

**The Highland Council**  
**Finance, Housing and Resources Committee**  
**– 27 November 2013**

Agenda Item	<b>12</b>
Report No	<b>FHR/ 156/13</b>

**Audit Scotland Report – Housing Benefit Risk Assessment**

**Report by Director of Finance**

Summary

The attached letter from the Assistant Auditor General (appendix 1), together with attached Risk Assessment Report dated October 2013 (appendix 2), sets out the findings from a recent Audit Scotland follow up risk assessment.

It records continuous improvement in most areas of performance since the last visit in August 2010 and notes that the Council is in a strong position to effectively deal with the challenges related to the introduction of Universal Credit.

**1. Background**

1.1 It is good practice for Performance Audit Reports, carried out independently by Audit Scotland as part of their Housing Benefit Risk Assessment Programme to be reported to, and considered by the Committee responsible.

**2. Audit Findings**

2.1 These are summarised in sections 5 to 10 of the attached Report.

2.2 10 of 12 risks identified at a previous Risk Assessment in August 2010 have been addressed in full and in respect of the other 2, more work will be undertaken to monitor overpayment performance and ensure an effective and efficient interventions programme.

2.3 The Report confirms that the Service has delivered continuous improvement in most operational areas since Audit Scotland's last Risk Assessment.

2.4 Strong speed and accuracy performance (as set out in Exhibits 2 and 3 of the Report), and a continued reduction in error overpayments provide assurance that the correct amount of Benefit is paid to the correct people, at the correct time.

2.5 Recent performance demonstrates further improvement despite an increased workload, extended responsibilities and reduced staffing levels.

2.6 The Council's performance is now above the Scottish averages for both new claims and changes of circumstance and compares very well to other Councils (6<sup>th</sup> place for New Claims and 3<sup>rd</sup> for Changes of Circumstance at Quarter1).

2.7 The Council has been actively participating in Welfare Reform discussions and working groups for some time with both Scottish and UK Governments.

2.8 Demonstrated success in working collaboratively and implementing change puts the Council in a strong position to rise to the challenge of Inverness being the first Universal Credit location in Scotland.

### **3. Implications**

3.1 There are no resource, legal, equalities, climate change/Carbon Clever or risk implications to be highlighted.

### **4. Recommendation:**

Members are invited to consider these Audit Scotland findings and to note the satisfactory progress that has been made in Highland, which will position the Council well to deal with the first introduction of Universal Credit in Scotland.

Designation: Director of Finance

Date: 12 November 2013

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**Appendix 1**

Mr Steve Barron  
Chief Executive  
The Highland Council  
Glenurquhart Road  
Inverness  
IV3 5NX

31 October 2013

Dear Mr Barron

**Housing Benefit (HB) Performance Audit - outcome of risk assessment**

I wrote to your predecessor on 7 April 2010 introducing the benefits performance audit work planned from 2010/11 and again on 23 July 2013 advising the Head of Exchequer and Revenues that the Highland Council had been selected for a follow up risk assessment.

During the risk assessment phase, carried out in September 2013, we looked at your benefits service's self-assessment and supporting evidence, and analysed information from a number of other sources. We also spent one day on-site and discussed performance with your senior managers. Our work was focused on the following three key areas:

- national and local priorities
- business planning and reporting
- delivering outcomes.

We have now completed the risk assessment and I write to advise you of our findings.

Highland Council has delivered continuous improvement in most areas since our last visit in August 2010. The council has delivered an improved speed of processing performance at the same time as maintaining a strong accuracy performance and continuing to reduce local authority error overpayments. This was achieved despite an increased workload, extended responsibilities and reduced staffing levels.

The council has been proactively participating in welfare reform discussions and working groups and has demonstrated success in working collaboratively and implementing change. This puts the council in a strong position to effectively deal with the challenges relating to the introduction of Universal Credit in the Inverness Jobcentre area next month.

I attach our report and would welcome your response to it. I would be grateful for a response by Friday 29 November 2013 including your proposals to reduce the risks identified, so that we can determine whether any further engagement is appropriate.

