

# Housing Benefit Performance audit

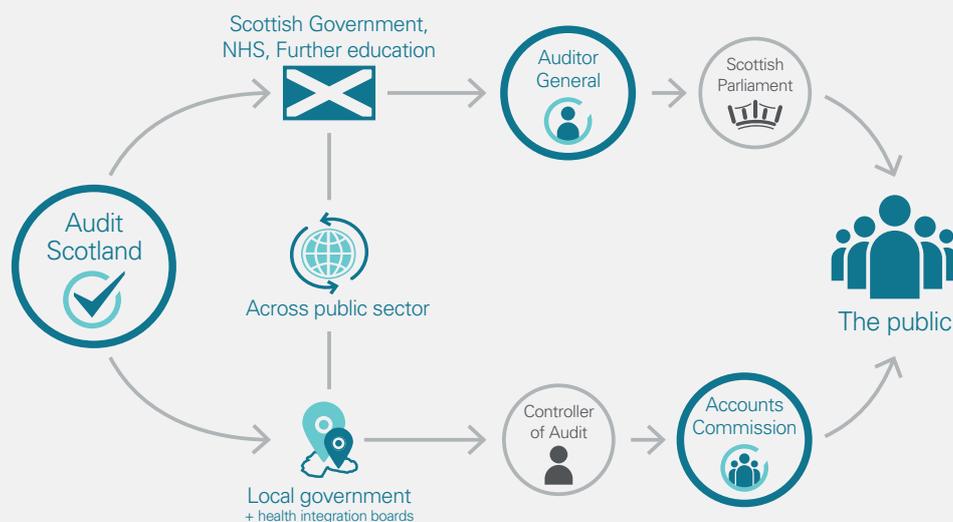
Annual update 2016/17



# 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.

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# Purpose

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**1.** This report provides a summary of the performance audit work carried out by Audit Scotland on Scottish council's housing benefit (HB) services during 2016/17.

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## Key messages

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**2.** During 2016/17, we issued eight reports to councils which identified 18 risks to continuous improvement that were accepted. We found that 80% of risks identified during our risk assessments in previous years had been either fully or partially addressed (85% in 2015/16). Council feedback on the performance audit process remains positive.

**3.** Benefit services that are well managed can deliver value for money and high quality services for customers. In two of the eight councils we found no risks to continuous improvement, and in two councils, only one risk was identified. This is extremely positive and helps to demonstrate the impact of our work. However, we identified that:

- management checking was an issue in five of the eight councils. We found that the level of analysis carried out on the outcomes was insufficient to inform a risk-based approach to checking or training programmes
- in three councils, we found business planning and performance reporting risks where targets were not set for all aspects of the benefit service and therefore holistic performance was not being reported to senior management and elected members. As budgets are reducing we identified that the level of resources may not be sufficient to deliver continuous improvement, or maintain current performance levels in one council
- interventions were an issue in four councils. We found interventions outcomes were not recorded and analysed in sufficient detail to allow the service to determine the effectiveness of their approach.

**4.** Universal Credit (UC) continues to be rolled out across Scotland with all councils now having some local residents claiming UC. During 2016/17, the full digital UC service for all claimant types began to roll out nationally. The Department for Work and Pensions (DWP) expect a full roll-out across the UK to be completed by September 2018, with the migration of the remaining working age existing HB claimants to the full UC service to start thereafter and be completed by 2022.

**5.** The Scottish Parliament's newly devolved social security powers will result in some aspects of the devolved benefits being delivered by local authorities. Ten of the eleven devolved benefits will be delivered directly by the Scottish Government's new social security agency with discretionary housing payments (DHP) continuing to be delivered by local authorities. Further details are expected to be announced by the end of June 2017 in the Scottish Social Security Bill.

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# Background

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**6.** During 2016/17, approximately 18 per cent of Scottish households received financial support to help pay for their rent in the form of means tested HB. Scottish councils paid out £1.74 billion in HB awards in 2016/17 (£1.77 billion in 2015/16), a reduction in spend of 1.7 per cent.

