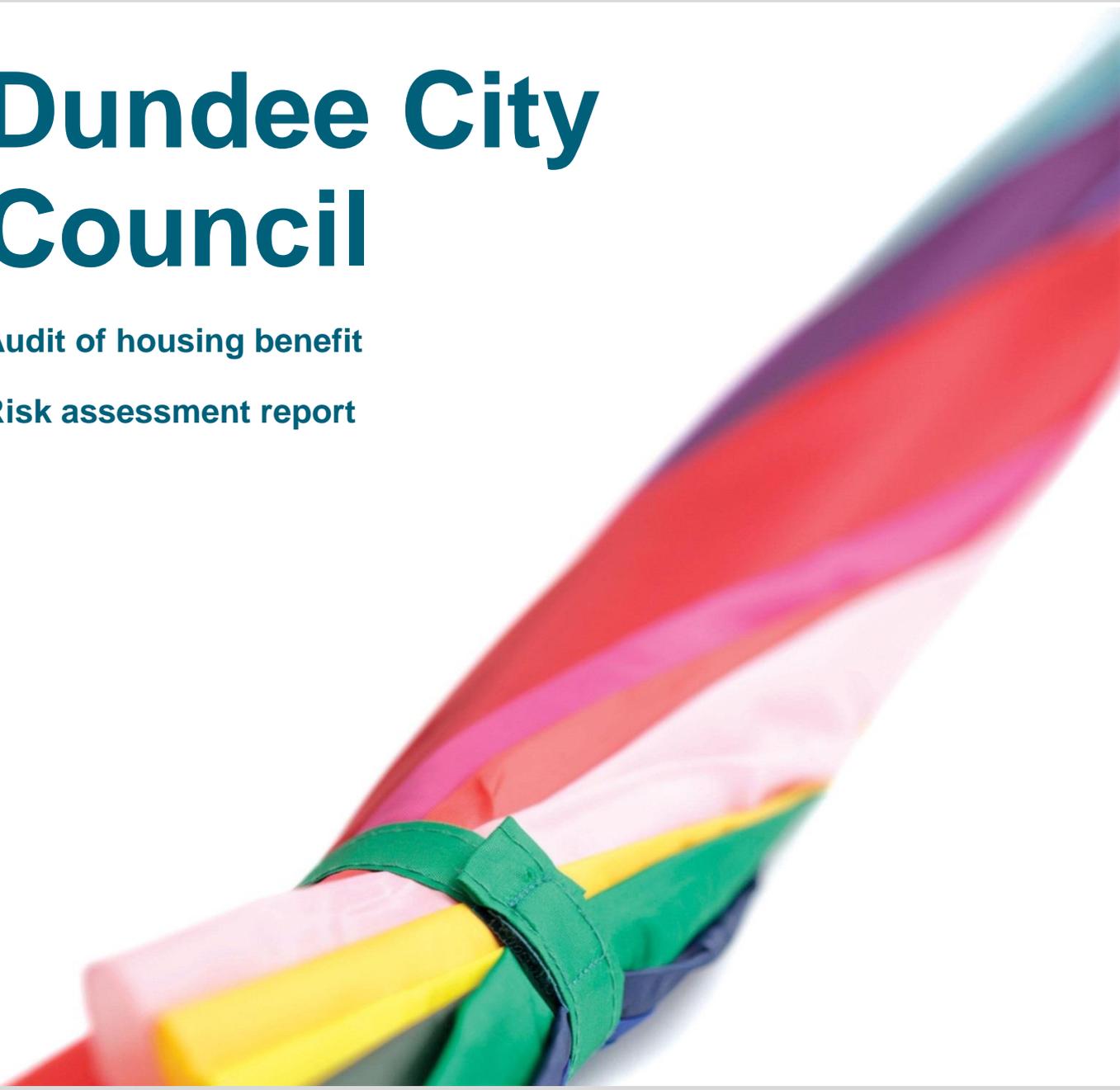


# Dundee City Council

Audit of housing benefit

Risk assessment report



 AUDIT SCOTLAND

Prepared for Dundee City Council  
November 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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# Introduction

