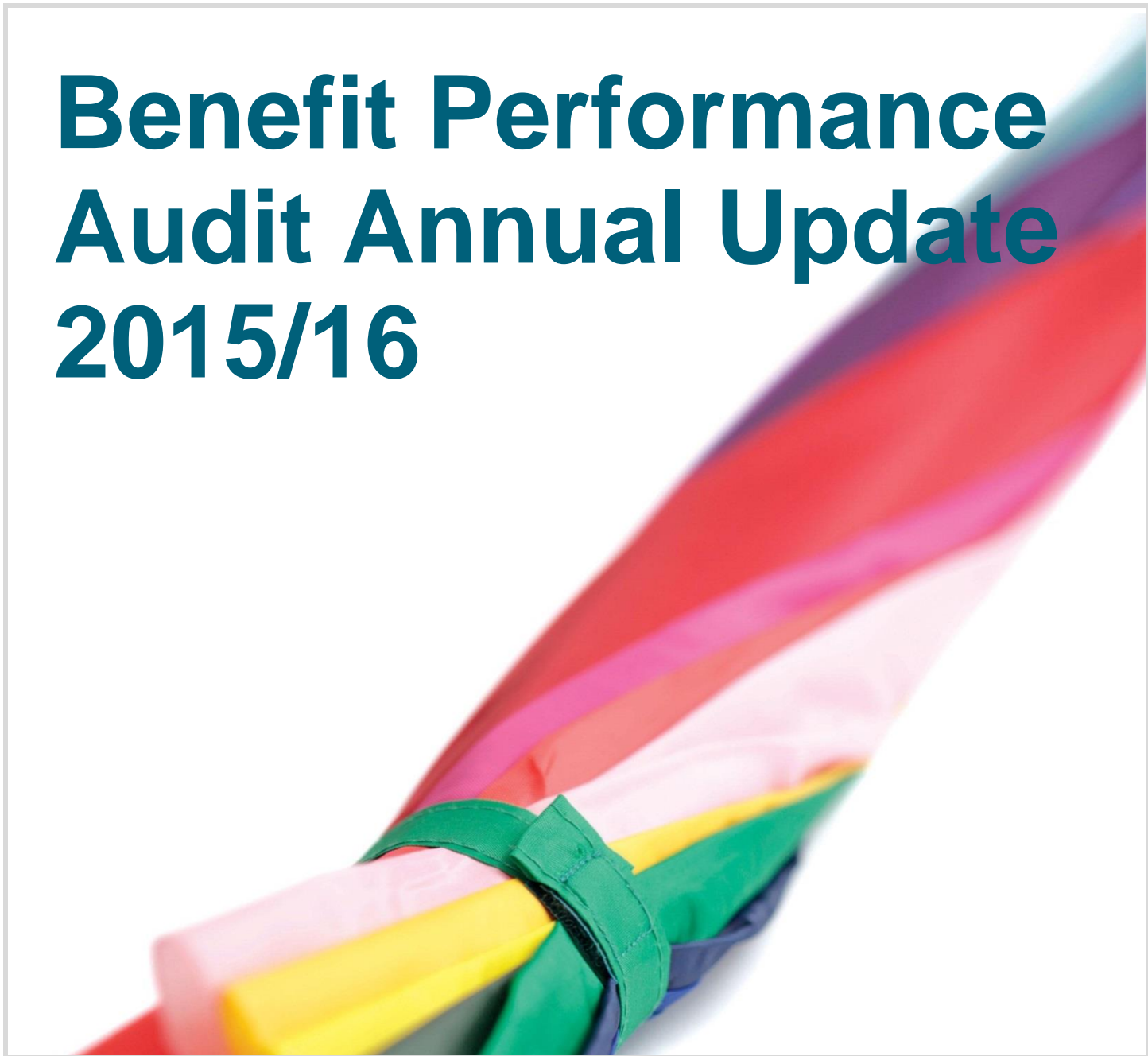


Benefit Performance Audit Annual Update 2015/16



 **AUDIT SCOTLAND**

Prepared for The Accounts Commission

June 2016

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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Purpose

1. This report provides a summary of the performance audit work carried out by Audit Scotland on Scottish councils' housing benefit (HB) services during 2015/16.