I would like to take this opportunity to thank you and your benefits staff, for the well presented self-assessment and their co-operation and assistance throughout the risk assessment process.

If you have any questions or concerns, please contact Anne Cairns in the first instance on 0131 625 1926 or by email at [acairns@audit-scotland.gov.uk](mailto:acairns@audit-scotland.gov.uk).

Yours sincerely

*Russell A J Frith*

Russell Frith  
Assistant Auditor General

**Encl.**

HB Audit Risk Assessment report

**Copied to:**

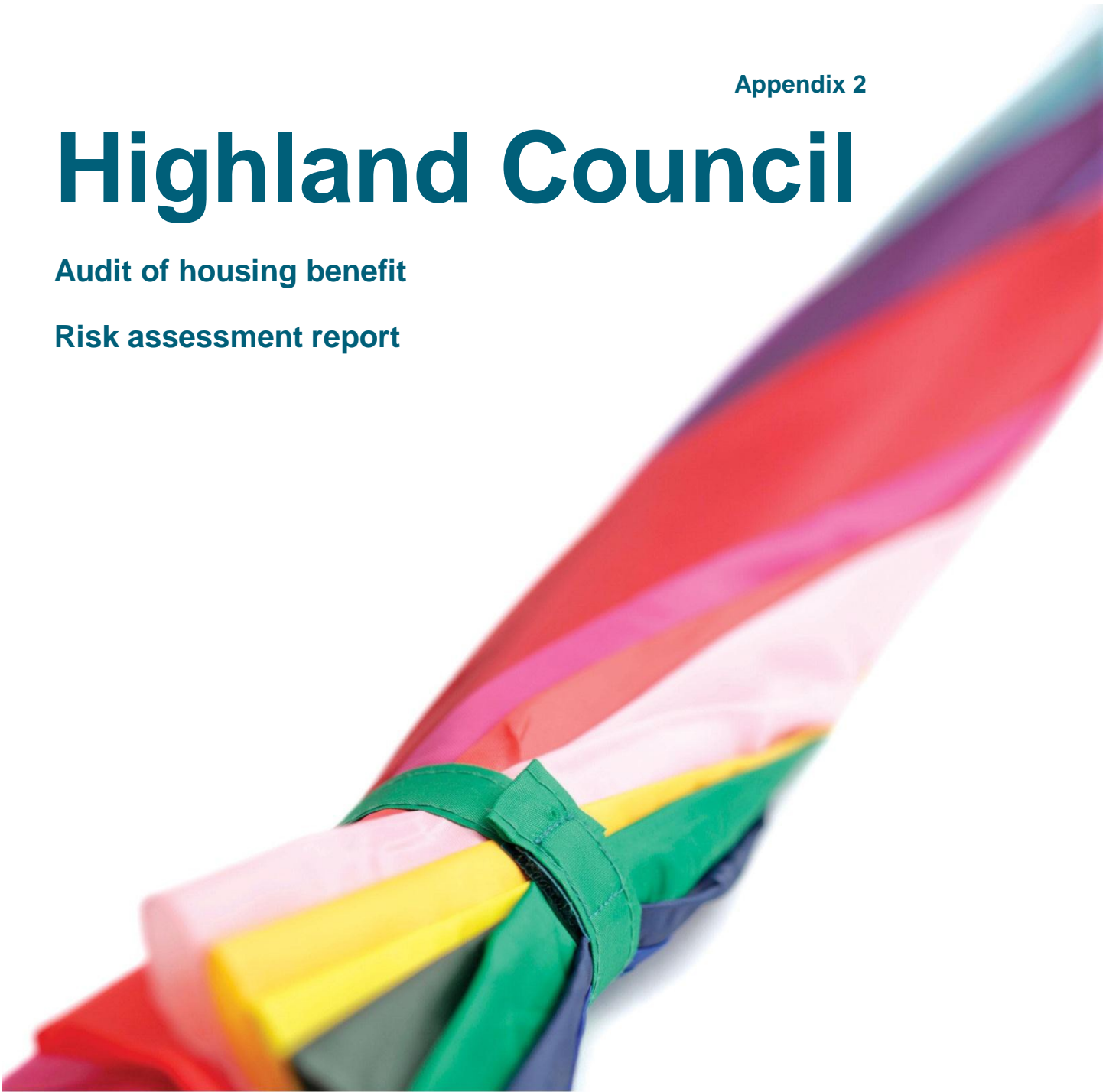
Dawson Lamont

Appendix 2

# Highland Council

Audit of housing benefit

Risk assessment report



 AUDIT SCOTLAND



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 Highland 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 2013.

## Executive summary

5. Highland Council has delivered continuous improvement in most operational areas since Audit Scotland's previous risk assessment in August 2010. At that time we reported that the council's speed of processing performance had improved but that it remained below the national average. Recent performance demonstrates further improvement despite an increased workload, extended responsibilities and reduced staffing levels. The council's performance is now above the Scottish averages for both new claims and changes of circumstance and compares very well to other councils.
6. As is the case for most, if not all, benefits services, the introduction of DWP's Automated Transfers to Local Authority Systems (ATLAS) notifications has resulted in a significant increase in the number of changes the service receives. While this had an adverse impact on speed of processing performance across Great Britain during 2012/13, the service managed to limit the impact by initially implementing ATLAS in only one of its eight area offices. This controlled implementation allowed for full testing and reviewing of working practices before a wider roll out across the service.
7. The council has also used this controlled implementation approach to successfully deliver welfare reform changes such as the Scottish Welfare Fund (SWF) and the Council Tax



Reduction Scheme (CTR) from April 2013 with little impact on HB service delivery and performance.

8. The service aims to ensure that the correct amount of benefit is paid to the correct people, at the correct time. Its strong speed and accuracy performance, and a continued reduction in local authority (LA) error overpayments provide assurance that this aim is being met.
9. The council has been actively participating in welfare reform discussions and working groups for some time with both Scottish and UK Governments. On 10 July 2013 DWP announced that Universal Credit (UC) would expand and include six new Jobcentres, including Inverness as the only one in Scotland. Discussions continue on the council's role in this but its demonstrated success in working collaboratively and implementing change puts it in a strong position in rising to this challenge.