1. This risk assessment was completed as part of Audit Scotland's housing benefit (HB) risk assessment programme. It does not represent a full audit of Dundee City Council's benefit service.
2. 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 all its activities.
3. Specifically, the risk assessment considers the effectiveness of the benefit service in meeting national and local priorities, business planning and reporting, and delivering outcomes.
4. Information for this risk assessment was gathered from a range of sources including:
  - the self-assessment, supporting evidence, and updated action plan provided by the council
  - Department for Work and Pensions (DWP) indicators and other performance measures
  - scrutiny of internal and external audit reports
  - discussions with the appointed external auditor
  - discussions with senior officers in the council during our site visit in September 2016.

## Executive summary

5. A risk assessment was previously carried out on Dundee City Council's benefit service in December 2013 when Audit Scotland identified eight risks to continuous improvement. These were reported to the Chief Executive in January 2014 and, in response, the council submitted an action plan to address these risks, which Audit Scotland accepted as satisfactory, if fully implemented.
6. Since our previous visit, there have been some significant changes within the council. A new Chief Executive was appointed in December 2014 and subsequent to this, a reconfiguration of the council's departmental structure was carried out to reflect the council's key priorities and to facilitate more streamlined management arrangements.
7. In terms of the benefit service, there have been a number of changes at senior management level with the retirements of the Senior Council Tax and Benefits Manager in March 2014, and the Head of Revenues and Customer Services in July 2015. In April 2014, a new Senior Council Tax and Benefits Manager was appointed and in July 2015, following the departmental reconfiguration, the Revenues and Benefits service became part of Customer Services and IT reporting directly to the Head of Customer Services and IT.

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8. In addition to the management changes, the benefit service has taken on additional responsibilities and now processes applications for free school meals and clothing grants, administers the council's hardship fund, and since August 2016 processes applications for educational maintenance allowance and music tuition. Following the introduction of the UK government's welfare reforms in April 2013 the benefit service has seen a significant increase in the number of applications for a discretionary housing payment from 339 in 2012/13, to 4,499 in 2015/16.
  9. Despite these changes, and the challenges arising from increased workloads, the service has delivered an excellent level of claims processing performance and is continually seeking new ways to modernise and develop the service to deliver further improvements. This is commendable.
  10. In addressing six of the eight risks, the council has made a very positive contribution to the delivery of the benefit service. In particular, by:
    - delivering an excellent level of claims processing performance during a period of significant change which placed the council as the fourth best performer in Scotland for the average time to process new claims, and eighth for the average time to process change events, based on DWP's 2015/16 published data
    - recommencing its programme of management checks in January 2015, and having a clear and structured approach to improving accuracy performance
    - developing an annual programme of interventions, and successfully achieving funding from the DWP's Fraud and Error Reduction Incentive Scheme (FERIS) to support its activities.
  11. Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefit service, there are three new risks and two risks ongoing from our previous risk assessment. In order to ensure continuous improvement, the council needs to address these risks. These include:
    - benefit overpayment classifications are not routinely checked by the Corporate Debt Recovery team for accuracy, and therefore the council has reduced assurance that it is correctly classifying overpayments and maximising subsidy available from the DWP
    - setting a more challenging but realistic accuracy target in order to demonstrate a commitment to continuous improvement
    - establishing a method for determining the effectiveness of its intervention activity in monetary terms in order to:
      - promote positive outcomes
      - re-enforce the financial impact of failing to notify a change of circumstances
      - carry out a detailed financial analysis of outcomes to help identify the most successful intervention activity types, and to help identify areas for learning and improvement as well as development of its future interventions strategy.

