

South Lanarkshire Council

Audit of housing benefit

Risk assessment report



 AUDIT SCOTLAND

Prepared for South Lanarkshire Council

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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 South Lanarkshire 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 senior officers in the council during our site visit in November 2016.

Executive summary

5. This is Audit Scotland's third risk assessment on South Lanarkshire Council's benefit service. During the previous risk assessment in March 2013, we reported that the council's speed of processing performance had dipped considerably from April 2011. This was due to a number of challenges the service had faced. These included the movement of staff to the new centralised processing centre in Blantyre, the implementation of an electronic workflow system and the significant increase in work generated by DWP's Automated Transfers to Local Authority Systems (ATLAS).
6. By the time of our visit in January 2013, the council had significantly reduced the processing backlog and aimed to have it clear by the end of the financial year. The council achieved this aim and has maintained improved performance, above the Scottish average, since 2013/14. It did so despite the major welfare reform changes it had to implement at that time and others since such as the roll out of Universal Credit (UC) for single newly unemployed claimants in October 2015 which is tightly controlled within its Policy, Appeals and Training Team reducing any negative impact on core processing.
7. A further challenge to maintaining this improvement was the loss of experienced staff and the constant need to recruit and train new and inexperienced staff. A benchmarking exercise carried out with other councils in 2014 highlighted that processors in South Lanarkshire were

paid less for performing the same complex tasks. In October 2014 it was agreed that all processors should be upgraded and, by the summer of 2015, this was completed. As a result, the turnover of staff and the need for overtime was greatly reduced.

8. The council has always maintained a focus on quality and reducing fraud and error and this continues with its effective daily audit process, its focused intervention programme and an extensive internal audit programme on the service itself. It has also implemented DWP's Real Time Information (RTI) and Fraud and Error Reduction Incentive Scheme (FERIS).
9. A key strength of the service is the effective liaison and working arrangements it has with its stakeholders such as DWP, its Registered Social Landlord community and housing colleagues which helps with its effort to deliver a prompt, accurate and secure benefits service.
10. During the previous risk assessment, Audit Scotland identified 10 risks to continuous improvement. We found during this risk assessment that all risks have been addressed in full. Information on previous risks is detailed at Appendix A.

Background

11. At the time of Audit Scotland's previous risk assessment visit, the council had carried out a wide range of work to plan for, deliver and communicate the major changes being introduced as part of the welfare reform agenda from April 2013.
12. The Welfare Reform Working Group, established to develop the council's approach to the welfare reform agenda, continues. Its latest report to the Executive Committee in June 2016 covered such topics as, UC, under occupancy in social housing, the benefit cap, Scottish Welfare Fund and Personal Independence Payments, and details the cumulative effect these have on residents.
13. UC for single newly unemployed claimants was rolled out across South Lanarkshire in October 2015 and, to help plan and prepare for this, joint working groups were established between the council and DWP at both an operational and strategic level. These groups continue and are now held jointly with representatives from another two neighbouring councils.
14. The administration of UC is tightly controlled within the Policy, Appeals and Training Team. The initial intention was to roll this out to the processing centre after UC was bedded in. However, while local links with DWP are excellent, it was felt that current issues with the exchange and quality of information from the UC service centre at DWP are best dealt with by a centralised team.
15. To help reduce fraud and error, the service has implemented other DWP initiatives, including RTI and FERIS. In addition, the transfer of fraud investigations to DWP in October 2014 went smoothly and regular liaison meetings facilitate the effective exchange of information between the two parties.

