



REPORT TO AUDIT COMMITTEE – 31 JANUARY 2019

AUDIT SCOTLAND – HOUSING BENEFIT PERFORMANCE AUDIT ANNUAL UPDATE 2018

1 Recommendation

1.1 The Committee is recommended to note the report.

2 Background / Discussion

- 2.1 Audit Scotland undertakes an annual programme of housing benefit performance audit activity to help councils improve their benefit service. Each year all councils are risk assessed based on a range of factors, including the Department for Work and Pensions' most recent published speed of processing performance statistics. This allows Audit Scotland to select councils for a more individual in-depth risk assessment and report.
- 2.2 The in-depth risk assessment includes a self-assessment by the benefit service followed up by an onsite visit. During 2017/18, this in-depth review was carried out in 5 councils (Stirling, East Dunbartonshire, Scottish Borders, Moray and Comhairle nan Eilean Siar). A report was issued by Audit Scotland in each case (<http://www.audit-scotland.gov.uk/report/search>) and the respective councils were requested to prepare and submit an improvement plan.
- 2.3 Aberdeenshire Council was last selected for an in-depth review in 2016. At that point the service was experiencing a backlog of work due to an increase in claims as a result of the oil industry downturn. In addition, a new staffing structure was being implemented and welfare reform continued to be introduced. The audit report was published in October 2016 and was considered by the former Scrutiny and Audit Committee in December 2016 <http://committees.aberdeenshire.gov.uk/committees.aspx?commid=13&meetingid=18299>. The actions agreed with Audit Scotland in the subsequent improvement plan were implemented by the service by May 2017.
- 2.4 Attached at appendix 1 is Audit Scotland's Annual Update which provides a summary of the work carried out in 2017/18 and includes a brief update on wider welfare reform e.g. the establishment of Social Security Scotland and the National Audit Office's initial view on the roll out of Universal Credit. The Committee is asked to discuss and note the report.
- 2.5 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

- 3.1 The Committee is able to consider/comment on this item in terms of Section G.1.5 of the List of Committee Powers in Part 2A of the Scheme of Governance as the report relates to the Council's relationship with its external auditors.

4 Equalities, Staffing and Financial Implications

- 4.1 An equality impact assessment is not required because this report informs the Committee on progress with planned audit activity and does not have a differential impact on any of the protected groups.
- 4.2 There are no staffing and financial implications as a direct result of this report.
- 4.3 The external audit process identifies risks and reports risks in the areas subject to review.

Ritchie Johnson
Director of Business Services

Report prepared by Anne MacDonald
Senior Audit Manager, Audit Scotland
8 January 2019

Housing Benefit Performance audit

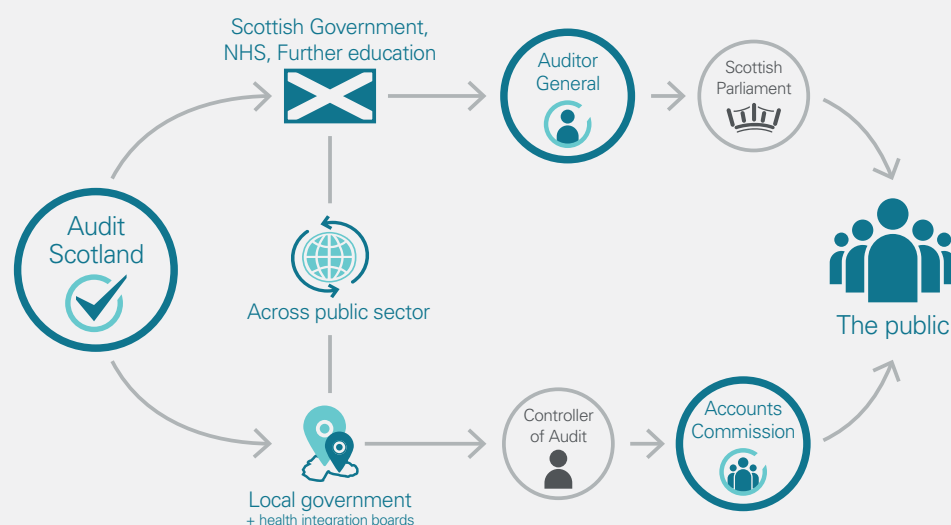
Annual update

2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Key messages	4
Background	6
Outcomes of the 2017/18 risk assessments	9
Wider welfare reform	12