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# Business planning and reporting

12. An effective business plan provides an opportunity for the council to set out the aims and objectives for each service and should contain key deliverables against which performance is measured, monitored and reported.
13. The benefit service is part of Corporate Services, which delivers a broad range of council services covering corporate support and front-line delivery. At a strategic level the *Corporate Services Service Plan 2012 - 2017* sets out how the service contributes and aims to meet the three key outcomes of the council's *Outcome Delivery Plan*.
14. Operationally, the *Accounts and Benefits Operational Team Plan 2016/17* sets out the council's vision and values and details the eight key performance indicators against which the benefit service is measured. The benefit service aims to provide a high level of service and, to achieve this, the operational plan is reviewed annually and new targets are set based on previous performance with a view to delivering continuous improvement, where possible.
15. The council has a clear performance management framework, which includes weekly meetings between the Council Tax and Benefits Manager and team leaders to discuss performance and work priorities, and monthly 1-2-1 meetings between the Senior Manager Customer Services and Benefit Delivery and the Head of Customer Services and IT to discuss strategic issues and headline performance indicators.
16. An online performance management system is updated monthly with key service performance indicators which is available to view by senior management and, in order to ensure elected members are kept informed, the benefit service reports to the Policy and Resources Committee quarterly, and the Scrutiny Committee approximately five times per year.
17. The council told us that it is continually seeking new ways to deliver improvements to the service and, in order to facilitate this, we were told that detailed reviews across 11 aspects of the service were planned for 2016/17 with a view to increasing efficiency by removing unnecessary processes and verification, while maintaining quality and accuracy.
18. At the time of our site visit the council had completed a number of these reviews and, based on the findings from the review of claims from self-employed customers, had introduced a reduced level of verification for this claim type.
19. We consider that the performance management arrangements and programme of process reviews helps to provide an important focus on the service at a time of significant change, reducing budgets, and increased demand.
20. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:

- although the Accounts and Benefits service reported performance widely to staff, senior management and members, the service was not routinely reporting its performance across all aspects of the business. This included the average time to process changes of circumstances, which had declined significantly, the recovery of benefit overpayments, and the time taken to deal with appeals and requests for reconsideration.
  - the Corporate Services annual performance report and the Corporate Performance Scorecard contained no information in respect of benefit service performance and therefore the council is missing an opportunity to raise the profile of the service internally and externally.
21. Although there is regular reporting of benefit service performance to senior management and members, we consider that the first risk remains outstanding, as the service does not routinely report performance across all aspects of the service. For example, the service does not report performance in respect of the recovery of benefit overpayments to members, despite it being a key revenue stream for the council.
22. In addition, the Scrutiny Committee only receives a cumulative snapshot of performance based on the previous year in respect of three performance indicators:
- the average number of days to process new claims
  - the accuracy of claims
  - the percentage of claims processed within 14 days.
23. However, there are no targets against which performance is being reported to provide members with an opportunity to challenge poor performance, or recognise good performance, and no reporting of performance in respect of the time taken to process change events.
24. We consider that the second risk has been addressed as benefit service performance is regularly reported internally, and externally on the council website as part of *Dundee Performs*.

## Delivering outcomes

25. Effective operational processes and IT systems, along with skilled staff, help benefit services deliver sound performance and continuous improvement. The council has a number of management arrangements in place to support this.

### Speed of processing

26. When customers claim benefit, it is a time of financial uncertainty for them and, as such, it is essential that the service has sufficient fully trained and effective benefit processors in place that can make informed decisions on complex benefit claims and pay benefit promptly.
27. Exhibit 1 illustrates the council's current and previous performance.

<b>Exhibit 1: Speed of processing performance (average number of days)</b>				
	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17 (31 July)</b>
<b>New claims</b>	21 days	20 days	18 days	18 days
<b>Change events</b>	9 days	5 days	5 days	4 days

Source: Dundee City Council & DWP

28. As detailed in the *Executive summary*, there have been significant changes to the management and structure of the benefit service since our last report in January 2014.
29. Despite the loss of two senior officers' expertise and knowledge, and increased workloads, staff have responded very positively and the service has proved extremely resilient by delivering continuous improvement in 2014/15 and continuing to improve its new claims processing times in 2015/16, while maintaining an excellent level of performance in the time take to process change events.
30. In 2015/16, this level of performance placed the council as the fourth best performer in Scotland for the average time to process new claims and eighth for the average time to process change events, based on DWP's 2015/16 published data. This is highly commendable.
31. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that claims processing performance was in decline, and the council's ability to recover was considerably affected by the lack of benefit processing capacity within the Accounts and Benefits team. As a consequence, the increased time taken to process changes of circumstances could significantly increase the number and value of local authority error overpayments.
32. We consider that this risk has been addressed as the council's claims processing times have improved significantly since our last visit.

