

FALKIRK COUNCIL

Subject: AUDIT OF HOUSING BENEFIT – RISK ASSESSMENT REPORT
Meeting: AUDIT COMMITTEE
Date: 18 April 2016
Author: DIRECTOR OF CORPORATE & HOUSING SERVICES

1. INTRODUCTION

1.1 I attach a report from the Council's External Auditor following his 2015/16 follow up work for Audit Scotland's housing benefit (HB) risk assessment programme. The risk assessment considers the effectiveness of the benefit service in meeting national and local priorities, business planning and reporting, and delivering outcomes.

2. AUDIT REPORT

2.1 A risk assessment was carried out in February 2014, at which time five risks were identified. Of these five risks, four risks are now completed with only 1 outstanding.

2.2 The report highlights that in completing four of the risks, the Council has made a very positive contribution to the delivery of the benefit service, as demonstrated by:

- significant improvements in the time taken to process new claims and change events;
- a high level of financial accuracy and reductions in non-financial errors;
- regular checks on overpayment classifications, ensuring that local authority and administrative error overpayments are below the DWP lower threshold; and
- excellent performance and significant improvements in the recovery of HB overpayments.

2.3 The report states that whilst the Council has demonstrated an awareness of what constitutes an effective, efficient and secure benefit service, there are four new risks and one risk outstanding from the previous risk assessment as detailed below:

- having staff contingency arrangements in place to manage the potential loss of temporary staff to other areas of the council or externally;
- ensuring the performance against all aspects of the benefit service, such as accuracy of payments and the percentage of overpayments recovered against all debt outstanding, is routinely and regularly reported to staff, senior managers and members;
- increasing automation levels within the DWP's Automated Transfer to Local Authority Systems (ATLAS) to reduce the manual processing of changes; and
- collating and analysing management checks in respect of all its activities to provide the council with a holistic view of errors found and to help identify areas for learning and development of staff and the service.

- 2.4 The outstanding action point from 2014 is the development and implementation of a benefit specific overpayment policy. A policy is being prepared for Executive. However, the report acknowledges the significant performance improvement in this area.

3. RECOMMENDATION

- 3.1 The Committee is invited to note the External Auditor's report and the proposed management actions.

Director of Corporate & Housing Services

Date: 08 April 2016

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Falkirk Council

Audit of housing benefit

Risk assessment report



 AUDIT SCOTLAND

Prepared for Falkirk Council
January 2016



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Introduction

1. This risk assessment was completed as part of Audit Scotland's housing benefit (HB) risk assessment programme. It does not represent a full audit of Falkirk 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 November 2015.

Executive summary

5. A risk assessment was previously carried out on Falkirk Council's benefit service in February 2014 when Audit Scotland identified five risks to continuous improvement. These were reported to the Chief Executive in April 2014 and, in response, the council submitted an action plan in June 2014 to address these risks which Audit Scotland accepted as satisfactory, if fully implemented.
6. Since our previous visit there have been some significant changes within the council and, as a consequence, the way in which benefit services are delivered. In December 2014, the Senior Benefit Officer (Technical), one of two Senior Benefit Officers, left the service. In addition, the Deputy Chief Finance Officer (DCFO) who had responsibility for the benefit service has been on long-term sick leave since January 2015. The council told us that the loss of these officers left the service with severely depleted expertise at a senior level.
7. In the short-term the DCFO's duties, which included significant involvement in the day-to-day running of the service, were split between the Revenues Manager and the Senior Benefit Officer (Welfare Reform, Appeals and Complaints). In March 2015, the Senior Benefit Officer (Welfare Reform, Appeals and Complaints) took on the role of acting Benefit Manger on a month to month basis to provide some stability to the service. This arrangement continued until October 2015 when the Benefit Manager role was advertised on a temporary basis until

May 2016. The Senior Benefit Officer (Welfare Reform, Appeals and Complaints) subsequently applied for this position and was successful. In addition to these changes, a restructure was carried out in August 2015 which resulted in the Revenues and Benefits service being incorporated into Corporate and Housing Services.

