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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>5 February 2019</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/127/18/AP/FM</b>
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<b>Subject:</b>	<b>Audit Scotland: Housing Benefit Performance</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to update the Committee regarding the Audit Scotland's Annual Housing Benefit Performance Audit which is attached as appendix 1.

## 2.0 SUMMARY

- 2.1 Audit Scotland are responsible for auditing Housing Benefit (HB) performance and risk assess all councils every Autumn by means of assessing a range of factors, the key one being speed of processing. Councils not performing well or where performance has significantly declined are prioritised for an audit. Where Audit Scotland has significant concerns over a council's performance they will carry out a more in-depth focussed audit. In 2018, five Councils were selected for an audit. Inverclyde was not one of the five selected.
- 2.2 Audit Scotland found that the main risks and weaknesses in the councils audited in 2018 were around the areas of Accuracy, Interventions and Overpayments. Inverclyde's HB Service has robust processes in place to mitigate these risks.
- 2.3 In their Annual Update report, Audit Scotland comment on the changing landscape across Social Security provision in Scotland, the key changes being the rollout of Universal Credit (UC) Full Service. The report also mentions the new Social Security Scotland Agency (SSSA) which became operational in September 2018 which as it develops will deliver 11 Social Security Benefits that have been devolved to Scotland. Senior officers from Finance and HSCP have met with senior officials from the SSSA and will continue to do so in order to meet as far as possible the needs of the community and internal stakeholders such as HSCP and the Customer Service Centre.
- 2.4 Audit Scotland report on two new services that the Department for Work and Pensions (DWP) have introduced for councils which should lead to improved processing performance and debt recovery by allowing the matching of Earnings and Pensions of customers and their partners against real-time information from Her Majesty's Revenue and Customs (HMRC). Inverclyde's Housing Benefit Service has gone live with both services and the results are encouraging.

## 3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes Inverclyde's strong performance in the areas of risk identified by Audit Scotland.
- 3.2 It is recommended that the Committee notes that the 5.5 posts lost as part of the 2018/19 budget savings are likely to have an impact on processing performance.

**Alan Puckrin**  
**Chief Financial Officer**

## 4.0 BACKGROUND

- 4.1 During 2017/18 approximately 18 per cent of Scottish households received financial support to help pay their rent in the form of means tested Housing Benefit (HB). Scottish Councils paid out £1.63 billion in HB awards in 2017/18 compared to £1.74 billion in 2016/17, a reduction in spend of 6.3%. For Inverclyde HB of £28.78 million was paid out in 2017/18 compared to £34.20 million in 2016/17, a reduction of 16%.
- 4.2 In 2017/18 Scottish councils received £22.8 million in administrative subsidy compared to £25.2 million in 2016/17 in funding from the Department for Work and Pensions (DWP) to deliver HB Services, this is a reduction in 9.5 percent and is due to DWP assumed efficiency savings. For Inverclyde administrative subsidy of £419,219 was received in 2017/18 compared to £509,691 in 2016/17, a reduction of 17%. The higher reduction is due to an assessed saving in workload due to Universal Credit.
- 4.3 Audit Scotland are responsible for auditing HB performance and risk assess all councils every Autumn and update this assessment each quarter. The assessment is based on a range of factors such as the DWP's most recent published speed of processing performance statistics which allows them to select councils for a more individual in-depth risk assessment and report. This approach ensures that councils not performing well or where performance has significantly declined are prioritised for an audit. Should Audit Scotland have significant concerns over a council's performance they will carry out a more in-depth focussed audit.
- 4.4 In 2017/18 Audit Scotland issued individual risk assessment reports to Chief Executives of five councils. No focussed audits were carried out as no councils were identified as having any significant concerns, the councils selected for being issued with a report were:
  - Stirling
  - East Dunbartonshire
  - Scottish Borders
  - Moray
  - Comhairle nan Eilean Star
- 4.5 Each of the councils identified developed an improvement plan to address the points raised and following subsequent discussion and further evidence being provided, Audit Scotland were satisfied with the improvement made in all councils.
- 4.6 Audit Scotland acknowledge the changing landscape across Social Security provision in Scotland, the key changes being the rollout of Universal Credit (UC) Full Service and the impact this is having on budget pressures, which in some councils is having an effect on the resources allocated to administer HB processing. They also acknowledge that the new Scottish Social Security Agency (SSSA) became operational in September 2018 which is likely to have an impact on Scottish councils. The Chief Financial Officer and senior Benefits and HSCP officers from Inverclyde have met with senior officials from the SSSA including the newly appointed Inverclyde Lead Officer and will continue to do so in order to meet as far as possible the needs of our community and internal stakeholders such as HSCP and the Customer Service Centre.
- 4.7 Audit Scotland report that DWP have introduced two new services for councils which should lead to improved processing performance and debt recovery one being the Verify Earnings and Pension Service (VEPS) which allows councils to verify earnings and pensions information from customers using real-time information from Her Majesty's Revenue and Customs (HMRC). The other is the Debt Service which allows councils to match customers with HB overpayments against employment data from HMRC. Audit Scotland comment that it is too early to determine the impact of these services on councils' performance however Inverclyde has had good results from both these services. More detail on these services can be seen at section 6 of this report.

