



The City of Edinburgh Council

Audit of housing benefit Risk assessment report



Prepared for The City of Edinburgh Council
July 2018

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 The City of Edinburgh 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 May 2018.

Executive summary

5. A risk assessment was previously carried out on the council's benefit service in February 2015 when Audit Scotland identified two risks to continuous improvement. This was reported to the Chief Executive in February 2015 and, in response, the council submitted an action plan in March 2015 to address the risks.
6. It is acknowledged that the council acted to address these risks, both of which related to the council's approach to management checking, however, we consider that they have not been fully addressed and remain outstanding. This is discussed in more detail under *Accuracy*.
7. Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefit service, there are five new risks arising from this risk assessment, and to ensure continuous improvement, the council needs to address these and the risks outstanding from the previous risk assessment. The new risks include:
 - reporting all aspects of benefit service performance to senior management and elected members
 - addressing the reasons for the decline in accuracy performance
 - developing targets for the recovery of HB overpayments
 - identifying and addressing the reasons why all HB debt recovery performance is low when compared to other Scottish councils.

Background

8. The City of Edinburgh Council is Scotland's second largest council with a HB caseload of approximately 34,000 claims and each year the council is responsible for processing over 12,000 new claims and 127,000 change events. Since our last audit in 2015, there have been a number of significant changes within the benefit service. These included:
- changing the benefit IT system in August 2015 as part of a council-wide change of supplier. The council told us at the time of our site visit that, aside from early post implementation issues, the system had been largely stable. However, an issue in October 2016 had resulted in system downtime that had impacted on claims processing performance.
 - a council wide transformational programme in 2016, which resulted in the creation of the Transactions Team by clustering similar work processes. This team has a broad remit and part of this remit is responsibility for delivering the benefit service which is carried out by six teams reporting through team managers to the Customer Manager - Transactions (Assessment and Finance). As part of the creation of the Transactions Team the number of Senior Transaction Officers was increased to provide processing staff with greater support on technical issues and, by reducing specialisms, the council advised that the team is more generic and resilient.
 - a change from using Transactions Officers from a specialist recruitment agency to a managed outsourced service to reduce costs and introduce closer parity in pay with existing permanent staff. Although the outsourced service contract ended in November 2017, three former specialists were appointed on fixed term contracts using council terms and conditions, thereby ensuring value for money whilst ensuring the retention of resource, knowledge and experience.
 - an investigation by the Scottish Public Services Ombudsman (SPSO) which found in favour of the customer who brought the complaint and resulted in the benefit service diverting resources from processing HB claims to help manage the output from DWPs Automated Transfer to Local Authority System (ATLAS).
9. In addition, the service experienced high levels of sickness absence in 2017/18 ranging from 4.71% in July 2017, to 6.71% in January 2018. Despite this, the council has managed to deliver continuous improvement in its claims processing times in 2016/17 and 2017/18, as at 28 February 2018, which is testament to the resilience of the benefit service and the efforts of staff and management.
10. As a result of some of the above changes, the time taken to process claims has been adversely affected at times, most notably following the SPSO decision which resulted in a significant decline in the time taken to process new claims and change events from August

2017 as the council acted to mitigate the issue raised by the SPSO. The impact of this decision is provided in more detail under *Speed of processing*.