Key messages

2. During 2015/16 we issued 11 reports to councils which identified 45 risks to continuous improvement that were accepted. We found that 85% of risks identified during previous risk assessments had been either fully or partially addressed (83% in 2014/15). Council feedback on the performance audit process remains positive.
3. When benefit services are well managed they can deliver value for money and high quality services for customers. However, we found that:
 - speed of processing performance was of concern in seven councils. For example, in two councils the level of benefit processing resources may not be sufficient to sustain or improve current claims processing performance
 - quality checking is not carried out consistently, and that outcomes from quality checks are not routinely collated and analysed in six councils
 - business planning and performance reporting were weak in four councils which included targets not being set for all areas of the service and limited performance reporting in respect of all areas of the service.
4. Universal Credit (UC) continues to be rolled out across Scotland with all councils now having some local residents claiming UC. The Department for Work and Pensions (DWP) plan is that the majority of existing HB claims will migrate to UC by 2021.
5. Scottish councils have now completed the transfer of responsibility for investigating benefit fraud and, in many cases, fraud staff to the DWPs Single Fraud Investigation Service (SFIS). Councils need to ensure that sufficient resources are in place to investigate other types of fraud.
6. The Scottish Parliament's new devolved social security powers may result in some aspects of the devolved benefits being delivered by a number of organisations including local authorities.

Background

7. During 2015/16, one in five Scottish households received financial support to help pay for their rent in the form of means tested HB. Scottish councils paid out £1.73 billion in HB awards in 2015/16 (£1.74 billion in 2014/15).
8. Between March 2009 and March 2015, there has been a 7% increase in HB claims in Scotland. However, the increase has not been constant with a 1.6% reduction in claim numbers between March 2014 and March 2015. This is discussed in more detail at paragraph 30.
9. In 2015/16, councils received £27.8 million (£29.5 million in 2014/15) in funding from the DWP to deliver HB services. This 5.8% reduction in funding in 2015/16 is due to assumed efficiency savings. There is no consistent data available to allow comparison across Scottish councils regarding the cost of administering HB in 2015/16. The latest statutory performance indicators published for 2012/13, before council tax benefit was abolished, indicated that the cost of administration of both HB and council tax benefit at that time was £71.4 million in Scotland.
10. 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.
11. 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 the identified risks. These reports are also copied to the DWP to provide assurances over how Scottish councils are performing.
12. 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 2015/16

13. We reviewed our risk based approach to benefit performance audit to ensure that the councils that we considered to be the highest risk were visited during the year. Appendix A contains the details of the 11 risk assessment reports that were issued to council Chief Executives during 2015/16. No focused audits were carried out.
14. 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 progress reports relate to risk assessment reports issued in 2014/15 as detailed in *Appendix B*.
15. To date, we have received progress reports from all six councils. Due to further improvements being required, we have requested updates from Clackmannanshire Council and East Dunbartonshire Council in July 2016. Action taken to address risks was considered to be satisfactory in all updates received to date.
16. In line with Audit Scotland's objective of identifying and sharing good practice, three thematic studies were undertaken during 2015/16. More information on each study is provided in the following paragraphs.

Review of housing benefit subsidy certification issues 2014/15

17. A review was undertaken of issues identified by auditors during the certification of the 2014/15 HB subsidy claims. Auditors identified 43 errors across 18 councils, an improvement from 2013/14 where auditors identified 60 errors in subsidy claims in respect of 19 councils. The errors identified resulted in subsidy being over claimed by £1.134 million (0.06% of expenditure) in the year-end claims submitted by councils to the DWP.
18. Auditors reported that most errors were identified in the classification of expenditure and the calculation of claimant income. The report is available on our [website](#).

Review of activity to reduce fraud and error in housing benefit

19. A review of the activity undertaken by Scottish councils in order to reduce fraud and error highlighted that the monetary value of HB fraud and error has been steadily rising across the UK, with 2014/15 showing a loss of £1.38 billion. Claimant error is the largest contributor to this figure with a total loss of £770 million (56%).

