

Housing Benefit Performance audit

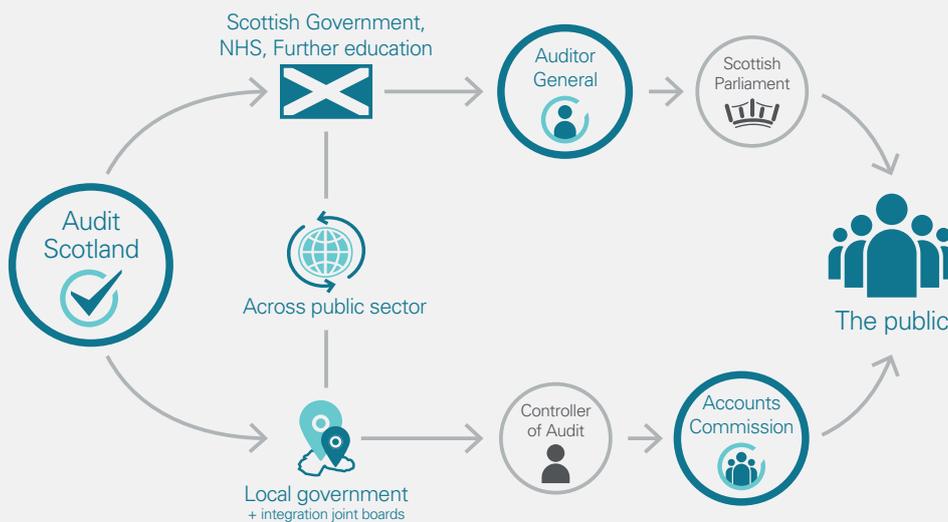
Annual update 2020



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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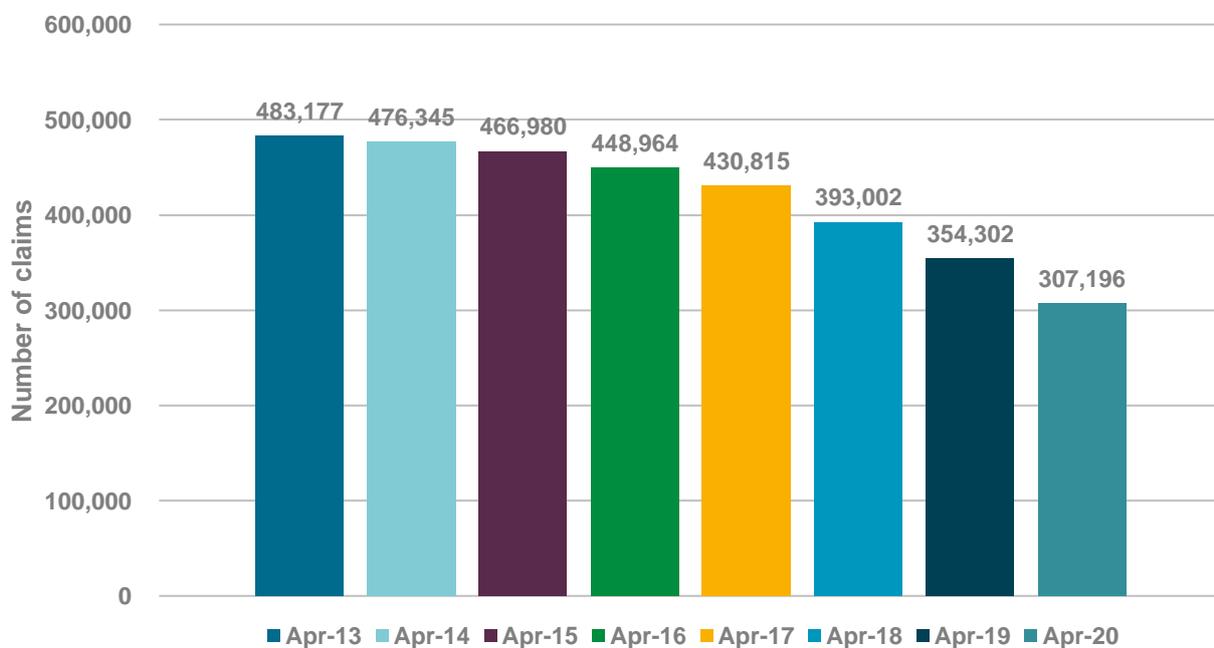
Key messages