**7.** In 2016/17, Scottish councils received £25.2 million (£27.8 million in 2015/16) in funding from the DWP to deliver HB services. This 9 per cent reduction in funding in 2016/17 is due to DWP assumed efficiency savings and the move of the cost of fraud investigations from local authorities to DWP.

**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 the identified risks. These reports are also copied to the DWP and the council's external auditors to provide assurances over how 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, external auditors, and published on the Audit Scotland website.

**11.** We also carry out reviews of, and report on, particular themes relevant to providing housing benefit services.

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# Work carried out during 2016/17

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**12.** We reviewed our risk-based approach to our performance audit programme to ensure that the councils that we considered the highest risk were visited during the year. [Appendix 1 \(page 14\)](#) contains the details of the eight risk assessment reports that were issued to council Chief Executives during 2016/17 (11 in 2015/16). No focused audits were carried out. The reduction in the number of risk assessments was due to the retirement of one of the two performance auditors in December 2016 who has not yet been replaced.

**13.** Following receipt and review of council improvement plans to address the risks identified in our risk assessment reports, further progress reports were requested from four councils. These are detailed in [Appendix 2 \(page 15\)](#).

**14.** We have received progress reports from all four councils. Action taken to address risks in North Ayrshire Council, Clackmannanshire Council and Aberdeenshire Council was considered satisfactory and therefore no further updates were required. East Dunbartonshire Council was requested to provide further updates on new claims processing performance. These further updates have been received and action taken to address the risks was considered satisfactory.

**15.** In line with Audit Scotland's objective of identifying and sharing good practice, one thematic study was undertaken during 2016/17. More information is provided in the following paragraphs.

## **A review of housing benefit fraud investigation liaison arrangements in Scotland**

**16.** Following the completion of the transfer of responsibility for the investigation of HB fraud from councils to the DWPs Fraud and Error Service (FES) in April 2016, Audit Scotland carried out a review of effectiveness of the new fraud investigation liaison arrangements.

**17.** The key objective of the review was to determine the extent to which benefit services are meeting their obligations to achieve continuous improvement in respect of HB counter fraud activities. Information for the review was gathered from officers in Scottish councils and the DWP.

**18.** The review identified that the current process did not provide sufficient assurance that public funds administered by local authorities are being protected. The report concludes that despite the significant issues identified, DWP and local authorities in Scotland are committed to delivering process improvements and to implementing a structured and regular approach to local liaison. The report was published in January 2017 and is available on the Audit Scotland [website](#).

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# Outcomes of the 2016/17 risk assessments

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**19.** Audit Scotland identified 18 risks to continuous improvement (45 in 2015/16) in the eight risk assessments completed in 2016/17. We are pleased to report that no risks to continuous improvement were identified in Inverclyde and South Lanarkshire councils and only one risk was identified in Aberdeenshire Council and East Ayrshire Council.

**20.** Our work identified that 80 per cent (55 out of 69) of previously agreed actions had been fully or partially implemented (85 per cent in 2015/16).

**21.** Improvement plans have been received from all councils visited. Analysis of the risks identified shows that:

- 100 per cent (100 per cent in 2015/16) of the identified risks were fully accepted by councils
- 20 per cent (14/69) of agreed risks from previous risk assessments were carried forward (17 per cent in 2015/16).

**22.** The outstanding risks relate to:

- limited reporting of performance to senior management and members in five councils
- limited analysis of intervention outcomes in three councils
- overpayment recovery performance, or limited analysis of performance to determine the effectiveness of recovery methods in three councils
- the accuracy checking approach in one council, and accuracy performance in one council
- speed of processing performance in one council.

**23.** Councils have cited resourcing issues and budget cuts as a reason why not all agreed actions have been fully implemented.

**24.** We have found that where benefit services are well managed they can deliver value for money and high-quality services for claimants.

