

Benefits Performance Audit Annual Update 2013/14



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Purpose

1. In April 2008, the Accounts Commission took over the responsibility for auditing housing and council tax benefit (HB/CTB) services in Scotland from the Benefit Fraud Inspectorate. This work is known as the benefits performance audit.

Key messages

2. Audit Scotland has found that well managed benefit services can deliver high quality services for claimants in a time of increasing workloads, reduced funding and uncertainty.
3. However, having sufficient, experienced staff continues to be a significant issue for a number of councils. A lack of effective planning and management of major projects such as IT system implementations has led to significant disruptions to normal service levels and significant time delays in returning to target service performance levels in some councils.
4. During 2013/14 we visited 10 councils and identified 64 risks to continuous improvement with councils accepting all but one of these risks. We found 86% of risks identified at previous risk assessments had been either fully or partially addressed. Council feedback on the audit process is positive.
5. Looking forward, UK Government welfare reforms continue to have a significant impact on councils. The majority of HB claims are due to migrate to Universal Credit (UC) during 2016 and 2017. Once HB is fully migrated, it will end the devolved administration of HB to councils. There remains uncertainty around the specific timing of the migration of HB to UC, specifically for claimants who have reached the qualifying age for Pension Credit, and the on-going role councils will play in the delivery of UC.

Background

6. The Accounts Commission's responsibility for auditing HB/CTB under these arrangements continued until 31 March 2013 when CTB was replaced by the Scottish Council Tax Reduction scheme (CTRS). The CTRS is audited as part of the annual audit of each council. From April 2013, the benefit performance audit only covers HB.
7. In Scotland, one in five households received financial support to help pay for their rent during 2013/14 in the form of means tested HB. Scottish councils paid out £1.78 billion in HB awards in 2013/14. This represents a 1% decrease from 2012/13 in HB awards paid out. Councils received £40.83 million in funding from the Department for Work and Pensions (DWP) to deliver HB services in 2013/14. This consisted of £38.92 million in administration grant plus an additional £1.91 million of funding due to the economic downturn.

8. The main objective of the benefit performance audit is to help councils improve their benefit services but it also holds councils to account for any failing services. The audit has two phases:
 - a risk assessment phase that identifies risks to continuous improvement
 - a focused audit phase that examines the service, or parts of it in more detail if a council is unable, or unwilling to address key risks identified in phase one.
9. Risk assessment reports are provided to council Chief Executives who are invited to prepare an improvement plan detailing the actions with associated timescales that they will take to address identified risks. These reports are also copied to the DWP to provide assurances over how Scottish councils are performing.
10. When a focused audit is required the Controller of Audit prepares a report to the Accounts Commission. Focused audit reports are provided to council Chief Executives and are also copied to the DWP and published on the Audit Scotland website.

Work carried out during 2013/14

11. The current round of risk assessments commenced in June 2013. We revised our risk based model to ensure that the councils representing what we considered to be the highest risk were assessed first.
12. Ten risk assessment visits were planned and completed during 2013/14. Appendix A contains the details of the councils visited during 2013/14.
13. Following receipt and review of council improvement plans to address the risks identified in our risk assessment reports, progress reports were requested from six councils. Three of these progress reports relate to risk assessment reports issued in 2012/13. The details are in appendix B.
14. To date, progress reports have been received from all councils with the exception of Perth & Kinross Council which is due to be received in July 2014. Due to further improvement being required by Aberdeen City Council, and to review the impact of improvement activity underway with the DWP, a further update has been requested by the end of July 2014. A further update has also been requested from South Ayrshire Council to ensure the recent improvement activity has the planned impact on performance. Action taken to address risks was considered to be satisfactory in all other updates received.

Thematic studies

15. In line with Audit Scotland's objective of identifying and sharing good practices, two thematic studies have been undertaken.

Claiming housing benefit online

16. A review was undertaken in order to establish to what extent HB customers are using council web services to determine entitlement and make applications online. The report highlighted areas of concern as well as areas of good practice that could be used by councils to improve access for customers to the HB claim process.

