

# Fife Council

**Audit of housing benefit**

**Risk assessment report**



 **AUDIT SCOTLAND**

**Prepared for Fife Council**

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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 Fife 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 January 2017.

## Executive summary

5. A risk assessment was previously carried out on Fife Council's benefit service in November 2013 when Audit Scotland identified nine risks to continuous improvement. These were reported to the Chief Executive in December 2013 and, in response, the council submitted an action plan in January 2014 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 council. In preparation for the rollout of Universal Credit, from April 2015, the service has gradually taken on additional processing duties in respect of free school meals, clothing grants, educational maintenance allowance, and most recently, long-term care financial assessments.
7. In addition, following a service restructure in April 2016, the service lost a number of experienced staff at Lead Officer and Officer level. This was at the same time as responsibility for the recovery of HB overpayments transferred to the Collections Team, and the service went 'live' with full service Universal Credit (UC) for single claimants.
8. Despite these changes, and the loss of considerable knowledge and experience at a senior level, it is commendable that the service has continued to deliver an excellent level of claims processing performance during this time, and is continually seeking new ways to deliver improvements by:

- taking on three modern apprentices in September 2016, and providing them with training towards achieving an Institute of Revenues Rating and Valuation diploma
  - recruiting four new revenues assistants in January 2017
  - providing a facility to allow staff to work from home
  - delivering performance improvements following the *Future working* project, and reviewing current working processes with a view to further reducing duplication and waste.
9. However, we consider that the biggest challenge the service will face going forward is the requirement to achieve a 10% reduction in costs by the end of the 2018/19 financial year, while maintaining or improving on its current performance during a time of reducing resources and increasing workloads.
10. In completing five of the nine risks previously identified, the council has made a very positive contribution to the delivery of the benefit service. In particular, by:
- developing an *Integrated Income Collection and Debt Recovery Policy* and ensuring that the key performance indicators for the benefit service are consistent and accurately reported
  - 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 eighth for the average time to process change events, based on DWP's 2015/16 published statistics
  - developing an annual programme of interventions, successfully achieving funding from the DWP's Fraud and Error Reduction Incentive Scheme (FERIS) to support its activities, and achieving FERIS payments for quarter 1 and 2 of 2016/17 by exceeding the threshold set by the DWP for the number of changes identified.
11. Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefit service, there are six new risks and four risks outstanding from our previous risk assessment. In order to ensure continuous improvement, the council needs to address these risks. These include:
- in view of the reduction in staff as a result of a service restructure in April 2016, the service's requirement to deliver a 10% reduction in costs by the end of the 2018/19 financial year could significantly impact its ability to deliver continuous improvement or maintain current performance
  - there is limited reporting of service performance to elected Members and therefore the service is not being challenged when performance is not meeting expectations and is missing an opportunity to raise its profile and help to provide members with a holistic view of the service
  - the council has not achieved its accuracy target since 2013/14
  - there is limited reporting of HB overpayment recovery performance and all debt recovery performance, at 15%-17% since 2013/14, is considered low when compared to other Scottish councils where Audit Scotland has regularly seen recovery rates exceeding 20%.