10. Audit Scotland identified 12 risks to continuous improvement when it carried out the previous risk assessment in August 2010. The council submitted an action plan to address these risks by March 2011. Audit Scotland considers that 10 risks have been fully addressed and that more work is required in monitoring overpayment performance and ensuring an effective and efficient intervention programme. All previous risks are detailed in Appendix A.

## National and local priorities

11. The UK Government's welfare reform agenda aims to make work pay and simplify the benefits system by bringing together a range of working-age benefits, including HB, into a single streamlined payment of UC administered by DWP. This is the biggest change to the welfare system for over 60 years and has a significant impact on local authorities and the services they provide.
12. To help meet the challenges this national priority presents, the council established a Welfare Reform Group in October 2012 which comprises members and senior officials from Housing, Health and Social Care, Exchequer, and Economy and Regeneration. A cross-service action plan details all the activities required to implement welfare reform changes and progress is discussed at the regular Welfare Reform Group meetings and reported to the Finance, Housing and Resources Committee.
13. The council has been actively participating in welfare reform discussions for some time with both Scottish and UK Governments, including:
  - membership of the National Strategy Group where DWP and councils are working together to develop the local support services framework for UC
  - membership of the Scottish Welfare Fund Design and Implementation Group set up by the Scottish Government and the Convention of Scottish Local Authorities (COSLA) to design and oversee the implementation of SWF from April 2013

- membership of the National Improving Outcomes in Money Advice Group, a joint research project with the Improvement Service and the Money Advice Service which focuses on improving outcomes in money advice across Scotland
  - participation in the study commissioned by COSLA looking in detail at potential LA roles in relation to UC.
14. Welfare reform changes were communicated to local residents, council staff and stakeholders through an extensive series of workshops. A further more specific exercise, run jointly by benefits and housing staff, was a telephone survey of all council tenants affected by the removal of the spare room subsidy to discuss options and collect responses. The outcome of this was presented to DWP and to three local MPs when they attended the Welfare Reform Group meeting in February 2013.
15. In line with the national picture, council tenants' rent arrears have increased since April 2013. Exhibit 1 details the increase in rent arrears of the 1,759 council tenants affected by the removal of the spare room subsidy.