**25.** During 2016/17, Audit Scotland has identified weaknesses in the following key areas:

- Accuracy - we found that quality checking was not always risk based and results were not being routinely collated and analysed in detail to inform a risk-based approach to checking or its training programme
- Business planning and performance reporting - we found that councils were not setting targets for all aspects of the benefit service and therefore holistic performance was not being reported to senior management and elected members. As budgets are reducing we identified that the level of resources

were not sufficient to deliver continuous improvement, or maintain current performance levels in one council.

- Interventions - we found interventions outcomes were not recorded and analysed in sufficient detail to allow the council to determine the effectiveness of their approach, particularly in monetary terms.

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# Stakeholder feedback

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**26.** In order to ascertain the effectiveness of the audit process from the council's perspective, and to help identify areas which could be improved, a feedback questionnaire is issued to the council after each risk assessment. During 2016/17, responses received were very positive and provided Audit Scotland with assurance that the audit methodology is fit for purpose and proportionate. The following comments were received:

- "The risk assessment process acknowledged the challenges and improvements made by the council's benefit service together with opportunities to enhance specific risks to deliver further continuous improvement."
- "The auditor's experience, knowledge, and manner was refreshing, and meant that the new team were very comfortable with the process."
- "The planning and set-up of the audit was professional and offered sufficient flexibility to enable the council to meet the deadlines."
- "The audit provided a focussed external challenge to our benefit service which was beneficial."

**27.** From the feedback received there were no comments on what Audit Scotland could have done better. However, we continually review our work with a view to minimising the impact of the risk assessment on the council, and discussions continue with benefit managers in respect of their particular requirements and needs prior to the submission of the self-assessment. We also try to take account of the challenges faced by council's when considering our work programme.

**28.** HB risk assessment reports continue to be shared with the DWP. Throughout 2016/17, we have continued 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.

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# Welfare reform

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**29.** Councils continue to work with partners to help deliver the UK Government's welfare reform agenda.

## Universal credit (UC)

**30.** UC rollout has continued across Scotland during 2016/17. All Scottish councils have some local residents claiming UC.

## Universal Credit Full Digital Service

**31.** The latest UC digital service allows 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.

**32.** On 23 March 2016, Musselburgh Job Centre, which serves East Lothian Council, was the first Job Centre in Scotland to provide the full UC digital service. Further rollouts of the full digital service have now taken place in jobcentres, which serve Highland, East Dunbartonshire, Inverclyde, and Midlothian councils. The DWP expects a full rollout across the UK to be completed by September 2018, with the migration of the remaining working age existing HB claimants to the full UC digital service to be completed by 2022.

**33.** Councils have been reporting that the roll out of UC has had a detrimental effect on the collection of housing rental income. For example, East Lothian Council reported a 12 per cent increase in rent arrears from 1 April to 30 September 2016. This is an increase of £156,000 of which the council could identify £79,000 relating directly to debt associated with UC. The council recognise that the remaining £78,000 may also be in part an indirect impact of UC, eg officers spending time with UC claimants and increased volumes of DHP applications which detracts from the time available to spend dealing with other tenant arrears.

**34.** 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 popular methods for recovering overpaid HB is through regular deductions from on-going HB. 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.

