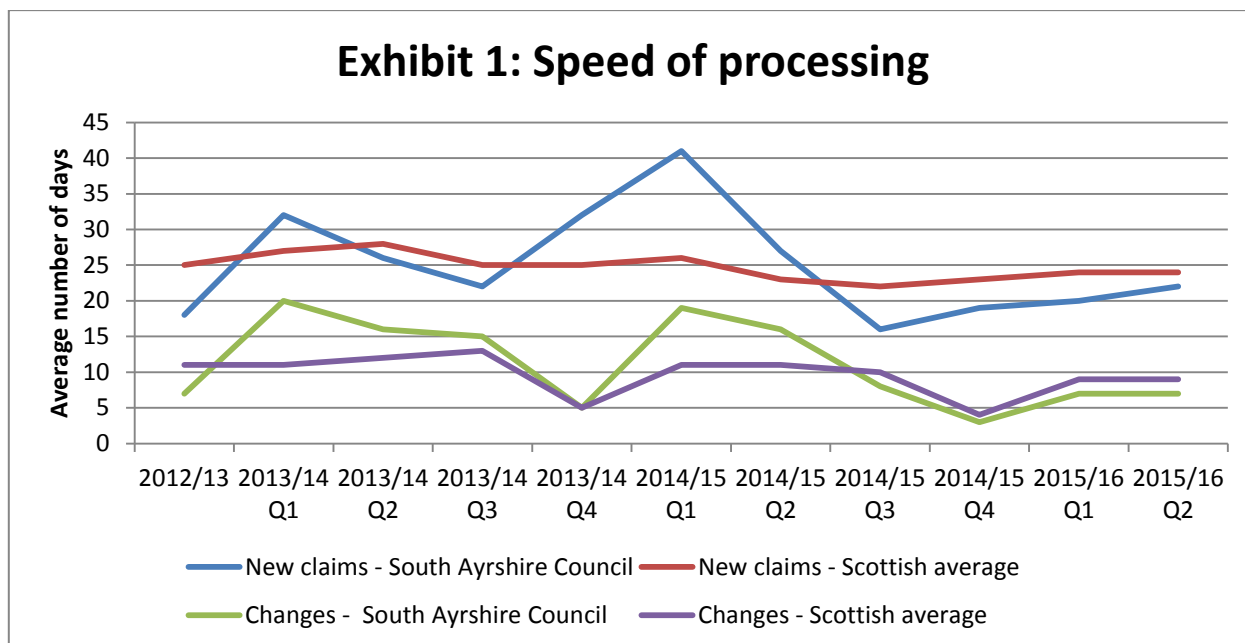
| Risk to continuous improvement | |
|--------------------------------|--|
| 1 | There is little or no evidence that the service ensures that all key improvement activities detailed in its annual business plan are effectively prioritised, planned and monitored to completion. |

Delivering outcomes

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

Speed of processing

26. 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.
27. Exhibit 1 illustrates the council's current and previous performance.



Source: DWP

28. This illustrates the decline in performance which started in quarter one of 2013/14 following the loss of seven staff and the overwhelming number of enquiries the service had to field as a result of the major welfare reform changes at that time. By the end of that year performance had further declined but with the continued use of controlled overtime and introducing a number of changes, improved performance has been sustained since quarter three of 2014/15.
29. The first change in February 2014 was the integration of three members of customer services staff to supervisory posts.
30. An engagement with DWP's Performance Development Team (PDT) resulted in two further changes. One of which involved staff participation in delivering increased automation of the DWP's Automated Transfers to Local Authority Systems (ATLAS), which increased to 60% of all notifications from 16 May 2014. Currently work is underway to further increase this.
31. The next change following PDT engagement was the creation in June 2014 of a specialist team to process new benefit claims, on average within two weeks. This may explain the pronounced drop in performance at that time when all outstanding claims were being cleared.
32. In addition, the council's Leadership Panel approved external remote processing to assist with the increased volumes of changes of circumstances as a result of ATLAS, RTI and FERIS. From July 2014 the service contracted an external provider to process changes remotely. This flexible arrangement remains, is reviewed annually and will continue into 2016/17. It also helped the service when the previous practice of office closure to the public each Wednesday ceased in April 2015.
33. We reported earlier that further changes are planned over the next two years. By optimising automation through the implementation of fully integrated electronic claims and changes along with RBV, the service hopes to further improve performance in this area.

34. Although there is a dedicated new claims team, staff are rotated to support a generic service. Individual productivity targets have been set based on the work officers are assigned to, whether that is front line enquiries, telephones, new claims, changes or reviews. Performance against these targets is reviewed and corrective action taken where necessary.
35. Audit Scotland identified one risk to continuous improvement during the previous risk assessment which related to the decline in performance. The changes implemented by the service have improved performance to above the Scottish average. However management information shows there is the potential to further improve its new claims performance.

Risk to continuous improvement

| | |
|---|--|
| 2 | During 2015/16, 70% of the new claims received were not fully supported by the required evidence. This delays processing. The service needs to understand why this is the case, what types of cases are most affected, and whether RBV will address this or further education and guidance for its customers are required. |
|---|--|

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 service aims to check at least 4% of all decisions before decision letters are issued. The latest management information confirms that over 4.5% has been checked this year and for the previous two years. The number to be checked is determined by the policy team and then notified to the team supervisors who randomly select cases from all members of their individual team.
38. To facilitate consistency of checking across the teams, up to 25% of those cases checked are checked again by a member of the policy team. The outcome of this second check is included in management information and informs the overall accuracy performance. Exhibit 2 illustrates the council's current and previous performance.

