Stirling 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 Stirling 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

    *   discussions with senior officers in the council during our site visit in March 2017.

Executive summary

5. A risk assessment was previously carried out on Stirling Council's benefit service in June 2013 when Audit Scotland identified three risks to continuous improvement. These were reported to the Chief Executive in July 2013 and, in response, the council submitted an action plan in August 2013 to address these risks, which Audit Scotland accepted as satisfactory, if fully implemented.

6. Since our previous visit, there have been some significant changes within the Revenues and Benefits service. These included the retirement of the long-serving Revenues and Benefits Manager in December 2015, followed by the successful appointment of the former Customer Services Team Leader to the Revenues and Benefits Manager post in January 2016.

7. However, the most significant changes are in respect of resources. We were told that the staffing complement had reduced by between four and five full-time equivalents (FTE) since 2013, and that the vacant Customer Services Team Leader post had been deleted from the establishment; this was because the duties of the post formed part of an expanded remit of the new Revenues and Benefits Manager.

8. Most notably, the working week for Revenues and Benefits staff was reduced from 37 hours to 35 hours in April 2016, which resulted in a reduction in available processing time of approximately 1080 hours per annum.

9. Despite reduced resources, it is highly commendable and a testament to the commitment of staff that the service has delivered an excellent level of claims processing performance each year since 2013/14.

10. However, we are concerned that, since the reduction in working hours in April 2016, the service has not been able to maintain previous performance levels. In-month average speed of processing performance has declined from 14 days for new claims and four days for change events, to 22 days and six days respectively, at 31 January 2017.

11. In context, the council's cumulative average speed of processing performance at 31 January 2017, which at 18 days for new claims and six days for change events, means that performance is still in the top quartile in Scotland, based on the DWP's quarter two published performance data. However, if resources remain at current levels, and the service is unable to identify further improvements to help reduce the time taken to process claims, we consider that there is a significant risk that speed of processing performance will continue to decline in 2017/18.

12. It is of concern that the council had not completed any of the three risks outstanding from our previous risk assessment. However, it has still made a very positive contribution to the delivery of the benefit service. In particular, by:

    • delivering an excellent level of claims processing performance during a period of significant change within the service, which placed the council as the third best performer in Scotland for the average time to process new claims, and equal sixth for the average time to process change events, based on DWP's quarter two 2016/17 published statistics

    • having an annual programme of interventions activity which has helped identify approximately £132,000 of overpayments since 2013/14, and successfully achieving funding from the DWP's Fraud and Error Reduction Incentive Scheme (FERIS) to support its activities

    • delivering an excellent level of overpayment recovery performance each year since 2013/14.

13. Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefit service, there are seven new risks and three risks outstanding from our previous risk assessment. In order to ensure continuous improvement, the council needs to address the outstanding risks and the new risks identified. These include:

    • the council is not maximising the opportunities to automate change events when using the DWP's Automated Transfer to Local Authority Systems (ATLAS) service, which could help free up resources by reducing the amount of manual intervention required

    • in-month average speed of processing performance has declined from 14 days for new claims and four days for change events in April 2016, to 22 days and six days respectively as at 31 January 2017

    • the council's accuracy rate has been in decline since 2015/16

- the outcomes from management checks are not being routinely analysed to help identify trends and patterns of error that could help improve accuracy rates.

Business planning and reporting

14. 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.

15. Revenues and Benefits is a key service within the council and responsible for paying in the region of £18 million of HB annually, in respect of approximately 5,000 claims. It is part of the *Localities and Infrastructure* directorate and reports directly to the Chief Finance Officer and Director of Localities and Infrastructure.

16. At an operational level, the *Revenues and Benefits Service Plan 2016/17* is comprehensive and contains the service profile and its goals and objectives for the year. These objectives are to deliver a quality service to meet the needs of customers in an efficient and effective way that maximises income to the council, and to support low-income households and businesses applying benefit and discount, where applicable.