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 is measured, monitored and reported.
12. At the time of our audit the council was developing its business plan for 2018/19. This plan, known as the *Transactions Team Work Programme*, will be the operational document for the benefit service and will set out the key tasks and projects that the service aims to carry out during the year. The work programme also contains a staff skills matrix which allows for management to effectively target resources based on available knowledge and experience.
13. Although there have been a number of changes to the benefit service since our previous audit, the council has remained proactive in its efforts to improve claims processing performance. For example, in November 2016, the benefit service engaged with the DWPs Performance Development Team (PDT) to identify improvements to its processes and, as part of this collaboration, an action plan was developed and implemented in 2017.
14. In addition, the service plans to increase the percentage of changes that are fully automated through the DWPs ATLAS from 60% to 80%, and, at the time of our audit, was about to launch an evidence portal so that customers can provide evidence in support of their claim through a secure e-mail facility. This is the first stage of a fully digital process which has been agreed in principle by the Corporate Policy and Strategy committee and, when implemented, will provide customers with a secure facility to upload evidence as part of the online claims process, while providing full support and assistance to customers where needed.
15. There is regular reporting of benefit service performance to staff and senior management to provide assurance that the service is operating effectively and efficiently. This includes
 - daily to Team Managers (new claims / changes)
 - weekly at Customer Transactions meetings (new claims / changes / accuracy)
 - weekly 'Huddle' meetings between the Customer Manager and Team Managers
 - monthly to Senior Transactions Officers (incorrect overpayment classifications)
 - monthly at Team Managers team meetings and the Extended Team Managers meeting (new claims / changes)
 - monthly to Senior Management Team and the Corporate Leadership Team (new claims / changes).

16. In addition, the council makes good use of an online performance management tool, which is updated monthly, and is available to view by senior management and members.

Risk to continuous improvement	
1	The council is not reporting all aspects of its benefit performance to senior management and members and therefore there is no evidence of: • benefit service performance being formally reported to the Corporate Policy and Strategy Committee • performance in respect of accuracy, or the recovery of overpayments being reported to the Senior Management Team, Corporate Leadership Team, or elected members.

Delivering outcomes

17. 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

18. 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.
19. Exhibit 1 illustrates the council's current and previous performance.

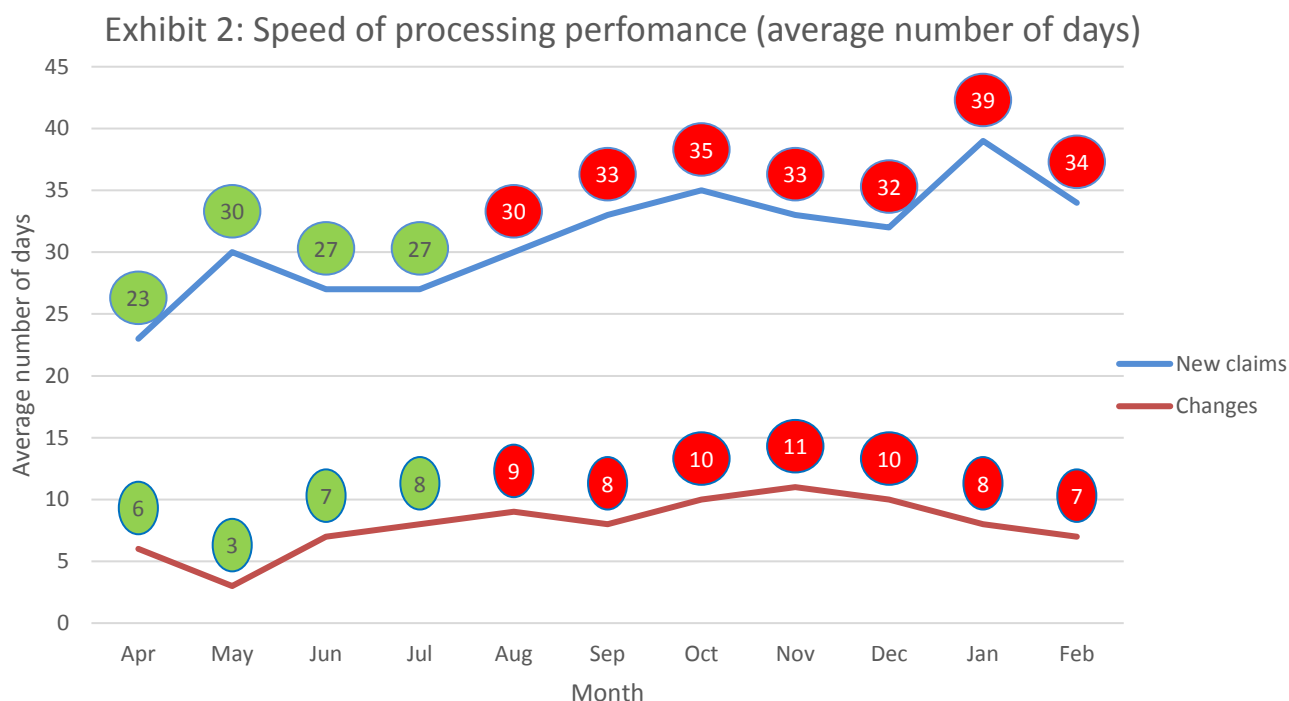
Exhibit 1: Speed of processing performance (average number of days)					
	2014/15	2015/16	2016/17	2017/18 (28 Feb)	2017/18 Scottish Average (30 Sep)
New claims	29 days	35 days	33 days	31 days	21 days
Change events	15 days	12 days	10 days	8 days	8 days