Key messages

- 1** During 2017/18, we issued reports to five councils which identified a total of 24 risks to continuous improvement, all of which were accepted. We found that 78 per cent of risks identified during our risk assessments in previous years had been either fully or partially addressed (80 per cent in 2016/17).
- 2** We risk assess all councils every Autumn, and then update this assessment each quarter. The assessment is based on a range of factors, including the DWP's most recent published speed of processing performance statistics, and allows us to select councils for a more individual in-depth risk assessment and report. This approach ensures that councils not performing well, or where performance has significantly declined, are prioritised for an audit.
- 3** The roll-out of Universal Credit (UC) Full Service (UCFC) continues across Scotland and is having an impact on council benefit services. Councils are significantly re-structuring benefit services, and the reducing housing benefit caseload and budget pressures are leading to less full-time benefit service employees. In all five councils visited, we reported that the level of resources might not be sufficient to maintain or improve on previous claims processing performance levels.
- 4** The DWP has introduced two new services for councils which should lead to improved processing performance and debt recovery. The Verify Earning and Pensions service allows council to verify earnings and pensions information from claimants using real-time information from Her Majesty's Revenue and Customs (HMRC). The Debt Service project allows councils to match housing benefit debtors to employment and pension data from HMRC. It is too early to determine the impact of these services on council performance.
- 5** The social security landscape across Scotland continues to change. The new Scottish social security agency became operational in September 2018. Significant decisions are still to be made about the local presence of the agency across Scotland.

- 6 At UK level, the roll out of UCFC remains the most significant change to the social security landscape. In June 2018 the National Audit Office (NAO) concluded that UC is not delivering value for money and it is uncertain that it ever will. The NAO also considered the impact of the roll out of UC on local organisations that help administer the new system. It found that UC was creating additional costs for local authorities, particularly due to the processing of housing benefit stop notices and the impact of rent arrears which can take significant time to be recovered. The Scottish Government has introduced flexibilities for Scottish UC recipients so that they have a choice about how they can receive their benefit payments.
-

Background

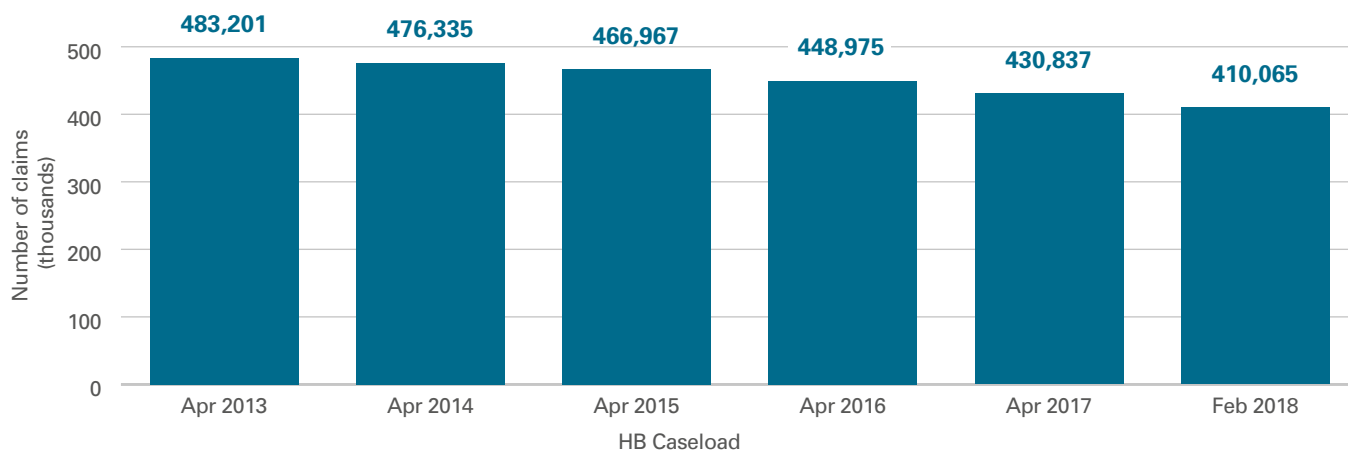
1. During 2017/18, approximately 18 per cent of Scottish households received financial support to help pay their rent in the form of means tested Housing Benefit (HB). Scottish councils paid out £1.63 billion in HB awards in 2017/18 (£1.74 billion in 2016/17), a reduction in spend of 6.3 per cent.
2. In 2017/18, Scottish councils received £22.8 million (£25.2 million in 2016/17) in funding from the DWP to deliver HB services. This 9.5 per cent reduction in funding in 2017/18 is due to DWP assumed efficiency savings.
3. On 23 March 2016, Musselburgh Job Centre, which serves East Lothian Council, was the first Job Centre in Scotland to deliver UCFS, which provides customers with an online UC account to manage their claim, report changes, send messages to their work coach, and find support. Further rollouts of UCFS have since taken place and the DWP expects a full rollout across the UK to be completed by December 2018 for all new HB claims, with the migration of the remaining working age HB claimants to UCFS to be completed by 2023.
4. The continued rollout of UCFS during 2018/19 will result in reduced HB caseloads in councils as fewer new HB claims are received. Working age claimants will start to move to UCFS with councils typically retaining claimants of pension age, some complex cases, and contribution-based Jobseekers and Support Allowance claimants.
5. The HB caseload has fallen from a high of 483,201 in 2013 to 410,065 at February 2018, as shown in [\(Exhibit 1, page 7\)](#). This represents a 15 per cent decrease in the number of claims during this period. [\(Exhibit 2, page 7\)](#) shows that claim numbers continued to fall during 2017/18 with a reduction of 4.8 per cent between April 2017 and February 2018.