**Exhibit 1: Council tenants affected by removal of spare room subsidy**

	<b>Position Q4 2012/13</b>	<b>Position Q1 2013/14</b>	<b>Increase</b>	<b>%</b>
Number in arrears	724	1,175	451	62%
Value of arrears	£173,491	£269,687	£96,196	55%

Source: Highland Council

16. On 30 July 2013, DWP announced that the council's DHP funding would increase to £987,115 for the financial year 2013/14, an increase of £771,009 on the original funding allocation of £216,106. The operations team is currently extending the period of DHP entitlement in some existing cases and reviewing the guidance to help more households qualify than was possible with less funding. This should help the rent arrears situation.
17. On 10 July 2013, DWP announced that UC would expand and include six new Jobcentres, including Inverness as the only one in Scotland. DWP had given the council no prior indication of this but, since then, communications have improved and meetings with national and local representatives have been encouraging.
18. Local priorities include delivering the service until full migration to UC and at the same time managing staffing levels to ensure that current performance and customer service is maintained. Until the council has more clarity on the service's role following the welfare reform changes, the operational team has taken on and successfully implemented SWF, CTR and an increased Discretionary Housing Payments fund.

# Business planning and reporting

19. 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.
20. The council has a number of plans covering the work of the benefits service. These include:
  - Exchequer Operations Team Business Plan 2013/14 which sets out the service's role, aims and objectives, key priorities, a review of its 2012/13 performance and targets for the current year
  - Investigation Team Business Plan 2013/16 which reflects on the previous year's performance, sets out the team's aims and objectives, and results it expects to achieve
  - Welfare Reform Action Plan, a cross-service action plan to respond to the various aspects of the welfare reform agenda.
21. The Public Service Improvement Framework (PSIF) is due to be rolled out from 4 November 2013. As such, the Exchequer Team will use the self-assessment framework to review its activities and results, and then plans to use the findings to help achieve continuous improvement.
22. Performance is reported on a monthly basis and discussed and evaluated at the team leader meetings and at the Exchequer Performance meetings. In addition speed of processing performance is included in the Director of Finance's Quarterly Performance Report to the Chief Executive and the Finance, Housing and Resources Committee.
23. Audit Scotland identified risks to continuous improvement during the previous risk assessment. We found that the operations team did not formally review past performance in the areas of accuracy, appeals, reconsiderations and overpayment recovery and that performance was not reported in a number of areas. These risks have been addressed.

