

East Lothian Council

Audit of housing benefit
Risk assessment report



 AUDIT SCOTLAND

Prepared for East Lothian Council

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Key messages

- The Benefits and Financial Assessments Service Plan 2019/2022 is comprehensive and contains the service's key performance indicators for claims processing, accuracy, and overpayment recovery. However, the service is not reporting all its key performance indicators to senior management and the Policy and Performance Review Committee.
 - Although improving in 2021/22, the council's claims processing performance has placed it in the bottom quartile of the 32 Scottish councils.
 - The absence of a formal management checking process since 2019/20 means that the council has limited assurance that claims are being processed timeously and accurately and, where errors are identified, that claims are being corrected.
 - There is significant scope for improvement in the council's overpayment recovery performance. Since 2018/19, the council's performance has placed them 32nd, 29th and 28th respectively out of the 32 Scottish councils.
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Introduction and background

1. 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 its activities.

2. The risk assessment considers the effectiveness of the benefit service's business planning and reporting in meeting priorities and delivering outcomes. It was completed as part of Audit Scotland's housing benefit programme. It does not represent a full audit of East Lothian Council's benefit service.

3. Information for this risk assessment was gathered from:

- the self-assessment, performance matrix and supporting documentation provided by the council
- Department for Work and Pensions (DWP) indicators and other performance measures
- scrutiny of internal and external audit reports
- discussions with council officers and the appointed external auditor.

4. Since our last audit in 2015, there has been significant changes within the Benefits and Financial Assessments service. Most notably, in July 2020, the service was integrated with the Revenues and Welfare Support service to *'develop new ways of working and to meet challenging financial obligations within the council's budget'*. This resulted in a new Revenues Service structure.

5. Implementing this change during the pandemic has been challenging. The restructure resulted in the loss of four senior officer posts which included the Benefits Service Manager and the Benefit Training and Development Officer post with responsibility for management checks.

6. In addition, the benefit service was at the forefront of delivering the Scottish Government's Covid self-isolation support scheme, administering Low Income Pandemic Payments, and providing additional help to customers following increased funding from the Scottish Government for Discretionary Housing Payments.

7. Experienced housing benefit staff were re-deployed to manage the significant demand for Covid support and increased demand for the Scottish Welfare Fund (SWF). This impacted on the council's ability to deliver core HB functions. The council told us that despite working across multiple business activities, and being under significant pressures, staff responded positively to the challenges. The council believes it has helped to develop a more multi-skilled workforce.

8. At the time of our audit, a further review of the benefit service was in progress with consideration being given to merging the public and private sector benefit teams. This is expected to further strengthen line management accountability and develop staff to provide a more generic service to the customer.

Business planning and reporting

Key aspects of benefit service performance are not being formally reported to senior management and elected Members

9. An effective business plan provides an opportunity for the council to set out the aims and objectives of each service. It should contain key deliverables against which performance is measured, monitored, and reported.

10. The Revenues Service is a key council service that is responsible for the administration of housing benefit for the people of East Lothian on behalf of the DWP. The service has a wide remit which includes:

- providing advice and guidance to customers on benefit entitlement and carrying out financial assessments for Adult Wellbeing service users.
- the administration of council tax for over 51,000 properties and the administration of non-domestic rates for all commercial properties and businesses.
- administering the SWF on behalf of the Scottish Government and, since 2020/21, the Scottish Government's Covid self-isolation support scheme. This includes the invoicing and collection of charges for council services and rent income collection from council tenants.

11. The Benefits and Financial Assessments Service Plan 2019/2022 is comprehensive and sets out the seven key outcomes required for the benefit service to meet the council's Single Outcome Agreement 2013-2023 commitments.

12. The plan also details the benefit service's five key performance indicators in respect of claims processing, accuracy, and overpayment recovery. There is a key aim of supporting the council's strategy for affordable housing and tackling poverty.

13. There is regular reporting of benefit service performance to staff and senior management to provide assurance that the service is operating efficiently and effectively. This includes:

- weekly to benefit staff, team leaders, and the Revenues Manager (workload / new claims / change events)

- monthly to team leaders, and the Revenues Manager (new claims / change events)
- monthly to the Finance Officer (overpayments)
- quarterly to the Policy and Performance Review Committee (new claims / change events)
- six monthly to the members library under delegated responsibility (write offs).