# Business planning and reporting

12. 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.
13. The Benefits and Council Tax Assessment service is part of Revenue and Commercial Services, which is part of the Finance and Corporate Services Directorate. The *Fife Council Plan 2017* details the financial challenges facing the council over the next four years and its plans to meet these challenges. It also contains four main objectives which are to:
  - grow a vibrant economy
  - increase opportunities and reduce poverty and inequality
  - improve quality of life in local communities
  - promote a sustainable society.
14. At service level, the *Assessment Team Vision Statement 2016/17* is the key strategic document that sets out its main activities for the year and its key performance indicators, which are the:
  - average time to process new claims
  - average time to process change events.
15. In order to provide a high level of service, the vision statement is reviewed at least annually and new targets are set based on previous performance, with a view to delivering continuous improvement, where possible.
16. A key concern going forward is a requirement for the Benefits and Council Tax Assessment service to meet a 10% reduction in costs by the end of the 2018/19 financial year. In order to achieve this, during 2016/17 the service had carried out a review of the assessment process as part of the *Future working* project, which had delivered processing performance improvements, and had reviewed the work of the Performance and Training (PAT) team, which had also identified process improvements.
17. We were told that ongoing reviews of service processes would continue to be carried out with a view to identifying further improvements by removing duplication and waste.
18. The council has a clear performance management framework that includes weekly meetings between Lead Officers and the Revenues Team Manager to discuss workload, performance and planning. We were told that quarterly 1-2-1 meetings with individual staff will be held from April 2017 to discuss performance against personal targets, which are set as part of the council's contribution management process.

19. At a senior management level, performance and the strategic direction of the service are discussed at the six-weekly meetings between the Revenues Team Manager and the Head of Revenue and Commercial Services, and the six-weekly meetings between the Head of Revenue and Commercial Services and the Head of Finance and Corporate Services.
20. In addition, the council uses an online performance management system, which is available to view by senior management, and which we were told would be updated monthly from April 2017 to include all of the service's key performance indicators. However, when we scrutinised a selection of the service's performance reports we found a number of inconsistencies. For example, on the *Council Tax and Benefits Performance* spreadsheet:
- the time taken to process change events was reported at an average of four days in June 2016 when the actual time taken was six days
  - the council's financial accuracy performance between April and December 2016 was reported at 96% when Audit Scotland's analysis of the data showed the accuracy rate to be 91%
  - the number of accuracy checks carried out between April and December 2016 was reported at 1,180, which is significantly less than the 2,224 recorded on the *Benefits Checking* spreadsheet, which is used to record the outcomes from the service's management checks.
21. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
- the *Corporate Debt Policy* had still to be fully developed and approved by members
  - there were discrepancies between the benefit service performance targets documented within team plans and other key documents, and those contained in the monthly management report to senior management, which were also reported to members through the online performance management system.
22. We consider that both of these risks have been addressed as the council's *Integrated Income Collection and Debt Recovery Policy* was approved by elected Members in April 2015, and the service's key performance indicators are now being reported consistently across its key documents.

#### Risks to continuous improvement

1	In view of the reduction in staff as a result of a service restructure in April 2016, the requirement for the Benefits and Council Tax Assessment service to achieve a 10% reduction in costs by the end of the 2018/19 financial year could significantly affect its ability to deliver continuous improvement or maintain current performance.
2	There is limited reporting of performance to elected Members and therefore the service is not being challenged when performance is below expectations, and is missing an opportunity to raise its profile and help to provide members with a holistic view of the service.

**Risks to continuous improvement**

3	There are insufficient cross-checks in place to provide assurance that performance is reported accurately and consistently across all aspects of the service.
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# Delivering outcomes

23. Effective operational processes and IT systems, along with skilled staff, help benefit services deliver sound performance and continuous improvement. The council has a number of management arrangements in place to support this.

## Speed of processing

24. When customers claim benefit, it is a time of financial uncertainty for them and, as such, it is essential that the service has sufficient fully trained and effective benefit processors in place that can make informed decisions on complex benefit claims and pay benefit promptly.
25. Exhibit 1 illustrates the council's current and previous performance.