8. In October 2015, the council submitted a current self-assessment along with supporting evidence, and an updated action plan. Of the five risks identified, the council has made admirable progress as follows:

- four risks completed
- one risk outstanding.

Appendix A covers this in detail.

9. In completing four of the risks the council has made a very positive contribution to the delivery of the benefit service. In particular, by:

- significantly improving the time taken to process new claims and change events from 42 days and 22 days in 2013/14 to 20 days and nine days in 2015/16, at 31 October 2015. In view of the loss of senior staff in 2014/15, this level of improvement is commendable
- maintaining a high level of financial accuracy and reducing the number of non-financial errors from 45% in 2013/14 to 28%, at 31 October 2015
- carrying out regular checks on overpayment classifications, which has helped ensure that the reported level of local authority and administrative error (LA/admin) overpayments was below the DWPs lower threshold in 2014/15, and remains below the lower threshold in 2015/16, at 31 October 2015
- delivering an excellent performance and significant improvement in the recovery of HB overpayments from 2013/14 when 43% of in-year debt and 16% of all outstanding debt was being recovered to 2015/16, when 81% of in-year debt had been recovered, at 31 October 2015, and a projected annual performance of 28% of all outstanding debt being recovered. This level of improvement is also commendable.

10. Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefit service, there are four new risks and one risk outstanding from our previous risk assessment. In order to ensure continuous improvement, the council needs to address these risks. These include:

- having staff contingency arrangements in place to manage the potential loss of temporary staff to other areas of the council or externally. This should ensure that the service is resilient to change and well positioned to improve or sustain current performance levels across all of its activities while delivering new initiatives such as the current programme of interventions and preparing for the rollout of Universal Credit (UC)
- ensuring that performance against all aspects of the benefit service, such as the accuracy of payments and the percentage of overpayments recovered against all debt outstanding, is being routinely and regularly reported to staff, senior managers and members

- increasing automation levels within the DWP's Automated Transfer to Local Authority Systems (ATLAS) service to reduce the manual processing of changes notified and help free up resources to carry out other benefit-related tasks
- collating and analysing management checks in respect of all its activities to provide the council with a holistic view of errors found to help identify areas for learning and development of staff and the service.

Business planning and reporting

11. 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.
12. Following a restructure in August 2015, the Revenues and Benefits service was incorporated into Corporate and Housing Services, and the *Corporate and Housing Services - Service Performance Plan 2015/2018* is now the key strategic document for the service. This is a three-year rolling plan which details the Corporate and Housing Services' key commitments which are to improve the way the service is managed and to improve the services that are delivered to customers. To support these commitments the service has four key goals which are to:
 - further develop a thriving and sustainable economy
 - improve the health, safety and wellbeing of citizens and communities
 - increase efforts to tackle disadvantage and discrimination
 - enhance an environment in which people want to live, work and visit.
13. The service performance plan also contains the two key performance indicators for the benefit service which are the average time to process new claims and the average time to process change events.
14. Since 2013, the Revenues and Benefits service has made good use of temporary staff on rolling contracts to help deliver the service. We were told that, in order to recruit a permanent member of the establishment, a number of conditions need to be met, for example, the consideration of other staff within the council who could be suitably redeployed.
15. At the time of the on-site visit there were 19 revenues assistants on rolling contracts, which had all been recently extended until March 2016 following representations to the Chief Executive. Although this arrangement has worked well for the council, the nature of temporary contracts means that the benefit service is vulnerable to the availability of permanent positions within other areas of the council or externally, and we were told that in the last year four temporary revenues assistants had left the service for permanent positions elsewhere.