17. The key findings were as follows:

- on average, a customer would have to click three links from the council "home" page to access an HB application form
- only 17 (53%) councils provided customers with direct access to HB information from the website homepage
- five (16%) councils did not provide customers with a facility to download an HB application form
- only eight (25%) councils had a fully automated online HB claims process
- 28 (88%) councils provided customers with access to a benefit calculator.

18. In order to increase the number of HB claims that are made digitally, and to help customers with the transition in an efficient and effective manner, there were a number of actions identified that councils could take to improve the user experience These include:

- having a direct link to HB information on the council homepage
- providing customers with an easy to access benefit calculator
- having a facility to complete an application for HB online, or to download an HB application form for offline completion
- ensuring that councils are able to track the number of HB applications being made electronically, including the ability to record and monitor the number of times the benefit calculator is used and other HB information pages are accessed
- providing customers with free online training, or assistance at council offices, on how to complete an online application for HB, and helping customers to set up an email account so that councils can provide electronic updates in respect of the progress of their claim
- having a number of locations where customers that do not have access to a personal computer, or who are in an area with limited access to broadband, are able to access the council website, complete an online application, and receive advice and guidance, if required.

Review of recovery of benefits subsidy in 2012/13

19. A review was also undertaken of the HB/CTB subsidy claims of all 32 Scottish councils for 2012/13 to provide insight into the extent to which local authorities lost subsidy. The review focused on errors identified by councils and auditors as well as spending by local authorities which was not fully funded by the DWP and was therefore a direct cost to local authority budgets.
20. It was established that during 2012/13, Scottish councils paid out £2.17 billion in HB and CTB awards. The DWP contributed £2.12 billion to this expenditure through subsidy payments, with the balance of £50 million being met directly from local authority budgets.
21. Our review identified that there was a significant variance in terms of the percentage of expenditure recovered from the DWP in respect of HB for properties rented from local authorities and properties rented from private landlords or housing associations. For HB on properties rented from local authorities, known as rent rebates, the percentage of HB expenditure recovered from DWP varied between 72.4% and 99.1%. The percentage of HB expenditure recovered for properties rented from private landlords or housing associations, known as rent allowances, ranged from 96.4% to 99.2%. The lower rent rebate recovery rate for some councils is due mainly to the loss of subsidy on expenditure to discharge local authorities' statutory homeless duty.
22. The main areas where local authorities lost subsidy and incurred cost included:
 - £32.4 million of expenditure on HB and CTB overpayments
 - £11.2 million of expenditure for benefit claimants housed in temporary board and lodging, leased or licensed accommodation to discharge councils' homeless duties
 - £4.3 million on rent allowance claims administered under the rules which were in force up to January 1996.
23. The certification of the 2012/13 subsidy claims by auditors identified errors which, if the DWP decide to reclaim subsidy, will result in a further £0.5 million to be met from local authority budgets.
24. Councils may be able to seek recovery of some overpayments from claimants, where appropriate, but there are costs involved in doing so, principally staff time.