- In March 2019, the Accounts Commission agreed to the introduction of thematic reviews looking at issues across all councils, while continuing a smaller programme of work assessing risk at individual councils.
- In 2019/20, we carried out one Housing Benefit (HB) performance audit for East Dunbartonshire Council, and engaged with Shetland Islands Council on a decline in its HB speed of processing performance. We identified three risks to continuous improvement at East Dunbartonshire Council, all of which were accepted. We found that the council had fully addressed all risks identified during our previous risk assessment in May 2017.
- The HB Overpayments in Scotland report was due to be published in March 2020, however publication was deferred, and the remaining HB performance audit programme suspended, due to the Covid-19 pandemic.
- Our work found that the value of outstanding overpayments in Scotland had increased by 20 per cent from £127 million in 2015/16 to £152 million in 2018/19 and that the continued rollout of Universal Credit impacted on councils' recovery options.
- Councils are not using all available options to recover housing benefit overpayments with only a quarter reporting an improved recovery performance in 2018/19. In addition, Scottish councils' participation in the DWP's Housing Benefit Debt Service was significantly less than the rest of the UK.
- In response to the Covid-19 pandemic, the DWP implemented emergency measures and policy changes, including:
 - suspending the Housing Benefit Debt Service for April 2020, to allow councils time to prepare for the impact of the pandemic
 - suspending the Universal Credit managed migration pilot in Harrogate
 - extending the date for full Universal Credit migration from December 2023 to September 2024
 - suspending the recovery of HB overpayments from DWP benefits from April to June 2020.

Background

1. During 2019/20, Scottish councils paid out £1.4 billion in Housing Benefit (HB) awards to help people pay their rent (£1.6 billion in 2018/19), a reduction in spend of 12 per cent. In 2019/20, Scottish councils received £18.8 million (£21 million in 2018/19) in funding from the DWP to deliver HB services. This 12 per cent reduction in funding in 2019/20 is due to the DWP assumed efficiency savings as more claimants move to Universal Credit (UC).
2. The continued rollout of UC will result in further reductions in HB caseloads in councils as fewer new HB claims are received. Working age claimants will start to move to UC with councils typically retaining claimants of pension age, some more complex cases, and contribution-based Jobseekers and Employment and Support Allowance claimants. DWP estimate that the migration of the remaining working age HB claimants to UC will be completed by September 2024.
3. The Scottish HB caseload has fallen from a high of 483,177 in 2013 to 307,196 at April 2020, as shown in [Exhibit 1](#) below. This represents a 36 per cent decrease in the number of claims during this period.

Exhibit 1 Changes to Scottish HB caseload April 2013 to April 2020

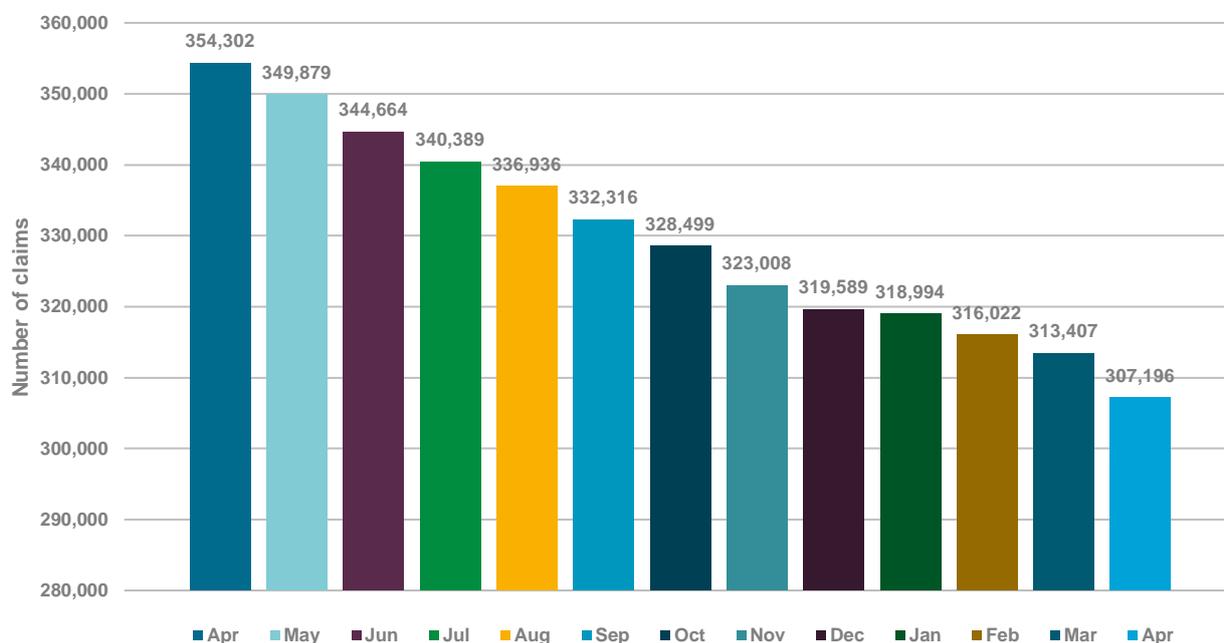


Source: DWP

4. [Exhibit 2 \(page 6\)](#) shows that claim numbers in Scotland continued to fall during 2019/20 with a reduction of 13 per cent between April 2019 and April 2020.