16. At the time of our previous visit, the benefit service had made changes to its working practices to enable performance improvements to be delivered. These included changing the workload allocation and management function which had been carried out locally, and delivering this function centrally from the Callendar Square office.
17. Although this approach was initially successful, we were told that over time the expected improvements were not being realised and that, in order to address concerns raised by the Area Office Managers (AOMs), a local office action plan was developed by the Benefit Manager and the Revenues Manager with the key objective to *determine how the service could work better to deliver the customer service function more effectively while meeting back office demands within existing constraints*.
18. To support this action plan, a one day workshop was held in January 2015 with the AOMs. Following the workshop, a decision was taken in March 2015 to revert to the previous working practice which provided the AOMs with full control and responsibility of their individual area office workloads. This change has had a positive effect and has helped contribute towards the benefit service's significant improvements in claims processing times, which is discussed in more detail under *Speed of Processing*.
19. The council makes good use of an online reporting system which is updated monthly and is accessible by senior management and members. This is currently limited to performance in respect of the average time to process new claims and change events, and the percentage of in-year debt recovered, as we were told that more detailed benefit service performance would only be formally reported to senior management and members by exception.
20. At an operational level there are regular team meetings where performance is routinely discussed, and all staff are provided with a weekly 'snapshot' of work outstanding. In addition, a monthly Benefit Manager update is issued to all staff by e-mail which provides more detailed information in respect of:
 - the volume of work outstanding
 - speed of processing new claims and change events
 - in-year overpayment recovery performance
 - the level of LA/admin error against the DWPs threshold.

Risks to continuous improvement

1	The continued use of temporary staff on short term contracts could result in the further loss of staff to other areas of the council or externally, which could impact on the service's ability to sustain or improve its performance while delivering new initiatives such as the current programme of interventions and the rollout of UC.
2	Performance is not being reported across all aspects of the service. For example, there is no routine reporting of accuracy levels, or the performance of the service in respect of the total value of debt outstanding, despite a key outcome in the service performance plan to maximise subsidy and income to the council.

21. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that the council had not progressed the action, first identified in 2009, to develop a benefit-specific overpayment policy.
22. Although the council has a draft *Corporate Debt Recovery Policy*, as it has yet to be formally approved, we consider that this risk remains outstanding.

Delivering outcomes

23. 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

24. 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.
25. At the time of our previous visit in 2013/14, the council had experienced a significant decline in its claims processing performance as a result of the delayed implementation of a new benefit IT system in 2012/13. This was compounded by the preparation required by the service to train staff and review working practices and procedures, and an extended downtime at year-end for the annual billing and uprating processes.
26. As a consequence, a significant backlog of work accrued which resulted in an increase in the average time taken to process new claims and change events from 34 days and 12 days in 2012/13, to an average of 42 days and 22 days respectively in 2013/14.
27. However, the council responded positively to address this decline and made considerable improvements in the time taken to process new claims and change events in 2014/15 to an average of 25 days and eight days respectively. This level of performance placed the council 19th and 20th in Scotland for speed of processing new claims and change events which is highly commendable given the loss of the Senior Benefit Officer (Technical) in December 2014, and the DCFO who has been on sick leave since January 2015.
28. Despite the loss of two senior and highly experienced officers, the benefit service has proved very resilient and has continued to deliver improvements in 2015/16 by processing new claims in an average of 20 days and maintaining a good level of performance in the average time taken to process change events, at nine days, at 31 October 2015. This level of performance placed the council 10th and 18th in Scotland for speed of processing new claims and change events, based on the DWPs published performance data for quarter one 2015/16.

29. 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 (31 Oct)
New claims	42 days	25 days	20 days
Change events	22 days	8 days	9 days

Source: Falkirk Council & DWP

30. Although the council has improved its processing times significantly since 2013/14, there is scope for further improvement. At the time of the site visit we were told that the level of ATLAS automation was approximately 26% which is well below what we regularly see in other councils where automation levels are in excess of 40%.

Risk to continuous improvement	
3	The council is not making full use of the automated function when dealing with changes arising from the DWP's ATLAS service and is therefore missing an opportunity to reduce the manual workload for the service and free up resources to carry out other benefit-related tasks.