Source: The City of Edinburgh Council & DWP

20. Although the council's performance in the time taken to process new claims has placed it in the bottom quartile of all Scottish councils since 2014/15, it is recognised that the council's performance in this area has been improving each year since 2015/16.
21. The council recognises the need to improve further and has taken positive steps to address its claims processing performance. For example, it has made good use of external agents to assist in the processing of claims at peak times and, although this agreement ceased in August 2017, three staff that had been working for the external agents were recruited into the establishment which should allow the council to retain the resource, knowledge, and expertise.
22. In addition, the council worked in partnership with the DWP's Performance Development Team in 2016/17 and an action plan was developed containing a number of actions, all of which were implemented in 2017. These actions included:

- changing responsibility for carrying out mail sifting from Senior Transactions Officers to transactions assistants
 - using email or telephone as a primary method of contacting customers
 - carrying out regular caseload management and monitoring including daily work allocation and weekly monitoring of outstanding workload.
 - regularly monitoring staff output, and taking appropriate action to address any capability issues.
23. We are advised that the implementation of these actions contributed to an improvement in claims processing times in 2016/17. Although the council has continued to deliver continuous improvement in its claims processing times in 2017/18, performance was significantly affected by the outcome of the SPSO investigation.
24. The investigation centred around the council's failure to notify a customer's landlord that his tenant's HB had been suspended. This situation arose from the council's handling of ATLAS notifications. ATLAS is the DWP's system of notifying councils of a change to a customer's circumstances that could affect the amount of HB in payment.
25. The council's IT systems automatically process approximately 60% of these changes. However, the remaining 40% are checked manually and, given the size of the council's caseload, the benefit service has a dedicated team responsible for managing these changes.
26. The council advised that each day approximately 120-160 claims are suspended to allow for a manual check to be carried out and that it is the council's intention to complete the necessary work on each claim within four days of suspension. This approach negates the need for unnecessary contact with the customer which could cause them concern, and reduces the potential for an avoidable overpayment of HB.
27. In this case, the customer's payment date was missed on three occasions over a period of two years with the last payment being missed in January 2016, and longest delay in a payment being made of five weeks. This led to the SPSO's investigation and subsequent recommendation that the council notifies all customers whose HB has been suspended at the time of the suspension.
28. To avoid this situation arising again, in August 2017, the council provided additional resources from the core processing teams to assist the team responsible for managing ATLAS outputs where manual intervention was required.

29. However, the impact of this change resulted in a significant decline in claims processing performance in 2017/18, as detailed in exhibit 2 below.



Source: The City of Edinburgh Council & DWP

30. In the period April to July 2017, the council had improved its performance from 2016/17 by processing new claims in an average of 27 days and change events in an average of six days. This level of performance would have placed the council 24th for the time taken to process new claims and 6th equal for the time taken to process change events in Scotland, based on the DWPs published performance statistics for quarter 2 of 2017/18.
31. However, following the SPSO's recommendation, and the council's decision in August 2017 to provide additional resource to the team responsible for managing ATLAS outputs, over the next seven months the time taken to process new claims and change events declined to an average of 34 days and an average of nine days respectively. This level of performance would have placed the council 30th for the time taken to process new claims and 19th equal for the time taken to process change events in Scotland, based on the DWPs published performance statistics for quarter 2 of 2017/18.
32. Therefore, to meet the requirements of the SPSO's recommendation, the council's overall claims processing performance was adversely affected. This potentially could also have contributed to an increase in the volume and value of unnecessary overpayments, and a loss of subsidy as a result of the additional time taken to process changes of events during this period.