Housing benefit performance audit

6. The main objective of the benefit performance audit is to help councils improve their benefit service, but it also holds councils to account for any failing service. 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.

Exhibit 1

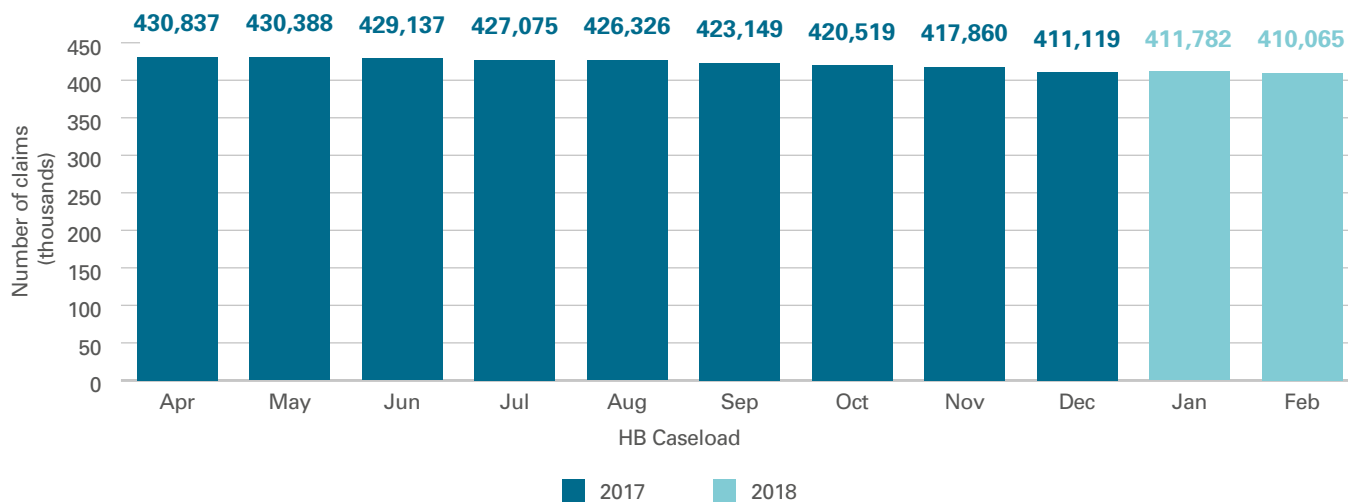
Changes to Scottish HB caseload 2013 to 2018



Source: DWP

Exhibit 2

Changes to Scottish HB caseload April 2017 to February 2018



Source: DWP

7. Risk assessment reports are provided to council Chief Executives who are invited to prepare an improvement plan detailing the actions, responsible persons and associated timescales, to address the identified risks. When a focused audit is required, the Controller of Audit prepares a report for the Accounts Commission. These reports are also copied to the DWP and published on the Audit Scotland website to provide transparency and assurances over how councils are performing.

Work carried out in 2017/18

8. We risk assess all councils every Autumn, and then update this assessment each quarter. The assessment is based on a range of factors, including the DWP's most recent published speed of processing performance statistics, and allows us to select councils for a more individual in-depth risk assessment and report. This approach ensures that councils not performing well, or where performance has significantly declined, are prioritised for an audit.

9. We issued individual risk assessment reports to five council Chief Executives during 2017/18 (eight in 2016/17). No focused audits were carried out as we didn't identify any significant concerns from the initial risk assessments. The five councils were:

- Stirling
- East Dunbartonshire
- Scottish Borders
- Moray
- Comhairle nan Eilean Siar

10. Each of the five councils developed an improvement plan to address the points raised. On receipt and review of council improvement plans, we requested further updates in respect of speed of processing performance from four of the councils (East Dunbartonshire; Scottish Borders; Moray; Comhairle nan Eilean Siar). We received progress reports from all four councils and, based on the updated performance information, we were satisfied with the improvements made in each council.