14. Although the benefit service regularly reports claims processing performance to elected Members, it is not reporting comparable performance against the Scottish average. This would allow Members to fully understand and robustly challenge the service being delivered.

15. In addition, the service is not formally reporting performance against the key indicators in the Benefits and Financial Assessments Service Plan 2019/2022 in respect of accuracy and the recovery of overpayments. This is contrary to guidance which states that ‘scrutiny of performance means that elected Members are involved in setting the strategic direction for Best Value...reporting the performance indicators for each service every quarter is intended to aid this process.’

16. The lack of scrutiny of benefit service performance by the Policy and Performance Review Committee, in particular performance in respect of the management and recovery of housing benefit overpayments, is of concern. The service is responsible for annual expenditure of approximately £17 million with outstanding housing benefit overpayments of more than £2 million, as of 30 September 2021 ([see Exhibit 4](#)).

Recommendation 1

The benefit service should extend performance reporting to senior management and elected Members to include a comparison of claims processing performance against the Scottish average and performance in respect of the key performance indicators for accuracy and overpayment recovery.

Delivering outcomes

There is significant scope for improvement in the council's claims processing performance

17. When customers claim housing benefit it is at a time of financial uncertainty. It is therefore essential that the benefit service has sufficiently trained staff to make informed decisions on complex benefit claims and make payments promptly.

18. As detailed under the Introduction and background section of this report, the council reported that housing benefit claims processing performance was adversely impacted by the pandemic. This is largely due to the temporary re-deployment of experienced benefit staff to administer the increased demand for SWF payments, applications to the Scottish Government's Covid self-isolation support scheme, and the administration of Low Income Pandemic Payments.

19. To put this increased workload into context, we asked the council to provide data on the number of applications received for the SWF and Covid self-isolation support scheme in 2019/20, 2020/21 and 2021/22. [Exhibit 1](#) details this information.

Exhibit 1

Number of applications to the Scottish Welfare Fund and Covid self-isolation support scheme

	2019/20	2020/21	2021/22
Scottish Welfare Fund	5,331	5,661	6,558
Covid self-isolation support scheme	N/A	237	3,652

Source: East Lothian Council

20. Although the council experienced a small increase in SWF applications in 2020/21, and a relatively small number of applications for Covid support, this still represented additional work over and above normal business activity. It is commendable therefore that the council managed to improve on its new claims processing times during this period. However, this improvement was at the expense of the time taken to process change events, which doubled from an average of three days to an average of six days ([see Exhibit 2](#)).

21. In 2021/22 the council experienced a significant increase in its non-housing benefit workload, which included an additional 897 applications to the SWF, and a fifteen-fold increase in applications for Covid support. As a result of the pandemic the council had invoked its business continuity plan and, to ensure that the service was not overwhelmed, this work was prioritised.

22. The temporary re-deployment of experienced housing benefit staff to manage the additional workload and help expedite these applications adversely impacted on claims processing times, with new claims processing performance declining to an average of 32 days, and change events to an average of 14 days, as of 31st December 2021.

23. This level of performance placed the council equal 29th for new claims and 31st for change events out of the 32 Scottish councils.

Recommendation 2

The council needs to continue to improve new claims processing times by setting realistic and achievable targets and by regularly monitoring and reporting performance against the Scottish average.

24. The decision to re-deploy staff and prioritise SWF and Covid support applications over claims processing is understandable given the significant volumes received. It is also acknowledged that the council took positive action to address the resultant decline in claims processing performance by recruiting new staff in 2021/22. These staff were tasked with processing SWF and Covid support applications, allowing the experienced housing benefit staff to return to core claims processing duties.

25. This had a positive impact on the council's claims processing times which improved in 2021/22 to an average of 30 days for new claims and six days for change events as detailed in [Exhibit 2](#). Although encouraging, the council needs to continue to deliver ongoing improvements, as the current level of performance for new claims remains significantly above the Scottish average.