17. The business plan also includes the key performance indicators for the service which are the:

- average time to process new claims
- average time to process change events
- accuracy of claims.

18. In order to maintain a high level of service the business plan is reviewed annually by the Revenues and Benefits Manager and the Chief Finance Officer, and new targets are set based on previous performance with a view to delivering continuous improvement where possible.

19. In respect of performance reporting, the council has a well-established performance management framework that includes:

- two monthly meetings between the Revenues and Benefits Manager and the Chief Finance Officer
- quarterly meetings between all Revenues and Benefits staff and the Revenues and Benefits Manager
- quarterly senior management team meetings between the Revenues and Benefits Manager, the Chief Finance Officer, and the Performance Manager
- weekly meetings between the Chief Finance Officer and the Director of Localities and Infrastructure.

20. We were told that there are regular informal meetings within the service, and that benefit performance is discussed at all formal meetings, and at meetings between the Revenues and Benefits Manager and individual staff as part of the council's annual Personal Review and Development process.

21. In addition, the council makes good use of an online performance management tool which is updated monthly with performance in respect of the average time to process new claims, the average time to process change events, and the accuracy of payments. We were told that the performance management tool is available to view by senior management and elected members.

22. As discussed in the *Executive summary*, Audit Scotland is concerned that the current level of resource within the benefit service might not be sufficient to deliver continuous improvement, or maintain previous performance levels. Since the reduction in the working week from 37 hours to 35 hours in April 2016, the service has been operating with approximately 1080 hours less processing time per annum in respect of the 12 staff that process HB claims.

23. The impact of this change has resulted in the decline of the in-month average speed of processing performance from 14 days for new claims and four days for change events in April 2016, to 22 days and six days respectively, as at 31 January 2017. Although change events performance has declined, we would expect performance to revert to previous levels when the council has carried out its annual bulk uprating process on the benefit IT system at the end of the financial year.

24. Audit Scotland identified one risk to continuous improvement during the previous risk assessment. Although the council reported its performance in respect of the recovery of in-year debt annually, in order to ensure that overpayment recovery performance is monitored regularly and subject to greater scrutiny, in-year and all debt recovery performance should be reported monthly using the online performance management system.

25. We consider that this risk remains outstanding as, despite delivering and maintaining an excellent level of performance in the recovery of all debt and in-year debt, the council has not set a target for this work and does not report its performance as part of the performance management framework. It is therefore missing an opportunity to recognise excellent performance, and to ensure that performance is monitored on a regular basis.

Risks to continuous improvement	
1	There is a significant risk that the current level of resource within the benefit service is insufficient to maintain or improve on previous claims processing performance levels.
2	The benefit service is not formally reporting its performance to elected members and therefore there is limited assurance that, where performance is below expectations, the service is being challenged to deliver improvements. It is also missing an opportunity to raise the profile of the service and recognise good performance.

Delivering outcomes

26. 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

27. When customers claim benefit, it is a time of financial uncertainty for them and, as such, it is essential that the service has sufficient fully trained and effective benefit processors in place that can make informed decisions on complex benefit claims and pay benefit promptly.

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

Exhibit 1: Speed of processing performance (average number of days)				
	2013/14	**2014/15**	**2015/16**	**2016/17 (31 Jan)**
New claims	14 days	15 days	15 days	18 days
Change events	4 days	4 days	4 days	6 days

Source: Stirling Council & DWP

29. Although the amount of processing time available to the service has significantly reduced since April 2016, at the time of our site visit, we were told that there was no backlog of work outstanding. In addition, the service proactively manages its caseload, and there is daily monitoring of the workflow system to ensure that new claims and change events are prioritised.

30. In order to help deliver service improvements the council works closely with third sector agencies to collect information on its behalf, and has an arrangement in place for housing colleagues to obtain claim information when customers sign up for a new tenancy.