### Exhibit 1: Speed of processing performance (average number of days)

	2013/14	2014/15	2015/16	2016/17 (31 Jan)
<b>New claims</b>	22 days	20 days	17 days	18 days
<b>Change events</b>	10 days	8 days	6 days	7 days

Source: Fife Council & DWP

26. As detailed in the *Executive summary*, there have been significant changes to the structure of the benefit service since our last report in November 2013. Despite additional workloads, and the loss of senior officer expertise and knowledge, staff have responded very positively. The service has proved extremely resilient by delivering continuous improvement in the average time taken to process new claims and change events in 2014/15 and 2015/16, while maintaining a broadly similar level of performance in 2016/17, at 31 January 2017.
27. In order to achieve this, and to make the service more efficient and streamlined, the council made a number of changes to its business processes. These included:
- removing the paper claim facility and introducing an online application form in 2013 which helped reduce costs, improve claim handling times, and provided a fully automated claim application process
  - implementing Risk Based Verification (RBV) for new claims in June 2015, which ensures that enhanced checks are carried out on medium and high-risk claim types

- launching an online portal to enable private and housing association landlords to access payment schedules and basic claim details for their tenants
  - making good use of the DWP's Automated Transfer to Local Authority Systems (ATLAS) service to automate approximately 60% of reported changes
  - regular and proactive caseload management to reduce the number of claims outstanding.
28. In 2015/16, the council's performance placed it as the third best performer in Scotland for the average time to process new claims and eighth for the average time to process change events, based on DWP's 2015/16 published data. In view of reducing resources and increased workloads, this level of performance is commendable.

## Accuracy

29. 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.
30. The council places significant importance on the accuracy of its claims and has a detailed procedural manual and a comprehensive management checking process in place. Officers carry out a rolling programme of checks for each of their assessors on a quarterly basis whereby each assessor will have eight HB claims checked across a range of claim types.
31. The outcomes from these checks are recorded electronically and summarised independently by the PAT team to produce the council's financial accuracy rate, which is reported monthly to senior management.
32. In addition, there is a 100% check of the work of new staff and staff that are under-performing which is reduced incrementally as performance improves, and a 100% check of payments over £1,500 to ensure that the payment is accurate, and that it has been authorised appropriately.
33. Where staff are under-performing, the service's performance improvement programme would be invoked. This involves a period of up to three months monitoring followed by the development of an action plan if the required improvements are not realised within this timeframe.
34. Exhibit 2 illustrates the council's current and previous accuracy performance.

**Exhibit 2: Financial accuracy performance**

	Target	Achieved
2014/15	96%	95%
2015/16	96%	95%
2016/17 (31 Dec)	96%	94%

Source: Fife Council

35. It is acknowledged that the council has a clear and structured approach to management checking. However, when Audit Scotland analysed the service's accuracy data we found a number of inconsistencies and data omissions. These included the following:
- Between April 2016 and December 2016, the *Council Tax and Benefits Performance* summary spreadsheet showed that 1,180 checks were carried out while the *Benefit Checking* spreadsheet, which contains the management check outcomes, showed that 2,224 checks were carried out during the same period.
  - Of the 2,224 checks carried out, no data had been recorded in respect of 1,145 checks (51%) to show if the claim had been checked before or after a payment had been issued.
  - Where a financial error had been identified, in 44 cases there was no record to confirm if the claim had subsequently been corrected.
  - Audit Scotland's analysis of the data on the *Council Tax and Benefits Performance* summary spreadsheet showed the council's financial accuracy rate at 91% for the period April 2016 to December 2016, which is less than the 96% reported by the council.
36. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
- in order to have a complete picture of accuracy performance, the service needed to ensure that it was reporting accuracy rates in respect of all staff and not just staff that were experienced
  - despite a comprehensive programme of management checks, accuracy performance had declined in 2013/14 when compared to performance in 2012/13. The council therefore needed to establish the reasons for this decline, and ensure that these were addressed.
37. We consider that both of these risks remain outstanding as it is unclear from the council's data what checks are being included in the monthly performance report to senior management and, despite a very comprehensive programme of management checks, the council has not met its accuracy target since 2013/14.
38. It is acknowledged that, at the time of the on-site visit, the council had already identified this as an area of concern and that a full review of the management checking process and performance reporting would be carried out in the near future.