Exhibit 2

Speed of processing performance (average number of days)

	2018/19	2019/20	2020/21	2021/22	Scottish average 2021/22
New claims	26 days	23 days	21 days	30 days	18 days
Change events	4 days	3 days	6 days	6 days	5 days

Source: East Lothian Council and DWP

The council has limited assurance that claims are being processed accurately and that errors are being identified and corrected

26. The accurate and secure administration of housing benefit should be a key priority for every council. To support this it is vital that a robust quality assurance framework is in place.

27. The council advised that prior to a service review in 2019, the benefit service had a clear management checking process in place. The Benefit Training and Development Officer carried out weekly checks on a random sample of claims that had been processed and specific checks on the work of new staff. The results of these checks, which were last formally reported in 2018/19, were summarised each month and reported to the Team Leader to inform training requirements and the benefit service's accuracy performance.

28. However, following the service review the Benefit Training and Development Officer post was removed from the structure and since April 2019 the council advised that senior staff continued to monitor and check the work of new staff, but that these checks are not documented. Therefore, except for a 100 per cent check of high value payments, no formal accuracy checks have been carried out.

29. The absence of a formal management checking process is of concern, as these checks provide the council with a level of assurance that the right amount of benefit is being paid to the right person, which is fundamental to the delivery of a secure, efficient, and effective benefit service.

30. In addition, management checks also:

- provide an audit trail to ensure that when errors are found, corrective action is taken.
- provide the service with information to report accuracy performance to senior management and elected Members.
- reduce the potential for fraudulent claims to enter the housing benefit system.
- help reduce the potential for overpayments to occur and the associated costs of pursuing this debt.
- provide the service with invaluable information on the type of financial and non-financial errors occurring, allowing for the identification of specific training to target areas of greatest risk.

31. The council recognised this as an area of concern and told us that the pandemic had delayed the development of a performance management framework that was planned post service review in 2020/21. The service review, which is nearing completion, will result in an increase from two to three senior benefit officers in the structure who will have responsibility for carrying out management checks, which will recommence as soon as possible.

Recommendation 3

The council needs to progress the development of its planned performance management framework and ensure that the benefit service records, analyses, and reports the outcomes of management checks. In addition, an accuracy target should be set, and performance monitored and reported regularly to senior management and elected Members.

The council is a key participant in DWP and Audit Scotland data matching initiatives and proactive in identifying and correcting un-reported change events

32. To minimise error in the caseload, councils must encourage customers to report change events on time and have a robust intervention programme to identify unreported changes and take appropriate corrective action.

33. To support this, benefit service notification letters remind customers of the requirement to report any change event. The council website also contains details of the type of changes that can be reported, information on how to report a change, and a facility to report a change online.

34. The council also actively participates in the DWP's Housing Benefit Matching Service, Audit Scotland's National Fraud Initiative, the DWP's Verify Earnings and Pensions service and in 2020 signed up to the DWP's Housing Benefit Accuracy Award (HBAA) initiative. These activities are designed to help councils identify unreported change events to ensure the accuracy of the caseload.

35. Since participating in the DWP's HBAA initiative, the council has reviewed 592 claims identified by the DWP as likely to have an un-reported change event. However, when analysing the outcomes of these case reviews we found that only a small percentage of cases had resulted in a decrease in benefit, as shown in [Exhibit 3](#).

Exhibit 3

Housing Benefit Accuracy Award initiative outcomes

	2020/21	2021/22
Number resulting in a decrease in HB	5	28
Number resulting in an increase in HB	2	12
Number resulting in no change to HB	128	390
Number not returned	0	27
Total	135	457

Source: East Lothian Council

36. The council told us that most cases identified for review were in respect of customers that were in supported or temporary accommodation. Although the outcomes provided assurance that more than 90 per cent were accurate, the HBAA initiative is designed to identify cases considered to be medium to high risk of having an un-reported change. We therefore consider that the council is not achieving the expected return for the resource invested.

Recommendation 4

The council should be more selective when reviewing cases by fully utilising the HBAA software to select cases where there is a higher likelihood of an un-reported change event based on local knowledge.

There is significant scope for improvement in the council's overpayment recovery performance

37. To protect public funds, councils should take appropriate steps to ensure that benefit overpayments are minimised and that, when they do occur, they are correctly classified and recovered. The Housing Benefit Overpayments Recovery Policy 2015 sets out the council's approach to the collection and recovery of housing benefit debt.