## Risk to continuous improvement

1	There is no performance reporting on the council's intervention activity outcomes.
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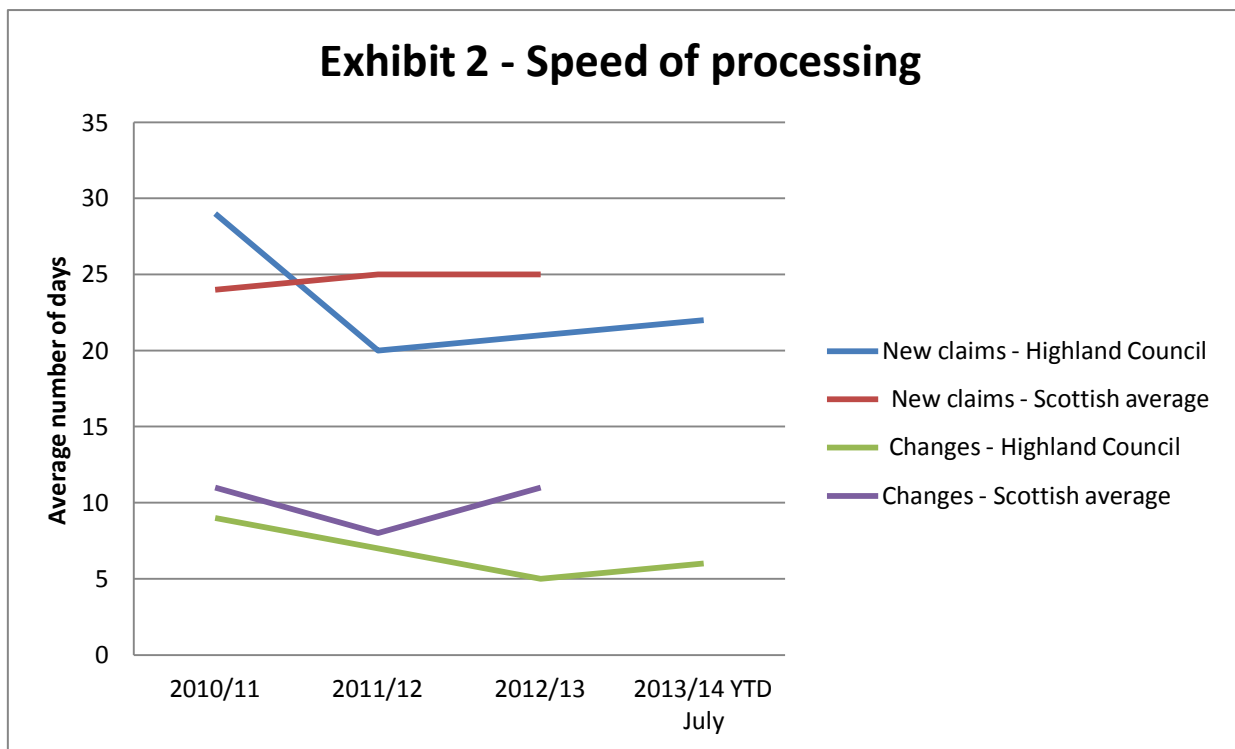
## Delivering outcomes

24. 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.

- 25. The introduction of DWP's ATLAS notifications has resulted in a significant increase in the number of changes the service receives. The service managed to limit the impact of this by initially implementing ATLAS in only one of its eight area offices. From the start it aimed and managed to clear all ATLAS notifications on a daily basis, and at the same time the remaining seven area offices concentrated on processing claims, thus avoiding any backlog of work. This controlled implementation allowed for full testing and reviewing of working practices before a wider roll out across the service.
- 26. The council has also used this approach to successfully deliver welfare reform changes such as SWF and CTR with little impact on HB service delivery and performance.
- 27. The council has recently joined the Chartered Institute of Public Finance and Accountancy (CIPFA) Benchmarking Group which allows comparison and benchmarking with other members to help deliver improvement. Areas included in the latest report include speed, overpayments, appeals and fraud. It is early days for this initiative but the council is hopeful that it will provide valuable information.

### Speed of processing

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



Source: DWP and Highland Council

29. At Audit Scotland's previous risk assessment, we reported that the council's speed of processing performance had continuously improved but that it remained below the national average. Recent performance demonstrates further improvement despite an increasing workload and reduced staffing levels. The council's performance is now above the Scottish averages for both new claims and changes of circumstance and compares well to other councils.
30. The service has a number of effective working practices that have resulted in this improved performance. These include:
- constantly identifying changing priorities and allocating claims accordingly
  - ensuring that the Electronic Processing Team scan and index all mail within target times
  - the controlled implementation and roll out of ATLAS referred to earlier.

## Accuracy

31. 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.
32. The service aims to check at least 4% of all benefit decisions on a daily basis, selecting checks from both the electronic workflow and benefits systems. The majority are completed pre-payment and the results are analysed each month to identify trends in error types and any particular training need. This has contributed to an improved accuracy performance as detailed in Exhibit 3.