## Accuracy

33. The accurate and secure administration of HB should be a key priority for every council, and to support this it should have a robust quality assurance framework in place.
34. The council places significant importance on quality and accuracy and has a dedicated team of four quality assurance (QA) officers that are responsible for carrying out management checks on the work of the benefit service to ensure the accuracy of payments.
35. At the time of our previous visit, the service had suspended its programme of management checks in order to focus on improving claims processing times. As processing times had improved, management checks recommenced in January 2015 and consist of a daily 4% post payment check of claims processed for each staff member, or at least one claim per officer

per day. Cases are randomly selected from an IT system report and a full claim check is carried out with outcomes recorded on a comprehensive spreadsheet.

36. After each officer has had 12 management checks of their work, the outcomes are discussed with their team leader with a view to recognising good performance, or to address any support or remedial training. This discussion is fully documented and provides a good audit trail of the process.
37. Where there are issues with an officer's accuracy levels, which have not been addressed by remedial training, increased checks are carried out for a period of four weeks after which, if the required improvement is not achieved, checks are increased to 100% and further training is provided. If an officer is unable to reach the requisite improvement, the council can invoke the investigative stage of its disciplinary procedures.
38. In addition to the daily management checks, there is a 100% check of the work of new staff, which is reduced incrementally until the officer reaches the required level of competence. We were also told that pre-payment checks are carried out on all initial payments over £600 for private tenants, and that random QA checks are carried out on cases reported on the two-monthly and four-weekly immediate payment runs to ensure accuracy and entitlement.
39. Exhibit 2 illustrates the council's current and previous accuracy performance.

#### Exhibit 2: Financial accuracy performance

	Target	Achieved
2014/15	90%	92%
2015/16	90%	90%
2016/17 (30 Jun)	90%	90%

Source: Dundee City Council

40. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
  - with the exception of staff that were on an improvement plan, the council had temporarily suspended its management checking programme until it improved claims processing times. This meant that there was a significant risk that fraud and error would go undetected and that the council had reduced assurance that benefit was being paid correctly and accurately
  - the majority of the council's management checks were pre-payment and, as the recorded outcomes from these checks did not include information on whether an incorrect payment had been made, the council was unable to accurately report its post-payment performance.

41. We consider that both of the above risks have been addressed as management checks recommenced in January 2015 and, as these are predominately post-payment, the council is able to accurately report its post-payment performance.

#### Risk to continuous improvement

1	Although it is recognised that the benefit service has consistently achieved or exceeded its internal accuracy target, it is well below the levels that Audit Scotland has seen across other councils of 95% or higher. In order to demonstrate a commitment to continuous improvement, the council should set a more challenging, but realistic target.
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## Interventions

42. To minimise error in the caseload, councils must encourage customers to report changes of circumstances on time and have a robust intervention programme to identify changes and take appropriate corrective action.
43. To support this, the benefit service notification letters remind customers of the requirement to report any change in circumstances and the council website provides customers with details of office opening hours, information on how to contact the benefit service by telephone, letter, or e-mail, and a form to report a change of circumstances, which is available to download.
44. The council also actively participates in the DWP's Housing Benefit Matching Service (HBMS), Audit Scotland's National Fraud Initiative (NFI), and more recently the DWP's Real Time Information (RTI) data matching services, which all help to identify possible unreported changes of circumstances that require further investigation.
45. As mentioned in the previous section, at the time of our last visit, the council's primary focus was to deliver improvements in the time taken to process claims and therefore at this time the council did not have sufficient resources to carry out intervention activity.
46. However, as claims processing times improved, intervention activity recommenced in January 2015 following a successful bid to the DWP's FERIS fund. The funding allowed the council to train front line staff, pay overtime for staff to deal with intervention outcomes, purchase the FERIS interventions module for its benefit IT system, and to create a postcard to signpost customers on how to report a change of circumstances.
47. The benefit service manages an annual programme of interventions activity and aims to carry out 60 postal/telephone interventions per week, which are issued to customers that are considered to be at high-risk of failing to report a change in circumstances, for example, customers in receipt of earned income, or customers with childcare costs.
48. In addition, the benefit service makes good use of the benefit IT system diary facility to produce reports that highlight claims where future changes are expected, or known, which could affect the customer's benefit entitlement, for example, a significant birthday or an increase in earnings.