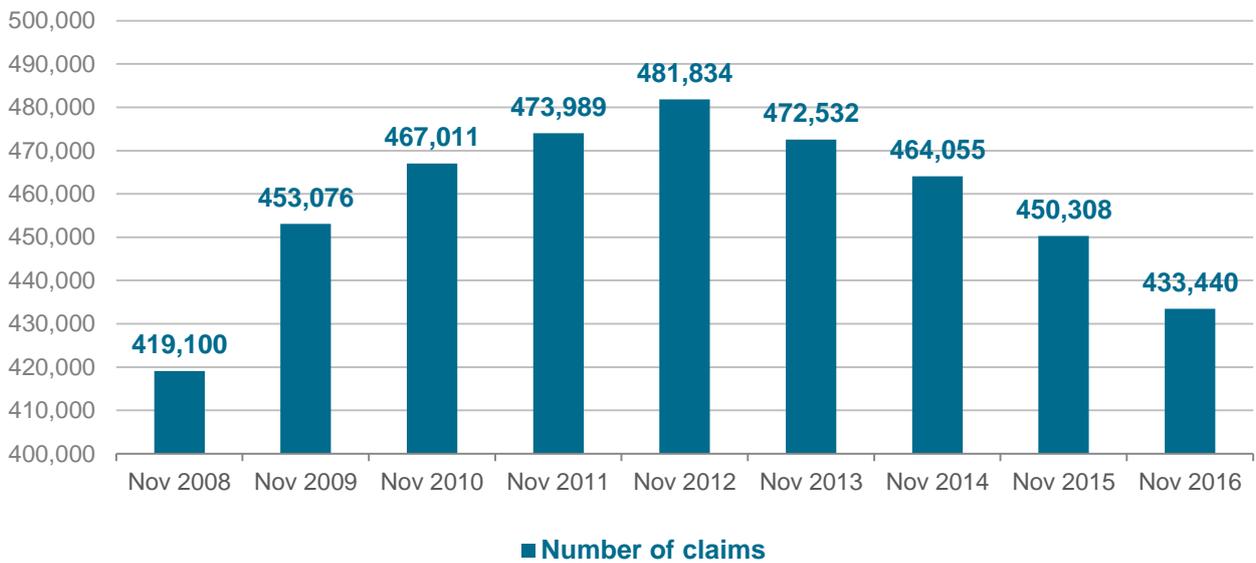
**35.** The Scottish Government has consulted on its newly devolved powers which will allow the rent element of UC to be paid directly to landlords. This new power may help keep rent arrears down.

**36.** The continued rollout of UC during 2017/18 will result in reduced HB caseloads in councils as fewer new HB claims are received. Working age claimants will start to move to UC with councils typically retaining pension aged claimants, some complex cases and contribution based Jobseekers and Employment and Support Allowance claimants.

**37.** The HB caseload has been falling in recent years from a high of 481,834 during 2012/13 to 433,440 during 2016/17 as shown in [Exhibit 1 \(page 11\)](#). This represents a ten per cent decrease in the number of claims between November 2012 and November 2016.

## Exhibit 1

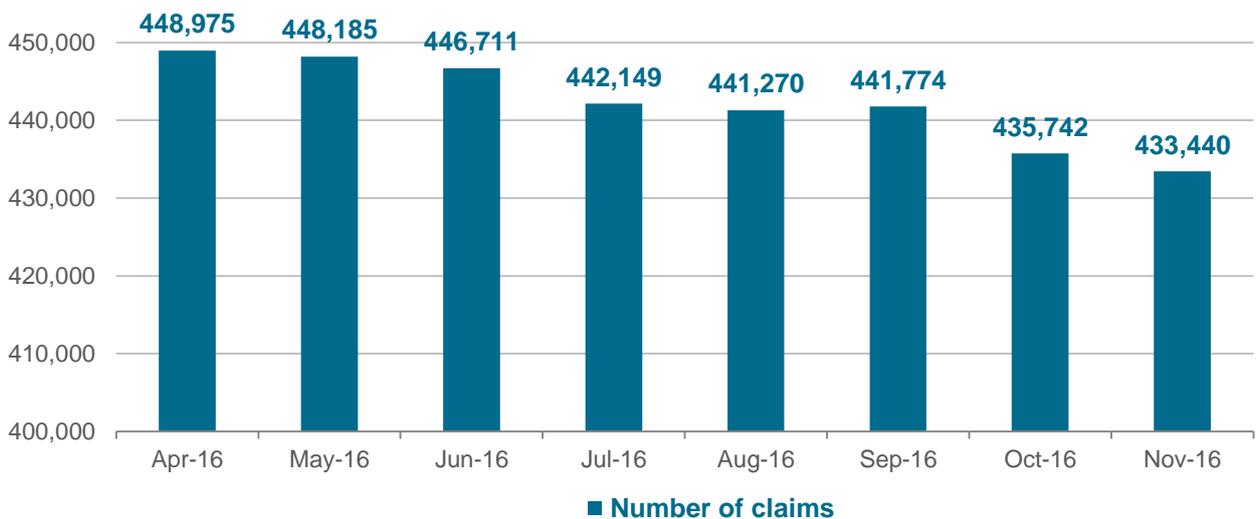
### HB Caseload 2008-16 (Scotland)