Outcomes of the 2017/18 risk assessments

11. Audit Scotland identified 24 risks to continuous improvement (18 in 2016/17) in the five risk assessments completed in 2017/18. Our work identified that 78 per cent (18 out of 23) of previously agreed actions had been fully or partially implemented (80 per cent in 2016/17).

12. Improvement actions were received from all councils visited. Analysis of the risks identified shows that:

- 100 per cent (100 per cent in 2016/17) of the identified risks were fully accepted by councils
- 26 per cent (6 out of 23) of agreed risks from previous risk assessments were carried forward (20 per cent in 2016/17).

13. The outstanding risks relate to:

- Accuracy
- Interventions
- Overpayments.

14. Councils have cited workforce numbers and reducing budget as reasons why not all agreed actions have been fully implemented. UCFS continues to roll out across councils, and we found that each of the five councils that we risk assessed had undertaken significant internal restructures to refocus the benefit service as UCFS is implemented. As our risk assessment is completed each quarter we continue to monitor all councils' performance for improvements or significant risks.

15. As UCFS is being implemented, benefit services have been planning for caseload reductions in conjunction with year on year reductions in funding from the DWP, and wider pressures on council budgets. There has been an impact on the level of full-time benefit service employees available to manage the transition, with councils increasing their use of outsourcing and employing temporary staff on fixed-term or rolling contracts. In all five councils audited, we reported that the level of resources might not be sufficient to maintain or improve on previous claims processing performance levels.

16. During 2017/18 Audit Scotland has identified weaknesses in the following key areas:

- Business planning and performance reporting - in four councils (Stirling/Moray/East Dunbartonshire/Scottish Borders) we found that the benefit service was not formally reporting its performance to elected members. This means that there was limited assurance that, where performance was below expectations, the service was being challenged to improve. We also considered that an opportunity was being missed to raise the profile of the service, and for elected members to recognise good performance. The Accounts Commission view formal reporting to elected members of the performance of the benefit service as an important part of the assurance and scrutiny of the service.
- Accuracy – the levels of accuracy in two councils (Stirling/Scottish Borders) were in decline. One council (Stirling) was not routinely analysing the outcomes from its management checks to help identify trends and patterns of error that could help improve accuracy rates.
- Interventions – in three councils (East Dunbartonshire/Comhairle Nan Eilean Siar/Scottish Borders) we found that, although interventions outcomes were recorded, the level of detail was not sufficient to allow the council to determine the effectiveness of its approach in financial terms, or the effectiveness of each intervention campaign. This information could help ensure that future activity is informed, risk-based, and cost effective.

Changes to housing benefit verification and debt recovery

DWP Verify Earnings and Pensions (VEP) Service

17. The VEP service was rolled out to all councils between April and November 2017 and enables council staff to verify claimant/partner earnings and pensions information in real-time from HMRC's payment system in respect of new claim assessments, change of circumstances and reviews.

18. The DWP has now developed an alerts service that has been rolling out across the UK since May 2018. This will use HMRC payment data to trigger an alert to councils as and when there are certain changes to a customer's earnings/pension information during the life of an HB claim. There are two alert categories:

- 'Start' alerts – this will alert a council that a claimant/partner has new employment earnings or non-state pension
- 'Fluctuating' alerts – this will alert a council that a claimant/partner's employment earnings or non-state pension has changed.

19. There are a number of potential benefits to councils and customers from this service. It provides councils with access to up to date and accurate information that might not have been provided by the customer/partner at the time of their new claim. Where the customer/partner has a current claim and has failed to notify the council that their earnings/pension amount has changed, this information will be alerted to councils automatically. Therefore, in taking prompt action to process an alert, it should provide councils with an opportunity to:

- deliver improvements in claims processing times
- reduce the potential for an avoidable overpayment/underpayment.

DWP HB Debt Recovery Project

20. The HB Debt Service project commenced in April 2018 and provides councils with the opportunity to match outstanding HB debtors to real-time information on HMRC's employment and pension data. Since April, the DWP advise that 25 councils in Scotland are using the service with approximately 10,200 cases sent for matching.


21. Councils can send up to 1,200 outstanding debtor files to the DWP for matching each month and, although it is too early to say how successful this service has been for Scottish councils, it should lead to improved collection and recovery performance.