33. However, going forward the council has demonstrated that it is addressing this decline and, as at February 2018, the benefit service reported that its cumulative claims processing performance was at an average of 31 days for new claims, and an average of eight days for change events. We were also advised that further improvements could be realised in 2018/19 with the introduction of planned changes to working practices. These include:
- increasing the number of DWP ATLAS notifications that are automatically processed from 60% to 80%, which will reduce the number that require manual intervention
 - fully participating in the DWPs Verify Earnings and Pensions service from August 2018. This service provides councils with:
 - real-time access to HMRC records to verify a customer's earnings/pension details and should help reduce the time taken to establish a customer's income
 - alerts to notify when a customer's income details have changed to ensure that a change can be processed timeously, therefore ensuring the accuracy of the payment and avoiding the potential for an overpayment to arise.

Accuracy

34. 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.
35. The council places significant importance on the quality and accuracy of its claims processing activities and has a dedicated Quality Control Team consisting of a Statutory Compliance Officer and three Quality Control Officers (QCO) that are responsible for checking the accuracy of the work of the benefit service. An annual accuracy check programme, which sets out the work of the team, is monitored monthly by a Team Manager to ensure that the team are on target to meet their commitments.
36. On a daily basis the quality control team aims to carry out a pre-payment check on 5% of transactions carried out. Cases are selected randomly from the electronic workflow system and a management checking form is completed in each case. Where an error is identified the transactions officer will be advised by the QCO of the reasons for the error, backed up with appropriate legislation as required. There is a clear audit trail of the process through the electronic workflow system and the check is signed off by the QCO once complete.
37. Outcomes are recorded electronically and are summarised and analysed on a weekly and monthly basis to identify trends and patterns of error. Team Managers are advised of the error rate for each of their respective officers. In addition to the 5% daily pre-payment checks, the work of new staff is subject to a 100% check which is reduced incrementally until the officer is considered to be competent.
38. There is a clear support and training process in place and each month a Quality Assurance Forum is held, chaired by the Statutory Compliance officer, and attended by Team Managers

and invited specialists as required. This forum aims to identify solutions to common errors found in the checking process. For example, following a recent exercise which found a high error rate in the calculation of earned income, an earnings spreadsheet was developed to help staff carry out this type of assessment more accurately.

39. Despite the council's detailed approach, it has not met its accuracy target since 2014/15 and more recently performance has been in decline. Exhibit 3 illustrates the council's current and previous accuracy performance.

Exhibit 3: Financial accuracy performance		
	Internal Target	Achieved
2014/15	95%	94%
2015/16	95%	94%
2016/17	95%	93%
2017/18 (28 Feb)	95%	91%

Source: The City of Edinburgh Council

40. Although the council analyses the outcomes from management checks it is not capturing errors found in other areas of the business and is therefore missing an opportunity to centrally collate all errors and report holistically on the accuracy of the service. For example, where processing errors are found following the outcome of:
- an appeal or reconsideration, found in favour of the customer
 - an intervention that has identified an over/underpayment of benefit
 - a management check on the subsidy classification of an overpayment.
41. Centrally collating outcomes from all management checking activities will provide the council with a more complete and meaningful dataset, while helping to build an error profile that can be confidently used to target the right areas in its future management checking programme.
42. Audit Scotland identified two risks to continuous improvement during our previous visit in that the process used to select cases for checking was not leading to the most efficient targeting of resources within the quality control team and, while the service had effective processes in place to analyse the results of its quality checks to improve its accuracy performance at an individual and service level it does not use the results to inform a risk based approach to checking, either by officer or claim type.
43. We consider that both risks remain outstanding.