31. In addition, there have been a number of changes to working practices to help streamline the claims process. These included:

- processing new claims received at the council's one stop shop at the point of receipt, if the customer has provided all of the required information

- reducing the level of cover provided by Revenues and Benefits staff at the one stop shop from five days to four days

- immediate scanning and e-mailing of all claim documentation received at the one stop shop to the Revenues and Benefits service. This allows for quicker indexing of documents to the document imaging system.

32. Although it is recognised that the service has taken positive steps to help improve, and increase available processing time, unfortunately it has not been sufficient to negate the impact on in-month average speed of processing performance since the reduction in the working week, as detailed in exhibit 2 below.

Exhibit 2: In-month speed of processing performance 2016/17
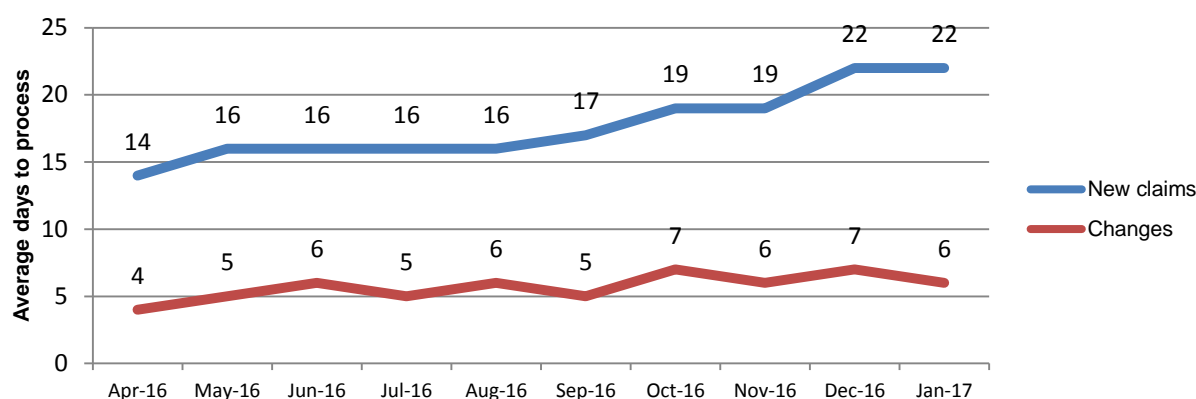
33. It is acknowledged that the council has consistently delivered excellent performance in respect of the time taken to process claims. For example, in 2014/15, the council's performance placed it as the top performer in Scotland for the average time to process new claims, and equal top for the average time to process change events, based on DWPs 2014/15 published data.

34. In 2015/16, the council maintained its place as the top performer in Scotland for the average time to process new claims, and equal top for the average time to process change events, based on DWPs 2015/16 published data. This level of performance is highly commendable.

35. It is also acknowledged that, although new claims processing performance has declined significantly from an average of 14 days in April 2016 to 22 days in January 2017, the cumulative average of 18 days, as at 31 January 2017, would place the council as equal third in Scotland based on the DWP's 2016/17 quarter 2 published performance data.

36. At a cumulative average of six days for processing change events in 2016/17, the council would be placed equal sixth in Scotland. However, as detailed under *Business planning and reporting*, it would be expected that change events performance would revert to previous levels when the council has carried out its annual bulk uprating process on the benefit IT system at the end of the financial year.

Risks to continuous improvement	
3	The council is not maximising the opportunities to automate change events when using the DWP's Automated Transfer to Local Authority Systems (ATLAS) service. This could help free up resources by reducing the amount of manual intervention required.

Risks to continuous improvement	
4	In-month average speed of processing performance has declined from 14 days for new claims and four days for change events in April 2016, to 22 days and six days respectively, as at 31 January 2017.

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. The benefit service has a comprehensive management checking process in place to ensure the accuracy of its claims. The majority of management checks are post payment and carried out by the Revenues and Benefits Manager, the Support Unit Team Leader, and three Customer Services officers, who aim to carry out a minimum of 25 checks per month across the full range of benefit claim types.