20. From April 2013, there was a reduction in intervention activity by some councils as a result of the need to manage the impact of the UK government's welfare reform agenda.
21. However, during 2014/15, there was a significant increase in intervention activity and improvements to the methods of identifying suitable cases. Although many councils have introduced innovative ways of carrying out interventions that have produced positive outcomes, there remains scope for further improvement in others. The report is available on our [website](#).

Housing Benefit Good Practice Guide: initiatives which deliver best value

22. This report summarises initiatives introduced by councils, and identified during our HB performance audits in 2013/14 and 2014/15, which have helped to deliver continuous improvement.
23. The report also considers the effectiveness of these initiatives in helping to deliver continuous improvement in benefit services and it is hoped that these might be of interest to councils that are finding it difficult to deliver continuous improvement going forward in an environment of reducing budgets and increasing workloads. The report is available on our [website](#).

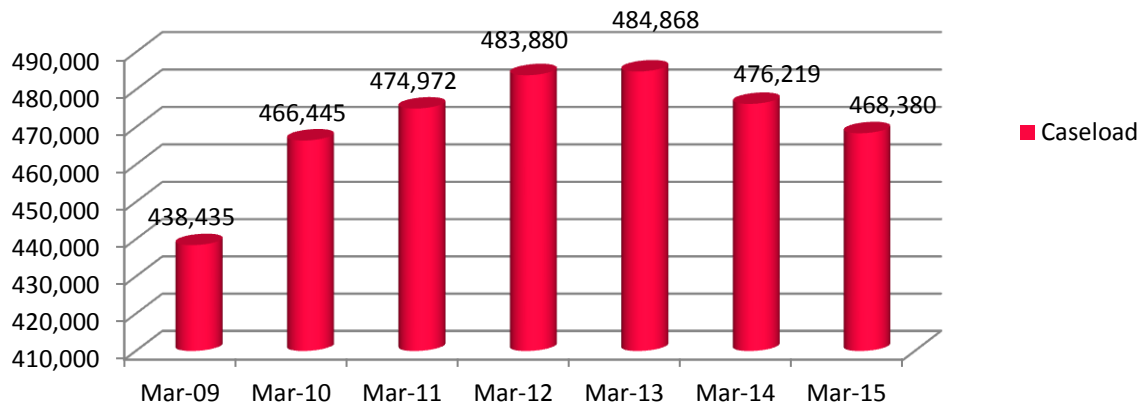
Outcomes of the 2015/16 risk assessments

24. Audit Scotland identified 45 risks to continuous improvement (70 in 2014/15) in the 11 risk assessments completed in 2015/16. We are pleased to report that only one risk to continuous improvement was identified in both the Moray Council and Orkney Islands Council.
25. Our work identified that 85% (123 out of 145) of previously agreed actions had been fully or partially implemented (83% in 2014/15).
26. Improvement plans have been received from all councils visited. Analysis of the risks identified shows that:
 - 100% (100% in 2014/15) of the identified risks were fully accepted by councils

- 17% (25/145) of agreed risks from previous risk assessments were carried forward (22% in 2014/15). Councils have cited resourcing issues as a reason why not all agreed actions have been implemented.
27. We have found that where benefit services are well managed they can deliver value for money and high quality services for claimants.
28. During 2015/16 Audit Scotland has identified weaknesses in the following key areas:
- Quality checking is not carried out consistently and outcomes are not routinely collated and analysed in respect of all activities to inform a risk-based approach. In addition, more work needs to be done to measure performance and improvement over time which can then be used to evaluate individual performance.
 - Business planning and performance reporting weaknesses were identified. It was noted that targets are not set for all areas of the service and/or there is limited performance reporting to senior management and elected members in respect of all areas of the service. The level of resources within the benefit service may not be sufficient to enable the service to continually improve or sustain current performance levels across all of its activities. The continued use of temporary staff on short term contracts could result in the further loss of staff to other areas of the council or externally.
 - Speed of processing performance issues were identified. It was noted that the current level of benefit processing resources may not be sufficient to sustain or improve on current claims processing performance in two councils.
29. Between March 2009 and March 2015, the number of HB claims in Scotland increased by 29,945 (7%). However the increase has not been constant as detailed in Exhibit 1 below which shows that claim numbers peaked at almost 485,000 during 2012/13 before falling by 1.8%, at March 2014. Exhibit 2 shows that claim numbers continued to fall during 2015/16 by