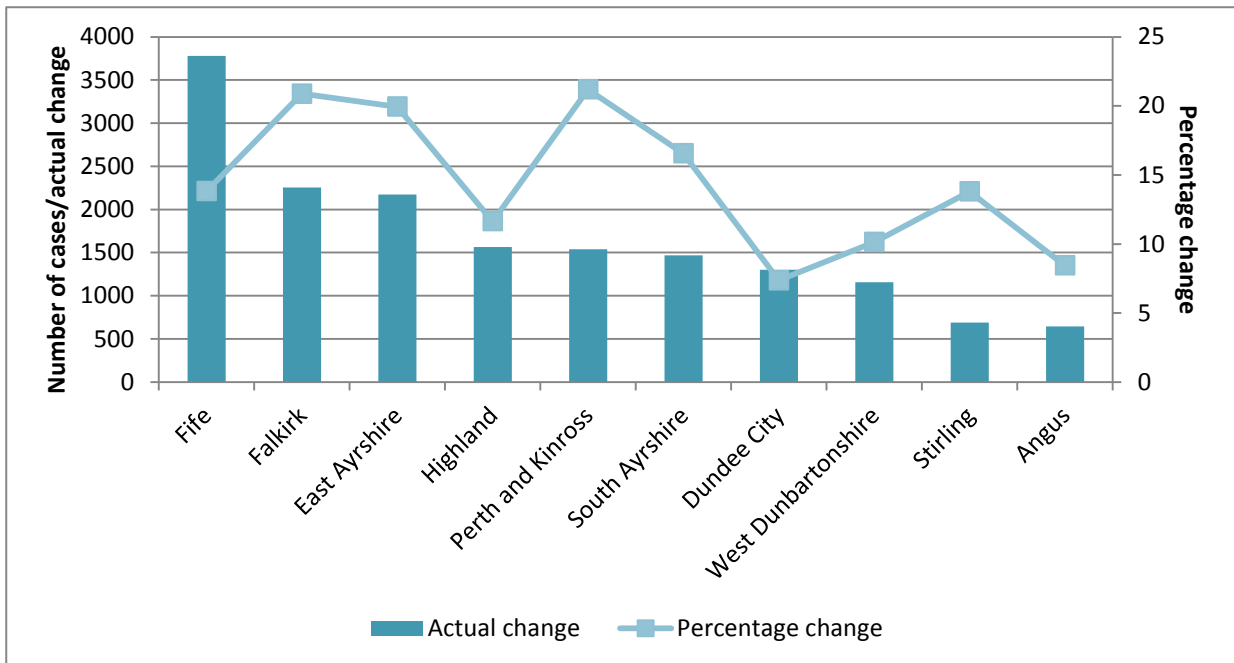
Key issues from 2013/14 Risk Assessments

Outcomes of the risk assessments

25. Audit Scotland identified 64 risks to continuous improvement (129 in 2012/13) in the ten risk assessment visits carried out in 2013/14. We are pleased to report that no risks to continuous

improvement were identified in Angus Council. Our work identified that 86% (134 out of 155) of previously agreed actions had been either fully or partially implemented.

26. Improvement plans have been received from all councils visited with the exception of East Ayrshire Council which currently is in the process of preparing its action plan. Analysis of the risks identified shows that:
 - 98% (100% in 2012/13) of the identified risks were fully accepted by councils
 - 33% (21/64) of these risks were carried forward from previous risk assessments, with ten of these risks carried forward in East Ayrshire Council.
27. Councils have cited increased workload, staffing issues and welfare reform pressures as reasons why not all agreed actions have been implemented. In two councils, East Ayrshire Council and Falkirk Council, the benefit IT system was upgraded during 2012/13 which resulted in these councils being unable to process benefit claims for a minimum of four weeks. This had a detrimental effect on the time taken to process new claims in both councils. At the peak, Falkirk Council was processing claims in an average of 64 days, while East Ayrshire Council was taking an average of 75 days. To put this into context, the Scottish average for processing new claims at this time was 30 days.
28. The same system upgrade occurred in another three Scottish councils. However in these councils, DWP performance statistics show that performance did not decline as much during the implementation phase. The speed of processing performance has improved in both East Ayrshire Council and Falkirk Council with 32 days and 28 days reported respectively for processing new claims in January 2014.
29. Between November 2008 and November 2013, there has been a 12.75% (53,432) increase in HB claims in Scotland. The exhibit below details the caseload increase for the ten councils we visited.

Exhibit 1: Change in caseload between November 2008 and November 2013

30. It is clear from our work that where benefit services are well managed they can deliver value for money and high quality services for claimants in difficult economic circumstances although the availability of sufficient experienced and skilled staff continues to have a significant effect on performance in some councils.

Good practices identified

31. A number of innovative initiatives and areas of good practice have been identified in Scottish benefit services during 2013/14. Many of these can be tracked back to the actions taken by councils to address the risks identified in our first round of risk assessments. The initiatives and areas of good practice identified during our visits include:

Business planning and reporting

- Angus Council sets targets for all operational areas, and senior managers within the benefit service meet regularly to review service performance, discuss any variances and agree any appropriate action. In addition, key performance information, including speed of processing, overpayments, complaints and costs, is reported to senior officers and made available to the public on the council's website. Regular feedback on processing and accuracy performance is provided to staff to ensure that each member of staff fully understands how their individual performance impacts the overall service performance and delivery. The council has also introduced daily processing targets. Performance is evaluated daily by the benefit service management team and used to agree priorities for the next day. This effective management of productivity on a daily basis has improved overall performance across all areas of the service.