16. Changes at a local level saw an internal re-structure in April 2014 which involved the Policy, Appeals and Training Team taking over responsibility for implementing the daily audit process, carrying out specialised audits and for dealing with interventions identified through the Housing Benefit Matching Service (HBMS) and RTI. Pro-active intervention activity remained with the processing teams.
17. Later that year, the service participated in a benchmarking exercise. This was undertaken through the Chartered Institute of Public Finance Accountants (CIPFA) Benchmarking Club involving 62 other local authorities across the United Kingdom. The service then used the findings to compare itself against 12 similarly sized participating councils focusing on performance indicators, caseload, costs and staffing.
18. A major finding was that while the council was about average in terms of the weighted caseload per full time equivalent, the gross costs of administering benefits was significantly less than the average and processing staff costs in particular were second lowest in the group. Perhaps not unexpectedly, staff turnover was significantly higher than average.
19. Further benchmarking carried out with other Scottish councils highlighted that processors in South Lanarkshire were paid less for performing the same complex tasks. This had resulted in highly trained and skilled staff leaving and an unacceptably high ratio of inexperienced to experienced staff.
20. A report was presented to the Resource Management Team in October 2014 detailing all the findings of this benchmarking exercise and recommending the regrading of all benefit processors. This was agreed and was fully implemented by the summer of 2015, and importantly led to a marked decrease in staff turnover.
21. More recently, in April 2016 the service moved from Housing and Technical Resources to Finance and Corporate Resources as part of an efficiency savings review. To date there has been no change to the service's operational processes or service delivery. However workforce planning is currently underway and a plan has been developed with details of workforce requirements over a five year period.
22. The council will continue to sustain the benefits service until full migration to UC is complete, but with the extensive delays in the UC roll out, it was agreed that an internal recruitment exercise should be run to fill six of the current twelve vacancies. However this resulted in only four successful candidates after an internal recruitment campaign. As such, permission is being sought to run an external recruitment exercise to fill the other two posts.
23. A further approach to sustaining the service is optimising automation, with its online new claims and changes applications, and taking over responsibility for Blue Badges from August 2016, which is now an online application process. Future plans include implementing a new and much improved Electronic Document and Records Management (EDRM) system in August 2017.

Business planning and reporting

24. 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 can be measured, monitored and reported.
25. There are three plans that guide the work of the service. The first is the Finance & Corporate Resources Plan 2016 – 2017 which clearly sets out the links to Connect, the Council Plan, and which includes performance targets for speed of processing, accuracy and cost.
26. There is also, as part of the transition from Housing and Technical Resources to Finance and Corporate Resources, the Support Services Action Plan 2016/17 which details improvement activities to be carried out by the service and targets to be achieved.
27. At an operational level, there is the Revenues & Benefits (R&B) Improvement Plan 2016/2017 which sets out all improvement actions, such as implementing the new EDRM system as well as current year performance targets.
28. The council monitors and reports on performance against targets for all aspects of the benefit service via a monthly performance measurement report. Performance is also reported to committee through the Improve report, which is submitted to the Finance and Corporate Committee in quarters two and four each year.
29. Progress and performance are routinely discussed at all levels within Finance & Corporate Resources during meetings held by senior management, R&B management, team leaders, operational team meetings and the Benefits Improvement Group.
30. Audit Scotland identified four risks to continuous improvement during the previous risk assessment. These included evaluating success for speed, reconsiderations and interventions and not comparing its speed performance against other councils and the Scottish average. All four risks have been addressed in full.