Risks to continuous improvement	
2	The council needs to address the reasons for the decline in its accuracy performance.
3	The council is not centrally recording the outcome from all its management checking activities and is therefore missing an opportunity to report holistically on the accuracy of service.

Interventions

44. To minimise error in the caseload, councils must encourage customers to report change events on time and have a robust intervention programme to identify changes and take appropriate corrective action.
45. To support this, the benefit service notification letters remind customers of the requirement to report any change event. In addition, the council's website provides customers with details of office opening hours, information on how to contact the benefit service by telephone, letter, or e-mail, and an online change event form that is fully automated.
46. The council also actively participates in the DWP's Housing Benefit Matching Service, Audit Scotland's National Fraud Initiative, the DWP's Real Time Information (RTI) and optional RTI data matching services, and more recently the DWP's Verify Earnings and Pensions (VEP) service, which all help to identify possible unreported change events that require further investigation.
47. On a daily basis, the service makes good use of the benefit IT system diary facility to highlight claims where future changes are expected or known, which could affect the customer's entitlement to benefit, for example, a significant birthday or a change in household details.
48. The benefit service has a dedicated team responsible for carrying out intervention activities including managing the DWPs RTI and VEP data output. The outcomes from interventions activity are recorded on the benefit IT system. However, as the interventions module on the benefit IT system is limited, the outcome can only be recorded as an increase, decrease, or no change to benefit.
49. In view of this, the council is missing an opportunity to determine the effectiveness of each campaign in financial terms, which could help the service decide on the most cost-effective use of its resources when planning its future interventions strategy.

50. Exhibit 4 below details the outcomes from the council's interventions activity.

Exhibit 4: Interventions performance					
	Number of completed interventions	Number of decreases in HB identified	Number of increases in HB identified	No change to HB	% resulting in a change in benefit
2014/15	3,139	2,013	343	783	75%
2015/16	5,950	3,779	833	1338	78%
2016/17	5,957	3,588	853	1516	75%
2017/18 (28 Feb)	4,152	2,558	528	1066	74%

Source: The City of Edinburgh Council

51. The council has performed very well in this area by identifying an un-notified change in benefit in over 74% of claims that were targeted. This helps the council by identifying overpayments that may otherwise have gone undetected, and by ensuring that customers that are entitled to more benefit receive their correct entitlement.
52. In February 2018, as a result of an increase in the number of optional RTI matches received from the DWP the council reduced the number of proactive interventions being carried out to focus its resources on the increased RTI output.
53. This is a temporary measure and, in the meantime, the council advised that it would continue to carry out its annual self-employed earned income exercise, and planned to recommence other proactive intervention activities as soon as possible in 2018/19.
54. As detailed earlier, the benefit service opted in to the DWP's Verify Earnings and Pensions service and has received approximately £169,000 in funding to support its activities. This service should be fully operational by August 2018 and will provide the council with access to real time earnings data from Her Majesty's Revenues and Customs to allow processing staff to verify customer earnings or pension income as required.
55. By using the DWPs VEP service, the council expects to realise improvements in claims processing times by reducing the need to manually request this information from a customer, and that it will also help the service in the timeous identification of fraud and error.