Exhibit 3: Accuracy performance		
	Target	Achieved
2010/11	None set	94%
2011/12	95%	99%
2012/13	96%	99%
2013/14 (YTD July)	96%	99%

Source: Highland Council

33. The operations team aims to ensure the correct amount of benefit is paid to the correct people, at the correct time. Its reported accuracy performance, a continued reduction in LA error overpayments and the fact that no significant issues have been raised by internal or external audit provides assurance that this aim is being met.
34. Audit Scotland identified risks to continuous improvement during the previous risk assessment in terms of the selection source, the audit trail and the assurance on consistency of checking across all sites. The first two risks have been addressed. The council made a decision that based on its improved accuracy performance it has sufficient assurance on the consistency of checking across all sites.

## Interventions

35. 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.
36. The council's intervention programme, carried out in the main by postal reviews, is developed from a number of sources based on local and national risk. It also includes a full review of the council's caseload to ensure the council has a recently completed application form in all cases. Exhibit 4 illustrates the council's current and previous performance.

**Exhibit 4: Pro-active intervention results**

Year	Target	Completed	Changes identified	%
2010/11	None set	2,679	487	18%
2011/12	None set	4,681	700	15%
2012/13	None set	7,450	811	11%
2013/14	None set	1,453	300	21%

Source: Highland Council

37. The council states that its intervention activity helps support its stated aim to ensure the correct amount of benefit is paid to the correct people, at the correct time. However the audit trail of results is incomplete and the results from its intervention activity provide little assurance that the council is effectively targeting resources on minimising error in its caseload.
38. ATLAS provides timeous notification of a wide range of changes of circumstances yet the council has not reviewed its intervention approach in light of this. Importantly the council's checks on overpayment cases identify changes to earned income as a trend in the cause of overpayments. The service should use this type of information to more effectively plan its intervention activity.
39. Audit Scotland identified risks to continuous improvement during the previous risk assessment. One no longer applies and the second, that the council had no effective processes in place to review the effectiveness and efficiency of its risk criteria, remains.

### Risks to continuous improvement

2	The council's approach to its intervention activity and how it will measure success in this area is unclear.
3	The council has no effective processes in place to review the effectiveness and efficiency of its risk criteria to ensure its intervention activity is effectively targeted.

## Overpayments

40. 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. Exhibit 5 illustrates the council's current and previous recovery performance.

<b>Exhibit 5: Recovery performance</b>			
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Total HB debt	£4,210,473	£4,242,019	£4,047,097
HB debt recovered	£1,208,406	£1,115,651	£1,036,057
% recovered of total HB debt	29%	26%	26%

41. The council reports that the majority of overpayment recovery is through deductions from on-going benefit and to help maximise this, the operations team monitor overpayment cases and their recovery on a monthly basis. In addition, recovery performance is discussed and compared to other councils at the Exchequer Performance meeting.
42. Audit Scotland identified risks to continuous improvement during the previous risk assessment. We found that there was no specific analysis of claimant error overpayments to help minimise future overpayments occurring. This has been addressed in full as ATLAS reports are prioritised and there is routine analysis of official and claimant error overpayments leading to a reduced level of overpayments for 2012/13.
43. A further risk identified was that the council was unable to explain discrepancies in its overpayment performance information. In particular it could not explain why there was a difference of over £1 million in the debt outstanding at the end of 2007/08 and that shown at the beginning of 2008/09. Initial information provided to Audit Scotland indicated that these discrepancies had continued. However further discussions and analysis has clarified the discrepancies and resulted in amended performance information as detailed in Exhibit 5.

### Risk to continuous improvement

4	While recovery performance is reported and discussed there is no evidence of any challenge where there are discrepancies around the amounts recovered, outstanding and carried forward.
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## Appeals and Reconsiderations

44. Customers who disagree with the council's decision on the manner in which their benefit application is processed have a right to request the claim to be reconsidered, and to appeal against the decision.