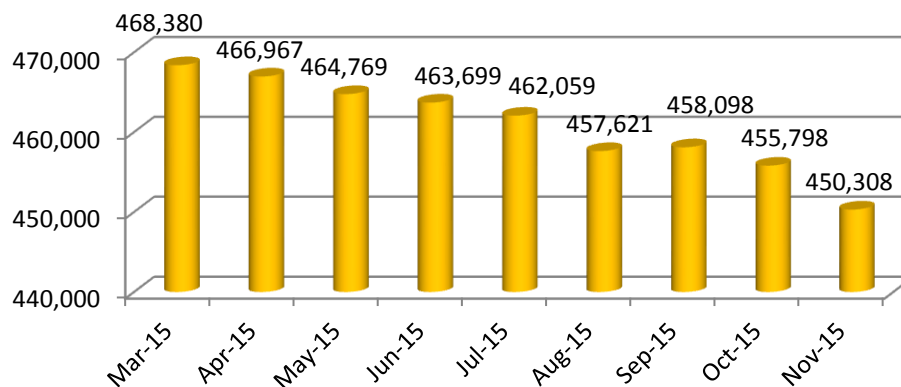
a further 1.6% between March 2015 and November 2015.

Exhibit 1: change in HB caseload in Scotland March 2009-March 2015



During 2015/16 the downward trend in claim numbers has continued as shown in exhibit 2 below.

Exhibit 2: HB caseload in Scotland during 2015/16



Exhibits 1 & 2: Source DWP caseload statistics

30. The fall in claim numbers in recent years may be due to several reasons including:
- people working longer before retiring
 - falling unemployment levels in some areas
 - claimants moving into work, possibly due to the claimant commitment changes in Jobseeker's Allowance, and the reducing numbers of people qualifying for Employment Support Allowance, Incapacity Benefit and Personal Independence Payments

- a small number of claimants moving to UC and therefore becoming ineligible for HB.

Stakeholder feedback

31. Feedback questionnaires are issued to benefit managers after each risk assessment in order to gain assurances over whether the audit methodology is effective and to look for areas which could be improved. During 2015/16, we received responses from 13 councils.
32. Overall the responses were positive and provided Audit Scotland with assurance that the audit methodology is fit for purpose and proportionate. The following comments help illustrate these responses:
 - "The audit report will inform our service review".
 - "It is helpful for elected members to have an accurate independent assessment of the service particularly during a time of major reform and limited resource availability".
 - "As well as suggestions for improvement, the report included positive feedback and recognition of improvements; this was a real morale boost when shared with staff".
 - "The audit provides a strong set of basic principles that in general can be adapted to other council services, thus helping to strengthen processes and outcomes in other non-benefit related areas".
 - "We have found the experience to be extremely beneficial and we found that our auditor had an excellent understanding of the challenges we face".
33. Whilst the majority of the responses were good, not every council found the process to be so positive. Particular concerns were raised by one council:
 - "In terms of the report it would be helpful to not have issues repeated across various areas as it was difficult to group items in a meaningful way for the action plan. I think that it was unclear what documentary evidence was required".
34. Audit Scotland has taken these comments on board in the planning and delivery of risk assessments. Councils are given as much notice as possible of risk assessments and discussions are held with benefit managers prior to submission regarding the self-assessment requirements. We also try to concentrate on the challenges facing each council and how they respond to those challenges.
35. HB risk assessment reports continue to be shared with the DWP. We also continue to monitor our approach in conjunction with the DWP through quarterly meetings between the Manager,

Benefits-Technical and senior officers in the DWP's Housing Delivery Division.