Overpayments

56. 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.
57. The *Corporate Debt Policy*, approved by members in 2016, details the council's approach to recovering debt and has a clear commitment to ensuring that all monies due should be actively pursued, while providing customers with suitable support, where appropriate. The key aims of the policy are to balance the financial requirements of the council with the social needs of its customers. This includes:
 - co-ordinating income collection, recovery and debt management activities
 - taking early recovery action before debts become unmanageable
 - applying best practice debt collection methods
 - treating customers fairly and equitably
 - recognising that failure to recover monies due impacts on the council's ability to provide key services.
58. Underpinning the policy is detailed and comprehensive performance monitoring arrangements and key performance indicators which are designed to ensure that the overall policy objectives are achieved. To ensure this, the council states that it will:
 - regularly monitor the level and age of its debt
 - set clear targets for the recovery of debts
 - have written recovery procedures
 - assess recovery methods to ensure maximum returns
 - regularly review irrecoverable debts for write off.
59. Operationally, to minimise benefit overpayments, the benefit service prioritises change events that could lead to an overpayment, uses benefit IT system reports to predict changes, and reminds customers wherever possible of the need to report any changes. In addition, the council has a team dedicated to managing the DWPs ATLAS output.
60. This proactive approach has helped minimise the number of local authority (LA) /administrative error overpayments that can arise as a result of processing delays. This is particularly important as a council can lose subsidy where its LA/administrative error rate exceeds 0.48% of all HB payments made. Since 2014/15, the council has been well below this threshold, which is commendable.
61. To support the *Corporate Debt Policy*, the council has a dedicated HB overpayment recovery team based within Revenues and Applications. Prior to the recruitment of a new recovery

officer in January 2018, this team consisted of 2.5FTE recovery officers who were responsible for the recovery of HB debt.

62. Where it is not possible to recover an overpayment from ongoing benefit entitlement, an invoice is issued to the customer, followed by a reminder and a final notice. Where no response is received after the final notice stage, the debt recovery team makes good use of all available recovery options including:
- utilising the DWP's Payment Deduction Programme to automate the recovery of HB overpayments from DWP benefits, where appropriate
 - using the DWP's Customer Information System to trace customers who are no longer resident within the local authority area
 - working in partnership with other councils to recover an overpayment from ongoing benefit received by the customer in another council area
 - using a Direct Earnings Attachment (DEA) when the customer is in employment
 - using other commercial products.
63. Exhibit 5 illustrates the council's current and previous recovery performance.

Exhibit 5: Overpayment levels and recovery performance				
	2014/15	2015/16	2016/17	2017/18 (28 Feb)
Total HB overpayments carried forward	£16,176,177	£19,447,049	£22,182,203	£23,771,353
Total overpayments raised in-year	£9,909,879	£9,084,061	£7,456,265	£4,492,705
Total value of HB debt	£26,086,056	£28,531,110	£29,638,469	£28,264,058
Total value of HB debt recovered	£5,036,258	£5,444,104	£5,094,669	£3,086,362
% of total HB debt recovered	19%	19%	17%	11%

Source: The City of Edinburgh Council

64. Although it is recognised that the council has a clear and comprehensive debt recovery policy, and a structured approach to the recovery of HB debt, there are a number of areas where HB recovery performance could be improved. For example, at the time of our audit we found that:
- the overpayment recovery team had no recovery targets and therefore HB recovery performance was not being reported to senior management as part of the benefit service's performance reporting framework
 - the council's use of Sherriff's Officers as a recovery option was limited to cases where the council held bank or employment details for the customer and would seek a bank or wage arrestment. However, it is acknowledged that HB debt recovery will form an integral part of the council's procurement exercise for its Sherriff's Officer contract from 2019/2020.
 - where a customer has defaulted on an agreement to repay a debt, and where this debt was not setup as a direct debit repayment, that, due to the volume of work within the team, we were told that this could go unchecked for six to twelve months as there was no automatic notification system in place for this type of payment
 - the council's all HB debt recovery performance is considered low when compared to other Scottish councils where Audit Scotland regularly sees recovery rates in excess of 20%.

Risks to continuous improvement

4	There are no targets for the recovery of HB overpayments and therefore the recovery team is not regularly reporting performance as part of the benefit service's performance management framework.
5	The council's all HB debt recovery performance is low when compared to other Scottish councils.

Appendix A

Progress against action plan update as at April 2018	
The process used to select cases for checking was not leading to the most efficient targeting of resources within the quality control team.	Outstanding
While the service had effective processes in place to analyse the results of its quality checks to improve its accuracy performance at an individual and service level it does not use the results to inform a risk based approach to checking, either by officer or claim type.	Outstanding