Exhibit 2

Change to Scottish HB caseload April 2019 to April 2020



Source: DWP

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

6. In December 2019, we presented a paper to the Accounts Commission setting out a change to the approach for delivering HB performance audit. The paper outlined a change in balance between reviews of individual councils and thematic reviews of cross-cutting risks, and how work across the wider range of Accounts Commission outputs could complement this work. This change enabled a more strategic approach which was discussed and agreed with the DWP.

7. In 2019/20, our work programme included two HB performance audits and two thematic reviews. The thematic reviews, agreed by the Accounts Commission at the December 2019 meeting, set the focus on performance in managing HB overpayments, and the resourcing of benefit services.

8. The thematic reviews of councils' benefit services provides comparative information across Scotland which helps highlight areas of concern, identify examples of good practice, provide meaningful data on DWP initiatives such as the Housing Benefit Debt Service, and forms part of the dataset that Audit Scotland uses to inform its future HB performance audit work programme.

Impact of the Covid-19 pandemic

9. In 2019/20, our work programme was significantly impacted as a result of Covid-19, which was declared a pandemic by the World Health Organisation on 11 March 2020. At this time, Audit Scotland suspended all HB performance audit activity due to our awareness of the pressures on council services.

10. Consequently, we were unable to commence our proposed thematic study on Resourcing the benefit service, and our thematic study on HB Overpayments in Scotland, which was due for publication in March 2020 was deferred and, in view of the time elapsed since the study was concluded, we decided not to publish the report, but to provide it to councils as an improvement tool.

11. In line with UK and Scottish Government advice, councils closed to the public and, where possible, benefit staff were advised to work from home and access benefit IT systems remotely. This presented a significant challenge, as it did for many of us, as benefits staff tried to juggle personal responsibilities alongside homeworking. It also presented new risks and governance/control issues that had to be considered and addressed.

12. As a result of the Covid-19 pandemic, DWP implemented emergency operational measures and policy changes including:

- **Managed migration to Universal Credit** – the DWP’s managed migration pilot of 10,000 claims in Harrogate was suspended in March 2020.
- **Full migration of all HB claims to Universal Credit** – the deadline was extended from December 2023 to September 2024.
- **DWP HB Debt Recovery Service** – suspended for one month in April 2020 to allow councils to prepare services for the impact of the pandemic.
- **HB overpayment recovery** – DWP suspended all HB overpayment recovery for a period of three months from April to June 2020. This means that, where councils are recovering HB overpayments by deductions from DWP benefits, these ceased. Councils were also advised not to send any new HB overpayment deduction requests to DWP until July 2020.

13. On 28 October 2020, DWP published speed of processing data for quarter one of 2020/21 covering the period April 2020 to June 2020. This is the first data to show councils’ performance during the Covid-19 pandemic. The data showed a mixed picture.

14. When compared to quarter four of 2019/20, the average time to process new claims declined in 16, improved in 13, and remained the same in 3 councils. In respect of the average time to process change events, performance in 12 councils declined, 12 improved, and 8 remained the same.

15. The change to remote working has resulted in different outcomes on councils’ speed of processing performance and, in order to understand the full impact of Covid-19 on benefit services and the community, we will carry out a thematic study over the next few months with a focus on the availability of staff resources and the increased reliance on the benefit service as a means of support during this time.

16. This will take the form of a survey of all Scottish councils to establish the approach adopted, how this affected performance, and to identify good practice that could be shared. We intend to publish our findings in Spring 2021.

Findings from our work in 2019/20

17. In 2019/20, we carried out one HB performance audit (East Dunbartonshire Council), one desktop assessment (Shetland Islands Council), and completed a thematic study on 'HB Overpayments in Scotland'.

18. Each performance 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 the key risks identified in phase one.

19. 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 assurance over how councils are performing.

20. We complete a risk assessment of all councils each Autumn, and then update it quarterly. The assessment is based on a range of factors, including the DWP's most recently published speed of processing performance statistics, and allows us to select councils for a more individual in-depth risk assessment and report. This helps us prioritise councils that are not performing well, or where performance has significantly declined.