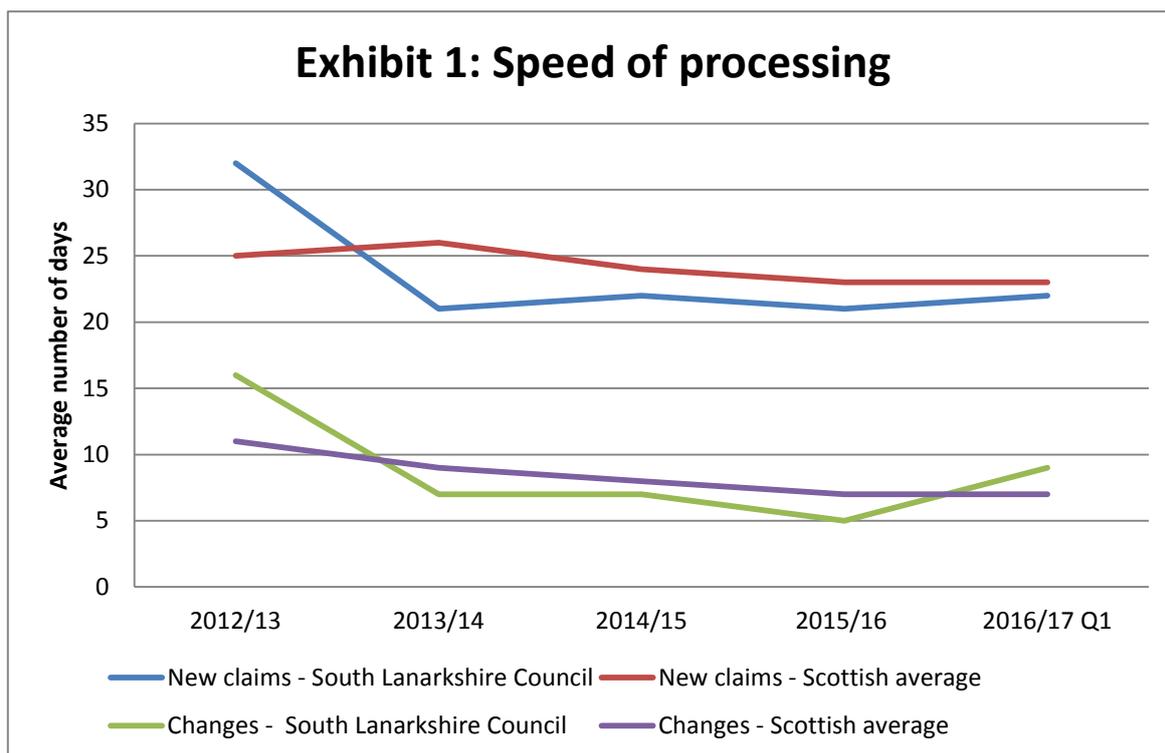
Delivering outcomes

31. Effective operational processes and IT systems, along with skilled staff, help benefit services deliver sound performance and continuous improvement.

Speed of processing

32. 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 who can make informed decisions on complex benefit claims and pay benefit promptly.

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



Source: DWP

34. This exhibit illustrates the sustained performance improvement since Audit Scotland's last visit during 2012/13. The regrading of processing staff and the resultant reduction in staff turnover along with the use of overtime during periods of higher demand, have helped to ensure that claims are dealt with promptly.
35. Further effective arrangements include ensuring that business needs and staff training requirements are met through the implementation and delivery of a robust training plan.
36. The provision of an online benefit calculator, an online application form which allows customers to upload their evidence at the point they are submitting their application, and enhancements to the online change of circumstances form helps ensure that all relevant information is captured to facilitate prompt processing.
37. As does the effective arrangements the service has with Registered Social Landlords (RSLs) and housing colleagues who provide assistance in verifying documents and completing online applications on behalf of their tenants.
38. The Benefit Improvement Group, comprising service managers, was established before our previous risk assessment to agree the best use of available resources to clear the outstanding work at that time. This group continues to meet on a fortnightly basis to discuss and agree any areas for improvement and the required remedial action.
39. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that the latest DWP performance information at that time showed that the

service's performance was amongst the poorest in Scotland. The sustained improvement in performance demonstrates that this has been addressed in full.

Accuracy

40. 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. Exhibit 2 illustrates the council's current and previous performance.

