

East Renfrewshire Council

Audit of housing benefit

Risk assessment report



 AUDIT SCOTLAND

Prepared for East Renfrewshire Council

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Contents

Introduction	4
Executive summary	4
Business planning and reporting	6
Delivering outcomes	7
Speed of processing.....	7
Accuracy	8
Interventions.....	9
Overpayments.....	11
Counter-fraud	13
Appendix A	14

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 East Renfrewshire 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 June 2016.

Executive summary

5. A risk assessment was previously carried out on East Renfrewshire Council's benefit service in October 2014 when Audit Scotland identified nine risks to continuous improvement. These were reported to the Chief Executive in November 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 benefit service including the retirements of the Head of Revenues and the Benefit Manager in July and December 2015 respectively, and the sad loss of the Benefit Team Leader to ill health, also in December 2015.
7. To ensure continuity of service and the transfer of knowledge, the council appointed a Revenues and Business Support Manager in March 2015 to work alongside the outgoing Head of Revenues as part of the handover process. In July 2015, following a restructure, overall responsibility for the service became part of the remit of the Head of Business Change and Revenues Services.
8. Following the retirement of the Benefit Manager in December 2015, a second stage restructure was carried out to distribute these duties, which resulted in the Operations

Manager taking responsibility for the day to day delivery of the service, supported by the Policy and Training Officer and a senior revenues officer. In addition to the senior management changes, there have been a number of other changes to the service. These included:

- the transfer of benefit fraud work to the DWP in December 2015
 - the loss of the overpayment recovery officer in February 2016, which resulted in the transfer of the post to the Corporate Debt Recovery Team (CDRT)
 - a period of five months from January to May 2016 when the service was operating without a benefit team leader
 - the resignation of the senior benefit officer shortly after the appointment of the new benefit team leader in May 2016. The council is currently recruiting for a new senior benefit officer and hopes to have an officer in post by August 2016.
9. It is acknowledged that during an extremely difficult period, the benefit service has continued to deliver continuous improvement in the time taken to process claims. While there remains scope for improvement in respect of the time take to process new claims, and other areas of the service, it is commendable that a high level of accuracy has been maintained during this time, and that the time taken to process changes of circumstances placed the council as the joint top performer in Scotland, based on the DWP's quarter three published performance data.
10. In completing six of the nine risks, the council has made a very positive contribution to the delivery of the benefit service. In particular, this included:
- taking action to resolve the discrepancies between the council's reported speed of processing performance and that published by the DWP, and introducing a new procedure to ensure the accuracy of future reported performance
 - updating its debt recovery policy to ensure that benefit overpayments are recovered from all customers, regardless of tenure type
 - reviewing outstanding overpayments, and carrying out an exercise in 2014/15, which resulted in £122,000 of benefit debt being written off.
11. Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefit service, there are three new risks and three risks outstanding from our previous risk assessment. In order to ensure continuous improvement, the council needs to address these risks. These include:
- carrying out a review of management checking procedures and ensuring that checks, which have not been carried out since November 2015 are recommenced as soon as possible
 - improving the level and type of information provided to senior management by the CDRT in respect of the recovery of benefit overpayments.

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 and Community Services, which delivers a broad range of council services covering corporate support and front-line delivery. At a strategic level the *Outcome Delivery Plan 2016-2019* sets out how services contribute to the five strategic outcomes of the *Single Outcome Agreement* and contains two of the key performance indicators for the service.
14. Operationally, the *Revenues Service Plan 2015/16* sets the focus for the service and details its key outcome, which is to provide an efficient and effective revenues and financial support service for the council. The service plan also contains the key performance indicators against which the service is measured and monitored. These include the:
 - average time taken to process new claims and change events
 - accuracy of payments
 - percentage of benefit overpayments recovered in-year, against the value of benefit overpayments created in-year
 - percentage of overpayments recovered, against all debt outstanding.
15. The service plan also contains a number of actions to be carried out during the year, and these, and the key performance indicators, form part of the council's online performance management framework, which is accessible by senior management and updated every six months.
16. There is a clear staff and senior management meeting structure and we were told that performance is a key area for discussion. On a monthly basis, performance against the key indicators is reported to the Revenues and Business Support Manager and the Operations Manager. In addition, the Head of Revenues and Business Change and the Chief Executive meet every six months to discuss performance across the service, which is scrutinised and challenged, where appropriate.
17. In order to ensure elected Members are informed, a mid-year and end of year service review is provided to Cabinet, and national and local reports, which relate to the work of the benefit service, are provided to the Audit and Scrutiny Committee throughout the year.
18. The service is subject to regular scrutiny by internal audit and the most recent audit report in May 2016 concluded that there were no issues of major concern. We consider that the council's performance management arrangements help to provide an important focus on the service at a time of significant change, reducing budgets and increased demand.