Welfare reform

36. Councils continue to work with partners to help deliver the UK government's welfare reform agenda.

Universal credit (UC)

37. UC roll-out has continued in the Inverness Jobcentre area where single claimants have claimed UC since November 2013. This was expanded to claims from couples in June 2014 and claims from families in January 2015. Highland Council has been providing personal budgeting support, digital access, housing cost knowledge, and advice and support to claimants.
38. The rollout of UC across the rest of Scotland began in February 2015 for single people who would otherwise have been eligible for income based Jobseeker's Allowance, including those with existing HB. By April 2016, all Scottish councils had some local residents claiming UC.

Universal Credit Full Digital Service

39. The Universal Credit Digital Service will allow users to make a claim, notify changes of circumstance and search for a job through a single account, making digital the primary channel for most working-age people to interact with the DWP.
40. On 23 March 2016, Musselburgh Job Centre in East Lothian was the first Job Centre in Scotland to provide the full Universal Credit Digital Service. Further roll-out of the full digital service will take place from May 2016 with phases 1 and 2 taking place between May and December 2016. Highland Council is the only Scottish council included in either of these phases. The UK government expects the national roll-out to the digital service to be completed in June 2018. The migration of the remaining working age existing HB claimants to the full UC service will start thereafter and expected to be completed by 2021.

DWP's Single Fraud Investigation Service (SFIS)

41. The DWP has completed the roll-out of its Single Fraud Investigation Service (SFIS). All Scottish councils have now transferred their responsibility for investigating benefit fraud, and in many cases, their fraud investigators to SFIS. Councils should ensure sufficient resources are in place to investigate other fraud unrelated to HB, such as council tax reduction fraud, tenancy fraud and other corporate fraud.

Devolved financial powers

42. The Smith Commission recommended that the Scottish Parliament be given complete autonomy to determine the structure and value of a range of powers over disability, and devolution of the components of the Regulated Social Fund. In addition, it was recommended that the Scottish Parliament should be given the power to make administrative changes to UC and to vary the housing cost element.
43. The Smith Commission's proposals will devolve around £2.7 billion (15.3%) of Scottish benefit expenditure to the Scottish Parliament.
44. Although the Scotland Act 2016 only received Royal assent in March 2016, the Scottish Government have been planning and preparing for the delivery of the devolved aspects of social security included within the Act. The Government's plans include:
 - the introduction of a Scottish social security bill in the first year of the new Parliament
 - the setting up of a new agency to deliver the social security powers
 - the initial delivery of the devolved benefits by the DWP in order to help ensure a smooth transition and to avoid delays for claimants
 - a fully costed business case detailing how the new powers will be delivered will be published later this year.
45. It is possible that some of the devolved benefits will be delivered by a number of organisations including local authorities, DWP, and the third sector.

Appendix A – The 2015/16 risk assessment programme

Date on site	Council	Date reported
March 2015	Clackmannanshire	May 2015
April 2015	East Dunbartonshire	May 2015
May 2015	Renfrewshire	June 2015
May 2015	North Ayrshire	June 2015
June 2015	Aberdeen City	July 2015
July 2015	Orkney	August 2015
August 2015	Moray	September 2015
September 2015	North Lanarkshire	November 2015
October 2015	East Lothian	November 2015
October 2015	Perth & Kinross	December 2015
December 2015	Falkirk	January 2016

Appendix B – Progress reports requested during 2015/16

Council	Date progress report received/expected	Conclusion on action taken to address risks
East Ayrshire Council	April 2015	Updates received and satisfactory progress made. A full risk assessment is planned for 2016.
East Renfrewshire Council	July 2015	Update received and satisfactory progress made.
West Lothian Council	August 2015	Update received and satisfactory progress made.
Clackmannanshire Council	November 2015, February 2016 & July 2016	Update received and satisfactory progress made to date. A further update has been requested by July 2016.
East Dunbartonshire Council	May 2016	Update received and a further update has been requested by July 2016.
North Ayrshire Council	May 2016	Update received and satisfactory progress made.