Exhibit 2: Accuracy performance		
	Target	Achieved
2013/14	92%	90%
2014/15	92%	89%
2015/16	90%	91%
2016/17 (YTD Sept)	90%	91%

Source: South Lanarkshire Council

41. The daily audit process continues and is carried out by a small centralised team which helps ensure independence and consistency of approach. There is a random selection across all officers and also 100% check for new staff and those with performance issues. The results are fed back daily to team leaders and individual officers to correct any errors.
42. Comprehensive reports on the findings of the daily audits at service and individual level are produced each fortnight. These are discussed at fortnightly meetings attended by appropriate managers and team leaders to discuss audit outcomes and agree any required improvement measures and training programme.
43. There is an extensive internal audit programme covering the work of the service. There were five reports between June 2014 and May 2016 covering areas including, overpayments, assessment, payment, fraud overpayment classification, and SFIS specifically to provide assurance that the Service Level Agreement was working effectively and expected standards were being met.
44. Importantly, the wide ranging internal audit studies and the annual subsidy work by external audit and have raised no significant issues, which provides assurance that the service's checking regime is effective in helping to ensure the quality and accuracy of awards

Interventions

45. 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.
46. The service has a number of arrangements in place to minimise error and these include:

- issuing an email reminder to all new benefit claimants three months after their date of claim to remind them to promptly report any changes of circumstances
 - conducting a publicity drive to encourage the reporting of changes
 - enhancing its online change of circumstances form to promote and make easier the reporting of changes.
47. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that the council did not have fully effective processes in place to analyse the information it collates to ensure that its intervention activity was effectively targeted.
48. This has been addressed in full by analysing results and developing an intervention activity timetable which is based on high risk cases and predicted changes. The Interventions Working Group continues to meet on a four weekly basis to take this forward, monitor outcomes and the effectiveness of each area of activity, and agree on future interventions activity. Exhibit 3 illustrates the council's current and previous performance.

Exhibit 3: Intervention performance			
	Interventions completed	Changes identified	%
2013/14	1,914	887	46%
2014/15	1,523	766	50%
2015/16	5,922	3,173	54%
2016/17 (YTD Sept)	2,283	1,539	67%

Source: South Lanarkshire Council

49. The council signed up to DWP's FERIS and used funding for the publicity campaign mentioned above and the purchase of a risk based verification in-claim solution to extract high risk cases for review. However, the council is finding that the high risk cases identified through this software include the same cases as those identified through RTI and as such believes its local risk based arrangements and the work of the Interventions Working Group are more effective at minimising error.
50. Audit Scotland's analysis of management information for 2016/17 year to date confirms this to be the case. Of the 2,283 interventions completed, 1,141 were proactive interventions as directed by the Interventions Working Group, and these identified changes in 892 (78%) cases.
51. Conversely, the council examined 305 cases as part of HBMS but only identified changes in 59 (19%) such cases. It reports however that it continues to examine this source as these types of cases are relatively straight-forward to check. The remaining 837 cases were identified through RTI and resulted in changes in 588 (70%) cases.

Overpayments

52. 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.
53. The council has a broad range of practices in place to minimise overpayments and these include:
- customers being informed at every opportunity and by various methods of their duty to report all changes of circumstances
 - cases prioritised where a change is likely and prompt suspension of benefit where appropriate
 - optimal automation of DWP's ATLAS notifications
 - development and delivery of training to all processing staff covering overpayments and the impact on subsidy
 - a specific audit on HB overpayments as part of the annual internal audit programme
 - a detailed overpayment audit, by the service's centralised audit team, to ensure correct classification.
54. The service has dedicated HB overpayment recovery staff within its Sundry Debt Recovery Team and resources were increased by 0.5 FTE in April 2016. Exhibit 4 illustrates the council's current and previous performance.

Exhibit 4: HB overpayment recovery performance				
	2013/14	2014/15	2015/16	2016/17 (YTD Sept)
Carried forward from previous year	£6,065,563	£6,183,122	£4,740,651	£5,419,256
Overpayments raised	£2,837,593	£2,762,260	£2,848,712	£1,368,050
Total overpayments	£8,903,156	£8,945,382	£7,589,363	£6,787,306
HB debt recovered	£1,553,855	£1,612,350	£1,566,280	£795,359
HB debt written off	£1,166,179	£1,097,707	£603,826	£119,106
% recovered of in year debt	55%	58%	55%	62%
% recovered of total HB debt	17%	18%	21%	12%