Delivering outcomes

19. 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

20. 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.
21. Exhibit 1 illustrates the council's current and previous performance.

Exhibit 1: Speed of processing performance (average number of days)			
	2013/14	2014/15	2015/16
New claims	30 days	27 days	24 days
Change events	9 days	7 days	4 days

Source: East Renfrewshire Council & DWP

22. As detailed in the *Executive Summary*, the benefit service has had a period of significant change since our last report in November 2014. Despite the loss of three senior officers, and the service operating without a benefit team leader from January to May 2016, staff have responded positively and the service has proved very resilient by delivering continuous improvement in its speed of processing performance in 2015/16.
23. This placed the council 24th in Scotland for the time taken to process new claims. Of particular note however, is the time taken to process change events, which, at an average of four days, placed the council as the top performer in Scotland, based on DWP's quarter three published data. This level of performance is highly commendable and in view of this, we consider that there is scope for the service to switch its focus to improving new claims processing times while still maintaining a top quartile performance for processing changes of circumstances.
24. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
- the council needed to work with the DWP to investigate and establish the reasons for the discrepancy in reported new claims and change events performance, and take appropriate action to ensure that sufficient checks are carried out to ensure the accuracy of reported performance in future
 - cumulative speed of processing performance for new claims and change events was above the Scottish average, at 31 October 2014.

25. We consider that the first of these risks has been addressed. Following our previous visit, the council investigated the reasons for the reporting discrepancy and established that errors in the data sent to the DWP had not been identified prior to submission. Although DWP advised that this data could not be corrected retrospectively, to ensure the accuracy of its data going forward, the council told us that accuracy checks are now carried out two days before the data is submitted to DWP.
26. Although it is acknowledged that the council has delivered continuous improvement in its claims processing performance, the time taken to process new claims in 2015/16, at an average of 24 days, remains above the Scottish of 22 days and therefore we consider that this risk remains outstanding.

Accuracy

27. 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.
28. The council has a comprehensive management checking process and aims to carry out checks before a payment has been made which helps to reduce the potential for local authority (LA) / administrative delay error overpayments to arise, and is considered to be good practice.
29. The council's audit check procedures set out its approach, which is to carry out management checks on a minimum of two claims per assessor from cases randomly selected from the benefit IT system. In addition, there is a check on all payments over £1500, and new staff and staff that are under-performing are subject to a 100% check of their work until a level of competence has been achieved.
30. We were told that the benefit team leader carries out all management checks and any errors found are referred back to the assessor for correction. The outcomes from management checks are recorded electronically and analysed to determine individual accuracy performance, and performance across the service.
31. Where staff are under-performing, or recurring errors are found, support and training is provided by the dedicated Policy and Training Officer, and by management as part of the monthly individual 1-2-1 meetings where accuracy is a key area of discussion.
32. Exhibit 2 illustrates the council's current and previous accuracy performance.

Exhibit 2: Financial accuracy performance		
	Target	Achieved
2013/14	98%	99%
2014/15	98%	99%
2015/16	98%	99%

Source: East Renfrewshire Council

33. It is commendable that the council has consistently achieved a high level of financial accuracy, and that there are procedures and documentation in place to support its approach. However, when we analysed the council's management check spreadsheet we found that no checks had been carried out since November 2015, a period of approximately eight months, and that its approach from April 2015 to October 2015 was inconsistent with its stated intention to carry out a minimum of two management checks per assessor per week.
34. Analysis of this data showed that, since April 2015, there had been 19 weeks where no recorded management checks had been carried out, including three periods of seven, six and six consecutive weeks. The council acknowledged that this aspect of the service was an area for improvement and would be reviewed as part of the benefit service review planned for August 2016.
35. While it is understandable that during a period of significant change, the council was seeking to make the best use of available resources to ensure that it continued to deliver a good level of service to its customers, the absence of management checks has presented opportunities for fraud and error to enter the system unchecked.

Risks to continuous improvement

1	The council needs to review and recommence its programme of management checks as soon as possible, and have robust arrangements in place to ensure that management checks are routinely carried out to minimise the potential for fraud and error to enter the system.
2	There is limited analysis of management check outcomes and therefore the council is missing an opportunity to identify trends and patterns of error that could help identify areas for learning and development of staff and the service.