- In Perth and Kinross Council, a working group of processing staff developed and recommended the implementation of individual productivity and accuracy targets. Individual performance is now routinely measured and evaluated.

Delivering outcomes

- Stirling Council provides a visiting service for housebound customers, and has also introduced an initiative whereby volunteers from the community are provided with training to identify customers that might be entitled to benefit, or who might be affected by the changes arising from the welfare reform agenda. These volunteers known as 'spotters/referrers' help customers to contact the appropriate department for more information, guidance and support.
- In Fife Council, a Local Services Network (LSN) is in place to provide the customer facing aspect of the benefit service. A service level agreement is in place setting out roles and responsibilities and key performance indicators. A timed appointment system and a text reminder service have increased the percentage of customers that have attended appointments from 70% to 90%. Since April 2013, the LSN has delivered 98% of application forms fully completed to the benefit service.

Speed of processing

- Stirling Council has consistently been one of the top performing Scottish councils for the speed of processing new claims, and changes of circumstances. This is partially due to:
 - the recruitment of higher skilled staff to replace officers that had left the service
 - managing to retain high levels of knowledge and experience in the benefit service
 - making good use of the DWP's Electronic Transfer of Data, and Automated Transfer to Local Authority Systems (ATLAS) to automate processes, where possible
 - providing each member of staff with training in a specialism, for example homelessness claims, and reviewing this annually. This has provided staff with greater experience and confidence to make decisions across a number of areas of the business.
- The introduction of DWP's ATLAS notifications resulted in a significant increase in the number of changes all benefit services receive. This has been problematic for a number of councils. The Highland Council limited the impact of this by initially implementing ATLAS in only one of its eight area offices. This allowed the benefit service to clear all ATLAS notifications on a daily basis, and with the remaining seven area offices concentrating on processing claims, backlogs of work were avoided. This controlled implementation allowed the service to fully test and review working practices before a wider roll out across the service.
- Similarly, Angus Council maintained its strong speed of processing performance by fully testing and refining its processes for dealing with ATLAS notifications and avoided any significant backlog of work.

- A number of Scottish councils are considering or have implemented risk based verification (RBV) where more intense verification activity is focussed on claims more prone to fraud and error. RBV can also deliver efficiencies in processing times. In a number of cases, RBV is being introduced in conjunction with an integrated online claim form which again should help deliver efficiencies.

Accuracy

- Angus Council's quality checking regime targets more complex and higher risk claims, in particular cases involving self-employed income, tax credits and earned income. Performance reports to management detail the outcome of the checking activity and inform decisions on where future checking will be focused. A summary of each member of staff's performance is also compiled and discussed with individuals.

Interventions

- Stirling Council's structured approach to interventions yields a high return in terms of the percentage of changes identified. An annual programme of targeted intervention activity targeting a different type of claimant each calendar month is in place to focus activity on high risk areas.
- South Ayrshire Council reviewed its risk based intervention programme in light of the change notifications it now receives through ATLAS. As a result it only includes those cases which include elements not notified through this source, such as earned income. Analysis of results shows that while the number of interventions carried out during 2013/14 significantly reduced they have been effectively targeted.

Counter-fraud

- Fife Council has an excellent relationship with the DWP's Fraud and Investigation Service (FIS), and referrals where a DWP benefit is in payment are referred to FIS and a joint investigation carried out. This approach has been particularly successful for the council, and in 2012/13 it was the top performer in Scotland in respect of the number of joint sanctions carried out with FIS.
- Dundee City Council identified a potential risk in that it could lose invaluable knowledge and experience when the DWP's Single Fraud Investigation Service (SFIS) takes over responsibility for the investigation of HB fraud from local authorities from 2014/15. The council has taken a proactive approach to address this risk by putting a Corporate Fraud and Corruption Policy and a Corporate Fraud Action Plan in place which adopt the National Fraud Authority's (NFA) 'Fighting Fraud Locally' strategy. This allows the counter-fraud team to carry out investigations in specific high-risk pilot areas such as the Scottish CTRS, housing tenancies, and blue badges.