East Dunbartonshire Council has addressed all previous issues, but recent work identified three further risks

21. Our audit work with East Dunbartonshire Council established that all four actions identified by the previous risk assessment had been fully addressed. However, we identified a further three risks to continuous improvement in the key areas of accuracy of processing and overpayment recovery as follows:

- the council carried out a significant amount of random management checks which were time consuming. As these checks were not targeted, we recommended that they were reduced to focus on areas of greater risk and carried out pre-payment to avoid the potential for an avoidable overpayment to arise.
- the Corporate Debt Policy and the Benefit Overpayment Policy had not been updated for some time and did not reflect current recovery opportunities.
- the council was not making full use of the DWP's HBDS to recover dormant HB debt.

22. East Dunbartonshire Council developed an improvement action plan to address the points raised. On receipt and review of these plans we were satisfied with the proposed approach to address the risks identified.

We believe the decline in claims processing at Shetland Islands Council is temporary and will revisit if performance doesn't improve

23. In respect of Shetland Islands Council, before a full risk assessment was carried out, we obtained an explanation for the significant decline in its claims processing performance from an average of 28 days for new claims and eight days for change events in 2017/18, to an average of 36 days and 10 days respectively in 2018/19.

24. The council advised that the decline had been largely a result of their ethos to pay benefit and increase take up. This meant that the council was allowing customers more than the normal four weeks to provide documentation in support of their claim. As the council only receives an average of five new claims per week, performance on a small number of cases can impact significantly on average processing times.

25. With regards to change events, the council normally checks its monthly return to the DWP to cleanse the data (ie, identify and correct any claims where the claim receipt/change date is erroneous), but due to resource issues it did not carry out this function between September 2018 and March 2019.

26. During this period one change event claim had been recorded as taking 793 days to process instead of 8 days and, unfortunately, this had not been possible to correct retrospectively. The council advised that the net effect of this claim was to increase change events processing times from an average of 6 days to an average of 10 days.

27. To address the issue around new claims processing times the council advised that it was now issuing a reminder to customers after seven days of receipt of a claim, and closing claims if the customer had failed to provide all requested information within the four-week timeframe. These changes had improved new claims processing times to an average of 28 days by 31 August 2019.

28. On receipt of this information, we were satisfied with the council's response and considered that no further action was required.

HB overpayments continued to rise and councils were not using all available options to achieve recovery

29. Our HB overpayments study found that the value of unrecovered HB overpayments had risen by 20 per cent, from £127 million in 2015/16 to £152 million in 2018/19, and that, during this period, only five out of the 32 Scottish councils had reduced the overall value of their outstanding debt.

30. The continued rollout of Universal Credit has impacted on the ability of Scottish councils to recover legacy HB overpayments where the customer's claim had migrated. Where claims had not yet migrated, we found that Scottish councils were not using all available options to recover HB overpayments, with only a quarter reporting improved recovery performance in 2018/19.

31. We also found that Scottish councils' participation in the DWP's Housing Benefit Debt Service (HBDS) initiative was significantly less than the rest of the UK, leading to a potential loss in revenue. HBDS commenced in April 2018 and provides councils with the opportunity to match dormant HB debt to real-time HMRC employment and pension data. Councils can send up to 1,200 outstanding debtor files to the DWP for matching each month.

32. During the pilot phase between April 2018 and August 2018, DWP advised that approximately 95 per cent of cases sent for matching resulted in councils being provided with updated customer details and, of these, 65 per cent had enough information for the councils to establish contact with the customer and recommence recovery action.

33. The DWP also advised that, between April 2018 and May 2019, Scottish councils had sent approximately 22,000 cases to HBDS for matching. However, when compared to the rest of the UK, Scottish councils had only used 47% of the maximum possible upload slots, which was considerably less than England (79%) Wales (79%), and Northern Ireland (85%).

34. Despite significant scope for Scottish councils to improve their use of HBDS, and a lack of detailed management information on outcomes, over £541,000 of HB overpayments had been recovered that might otherwise have gone uncollected.

The Covid-19 pandemic has impacted the move to Universal Credit

35. The rollout of Universal Credit (UC) Full Service was completed on 12 December 2018 for new claims, or for people having to make a new claim due to a change in circumstances. The next phase of implementation is called 'managed migration'. In July 2019, the Secretary of State announced a pilot scheme of 10,000 people in Harrogate, North Yorkshire and stated that no further managed migration would be carried out until the pilot was completed and assessed. However, as a result of the Covid-19 pandemic, the pilot was suspended in March 2020 and the date for full migration has been extended to September 2024.

36. 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 which will no longer be available following migration to UC. 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.

37. 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.

38. The Scottish Government anticipates that offering direct payments to landlords will help to prevent rent arrears. Scottish Government data shows that in March 2020, around 45 per cent of new UC applicants in Scotland, who were offered the choices, requested at least one of the options available to them¹.

¹ <https://www.gov.scot/publications/universal-credit-scottish-choices-management-information-to-end-march-2020/>

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