Risks to continuous improvement	
4	The council has not achieved its accuracy target since 2013/14.
5	The council's reported accuracy performance is not consistent with Audit Scotland's analysis of the summary data, and therefore the council should consider reviewing its accuracy-checking regime to ensure that it is correctly recording all outcomes, in respect of all staff, to provide assurance that service is consistently and correctly reporting accuracy performance.

## Interventions

39. 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.
40. To support this, the benefit service notification letters remind customers of the requirement to report any change in circumstances and 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 a fully automated online change of circumstances form.
41. 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 changes of circumstances that require further investigation.
42. In 2015, the council was successful in achieving funding from the DWP's FERIS fund and, to date, has received approximately £164,000 which has been used to:
  - update the council website, and purchase commercial software to help identify high-risk claims for intervention
  - carry out an extensive publicity campaign, including a radio advert, to remind customers of the need to report changes
  - provide additional training to local office staff, housing association staff to educate customers on the need to report all changes of circumstances.
43. As detailed in its *Intervention Strategy*, the benefit service manages an annual programme of interventions activity to identify and contact customers considered to be at high-risk of failing to report a change in circumstances. For example, customers earning the minimum wage, customers affected by the benefit cap, and customers identified by a commercial software product that are deemed to be high-risk, e.g. pensioners not in receipt of pension credits.
44. In addition, the benefit service makes good use of the benefit IT system diary facility to produce reports that highlight claims where future changes are expected, or known, which could affect the customer's benefit entitlement, for example, a significant birthday or an increase in earnings.
45. Exhibit 3 below details the outcomes from the council's interventions activity.

<b>Exhibit 3: Interventions performance</b>			
	No. of interventions completed	No. of changes identified	%
<b>2014/15</b>	3,735	1,741	47%
<b>2015/16</b>	3,397	2,090	62%
<b>2016/17 (31 Dec)</b>	2,943	1,423	48%

Source: Fife Council

46. 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.

Risk to continuous improvement	
6	<p>The council is unable to determine the effectiveness of its intervention activity in monetary terms and is therefore missing an opportunity to:</p> <ul style="list-style-type: none"> <li>• promote positive outcomes, and to re-enforce the financial impact of failing to notify a change of circumstances</li> <li>• carry out a detailed financial analysis of the outcomes to help identify the most successful intervention activity types in monetary terms</li> <li>• identify areas for learning, and improvement and development of its future interventions strategy.</li> </ul>

47. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that the council did not have a targeted programme of proactive interventions activity and therefore had a reduced level of assurance that claims were being paid correctly and overpayments minimised where possible, and was missing opportunities for the early identification of fraud and error.
48. We consider that this risk has been addressed as the council has an interventions strategy that sets out a timetable of activities to be carried out during the year and is reviewed annually.

## 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 *Integrated Income Collection and Debt Recovery Policy*, which was approved by the Executive Committee in April 2015, sets out the council's approach to the billing, collection and recovery of monies due to the council. One of the key aims of the policy is to *'Maximise income collection to Fife council and to minimise the cost of collection while maintaining and improving the customer experience through collection and recovery'*.
51. In respect of benefit overpayments, the policy states that the council is committed to protecting public funds and will take all possible steps to recover overpayments of these benefits. To support the policy, a comprehensive overpayments procedural manual details the actions to be carried out when an overpayment has arisen.
52. When an overpayment is created, and the customer remains in receipt of HB, the overpayment is recovered from ongoing deductions using the DWP's prescribed rates or, if

appropriate, at a reduced rate following an assessment of the customer's financial circumstances.

