
NORTH AYRSHIRE COUNCIL

29 January 2019

Audit and Scrutiny Committee

Title: **Audit Scotland Housing Benefit Performance Audit update 2017/18**

Purpose: To inform the Committee of the findings of Audit Scotland's review of Housing Benefit Performance Audit for 2017/18

Recommendation: That the Committee notes (1) the findings of Audit Scotland's review of Housing Benefit Performance Audit for 2017/18; and (2) the key risks identified alongside the Council's position, as set out at Appendix 1.

1. Executive Summary

- 1.1 In 2017/18 Audit Scotland visited five Councils and carried out a Housing Benefit risk assessment; a link to the report is provided below. Audit Scotland last visited North Ayrshire in May 2015 and their findings reported to the Audit and Scrutiny Committee on 24 August 2015.

<http://www.audit-scotland.gov.uk/report/housing-benefit-performance-audit-annual-update-2018>

- 1.2 Councils are risk assessed to determine the extent to which the benefit service is meeting its obligations to achieve continuous improvement in all its activities; and consider the effectiveness of the benefit service in business planning and reporting, delivering outcomes, accuracy, interventions and counter-fraud. It does not represent a full audit of a Council's benefits service.
- 1.3 Audit Scotland identified three key risks during their 2017/18 audit of five Councils:
- Business planning and performance reporting;
 - Accuracy levels; and
 - Interventions (Reviews of a benefit claim).

Recovery of overpayments, accuracy and interventions remain outstanding risks from their 2016/17 audit of Councils.

- 1.4 The roll out of Universal Credit Full Service, reduced DWP funding, budget pressures and reducing Housing Benefit caseloads has resulted in Benefit Service restructures, and Audit Scotland found the level of resource in the five Councils visited may not be sufficient to maintain or improve claim processing performance levels.
- 1.5 The Council's position in relation to mitigating all risks identified by Audit Scotland is outlined in Appendix 1.
- 1.6 The Scottish Social Security agency became operational in September 2018. Decisions regarding local presence of the agency across Scotland have still to be made by the Scottish Government in consultation with COSLA as part of a delivery agreement signed in December 2017.

2. Background

- 2.1 Every Autumn Audit Scotland use a range of factors including speed of processing to risk assess all Scottish Councils and carry out a risk assessment where a Council is not performing well or performance has declined. During 2017/18 Audit Scotland visited five Councils and identified three key risks relating to business planning and performance reporting, accuracy checking and interventions. Recovery of Housing Benefit overpayments also remains an outstanding risk from 2016/17 audits. North Ayrshire's position relative to the risks is set out at Appendix 1; procedures and controls are in place for all risks. Audit Scotland last carried out a risk assessment against the Council's Benefit Service in May 2015.
- 2.2 Audit Scotland found that the reduction in Housing Benefit caseload together with an annual reduction in DWP Administration Grant and wider pressure on Council budgets has resulted in the restructure of Benefit Services with an increase in outsourced work and temporary staff. In all five Councils audited auditors reported that the level of resources may not be sufficient to maintain or improve claim processing levels. The Council's Benefit Service has been restructured in response to the roll-out of Universal Credit Full Service and to maintain the current speed of processing. The annual reduction in DWP Administration Grant to administer Housing Benefit continues to be met by the Council.
- 2.3 Audit Scotland report that the Housing Benefit caseload across all Scottish Councils has fallen by 15% over the period April 2013 to February 2018. The Council's Housing Benefit caseload fell by 15% over the same period from 15,674 to 13,309. Housing Benefit caseload is affected by economic conditions, unemployment levels, and UK Government Welfare Reforms including migration to Universal Credit Full Service.
- 2.4 During 2017/18 the number of Housing Benefit claims in Scotland fell by 4.7% between April 2017 and February 2018. The Council's caseload fell by 7% over the same period from 14,315 to 13,309 and continues to fall with 11,589 claims at October 2018. This is mainly due to claimants applying for Universal Credit Full Service instead of Housing Benefit.