- 45. Audit Scotland identified a risk to continuous improvement during the previous risk assessment in that the target set to measure success in this area was ambiguous and how performance would be measured was not explicit. This risk has been addressed
- 46. All reconsiderations and appeals are logged centrally, checked for timely progress and performance is routinely monitored against the targets that have been set. Of interest, the council reports that it has experienced no significant increase in appeals following the removal of the spare room subsidy in April 2013.

## Counter-fraud

- 47. 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 are applied where appropriate. Exhibit 6 illustrates the council's current and previous performance.

<b>Exhibit 6: Benefit fraud sanctions performance</b>				
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14 YTD June</b>
<b>Administrative Cautions</b>	23	27	10	3
<b>Administrative Penalties</b>	18	10	9	6
<b>Referred for prosecution</b>	23	35	27	7
<b>Total</b>	64	72	46	16

Source: Highland Council

- 48. The investigations team, in line with others, has found that the prompt reporting of changes of circumstances through ATLAS has reduced the number of fraud referrals it now receives. Despite this, the investigation team has maintained the number of cases it refers for prosecution by:
  - drafting and using its Investigation Business Plan and counter fraud policies to help target resources and guide investigation staff
  - raising fraud awareness and encouraging good quality fraud referrals from council staff
  - introducing an online fraud referral form in 2012 to facilitate referrals from members of the public
  - working collaboratively with DWP and the Procurator Fiscal.
- 49. In addition the council's independent Sanction Board helps provide assurance that those customers who commit benefit fraud are treated fairly and without discrimination.



# Appendix A

Progress against action plan dated September 2010		
Risk identified	Target completion date	Risk addressed in full
<p>During the annual business planning cycle the operations team does not formally review past performance in the areas of accuracy, appeals, reconsiderations and overpayment recovery, with a view to:</p> <ul style="list-style-type: none"> <li>• setting challenging and realistic targets in each area</li> <li>• detailing improvement activities, with key milestone dates, that it will undertake to help reach these targets.</li> </ul>	Nov-10	Yes
Performance is not reported for reconsiderations.	Nov-10	Yes
Performance is not reported against target for accuracy and appeals.	Nov-10	Yes
While the Exchequer Performance Bulletin includes a benefits overpayment age debt analysis it does not include the actual recovery performance.	Oct-10	Yes
Cases to be checked pre-payment are selected from the electronic workflow management system rather than the benefits IT system. Selecting cases from the latter would assist the identification and deterrence of internal fraud and provide better assurance on security.	Dec-10	Yes
The current performance measuring process does not provide sufficient information to confirm the benefits management's view that the lack of improvement is entirely down to inexperienced staff.	Jan-11	Yes
Accuracy checks are carried out at the area offices by seven different officers and current performance measuring process does not include a breakdown of performance on an office by office basis. This reduces the assurance on the consistency of the checking.	Mar-11	Not applicable
The councils Right Benefit target of 1536 for 2010/11 does not appear to be sufficiently challenging when compared to its 2009/10 performance. Nor is it likely to improve the council's position within Group B.	Sept-10	Not applicable
The council has no effective processes in place to review the	Dec-10	No

Progress against action plan dated September 2010		
effectiveness and efficiency of its risk criteria to ensure its intervention activity is effectively targeted.		
There is no specific 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.	Oct-10	Yes
At the time of this risk assessment, the service was unable to explain its overpayment performance information. In particular, it needs to understand why: <ul style="list-style-type: none"> <li>• there is a difference of over £1 million in the debt outstanding at the end of 2007/08 and that shown at the beginning of 2008/09</li> <li>• the amount of overpayments raised is increasing year-on-year</li> <li>• the benefits debt written off is increasing year-on-year</li> <li>• the amount recovered is decreasing.</li> </ul>	Nov-10	No
The target set to measure success in this area is ambiguous and how performance will be measured is not explicit. In addition the target does not take into account: <ul style="list-style-type: none"> <li>• any previous performance</li> <li>• current performance</li> <li>• the complexities of dealing with appeals compared to reconsiderations.</li> </ul>	Oct-10	Yes