49. Exhibit 3 below details the outcomes from the council's interventions activity.

<b>Exhibit 3: Interventions performance</b>			
	No. of interventions completed	No. of changes identified	%
<b>2014/15</b>	552	380	69%
<b>2015/16</b>	2,872	1,665	58%
<b>2016/17 (30 Jun)</b>	319	64	20%

Source: Dundee City Council

50. The results from the council's interventions activities are recorded on the benefit IT system's FERIS module, which is used to document whether the outcome has resulted in a change or no change to the amount of benefit the customer receives. However, we were told that, where a change has been identified, the council is not recording the value of the resultant overpayment or underpayment.

### Risk to continuous improvement

- |   |   |
|---|---|
| 2 | <p>The council is unable to determine the effectiveness of its intervention activity in monetary terms and is therefore missing an opportunity to:</p> <ul style="list-style-type: none"> <li>• promote positive outcomes, and to re-enforce the financial impact of failing to notify a change of circumstances</li> <li>• carry out a detailed financial analysis of the outcomes to help identify the most successful intervention activity types in monetary terms</li> <li>• identify areas for learning, and improvement and development of its future interventions strategy.</li> </ul> |
|---|---|

51. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that the council did not have a targeted programme of proactive interventions activity and therefore had a reduced level of assurance that claims were being paid correctly and that overpayments were being minimised, where possible. In addition, opportunities were being missed for the early identification of fraud and error.
52. We consider that this risk has been addressed as the council recommenced its interventions activity in January 2015.

## Overpayments

53. To protect public funds, councils should take appropriate steps to ensure that overpayments are minimised and that when they do occur they are correctly classified and rigorously recovered.

54. The *HB Overpayment Recovery Policy* sets out the council's commitment to the recovery of benefit overpayments and acts as a guide to the administration and management of the overpayment recovery process. The aims of the policy are to:
- reduce losses to public funds
  - provide revenue for the council
  - deter fraud and error
  - demonstrate a commitment to the accuracy of payments, and the provision of a quality service to customers.
55. A key aim of the policy is the prompt identification and correct classification of overpayments to ensure that incorrect benefit is cancelled timeously, and that the council achieves the maximum subsidy available.
56. The Corporate Debt Recovery team is responsible for the recovery of all council debt and, within this team, one supervisor and seven officers have specific responsibility for the recovery of benefit overpayments.
57. The *HB Overpayments Guidance Manual* is comprehensive and details the actions to be taken when dealing with an overpayment. When recovering debt, the council makes good use of all available recovery options including:
- issuing an invoice when the customer is no longer in receipt of benefit
  - working with the DWP's Debt Management Unit to recover overpayments from ongoing DWP benefits where appropriate
  - offsetting an overpayment using a credit on a customer's rent account
  - using the DWP's Customer Information System to trace customers who are no longer resident within the local authority area
  - working with Sherriff Officers, where appropriate.
58. Exhibit 4 illustrates the council's current and previous recovery performance.

<b>Exhibit 4: Overpayment levels and recovery performance</b>				
	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17 (30 Jun)</b>
<b>Total overpayments c/f</b>	£4,240,108	£4,350,622	£5,008,825	£5,529,980
<b>Total overpayments raised in-year</b>	£2,053,287	£2,581,883	£2,887,801	£542,270
<b>HB debt recovered</b>	£1,460,573	£1,4721,979	£1,860,490	£433,403
<b>% of in-year debt recovered</b>	71%	57%	64%	80%

**Exhibit 4: Overpayment levels and recovery performance**

<b>% of total HB debt recovered</b>	23%	21%	24%	7%
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Source: Dundee City Council

59. There is regular quarterly reporting of benefit overpayment recovery performance to senior management set against three internal performance indicators, and every six months an aged debt analysis exercise is carried out to profile outstanding debt and determine further action.