Exhibit 2: Accuracy performance

| | Target | Achieved |
|--------------------------|--------|----------|
| 2013/14 | >98% | 97% |
| 2014/15 | >98% | 99% |
| 2015/16 (YTD Jan) | >98% | 98% |

Source: South Ayrshire Council

39. The service reports that there is regular analysis of the findings to allow training needs or procedural changes to be identified. However there are so few errors found that it would be

difficult to do so from the analysis that is produced. As an example, in 2015/16 there were four errors relating to incorrect income but its not clear what type of income was involved or indeed how many standard cases had been checked to allow context.

- 40. However, external audit have found very little error during the annual subsidy audits over recent years which provides some assurance on the accuracy of the caseload.

| Risk to continuous improvement | |
|--------------------------------|---|
| 3 | The service has been and is still checking a large number of cases that are found to be correct. A more effective and efficient use of resources would be to ensure that there is a focus on risk which would include the more complex types of cases, for example, those with earned income. |

Interventions

- 41. 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.
- 42. The service uses a local risk based approach for its intervention activity and contacts those identified customers either by post or by visit. Exhibit 3 illustrates the council’s current and previous performance.

| Exhibit 3: Intervention performance | | | |
|-------------------------------------|-------------------------|--------------------|-----|
| | Interventions completed | Changes identified | % |
| 2013/14 | 226 | 169 | 75% |
| 2014/15 | 410 | 287 | 70% |
| 2015/16 (YTD Dec) | 1080 | 791 | 73% |

Source: South Ayrshire Council

- 43. Audit Scotland identified two risks to continuous improvement during the previous risk assessment. The first related to the already low and further decreasing number of interventions being carried out compared to previous years.
- 44. This has been addressed from the end of 2014/15 when the service introduced targeted reviews to its programme of full case reviews. This was done using funding from DWP’s FERIS, having used earlier funding for a Pan-Ayrshire radio publicity campaign to raise awareness of the need to report changes of circumstances.
- 45. The second risk related to the low number of pro-active interventions, in relation to caseload, the service had carried out compared to three recently visited councils. While the service has

increased its intervention activity and the results are strong, it acknowledges that it has more work to do in analysing its caseload to ensure that all appropriate cases are targeted.

| Risk to continuous improvement | |
|--------------------------------|--|
| 4 | The service has not analysed its caseload to determine the number of cases in the different categories, such as occupational pension or earned income that it includes in its intervention activity. This will indicate the total number of cases to be considered as part of its intervention programme and ultimately provide assurance that it is doing all it can to reduce fraud and error. |

Overpayments

46. 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.
47. 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
 - prompt suspension of benefit where appropriate
 - increased automation of ATLAS.
48. Exhibit 4 illustrates the council's current and previous performance.

| Exhibit 4: HB overpayment recovery performance | | | |
|--|------------|------------|----------------------|
| | 2013/14 | 2014/15 | 2015/16 (YTD Dec) |
| Carried forward from previous year | £2,429,987 | £2,808,075 | £2,935,550 |
| Overpayments raised | £1,176,067 | £1,370,069 | £1,376,147 |
| Total overpayments | £3,606,054 | £4,178,144 | £4,311,697 |
| HB debt recovered | £841,563 | £967,120 | £749,518 |
| % recovered of total HB debt | 23% | 23% | 17% |
| HB debt written off | £176,456 | £143,398 | £10,858 |

Source: South Ayrshire Council

49. The most effective method of overpayment recovery is from ongoing entitlement. Where such entitlement has ceased, recovery is pursued by issuing invoices requesting repayment. If

required, these are followed up by reminders and in due course the debt is passed to the sheriff officer for enforcement action including earnings arrestment.

Counter-fraud

50. In line with the Autumn Statement by the Chancellor of the Exchequer on 5 December 2013, SFIS has been launched within DWP to bring together welfare benefit fraud investigations previously undertaken by DWP, local authorities and Her Majesty's Revenues and Customs.
51. As part of the national roll out, the responsibility for investigating HB fraud in South Ayrshire transferred to DWP's SFIS in October 2014. Two members of staff transferred to SFIS and the remaining two now work in the council's corporate fraud team.

Appendix A

| Progress against action plan dated October 2013 | | | |
|---|--|------------------------|-------------------|
| No | Risk identified | Target completion date | Addressed in full |
| 1 | There is still little evidence of routine progress monitoring, particularly of the improvement activities detailed in the Welfare Reform Working Group Work Plan which have not been updated since 2012. | November 2013 | No |
| 2 | The council does not consider or compare its performance against other councils and the Scottish average as reported in quarterly DWP national statistics. | December 2013 | Yes |
| 3 | The council's speed of processing performance has declined compared to target and to a certain extent compared to other councils. | December 2013 | Yes |
| 4 | The council identified 223 changes last year but based on current numbers might not manage to even undertake that number of pro-active interventions. | March 2014 | Yes |
| 5 | When compared to three recently visited councils the number of pro-active interventions carried out since April 2011, in relation to caseload, is small. The council needs to ensure it is targeting all appropriate cases in its intervention activity. | December 2013 | No |