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 benefit service has a comprehensive management checking regime and the process is contained within the *Sample Checking HB/CTR claims* procedural document. In August 2014, following the implementation of the benefit IT system's checking module, the service carries out its management checks before a payment has been issued, which helps reduce the potential for LA/admin delay error overpayments to arise. This is considered to be good practice.
33. On a daily basis, the Benefit Officer (Compliance and Investigation) selects a random sample of 1 in every 35 claims processed that day for a full case check which consists of relevant claim checks from a total of 95 possible areas of the claim. For example:
- have all sections of the claim form been fully completed, and has the declaration been signed and dated?
 - is the date first notified (of a change) in writing correct?
 - if appropriate, has the capital been calculated and input correctly?
34. The outcome of each check is recorded on a *Sample Checking Control Sheet* which contains details of the error found and the corrective action required. The control sheet is then referred to the relevant AOM who would discuss the error with the individual processor and advise the

Benefit Officer (Compliance and Investigation) once the claim has been corrected to allow for the payment and notification letters to be released, as appropriate.

- 35. In addition to the daily management checks, there is a 100% check of the work of new staff which is reduced incrementally as the officer gains experience, and a 100% pre-payment check of all payments in excess of £1,000 to ensure the accuracy of the payment before it is released.
- 36. Exhibit 2 illustrates the council's current and previous accuracy performance.

Exhibit 2: Financial accuracy performance		
	Target	Achieved
2013/14	97%	97%
2014/15	97%	96%
2015/16 (31 Oct)	97%	97%

Source: Falkirk Council

- 37. Despite a number of significant changes within the service the council has maintained a good level of accuracy and continues to actively monitor its financial and non-financial error levels to help improve performance and reduce the level of LA/admin delay errors.

Risk to continuous improvement	
4	The council is not routinely collating and analysing management check outcomes in respect of all its activities. This would provide a holistic view of errors found which could help identify areas for learning and development of staff and the service.

- 38. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that, following the benefit IT system issues in 2012/13 and 2013/14, performance in 2013/14 in respect of the number of claims containing non-financial errors had declined to 45%, against a target of 25%.
- 39. Although the council revised its non-financial error rate target to 32% in 2014/15, we were told that this was to take account of the learning and training requirements for staff around the implementation of two key benefit systems. In view of this, we accept that the change to the non-financial accuracy target is reasonable and consider this risk to be addressed as the service is reporting its non-financial accuracy performance at 28%, at 31 October 2015, which is below target.

Interventions

- 40. 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.

41. To support this, the benefit service notification letters remind customers of the requirement to report any change in circumstances and the council website contains examples of the types of changes that should be reported. The website also provides customers with details of office opening hours and how to contact the benefit service by telephone, letter, or e-mail.
42. The council 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.
43. 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 74% of changes of circumstances notified through the DWP's ATLAS service.
44. Since our previous visit the council carried out an annual programme of postal intervention activity in 2013/14 and 2014/15. In 2013/14, activity was focused on customers in receipt of earnings and customers in receipt of statutory sick pay while in 2014/15, up to December 2014, interventions were focused on customers in receipt of a state retirement pension. We were told that both of these programmes were successful and helped the council identify approximately £123,000 of benefit overpayments and £20,000 of benefit underpayments.
45. However, since December 2014, when the Senior Benefit Officer (Technical) left the service there has been no proactive intervention activity which means that the council had a reduced level of assurance over the accuracy of its caseload.
46. However, with the introduction of the DWP's Fraud and Error Reduction Incentive Scheme (FERIS), which has been designed to reward councils that proactively identify un-reported changes of circumstances, the council took the opportunity to recommence its proactive interventions activity and applied for, and received, maintenance bid funding from the DWP in May 2015.
47. A new programme of postal interventions activity was subsequently developed and commenced in November 2015 with the first tranche of approximately 200 postal interventions issued to customers that are self-employed. A further tranche of 555 postal interventions was in the process of being issued to working age earners at the time of the site visit.
48. The council told us that the outcomes from these activities will be recorded on the benefit IT system's interventions module, which was implemented in November 2015. This module will allow the service to better manage and report its interventions activity, and to record the outcomes, including the value of underpayments and overpayments identified.