38. [Exhibit 2](#) shows that claim numbers continued to fall during 2016/17 by a further 3.5 per cent between April 2016 and November 2016.

## Exhibit 2

### Monthly caseload (Scotland)



## Scottish Social Security

**39.** The Scotland Act 2016 devolves a number of areas of social security to Scotland. These cover 11 benefits totalling £2.8 billion of spending in Scotland (15 per cent of the current total social security spend in Scotland). The Scottish Government is committed to delivering these 11 social security benefits by the end of the current parliamentary session in 2021.

**40.** The Scottish Government's social security programme is in its early stages and in 2016, the Scottish Government carried out a consultation to gather public opinion on the devolved benefits and how they should be delivered.

**41.** The Scottish Parliament's new devolved social security powers will result in some aspects of the devolved benefits being delivered by local authorities. Ten of the eleven newly devolved benefits will be delivered directly by the Scottish Government's new social security agency, with DHP's and the already devolved, Scottish Welfare Fund, continuing to be delivered by local authorities.

**42.** Further details are expected to be announced by the end of June 2017 in the Scottish Social Security Bill.

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# Our reports

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1. [\*A review of housing benefit fraud investigation liaison arrangements in Scotland\*](#),  
Audit Scotland, January 2017
2. [\*Housing Benefit Good Practice Guide: Initiatives which deliver best value\*](#),  
Audit Scotland, April 2016
3. [\*Benefit performance audit: Annual update 2015/16\*](#),  
Audit Scotland, June 2016
4. [\*Housing benefit subsidy certification 2014/15\*](#),  
Audit Scotland, January 2016
5. [\*Review of activity to reduce fraud and error in housing benefit\*](#),  
Audit Scotland, September 2015
6. [\*Benefits performance audit: Annual Update 2014/15\*](#),  
Audit Scotland, June 2015
7. [\*Review of auditors' housing benefit subsidy claim reported errors 2013/14\*](#),  
Audit Scotland, February 2015

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# Appendix 1

## The 2016/17 risk assessment programme

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| Date on site   | Council           | Date reported |
|----------------|-------------------|---------------|
| March 2106     | South Ayrshire    | May 2016      |
| March 2016     | Inverclyde        | May 2016      |
| June 2016      | East Renfrewshire | July 2016     |
| June 2016      | East Ayrshire     | August 2016   |
| August 2016    | Aberdeenshire     | October 2016  |
| September 2016 | Dundee City       | November 2016 |
| November 2016  | South Lanarkshire | December 2016 |
| January 2017   | Fife              | March 2017    |

# Appendix 2

## Progress reports requested during 2016/17

| Council             | Date progress report received/expected                 | Conclusion on action taken to address risks   |
|---------------------|--|---|
| North Ayrshire      | April 2016   | Update received and satisfactory progress made to date.   |
| East Dunbartonshire | April 2016   | Update received and further update requested on action regarding risks identified in respect of new claims performance. |
| East Dunbartonshire | July 2016  | Update received and further update requested on new claims performance.   |
| Clackmannanshire    | November 2015, February 2016 & July 2016, January 2017 | Update received and satisfactory progress made to date.   |
| East Dunbartonshire | January 2017   | Update received and satisfactory progress made to date.   |
| Aberdeenshire       | April 2017   | Update received and satisfactory progress made to date.   |

# Housing Benefit Performance audit

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

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

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