## 5.0 HOW DOES THE COUNCIL COMPARE TO THE IDENTIFIED RISKS?

5.1 Following detailed analysis, the HB Audit identified outstanding risks relating to:

- Accuracy
- Interventions
- Overpayments

5.2 Councils cited reducing budget due to the year on year reduction in administrative subsidy from the DWP and workforce numbers together with wider pressure on council budgets as reasons why not all agreed actions have been fully implemented. Audit Scotland report that all five councils audited may not have the level of resources in place sufficient to maintain or improve on previous claims processing levels.

5.3 Until the 2018 budget savings, Inverclyde's HB service continued to employ sufficient resources to maintain and often improve on levels of processing performance. Workforce planning is closely monitored together with the reducing caseload as a result of UC roll out. The use of temporary resources when vacancies arise help protect permanent staff as the budgetary pressures increase and the caseload reduces. In the 2018, 5.5 Full Time Equivalents (FTE) ranging from grades H to E were deleted. It is too early to say what the impact of losing not just the number of staff but the years of experience of the staff leaving the service could have on performance and accuracy of processing. A reduction in processing times could result in an audit from Audit Scotland.

5.4 Audit Scotland identified that of the councils audited four of them do not formally report performance to Elected Members meaning there was limited assurance that the service was being challenged where performance was below expectations and likewise not being recognised where performance was good. Inverclyde's HB services report performance monthly to the Chief Financial Officer and speed of processing is reported to Elected Members as part of the Corporate Directorate Improvement Plan.

5.5 The Audit highlighted that in two of the councils audited accuracy levels were in decline and that one council was not routinely analysing the outcomes from its management checks to help identify trends and patterns of error that could help to improve accuracy rates. Inverclyde's HB Services have a robust accuracy process in place and all outcomes are recorded and reported on the monthly performance management framework, any errors found as part of the checking process are fed back to staff to help prevent reoccurrence which is reflected in the performance where accuracy of processing is consistently on or above target. Accuracy of processing is calculated on a quarterly basis and is reported to the CFO and is a KPI.

5.6 One of the roles of HB Services in Councils is to carry out a process of review on its live case load to ensure that changes in circumstances of customers and their household are up to date to ensure that as far as possible the correct level of Benefit is in payment; this process is called Interventions. Audit Scotland found that in 3 of the councils audited when intervention outcomes were being recorded the level of detail was not sufficient to allow them to determine the effectiveness of its approach in financial terms or of each intervention campaign. Inverclyde's HB Services have a robust process in place for performing and recording Interventions and outcomes. The following categories are recorded:

- No. of residency check postal reviews issued in the month
- % of other reviews identifying an increase
- % of other reviews unchanged
- % of other reviews identifying a decrease
- Diary events, significant age reports
- No. of claims reviewed

5.7 Intervention work can be costly in terms of staff time, stationery and postage and it is therefore critical that outcomes are recorded and monitored and that reviews are carried out at appropriate times for example in June to check if students are continuing in full time education or April to check for increase in private pensions. Timeous intervention action can help prevent an overpayment build up preventing the customer getting into debt as well as ensuring that the maximum Benefit entitlement is in payment.