**Risk to continuous improvement**

3	With the exception of checks carried out by the QA team, benefit overpayment classifications are not routinely checked for accuracy and therefore the council has reduced assurance that the correct subsidy code is being allocated and that it is maximising the subsidy available from the DWP.
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60. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
- the proposed transfer of benefit overpayments to a corporate debt recovery system in 2014 could have a detrimental effect on the council's benefit overpayment recovery performance if such debt was not treated with the same priority as at present
  - there were no targets for the work of the overpayments recovery team and, with the exception of the monthly spreadsheet provided for information only to the Head of Revenues and Customer Services, overpayment recovery performance was not a key performance indicator. It was therefore not routinely monitored or reported as part of the service's performance management regime.
61. We consider that the first risk has been addressed as the council places significant importance on the recovery of benefit overpayments and has increased the number of officers in the Corporate Debt Recovery team that deal with this type of debt. We were also told that more staff are being cross-trained to deal with benefit overpayments, which should help the service deliver a more generic approach and provide added resilience to the team.
62. However, we consider that the second risk remains outstanding. Although the council has targets for the recovery of benefit overpayments, and performance is regularly reported to senior management, it is not considered a key indicator within the Corporate Services Service Plan and consequently is not reported to either the Policy and Resources Committee or Scrutiny Committee. In addition, the council has not achieved its internal targets since 2010/11, and therefore we consider that these targets should be reviewed and revised to ensure that they are challenging, but achievable.

# Appendix A

Progress against action plan update at August 2016	
<p>Although the Accounts and Benefits service reports performance widely to staff, senior management and members, the service is not routinely reporting its performance across all aspects of the business. This includes the average time to process changes of circumstances, which has declined significantly, the recovery of benefit overpayments, and the time taken to deal with appeals and requests for reconsideration.</p> <p>Additionally, we found that the Corporate Services annual performance report and the Corporate Performance Scorecard contained no information in respect of benefit service performance and therefore the council is missing an opportunity to raise the profile of the service internally and externally.</p>	Ongoing
<p>Claims processing performance is in decline and the council's ability to recover is considerably affected by the lack of benefit processing capacity within the Accounts and Benefits team. As a consequence, the increased time taken to process changes of circumstances could significantly increase the number and value of local authority error overpayments.</p>	Completed
<p>With the exception of staff that are on an improvement plan, the council has temporarily suspended its management checking programme until it improves its claims processing times. This means that there is a significant risk that fraud and error will go undetected and consequently the council has reduced assurance that benefit is being paid correctly and accurately.</p>	Completed
<p>As the majority of the council's management checks are pre-payment, and the recorded outcomes from these checks do not include information on whether an incorrect payment had been made, the council is unable to accurately report its post-payment performance.</p>	Completed
<p>The council does not have a targeted programme of proactive interventions activity and therefore has a reduced level of assurance that claims are being paid correctly and that overpayments are being minimised where possible. In addition, opportunities are being missed for the early identification of fraud and error.</p>	Completed
<p>The proposed transfer of benefit overpayments to a corporate debt recovery system in 2014 could have a detrimental effect on the council's benefit overpayment recovery performance if such debt is not treated with the same priority as at present.</p>	Completed

<b>Progress against action plan update at August 2016</b>	
<p>There are no targets for the work of the overpayments recovery team and, with the exception of the monthly spreadsheet provided for information only to the Head of Revenues and Customer Services, overpayment recovery performance is not a key performance indicator. It is therefore not routinely monitored or reported as part of the service's performance management regime.</p>	Ongoing
<p>The number of requests for reconsideration and appeals that are found in the favour of the customer are exceptionally high and may have a significant impact on the council's reported accuracy rate.</p>	Completed