39. Each month a report is produced from the benefit IT system and a random sample of cases are selected for a management check. Up to 36 aspects of a new claim and 15 aspects of a change event are checked. In order to ensure an audit trail, the outcome of each management check is recorded on a comprehensive check sheet which is signed off after any errors identified had been corrected by the processor. Once complete, the check sheet is scanned and indexed onto the customer's claim file on the document imaging system.

40. At a summary level, the outcomes from management checks are recorded electronically on a spreadsheet, which is used to derive the council's post payment accuracy rate.

41. In addition to the monthly management checks, the council carries out a 100% check of the work of new staff, which is reduced incrementally until the officer achieves a level of competence, and residency checks are carried out on all new tenancies to confirm residency and household details. This is considered good practice.

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

Exhibit 2: Financial accuracy performance		
	Target	**Achieved**
2014/15	95%	97%
2015/16	95%	95%
2016/17 (31 Jan)	95%	93%

Source: Stirling Council

43. Although the management checking process is structured, the council's accuracy rate has been in decline since 2015/16. We were told that the current approach to management checks changed following the implementation of a new document imaging system in November 2016.

44. As a result of this change, the daily management check functionality of the benefit IT system ceased to work and the council has been waiting since then for this to be resolved by its IT supplier. We were told that daily management checks would be reintroduced once the benefit IT system functionality has been restored.

Risks to continuous improvement	
5	The council's accuracy rate has been in decline since 2015/16.
6	The current management check process means that there is the potential for an incorrect claim to remain in payment for up to six weeks before being corrected.
7	Outcomes from management checks are not routinely analysed to help identify trends and patterns of error that could help improve accuracy rates.

Interventions

45. 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.

46. To support this, the benefit service notification letters remind customers of the requirement to report any change in circumstances. In addition, the council 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 can be downloaded for offline completion.

47. The council also actively participates in the DWP's Housing Benefit Matching Service (HBMS), Audit Scotland's National Fraud Initiative (NFI), and more recently the DWP's Real Time Information (RTI) and optional RTI data matching services, which all help to identify possible unreported change events that require further investigation.

48. As detailed in its *Intervention Procedures*, the benefit service manages an annual programme of interventions and aims to carry out approximately 1,200 interventions each year in respect of customers considered to be at high-risk of failing to report a change in circumstances. The majority of the council's interventions are by post and visit and, to facilitate this, the benefit IT system is utilised to produce reports throughout the year to target certain client groups. For example:

    - April: customers with earnings
    - May: customers in receipt of an occupational pension
    - June: earnings, where the customer has not reported a change within the last six months
    - July: customers with capital in excess of £6,000
    - August: customers in receipt of child care payments.

49. In addition, the benefit 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.

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

Exhibit 3: Interventions performance			
	No. of interventions completed	No. of changes identified	%
2014/15	1,289	798	62%
2015/16	1,399	712	51%
2016/17 (31 Jan)	1,177	458	39%

Source: Stirling Council

51. It is commendable that, since commencing its intervention activities in 2013/14, to date the service has identified in excess of £132,000 of benefit overpayments that may otherwise have gone undetected.

52. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that intervention outcomes were not routinely analysed to identify trends and patterns, areas for improvement, or to inform future work activity.

53. We consider that this risk remains outstanding as, although the council records the outcomes from its interventions activities, it is limited to whether there has been an increase, decrease, or no change to the customer's benefit.

54. To illustrate the benefits of carrying out detailed analysis, we looked at the council's interventions outcomes from April 2016 to January 2017. During this period, the benefit service identified £35,824 of overpayments from 1,029 interventions carried out, which equates to a return of £34.81 per intervention.

55. However, the cumulative overpayments identified in respect of the 273 interventions carried out in August 2016, November 2016, and January 2017 amounted to £26,607, which equates to a return of £104.70 per intervention.