38. The key aim of the policy is to ensure that the council is fair in its treatment of customers that have been overpaid, while also maintaining its responsibility to protect public funds. The policy also provides guidance for decision makers on what is a recoverable overpayment, who it should be recovered from and the available methods of recovery.

39. To minimise housing benefit overpayments, the benefit service prioritises change events that could lead to an overpayment, uses benefit IT system reports to predict changes and reminds customers of the need to report any changes. In addition, the service checks the output from the DWP's Automated Transfer to Local Authority (LA) and Verify Earnings and Pensions systems and prioritises claims where an overpayment could arise.

40. Historically, this proactive approach has helped minimise the number of LA / administrative error overpayments that can arise because of processing delays. This is particularly important as a council can lose all its DWP subsidy for this type of overpayment if the total value exceeds 0.54 per cent of all housing benefit payments made.

41. Since 2018/19 the council's LA / administrative error rate has been well below the lower threshold (0.48 per cent) meaning that the council has been able to maximise its subsidy. However, in 2021/22, because of the significant increase in demand for assistance from the SWF and Covid support, the delay in processing housing benefit claims resulted in the value of LA / administrative error overpayments exceeding the upper threshold of 0.54 per cent of all housing benefit payments made.

42. In doing so, the council suffered a financial loss, as breaching this threshold resulted in no subsidy payments from the DWP in respect of these overpayments.

43. Where a customer has been overpaid but remains in receipt of benefit, the council recovers the debt from ongoing benefit at a prescribed rate unless the customer notifies the council that they are experiencing hardship. In these circumstances, a means test would be carried out and a reduced rate of recovery would be agreed with the customer, as appropriate.

44. If the customer is no longer receiving HB the council makes use of all available recovery options including:

- issuing an invoice for repayment
- utilising the DWP's Payment Deduction Programme to automate the recovery of housing benefit overpayments from DWP benefits
- recovering the debt from a third-party landlord, if appropriate
- utilising Sheriff's Officers for difficult to recover debt.
- using other commercial products.

45. [Exhibit 4](#) details the council's housing benefit overpayment recovery performance.

Exhibit 4

Overpayment levels and recovery performance

	2018/19	2019/20	2020/21	2021/22 (30 Sep 21*)
Total value of HB overpayments carried forward	£3,025,000	£2,931,000	£1,911,000	£1,844,000
Total value of overpayments identified in-year	£525,000	£259,000	£204,000	£204,000
Total value of HB debt	£3,550,000	£3,190,000	£2,115,000	£2,048,000
Total value of all HB debt recovered in-year	£389,000	£347,000	£213,000	£108,000
Total value of HB debt written off	£231,000	£620,000	£51,000	£42,000
Percentage of total HB debt recovered	11%	11%	10%	5%

Source: DWP

*most recent published data

46. In 2020/21 the value of all housing benefit debt recovered decreased by more than £100,000. The council advised that this was a result of national pandemic guidance that when a customer had been overpaid, the debt should not be actively pursued. Although this impacted in the value of debt recovered in 2020/21 and 2021/22, historic overpayment recovery performance had been low since 2018/19, placing the council 32nd, 29th and 28th out of all Scottish councils.

47. Although the Housing Benefit Overpayments Recovery Policy 2015 is clear and comprehensive, it needs to be updated to reflect the council's current approach. There are several areas where housing benefit recovery performance could be strengthened and improved. For example, at the time of our audit we found that:

- the benefit service has not had a dedicated overpayment recovery officer since 2019/20 and that the recovery targets within the Benefits and Financial Assessments Service Plan 2019/2022 are not being used to determine and report housing benefit recovery performance.
- the council has not made use of its debt recovery agents to pursue old debt since 2020/21.

- where a customer has been notified of an overpayment, the council waits one calendar month before initiating recovery action to allow the customer the opportunity to appeal the overpayment decision. This can delay the recovery process, making it potentially harder to engage with the customer and recover the debt.
- the council's all housing benefit debt recovery performance remains very low when compared to other Scottish councils where Audit Scotland regularly sees all debt recovery rates of more than 15 per cent.