Overpayments

49. 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.
50. The council's draft *Corporate Debt Recovery Policy* sets the framework for the recovery of all council debt including HB overpayments. The main aim of the policy is to maximise income collection while minimising the cost, and maintaining and improving the customer experience throughout the process. The policy also outlines a number of general principles which include:
 - ensuring that the action taken is proportionate to the size of the debt
 - encouraging customers to make early contact in respect of debt related matters
 - taking account of the economic climate and individual's financial circumstances to ensure that customers' needs are met.
51. The benefit service has a dedicated HB overpayment team consisting of a permanent senior revenues assistant, supported by two temporary revenues assistants and a permanent revenues assistant who helps the team one day per week. The team has been provided with access to key council systems to help assist in the effective contact of customers and recovery of debt.
52. Where the customer remains in receipt of benefit, the overpayment will be 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. However if the customer is no longer receiving benefit, the overpayment is transferred to the council's sundry debtor system for further action. 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
 - arrestment of earnings, where appropriate
 - working in partnership with Sherriff's Officers to pursue difficult to recover debt.
53. Although the council's fraud investigation function was transferred to the DWP's Single Fraud Investigation Service in November 2014, the council told us that legacy fraud overpayments, and any new fraud overpayments notified to the council by the DWP, are prioritised for recovery and have a separate product code within the benefit IT systems.
54. We were also told that the Benefit Support Team carries out a 100% check of overpayment classifications and, where errors are identified, the relevant AOM is notified to discuss the error with the relevant processor and ensure that appropriate corrective action is taken. This is considered to be good practice.

55. The excellent progress the council has made in its speed of processing performance and continued high levels of financial accuracy has had a positive effect on overpayment recovery performance, which has improved significantly since 2013/14.
56. Exhibit 3 illustrates the council's current and previous recovery performance.

Exhibit 3: Overpayment levels and recovery performance			
	2013/14	2014/15	2015/16 (31 Oct)
Total overpayments c/f	£2,732,236	£3,303,909	£3,770,854
Total overpayments raised in-year	£1,641,327	£2,065,968	£1,184,540
HB debt recovered	£700,110	£1,265,093	£957,373
% of in-year debt recovered	43%	61%	81%
% of total HB debt recovered	16%	24%	28% (projected outturn)

Source: Falkirk Council

57. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that the council's in-year and all debt recovery performance had been in decline since 2011/12, and that there had been a significant increase in the value of LA/admin error overpayments which had resulted in a loss of subsidy to the council in 2012/13 and 2013/14.
58. We consider that both of these risks have been addressed as:
- the council's performance in respect of its in-year and all debt recovery has improved significantly since 2013/14. The current performance of 81% of in-year debt recovered, at 31 October 2015, and a projected annual performance of 28% of all debt being recovered in 2015/16 is highly commendable
 - the council's improved speed of processing times and proactive caseload management has helped the benefit service to report its LA/admin error rate at below the DWPs lower threshold in 2014/15, and in 2015/16, at 31 October 2015.

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 are 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 would be investigated according to a single set of guidance and priorities.

61. In November 2014, 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 which 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.

Appendix A

Progress against action plan update at October 2015	
The council has not progressed the risk, first identified in March 2009, to develop and implement a benefit-specific overpayment policy.	Outstanding
<p>Although the council has made significant improvements in its speed of processing performance in the last 12 months, further improvement could be affected if:</p> <ul style="list-style-type: none"> • there are issues during year-end when the benefit IT system will be down for approximately one and a half weeks • the temporary staff that were employed to help release experienced staff to address speed of processing performance are not retained after June 2014 • there is a reduction in available overtime. 	Completed
As a result of the benefit IT system issues in 2012/13 and 2013/14 the council's performance in 2013/14 in respect of the number of claims containing non-financial errors has declined to 45%, against a target of 25%.	Completed
The council's in-year and all debt recovery performance have been in decline since 2011/12.	Completed
There has been a significant increase in the value of LA error and administrative delay overpayments, which has resulted in a loss of subsidy to the council.	Completed