56. It is clear from the analysis that certain claim types provide better results and therefore, at a time of reduced resources and increased workloads, it could benefit the council to focus on claim types that provide the greatest returns. Increasing the level of information recorded in respect of intervention outcomes would also help the council to:

- identify which intervention types result in positive outcomes
- determine the cost effectiveness of each campaign
- prepare its future interventions strategy.

57. This is particularly important going forward as the DWP has recently introduced its Right Benefit Initiative funding for 2017/18 which is designed to incentivise council's to target the highest area of fraud and error in HB, namely earnings related claims.

Overpayments

58. 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.

59. The *HB Overpayment Recovery Policy and Strategy* sets out the council's objectives, which are to maximise the recovery of all overpaid HB, while ensuring that all debt owed to the council is taken into consideration.

60. When a customer is no longer receiving HB, an invoice is raised on the council's sundry debtor system and the Arrears Team is responsible for pursuing the debt by taking further action as appropriate. This team, which has six FTE officers, makes good use of all available recovery options including:

- issuing an invoice when the customer is no longer in receipt of benefit

- working with the DWP's Debt Management Unit to recover overpayments from ongoing DWP benefits where appropriate

- offsetting an overpayment using a credit on a customer's rent account

- using the DWP's Customer Information System to trace customers who are no longer resident within the local authority area

- using a Direct Earnings Attachment (DEA) when the customer is in employment

- working with Sheriff Officers, where all other available recovery options have been exhausted.

61. In order to minimise HB overpayments, the council prioritises change events that could lead to an overpayment, uses benefit IT system reports to predict changes, and reminds customers wherever possible of the need to report any changes. This proactive approach has helped minimise the number of local authority (LA) and administrative error overpayments that can arise as a result of processing delays.

62. This is particularly important as the council could lose subsidy where its LA/administrative error rate exceeds 0.48% of all HB payments made. The council has performed exceptionally against this target by recording an LA/administrative error rate of 0.25% in 2015/16 and 0.17% in 2016/17, to date.

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

Exhibit 4: Overpayment levels and recovery performance				
	2013/14	**2014/15**	**2015/16**	**2016/17 (31 Dec)**

Exhibit 4: Overpayment levels and recovery performance				
Total overpayments c/f	£809,768	£769,513	£917,382	£883,790
Total overpayments raised in-year	£353,226	£564,029	£425,024	£319,110
HB debt recovered	£320,316	£345,215	£365,118	£256,453
% of in-year debt recovered	91%	61%	86%	80%
% of total HB debt recovered	28%	26%	26%	21%

Source: Stirling Council

64. A key aim of the *HB Overpayment Recovery Policy and Strategy* is that rigorous recovery should act as a deterrent. In order to meet this aim, the council has made best use of all available resources to deliver an excellent level of recovery performance since 2013/14, which is amongst the best in Scotland. This is commendable.

65. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:

- there was no target to improve the council's performance in the recovery of all benefit debt, and therefore performance was not reported to senior management and members

- the council did not analyse the effectiveness of its recovery methods to help plan future work, and to help target its resources to best effect.

66. We consider that these risks remain outstanding as there is no target for the recovery of in-year, or all debt recovery performance and therefore it is not reported as part of the council's performance management framework. Despite performing to a high standard, we found no evidence that the service was analysing the effectiveness of its recovery methods to help target resources to best effect.

Appendix A

Progress against action plan update at February 2017	
Although the council reports its performance in the recovery of in-year debt annually, in order to ensure that overpayment recovery performance is monitored regularly and subject to greater scrutiny, in-year and all debt recovery performance should be reported monthly using the online performance management system.	Outstanding
The council is reporting the value of overpayments and underpayments from its intervention activities but has not provided any evidence of analysis of outcomes to determine future activity.	Outstanding
There is no target to improve the council's performance in the recovery of all benefit debt, and therefore performance is not reported to senior management and members. The council does not analyse the effectiveness of its recovery methods to help plan future work, and to help target its resources to best effect.	Outstanding