53. Since April 2016, if a customer is no longer receiving HB, the overpayment is passed to the Collections Team for further action. This team, which had 4.6 full-time equivalent officers at the time of our site visit with specific responsibility for the recovery of HB overpayments, 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 Sherriff Officers, where all other available recovery options have been exhausted.
54. Of note, is the council's use of DEA as a means of pursuing an HB overpayment from a customer who is employed. This option, which has been in use since January 2014, allows the council to contact the debtor's employer and arrange for payments to be taken direct from the debtor's earnings. This has been particularly successful for the council as it had recovered approximately £210,000 of the £359,000 (58%) raised using this method, at 31 December 2016.
55. In order to minimise HB overpayments, the council prioritises changes of circumstances that could lead to an overpayment, uses benefit IT system reports to predict changes, and reminds customers whenever 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.
56. This is particularly important as the council could lose subsidy where its LA/Administrative error rate exceeds 0.48% of all HB payments made. In 2014/15 and 2015/16 the council has performed exceptionally against this target by recording an LA/administrative error rate of 0.26% and 0.22% respectively. This is commendable.
57. 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)
<b>Total overpayments c/f</b>	£6,101,471	£6,044,597	£8,292,324	£8,365,774
<b>Total overpayments</b>	£2,011,404	£2,986,147	£3,414,848	£1,700,699

**Exhibit 4: Overpayment levels and recovery performance**

<b>raised in-year</b>				
<b>HB debt recovered</b>	£1,255,001	£1,542,406	£1,775,139	£ 1,506,004
<b>% of in-year debt recovered</b>	62%	52%	52%	89%
<b>% of total HB debt recovered</b>	15%	17%	17%	15%

Source: Fife Council

58. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
- the council was not carrying out detailed analysis of its overpayments data to help determine the effectiveness of recovery methods and improve recovery performance
  - there were no targets for the recovery of all benefit debt, and all debt recovery performance, which is not reported to senior management or members, had been in decline since 2011/12.
59. We consider that both of these risks remain outstanding as we found no evidence that the council was routinely analysing its overpayments data to determine the effectiveness of its recovery methods and improve recovery performance. In addition, we found no evidence of documented overpayment recovery targets, or that all debt recovery performance was being routinely reported to senior management and members.
60. The council's overpayment recovery performance in respect of all debt remains relatively low when compared to other Scottish councils where all debt recovery is regularly above 20%. However, it is acknowledged that at the time of our site visit, the council had approved the appointment of a further HB overpayment recovery officer and a recovery assistant, and was implementing a new overpayment recovery IT system.
61. These changes, which are due from April 2017, are a very positive step that will help the council to improve its levels of recovery in the near future by:
- streamlining current processes
  - reducing the need for manual monitoring of cases
  - enabling full analysis of outstanding debt
  - targeting specific categories of debt.

# Appendix A

Progress against action plan update at October 2016	
The Corporate Debt Policy has still to be fully developed and approved by members.	Completed
There are discrepancies between the benefit service performance targets documented within team plans and other key documents, and those contained in the monthly management report to senior management, which are also reported to members through the online performance management system.	Completed
In order to have a complete picture of accuracy performance, the service needs to ensure that it is reporting accuracy rates in respect of all staff and not just staff that are experienced.	Outstanding
Despite a comprehensive programme of management checks, accuracy performance has declined in 2013/14 when compared to performance in 2012/13. The council therefore needs to establish the reasons for this decline, and ensure that these are addressed.	Outstanding
The council does not have a targeted programme of proactive interventions activity and therefore has a reduced level of assurance that claims are being paid correctly, overpayments are being minimised where possible, and is missing opportunities for the early identification of fraud and error.	Completed
The council is not carrying out a detailed analysis of its overpayments data to help determine the effectiveness of recovery methods and improve recovery performance.	Outstanding
There are no targets for the recovery of all benefit debt, and all debt recovery performance, which is not reported to senior management or members, has been in decline since 2011/12.	Outstanding
The council is not complying with its commitment in the Benefit Fraud Business Plan 2013/14 to publicise successful prosecutions in the local press and media	Completed
Extending the responsibilities of the investigation team to include managing appeals for Revenue Services has reduced investigative capacity, and resulted in a reduction in the teams' sanctions target.	Completed