- 2.5 The DWP has recently introduced two new services, Verification of Earnings (VEP) and the Debt Service to improve processing performance, reduce overpayments and improve debt recovery. VEP uses Her Majesty's Revenues and Customs (HMRC) real time data to verify earnings and pensions to ensure Housing Benefit is calculated quickly and accurately. The Debt Service data matches HMRC employment and pension data up to a maximum 1,200 debtor records per month to improve collection levels and recovery performance of Housing Benefit overpayments including lodging earning arrestments with employers. The DWP has provided funding for VEP and the Debt Service and this has been used to employ two temporary FTE within the Benefits Service. It is too early to say what impact this will have on the recovery of housing benefit overpayments but the position continues to be monitored.
- 2.6 The recovery of Housing Benefit overpayments through direct deductions from a claimant's Benefit is an effective method of recovery. Under Universal Credit a single deduction allocated equally between the recovery of an overpaid Tax Credit, Universal Credit or Housing Benefit will be made; this will reduce the amount of income received by the Council and take longer for Housing Benefit overpayments to be recovered. To mitigate this the Housing Benefit overpayment team will contact a customer to discuss repayment of their overpayment on an arranged basis provided this is affordable otherwise direct deductions from Universal Credit will continue.
- 2.7 The Scottish Social Security agency became operational in September 2018. Group members of the Council's Welfare Reform Working Group have met with the Scottish Government's Local Delivery Lead for the Social Security agency to discuss the potential for co-location opportunities to support customers with their benefits applications and enquiries.
- 2.8 The National Audit Office reported in June 2018 that Universal Credit is not delivering value for money and is creating additional costs for local authorities in terms of benefits administration and recovery of rent arrears. Universal Credit Full Service went live in North Ayrshire on the 22 November 2017 and the Department for Work and Pensions has provided funding to the Council to meet the cost of the increased benefits administration. Universal Credit is paid monthly but on the 4 October 2017 the Scottish Government introduced flexibilities to enable Universal Credit to be paid twice monthly and for the Housing Element to be paid direct to landlords to cover rent charges.

3. Proposals

- 3.1 That the Committee notes (1) the findings of Audit Scotland's review of Housing Benefit Performance Audit for 2017/18; and (2) the key risks identified alongside the Council's position, as set out at Appendix 1.

4. Implications

Financial:	None
Human Resources:	DWP funding has been used to employ two temporary FTE to verify earnings and pensions of claimants and to increase the collection levels of Housing Benefit overpayments.
Legal:	None
Equality: Children and Young People:	None
Environmental & Sustainability:	None
Key Priorities:	None
Community Benefits:	None

5. Consultation

5.1 There has been no consultation on the Audit Scotland report.



Laura Friel
Executive Director (Finance and Corporate Support)

For further information please contact **Stephen Humphries Senior Manager Revenues and Benefits** on 01294 310106.

Background Papers

Audit Scotland Housing Benefit Performance Audit annual update 2017/18

Appendix 1

Audit Scotland findings	NAC position
<p>Business planning and performance reporting - in four councils Audit Scotland found that the benefit service was not formally reporting its performance to elected members. This means that there was limited assurance that, where performance was below expectations, the service was being challenged to improve. Audit Scotland also considered that an opportunity was being missed to raise the profile of the service, and for elected members to recognise good performance. The Accounts Commission view formal reporting to elected members of the performance of the benefit service as an important part of the assurance and scrutiny of the service.</p>	<p>Benefits performance is included in the current Directorate Performance Review reports. Reporting to Cabinet to raise the profile of the Benefits Service is under consideration.</p>
<p>Accuracy – the levels of accuracy in two councils were in decline. One council was not routinely analysing the outcomes from its management checks to help identify trends and patterns of error that could help improve accuracy rates.</p>	<p>The 16/17 and 17/18 Subsidy Audits by Deloitte highlighted the risk of keying errors impacting on the Council's subsidy and accuracy procedures were updated as a result and 100% spot checks are routinely carried out. More focus is also given to checking those areas where there is the highest risk to the Council's subsidy levels for example keying of earned income.</p>
<p>Interventions – in three councils Audit Scotland found that, although interventions outcomes were recorded, the level of detail was not sufficient to allow the council to determine the effectiveness of its approach in financial terms, or the effectiveness of each intervention campaign. This information could help ensure that future activity is informed, risk based, and cost effective.</p>	<p>Verification of Earnings and Pensions (VEP) was recently introduced by the DWP and this uses real time information from HMRC to verify data in respect of new claims, changes of circumstance and reviews (interventions). The DWP send VEP alerts to the Council to signify there is a change to earning and pension information for a live claim. The DWP has provided funding for 1 FTE and a new member of staff started on the 3 December 2018 to focus on VEP alerts and carry out reviews (interventions) of the HB caseload to reduce fraud, error and overpayments.</p>

<p>Overpayments - DWP HB Debt recovery project provides councils with the opportunity to match outstanding HB debtors to real-time information on HMRC's employment and pension data. Councils can send up to 1,200 outstanding debtor files to the DWP for matching each to support improved collection and recovery performance.</p> <p>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. Following the migration to UC, councils will no longer have this option. 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.</p>	<p>The Benefits Service has started to use the data matching service with HMRC. DWP funding for Universal Credit has been used to employ 1 FTE to work in the Housing Benefit overpayment team; this takes the team up to 2.1 FTE and there will be more focus on HMRC data matching with a higher volume sent each month and an increase in lodging earning arrestments with employers where applicable. This is expected to increase HB overpayment recovery levels for those no longer in receipt of HB.</p> <p>The debt recovery team is starting to make application to the DWP for recovery of HB overpayment for claimants now in receipt of UC (Housing Element). There is a risk that recovery of overpayments may not be as effective from people in receipt of UC (Housing Element) and recovery levels will be monitored by the debt recovery team and alternative action taken where possible.</p>
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