Areas for improvement

32. Audit Scotland has identified the following as the key areas of risk during 2013/14:

- Having sufficient, experienced staff is a significant issue for a number of councils. Experienced officers have left many benefit services and councils have had difficulty in some instances in replacing these officers. Where staff have been replaced, the incoming officers have required significant training before becoming fully effective.
- A lack of effective planning and management of major projects such as IT system implementations. In particular not planning effectively for the disruption to normal service levels and returning to target service performance levels.
- Weaknesses in business planning and performance reporting.
- A reduction in effective intervention activity and limited analysis of intervention outcomes to help identify trends and patterns which could help deliver a more effectively targeted intervention approach.
- A lack of targets for the recovery of overpayments and a lack of analysis of overpayments raised to determine the cause with a view to identifying any necessary changes to processes that could minimise overpayments occurring.
- A decline in speed of processing performance.
- A decline in accuracy performance and accuracy checks not being completed effectively.

Welfare reform

33. Scottish councils continue to work with partners to implement changes to help deliver the UK government's welfare reform agenda. During 2013/14 Scottish councils have:
- Been involved in piloting and testing various aspects of welfare reform. This includes the UC pathfinder in the Inverness area, a digital inclusion pilot in Dumfries and Galloway, a budgeting and financial support pilot in North Lanarkshire and an employability project in West Dunbartonshire.
 - Carried out significant customer engagement to ensure welfare reform changes are communicated.
 - Despite being faced with tight deadlines, successfully implemented systems to issue community care grants and crisis payments from the Scottish Welfare Fund from 1 April 2013.
 - Implemented the Scottish CTRS to replace CTB from 1 April 2013.
 - Awarded a significantly increased volume and value of Discretionary Housing Payment (DHP) awards. The administration of DHP budgets was especially challenging due to the original DWP funding allocation at the start of the financial year being revised several times due to additional rural funding, a DWP error, additional transitional funding and bid funding. The total DWP funding for DHP in 2013/14 was £18.1m with the Scottish Government providing an additional £20 million. In addition, there was uncertainty around the DHP overall spending limit formula which was 2.5 times the initial DHP award at the beginning of the financial year from DWP. The formula did not take account of any of the additional funding which became available during the year. The DWP announced on 24

March 2014 its intention to amend the Discretionary Housing Payments (Grants) Order 2001 to allow the spending formula to include additional DWP funding provided during the year. The effect of this change was that the Scottish councils' overall DHP spending limits increased by £7m one week before the financial year ended. The final overall spending limit for DHP in Scotland in 2013/14 was £40.7million which is a 288% increase on the £10.5million limit for 2012/13. The late change to the spending limit has resulted in a number of councils not being able to spend up to their DHP limit.

34. Looking forward, in May 2014, the UK Government proposed, to devolve the setting of DHP spending limits to the Scottish Government. This will allow the Scottish Government to increase their funding for DHP.
35. The next significant welfare reform change is the transfer of council fraud investigators to the SFIS from the summer of 2014. East Ayrshire Council will transfer first. The DWP plan to have all fraud investigators transferred over by March 2016. Councils should be reviewing their counter fraud resources to ensure sufficient investigative capacity remains in councils to investigate non benefit fraud such as council tax reduction fraud, tenancy fraud and other corporate fraud.
36. Other uncertainties remain which make it difficult for councils to plan effectively. In particular, the migration timeline from HB to UC is uncertain, as is the level of support councils are expected to provide to customers in the future.
37. The latest information from the DWP states that the majority of the HB caseload will migrate to UC during 2016 and 2017 although no detailed migration plans are in place. This planned migration will not include HB claims for customers who have reached the age to qualify for Pension Credit, HB customers in receipt of Employment Support Allowance (ESA) or customers living in supported or specified accommodation. These customers will remain with councils until after 2017. The ESA customers are expected to migrate to UC in 2018, a "local scheme" is in the very early stages of development for customers in supported or specified accommodation and no date has been announced for the planned migration of customers who have reached the Pension Credit qualifying age.
38. The level of support councils will be expected to offer claimants in the future is being discussed between the DWP, the Scottish Government and council representatives. A high level DWP local support services framework is in place but discussions continue around the funding for support services and the details of how these services will be delivered. Indications are that community planning partnerships will be the bodies responsible for the delivery of local services.