Interventions

36. 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.
37. 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.
38. 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.

39. 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, and manually checks approximately 23% of changes of circumstances notified through the DWP's Automated Transfer to Local Authority Systems (ATLAS) service.
40. At an operational level, the benefit service has an annual programme of intervention activity and aims to send out 20 postal interventions per week. These are managed by the benefit team and sent to customers that are considered to be at high-risk of failing to report a change in circumstances. For example, in 2015/16 the council targeted customers in receipt of earned income, occupational pensions, private pensions, and childcare charges.
41. Exhibit 3 below details the outcomes from the council's interventions activity.

Exhibit 3: Interventions performance			
	No. of interventions completed	No. of changes identified	%
2013/14	2,443	Not known	Not known
2014/15	587	Not known	Not known
2015/16	358	195	54%

Source: East Renfrewshire Council

42. Prior to 2015/16, the council was not fully recording its interventions outcomes and was therefore missing an opportunity to determine the effectiveness of its approach. In order to address this, a spreadsheet was developed for 2015/16 which details the following:
- claim reference number
 - intervention type
 - date review issued
 - claim type
 - outcome - reassessed, terminated, or withdrawn
 - total overpayment, underpayment, or no change
43. Our analysis of the spreadsheet showed that the council had identified approximately £79,000 of overpayments and £24,000 of underpayments as a result of its interventions activity in 2015/16. Although a positive outcome, further scrutiny of the spreadsheet found that the data was incomplete.
44. For example, of the 334 cases where the outcome resulted in the reassessment of the claim, we found 58 cases (17%) where the outcome of the reassessment was not recorded. In addition, 24 cases (7%) completed between May 2015 and April 2016 had no recorded outcome, and 39 cases (12%) where the claim was terminated, did not record if the outcome resulted in an overpayment, underpayment, or no change to benefit.

45. In addition, in the last six months of 2015/16, the council has been unable to maintain its planned programme of activity and had only issued 46 postal interventions during this period. However, the council has acknowledged that this is an area for improvement and advised that it would review its approach as part of the benefit service review planned for August 2016.
46. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that:
- the council did not have a formalised interventions strategy and had not recorded or analysed the outcomes from its interventions activity since 2011/12. In order to ensure that resources were being used to best effect, and to help inform future intervention strategies, the council should fully document its interventions approach, and link intervention outcomes to the value of overpayments/underpayments identified.
47. Although the council carried out a programme of intervention activity in 2015/16 and has linked the outcomes to the value of underpayments/overpayments identified, we consider that this risk remains outstanding. The council needs to review its approach to ensure that it is fully documented, and that outcomes are fully recorded in sufficient detail to allow the council to determine the effectiveness of its approach, and to set its future strategy based on a complete and accurate dataset.

Overpayments

48. 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.
49. At the time of the site visit, the council's *Debt Recovery Policy* had been updated and was due to go to Cabinet for approval. This sets out the council's policy aims and its approach to recovering debt owed to the council. These aims include:
- developing a council wide approach towards debt collection
 - ensuring a professional and timely approach to recovery action consistently across all council services
 - improving the levels of income collected, and protecting the council's cash flow position
 - reducing the levels of debt owed to the council.
50. In February 2016, the dedicated benefit overpayment recovery officer secured another position within the council and, as part of a service review of the CDRT, a decision was taken to transfer this post into the CDRT to provide the benefit service with an overpayment recovery function that had resilience, and inbuilt contingency.
51. When an overpayment is created, the assessor notifies the CDRT who determines if the overpayment is recoverable, and the method of recovery. Where the customer remains in receipt of benefit, the overpayment is recovered from ongoing deductions using the DWP's prescribed rates or, if appropriate, at a reduced rate following an assessment of the customer's financial circumstances.

52. However, if the customer is no longer receiving benefit, the overpayment is transferred to the Corporate Arrears Recovery System (CARS) for further action by the CDRT and 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
 - using the DWP's Customer Information System, and other commercial products, to trace customers who are no longer resident within the local authority area
 - working in partnership with Sherriff's Officers to pursue difficult to recover debt.
53. Exhibit 4 illustrates the council's current and previous recovery performance.