48. At the time of our audit the council advised that the overpayment recovery process was under review, with a view to streamlining the processes and fully incorporating the work into the benefit service.

Recommendation 5

The benefit service should carry out a full review of its management and reporting of housing benefit overpayments. Evidence should be available to show where overpayments are being identified and recorded. Housing benefit overpayment recovery performance should be regularly monitored and reported to senior management and elected Members.

Recommendations

2022/23 recommendations

Issue / risk	Recommendation	Agreed management action / timing
<p>1. Business planning and reporting</p> <p>Although the council has a framework for reporting benefit service performance, the type and level of information provided to elected Members is not sufficient to determine the efficacy of the council in delivering the benefit service and challenge performance, when appropriate.</p>	<p>The benefit service should extend performance reporting to senior management and elected Members to include a comparison of claims processing performance against the Scottish average and performance in respect of the key performance indicators for accuracy and overpayment recovery.</p> <p>Paragraph 16.</p>	<p>Consideration will be given to extending performance reporting, as recommended. However, the number of performance indicators currently reported has been set and agreed by senior management and elected Members to meet the SPI Direction provided by Audit Scotland and it is not expected that this will change.</p> <p>It is suggested that if there is a desire to benchmark additional indicators against the Scottish average, then the best way of doing that would be to add them to the Local Government Benchmarking Framework. Audit Scotland would need to seek support for this from the Improvement Service / SOLACE.</p>

Issue / risk	Recommendation	Agreed management action / timing
2. Speed of processing		
<p>There is a risk that the council could exceed its LA / administrative error overpayment threshold in 2022/23 (see paragraphs 41 and 42) if it does not continue to improve claims processing times.</p>	<p>The council needs to continue to improve new claims processing times by setting realistic and achievable targets and by regularly monitoring and reporting performance against the Scottish average.</p> <p>Paragraph 23.</p>	<p>Agreed - the Council is aware of this risk and to help improve processing times is now switching the focus of some staff who have been involved in Covid-19 related grant work throughout the pandemic back to benefit processing.</p> <p>Internal targets for new claims and change events will be reviewed as part of the development and implementation of a performance management framework by January 2023.</p> <p>See response 1 in relation to adding indicators for measurement against the Scottish average.</p>
3. Accuracy		
<p>The lack of a management checking framework, and a programme of documented management checks, means that the council is missing an opportunity to identify and correct errors in the caseload timeously. This could lead to un-necessary additional work and cost to recover avoidable overpayments.</p>	<p>The council needs to progress the development of its planned performance management framework and ensure that the benefit service records, analyses, and reports the outcomes of management checks. In addition, an accuracy target should be set, and performance monitored and reported regularly to senior management and elected Members.</p> <p>Paragraph 31.</p>	<p>Agreed - the Council aims to have the supporting staff structure in place by January 2023 and this will enable progress to be made with the development of the performance framework and accuracy checking.</p> <p>See response 1 in relation to reporting additional indicators and performance information to senior management and elected Members.</p>
4. Interventions		
<p>At the expense of other areas of claims processing activity the council is deploying resources to review cases that are not resulting in identifying and</p>	<p>The council should be more selective when reviewing cases by fully utilising the HBAA software to select cases where there is a higher likelihood of an</p>	<p>Agreed - the Council aims to have a new process in place for selecting cases for review by 1st October 2022.</p>

Issue / risk	Recommendation	Agreed management action / timing
correcting claims that have an un-reported change event.	un-reported change event based on local knowledge. Paragraph 36.	
5. Debt recovery performance		
The council's housing benefit debt recovery performance has been in the bottom quartile of all Scottish councils since 2018/19. The longer this debt remains outstanding the harder and more costly it will be to recover.	The benefit service should carry out a full review of its management and reporting of housing benefit overpayments. Evidence should be available to show where overpayments are being identified and recorded. Housing benefit overpayment recovery performance should be regularly monitored and reported to senior management and elected Members. Paragraph 48.	Agreed - this review work will be scheduled as part of service improvement plans by January 2023. See response 1 in relation to reporting additional indicators and performance information to senior management and elected Members.

East Lothian Council

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