22. The DWP reported that, during the pilot stages of the project, it worked with 46 councils (one in Scotland) that submitted 11,300 records in respect of HB debts raised in 2013-14 where no recovery had taken place. Of these cases, 65 per cent were matched and returned to councils with up-to-date employed, self-employed or pension data.

Move to Universal Credit

23. Once HB claimants move onto UC it may be more difficult for councils to recover any outstanding overpayments of HB from claimants. This is because one of the most effective and commonly used methods for recovering overpaid HB is through regular deductions from ongoing HB.

24. Following the migration to UC, councils will no longer have this option. Councils can apply to have previous HB debt recovered from UC, but HB debt would be ranked along with other potential debts the claimant may have and is considered a low priority debt.

25. In October 2017, the Scottish Government introduced two flexibilities to how Scottish UC claimants can choose to receive their payments, under powers devolved through the Scotland Act 2016. The Universal Credit Scottish Choices allow claimants to request twice monthly payments (instead of monthly) and to request that the housing element of their entitlement is paid directly to their landlord. The Scottish Government anticipates that offering direct payments to landlords will help to prevent rent arrears. [Scottish Government data](#)  for the period 4 October 2017 to 21 December 2017 shows that around 17 per cent of new UC applicants in Scotland, who were offered the choices, requested direct payments to their landlord.

Wider welfare reform


26. In March 2018, the Accounts Commission considered a paper on the changing social security landscape. This provided an overview of changes to the social security system at the UK level and of the powers being devolved to Scotland. Also, in March 2018, the Audit General for Scotland (AGS) reported on the Scottish Government's implementation of the devolved social security powers, concluding that good early progress was being made but that a significant amount of work remained.

27. The Social Security (Scotland) Act received Royal Assent in June 2018. The Scottish Government is continuing to plan and implement the devolved powers on a phased approach. It is yet to take decisions on and set out plans in a number of important areas which may have implications for local authorities. This includes how it intends to deliver on its commitment to provide a local presence as part of the new social security agency. In December 2017, the Scottish Government and COSLA signed a delivery agreement setting out guiding principles with the aim of ensuring social security services are delivered in a consistent way across Scotland. The Scottish Government is currently exploring potential local delivery models.

28. The new Scottish social security agency, Social Security Scotland, became operational from the start of September 2018. This coincided with the launch of the Carers Allowance Supplement. The size and complexity of the agency will increase significantly as it becomes fully established to deliver the full range of devolved benefits.

29. Audit Scotland is the appointed auditor for Social Security Scotland and the payments that it administers. The AGS will also appoint the auditor for the Scottish Commission on Social Security, which was established under the Social Security (Scotland) Act 2018.

30. Audit Scotland has set up a new social security audit team that will be responsible for all our financial and performance audit work on social security, including our existing housing benefit performance audit work. By establishing a single, cross-organisational team, we will be able to effectively identify and examine issues of audit interest across the social security landscape. We will continue to review our resource needs for this work and build additional capacity as more social security benefits are devolved through to 2021.

31. At the UK level, the roll out of UC remains the most significant change to the social security landscape. In June 2018, the [National Audit Office \(NAO\)](#)  reported on the progress being made by the DWP to implement UC. The NAO concluded that UC is not delivering value for money and it is uncertain that it ever will. It reports that implementation of UC has taken significantly longer than planned and it may cost more to administer than the package of benefits it is

replacing. It also found that, due to a lack of data, the DWP is unable to evidence that UC is achieving the stated aim of increasing employment.

32. The NAO looked at the experience of UC claimants. It found that claimants and organisations representing them report hardship because of moving onto UC. It also found delays to claimants being paid in full and on time, mainly due to the DWP having difficulties in verifying claimant details. The NAO also reports on the challenges some claimants face in accessing and successfully using the digital application systems.

33. The NAO also considered the impact of the roll out of UC on local organisations that help administer the new system. It found that UC was creating additional costs for local authorities, particularly due to the processing of housing benefit stop notices and the impact of rent arrears which can take significant time to be recovered. It also found that there were additional demands on local authorities due to their role in providing local support services on behalf of the DWP. The NAO also reported that some local authorities claim that the funding provided by the DWP does not cover the costs of providing these services.

Housing Benefit Performance audit

Annual update 2018

This report is available in PDF and RTF formats,
along with a podcast summary at:

www.audit-scotland.gov.uk 

If you require this publication in an alternative
format and/or language, please contact us to
discuss your needs: 0131 625 1500

or info@audit-scotland.gov.uk 

For the latest news, reports
and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: info@audit-scotland.gov.uk 

www.audit-scotland.gov.uk 

ISBN 978 1 911494 74 4