Stakeholder feedback

39. Feedback questionnaires are issued to benefit managers after each risk assessment. The questions are designed to gain assurances over whether the audit methodology and documentation are effective and to look for areas which can be improved. During 2013/14, we received replies from eleven councils.

40. Overall the responses were positive and provided assurance that the audit methodology is fit for purpose and proportionate. The following comments help illustrate these responses:
- The auditor was extremely knowledgeable and understood the business and current pressures and challenges.
 - The auditor was very professional, knowledgeable and helpful during the site visit. Due to ill health and annual leave Audit Scotland worked with the council to agree a more suitable time for the audit which was very much appreciated.
 - Communication was professional throughout with the on site visit carried out in an effective and efficient way, focussing only on any areas where further clarification was required.
 - The 'emerging findings' meeting was extremely helpful as it clearly outlined Audit Scotland's position and gave us the opportunity to articulate our position directly on any areas where we felt it necessary.
 - The approach was appropriate. It was obvious that efforts to reduce the burden of the self assessment have been made although it's inevitable that a considerable amount of staff time is still required to facilitate. The council welcomes all efforts by Audit Scotland to minimise the impact that the risk assessment can have on the delivery of the services now being delivered by the benefits unit.
 - The audit was carried in a professional manner and the auditor showed a detailed understanding of the current issues within benefit administration. The report concentrates on significant areas of risk whilst accepting the reduced resources employed to deliver the service. As a result of the risks identified in our interventions we are now looking at introducing "Risk Based Verification" and also how we tackle our own high risk caseload.
41. Whilst the majority of the responses were positive not every council found the process to be so. Particular concerns raised were:
- While I agree that we were given sufficient notice of the risk assessment, the timing of it could have been better. Given that we were in the throes of implementing significant benefit changes and in the process of year end it was a significant challenge to complete the request for information. Given the pressures, Audit Scotland were flexible with the dates.
 - It would be helpful if the risk assessment process had a formal linkage /referral to the DWP's Performance Development Team.
 - The DWP have challenged the council's benefit processing statistics, but did not appear to be aware of the recent risk assessment work undertaken by Audit Scotland.
 - Whilst appreciating less information was requested in comparison with the previous risk assessment exercise, there was still quite a lot of collation required, when faced with competing and ongoing welfare reform workloads.
42. Audit Scotland has taken these comments on board in the planning and delivery of risk assessments. We give councils as much notice as possible of risk assessments. Our risk assessments are included in the annual assurance and improvement plans issued to councils

at the start of each audit year. We continue to share copies of all our risk assessment plans and reports with DWP.

43. We will also continue to monitor our approach going forward in conjunction with the DWP.

Appendix A – The 2013/14 risk assessment programme

Date on site	Council	Date reported
May 2013	Stirling	August 2013
June 2013	Angus	July 2013
August 2013	South Ayrshire	October 2013
August 2013	West Dunbartonshire	November 2013
September 2013	Highland	December 2013
October 2013	Fife	January 2014
November 2013	Perth & Kinross	February 2014
December 2013	Dundee City	February 2014
February 2013	East Ayrshire	Report issued to Chief Executive in April 2014. Currently awaiting the council's improvement plan
February 2013	Falkirk	June 2014

Appendix B – Progress reports requested during 2013/14

Council	Date progress report received or expected	Conclusion on action taken to address risks
City of Edinburgh Council	July 2013 December 2013 April 2014	Updates received and satisfactory progress made. A full risk assessment is planned for 2014/15.
South Lanarkshire Council	July 2013	Update received and satisfactory progress made.
Aberdeen City Council	October 2013 July 2014	Update received and a further update has been requested by July 2014
West Dunbartonshire Council	April 2014	Update received and satisfactory progress made.
South Ayrshire Council	April 2014	Update received and a further update has been requested by January 2015 to ensure recent actions have the planned impact on performance.
Perth & Kinross Council	July 2014	