## **6.0 CHANGES TO HOUSING BENEFIT VERIFICATION AND DEBT RECOVERY**

- 6.1 Audit Scotland advise in their Performance Audit report that the DWP rolled out the Verify Earnings and Pensions (VEP) Service to all councils between April and November 2017 which enables council staff to verify customer or their partner's earnings and pension's information in real time from HMRC's payment system when processing new claims, changes in circumstances and reviews. It has also now developed an alerts service that has been rolled out across the UK since May 2018 which triggers an alert to councils as and when there are certain changes to a customer's earnings or pension information during the life of a HB claim. It will notify councils via a 'start' alert when a customer or their partner has new employment earnings or a non-state pension and will also notify councils by means of a 'fluctuating' alert when a customer or their partner's employment or non-state pension has changed.
- 6.2 Inverclyde's HB service went live with VEP in September 2017 and took up the offer to participate in the VEP alerts programme which went live in Inverclyde from the end of August 2018. The VEP service is a very efficient way to obtain accurate up to date information that would otherwise require contact with the customer and also results in recovery of overpayments before they become larger meaning the customer is not building up debt. Results are recorded on the benefits monthly performance measurement framework. Since August 2018, 200 VEP alert records have been processed identifying 156 overpayments of housing benefit totalling £43,781 and 44 underpayments amounting to £1,196.
- 6.3 Audit Scotland also advise of the DWP's HB Debt Service which commenced in April 2018 and is being utilised by 25 councils. This service allows councils to select cases where normal recovery from HB processes have failed or where the employer or pension provider cannot be traced. The case is submitted to the HB Debt Service who will try and trace employer or pension provider details and then return details to the council which allow a Direct Earnings Attachment application to be submitted to the employer or pension provider to recover the debt. Inverclyde went live with this service from the start and the success rate has been good and, as a result, the DWP has invited Inverclyde to attend a workshop to help promote the HB Service to other Scottish Councils. As with the VEP service, results are recorded on the monthly performance measurement framework. 224 cases have been referred to the HB Debt Service and since April 2018 £15,492 has been recovered utilising Direct Earnings Attachments.
- 6.4 Currently councils can also recover HB overpayments for live cases from ongoing DWP Benefits such as Universal Credit (UC), Jobseekers Allowance (JSA) and Employment Support Allowance (ESA). For Inverclyde this is our highest source of overpayment income. As UC rolls out and cases migrate over from live HB to UC councils will no longer have this option. Application for deductions can still be made but the DWP rank HB debt along with other potential debts the customer may have and HB overpayments are is considered to be a low priority debt.

## **7.0 WIDER WELFARE REFORM**

- 7.1 The Performance Audit includes a section on wider Welfare Reform and talks of the changing landscape of the Scottish Social Security System at a UK level and of the powers being devolved to Scotland. The Social Security (Scotland) Act received Royal Assent in June 2018 and the new Social Security Scotland Agency (SSSA) became operational from the start of September 2018. The size and complexity of the agency will increase significantly as it becomes fully established to deliver the full range of 11 Benefits that have been devolved to Scotland. Paragraph 4.6 of this report advises on the communication that has taken so far with the SSSA. Elected Members will be kept updated as the SSSA rolls out in the Welfare Reform Update report that is presented each cycle to Policy and Resources Committee.
- 7.2 Audit Scotland also comment on the fact that UC remains the most significant change to the social security landscape. In June 2018 the National Audit Office (NAO) reported on the progress being made by the DWP to implement UC. The NAO concluded that UC is not delivering value for money and it is uncertain that it ever will and that it may cost more to administer than the package of benefits it is replacing. It cites the following as areas of concern:

- Customers and organisations representing them reporting hardship because of moving onto UC.
- Delays in customers being paid in full and/or on time.
- Challenges for customers having difficulties accessing and successfully using the digital application systems.
- UC creating additional costs for councils such as the processing of housing benefit stop notices as UC is awarded.
- Bigger demands on councils due to their role in providing local support services on behalf of the DWP with funding provided by the DWP not always covering the cost of providing these services.

7.3 Inverclyde HB services together with HSCP monitor the impact of UC closely and emerging and ongoing issues are discussed at the Welfare Reform Project Board which is chaired by the CFO. External partners are also communicated with at the Financial Inclusion Partnership and Elected Members are kept updated in the Welfare Reform Update report that is reported to each cycle of the Policy and Resources Committee.