Exhibit 4: Overpayment levels and recovery performance			
	2013/14	2014/15	2015/16
Total overpayments c/f	£1,017,159	£1,189,729	£1,232,391
Total overpayments raised in-year	£351,948	£395,284	£442,902
HB debt recovered	£163,754	£230,512	£224,238
% of in-year debt recovered	47%	58%	51%
% of total HB debt recovered	12%	15%	13%

Source: East Renfrewshire Council

54. The council is proactive in its efforts to reduce overpayments occurring. At the time of our site visit there was no backlog of outstanding work, and we were told that all incoming mail is checked and would be prioritised for assessment if it was determined that the information could result in an overpayment. In addition, ATLAS notifications are checked daily, and the service makes good use of the Revenues Service's Arrears Control Liaison Officer to engage with council tenants to pursue outstanding requests for information.
55. Although the CDRT provides the benefit service with a monthly overpayment report, the information is not analysed, and is not to a sufficient level of detail that would help provide the council with assurance that the CDRT is effective and efficient in the control and management of benefit overpayments.

Risk to continuous improvement	
3	The information in respect of benefit overpayment recovery performance that is provided by the CDRT to senior management does not provide sufficient information for the council to determine the effectiveness of its approach, or provide assurance that it is meeting its debt recovery policy aims.

56. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
- the council needed to review its outstanding benefit debt in order to determine the likelihood of recovery, and consider actively pursuing outstanding benefit debt in respect of all customers in accordance with its debt recovery policy
 - with the exception of in-year recovery performance for 2014/15, the council's performance in respect of recovering benefit debt was considered well below normal recovery rates.
57. We consider that the first risk has been addressed as the council carried out a review of outstanding debt in 2014/15, which resulted in the approximately £122,000 of debt being written off. We were advised that a similar exercise would be carried out in 2016/17. In addition, at the time of our previous visit, the council was not actively pursuing benefit overpayments from council tenants that were in excess of £250 in arrears. To address this, the council changed its policy on 1 January 2015 to pursue all benefit overpayments regardless of tenure type.
58. However, we consider that the remaining risk is outstanding, as the council's overpayment recovery performance has declined from 2014/15 to 2015/16, and remains well below normal recovery rates.

Counter-fraud

59. The prevention, detection and investigation of fraudulent claims are important aspects of a secure and effective benefit service. Counter-fraud activities help to protect public funds by ensuring that fraudulent claims are identified, and sanctions applied where appropriate.
60. In 2010, the joint DWP/Her Majesty's Revenues and Customs (HMRC) fraud and error strategy proposed a Single Fraud Investigation Service (SFIS) to address fraud across all benefits and Tax Credits, whether currently administered by DWP, HMRC, or local authorities. The main objective of the policy was to ensure that all types of social security and Tax Credit fraud are investigated according to a single set of guidance and priorities.
61. In December 2015, the council's benefit fraud investigation function was transferred to SFIS and, as part of the new SFIS regime, a local agreement has been developed between the council and the DWP that sets out the requirements for the exchange of information between the two organisations. This includes recommended timescales, a single point of contact, and an escalation route should any issues arise that cannot be resolved at the single point of contact level.
62. In view of this, the two risks identified in our previous report are no longer relevant.

Appendix A

Progress against action plan update at May 2016	
The council needs to work with the DWP to investigate and establish the reasons for the discrepancy in reported new claims and change events performance, and take appropriate action to ensure that sufficient checks are carried out to ensure the accuracy of reported performance in future.	Completed
The council's cumulative speed of processing performance for new claims and change events remains above the Scottish average, at 31 October 2014.	Outstanding
The council does not have a formalised interventions strategy and has not recorded or analysed the outcomes from its interventions activity since 2011/12. In order to ensure that resources are being used to best effect, and to help inform future intervention strategies, the council should fully document its interventions approach, and link intervention outcomes to the value of overpayments/underpayments identified.	Outstanding
With the exception of in-year recovery performance for 2014/15, the council's performance in respect of recovering benefit debt is considered well below normal recovery rates.	Outstanding
The council needs to review its outstanding benefit debt in order to determine the likelihood of recovery, and consider actively pursuing outstanding benefit debt in respect of all customers in accordance with its debt recovery policy.	Completed
The council has not met its local target to deal with 50% of requests for reconsiderations within four weeks since 2009/10.	Completed
Insufficient data is being captured in respect of appeals and reconsiderations to enable the council to carry out detailed analysis on the outcomes to help develop and improve the service.	Completed
All fraud referrals are accepted for investigation resulting in a high percentage of cases that are closed with no sanction.	Completed
There is limited analysis of fraud investigation outcomes, and therefore the council is missing an opportunity to learn and develop the service.	Completed