Source: South Lanarkshire Council

55. Exhibit 4 shows that HB recovery performance has improved since 2015/16. However it should be noted there was a difference of £1.5m between the figure outstanding at the end of 2014/15 (£6,235,325) and that carried forward to 2015/16 (£4,740,651). The council explains

that this was due to an anomaly in the core system in that previous overpayments being transferred back to ongoing deductions were incorrectly counted as new debt once again. This was only noticed in May 2015 when a bulk exercise was carried out to ensure all cases with outstanding overpayments had direct deductions from HB where it had come back into payment. The council further reports that this only affected its HB Recovery and Fraud (HBRF) reports as the actual debt outstanding was taken from other reports.

56. That said, the service has an annual Overpayment Recovery Plan which includes a number of improvement actions and targets such as:
- recovering 55% of in year debt
 - increasing the value of ongoing deductions by 10%
 - increasing the value of DWP direct deductions by 10%.
57. The council aims to recover the maximum weekly amount allowed but this may have to be reduced where, for example, there is competing debt or rent arrears are accruing as a result of the loss of income. However as part of the HB recovery plan it has agreed that the minimum agreement that will be accepted is £5 per week or £11 per week for fraud overpayments.
58. Audit Scotland identified two risks to continuous improvement during the previous risk assessment. The first being that there was no analysis of claimant error overpayments to help minimise future overpayments. The service ensures that all overpayments over £400 are authorised by the team leaders who look at, amongst other things, the reasons for the overpayment. However, while these are noted on individual cases, the service may want to consider whether the results could be easily collated and analysed in order to identify any trends and minimise future occurrence.
59. The second was that its recovery performance appeared to be weaker than other councils. The benchmarking report in 2014 confirmed that the council's recovery performance was weaker than others in the group. As such, the service continues with its recovery plan and with the work it has done to resolve HBRF reporting its recovery performance of 21% of its total HB debt for 2015/16 is exactly the same as the Scottish average for that year.

Appendix A

Progress against action plan dated April 2013			
No	Risk identified	Target completion date	Addressed in full
1	The service continues to use the Right Time Indicator (RTI) as its performance measure for speed of processing and articulates the annual target in the Support Services Service Plan. From April 2011, DWP's focus has been on new claims and changes processing times separately as it had concluded that combining the two into the RTI did not provide a clear picture of local performance.	Apr-13	Yes
2	DWP publish speed of processing performance figures for all councils in Great Britain (GB) on a quarterly basis. The service does not report its performance in a national context to illustrate how it compares to other councils and the GB and Scottish averages.	Apr-13	Yes
3	Intervention performance is measured solely by the number of interventions completed. Reporting and evaluating would be improved by looking at the results these interventions achieve and their effectiveness in identifying any unreported changes of circumstances.	Apr-13	Yes
4	Reconsideration performance is not measured or reported which reduces the assurance the service has that all requests for reconsiderations are dealt with promptly and within the legislative framework.	Apr-13	Yes
5	The latest performance information published by DWP for quarter two of 2012/13 shows the service's performance of 36 days for new claims and 17 days for changes was amongst the poorest in Scotland. Clearing the backlog should improve performance as long as the processing centre can promptly clear all the current and incoming work that is not ring-fenced. DWP has been in contact with the council because of concerns over its speed of processing performance.	Jun-13	Yes
6	The council does not have fully effective processes in place to analyse the information it collates to ensure its intervention activity is effectively targeted.	Apr-13	Yes

Progress against action plan dated April 2013			
7	There is no specific and on-going analysis of claimant error overpayments to help minimise overpayments occurring, to better target the council's intervention activity and to inform any education programme that reminds customers of their responsibility to promptly notify change events.	Sep-13	Yes
8	The council's recovery performance appears to be weaker than other councils. It needs to ensure that it is achieving optimum recovery using all available methods.	Sep-13	Yes
9	The service's sanction performance has declined when compared to the previous year's performance.	Sep-13	Yes
10	The current sanction target is not challenging and is not focused on delivering continuous improvement.	Apr-13	Yes