## 8.0 IMPLICATIONS

### 8.1 Finance

#### Financial Implications:

##### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

##### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

8.2 **Legal** – there are no legal implications arising from this report.

8.3 **Human Resources** – there are no human resources implications arising from this report.

### 8.4 Equalities

Has an Equality Impact Assessment been carried out?

Yes See attached appendix

No This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

8.5 **Repopulation** – There are no repopulation issues arising from this report.

9.0 **CONSULTATIONS** – The CMT have approved the contents of this report.

10.0 **LIST OF BACKGROUND PAPERS** - none

# Housing Benefit Performance audit

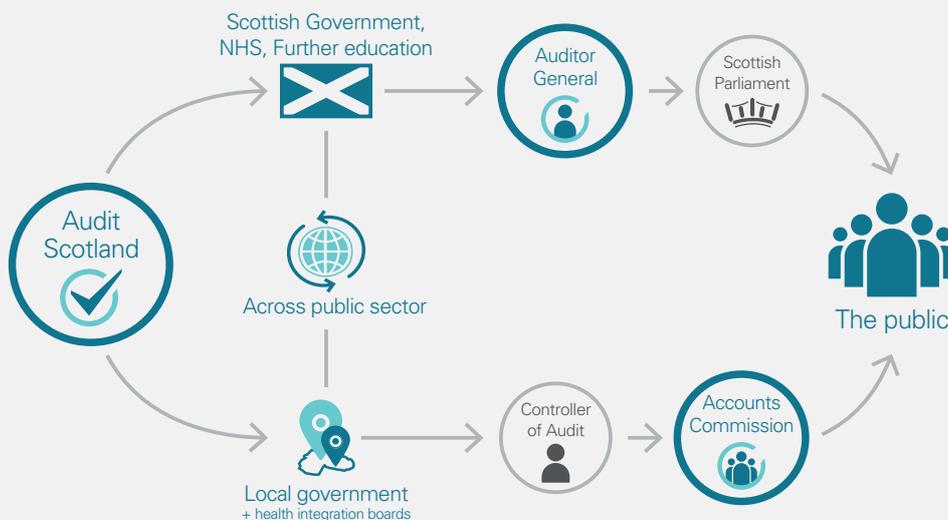
Annual update

2018

# Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Key messages

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- 1** During 2017/18, we issued reports to five councils which identified a total of 24 risks to continuous improvement, all of which were accepted. We found that 78 per cent of risks identified during our risk assessments in previous years had been either fully or partially addressed (80 per cent in 2016/17).
- 2** We risk assess all councils every Autumn, and then update this assessment each quarter. The assessment is based on a range of factors, including the DWP's most recent published speed of processing performance statistics, and allows us to select councils for a more individual in-depth risk assessment and report. This approach ensures that councils not performing well, or where performance has significantly declined, are prioritised for an audit.
- 3** The roll-out of Universal Credit (UC) Full Service (UCFC) continues across Scotland and is having an impact on council benefit services. Councils are significantly re-structuring benefit services, and the reducing housing benefit caseload and budget pressures are leading to less full-time benefit service employees. In all five councils visited, we reported that the level of resources might not be sufficient to maintain or improve on previous claims processing performance levels.
- 4** The DWP has introduced two new services for councils which should lead to improved processing performance and debt recovery. The Verify Earning and Pensions service allows council to verify earnings and pensions information from claimants using real-time information from Her Majesty's Revenue and Customs (HMRC). The Debt Service project allows councils to match housing benefit debtors to employment and pension data from HMRC. It is too early to determine the impact of these services on council performance.
- 5** The social security landscape across Scotland continues to change. The new Scottish social security agency became operational in September 2018. Significant decisions are still to be made about the local presence of the agency across Scotland.

- 6 At UK level, the roll out of UCFC remains the most significant change to the social security landscape. In June 2018 the National Audit Office (NAO) concluded that UC is not delivering value for money and it is uncertain that it ever will. The NAO also considered the impact of the roll out of UC on local organisations that help administer the new system. It found that UC was creating additional costs for local authorities, particularly due to the processing of housing benefit stop notices and the impact of rent arrears which can take significant time to be recovered. The Scottish Government has introduced flexibilities for Scottish UC recipients so that they have a choice about how they can receive their benefit payments.
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# Background

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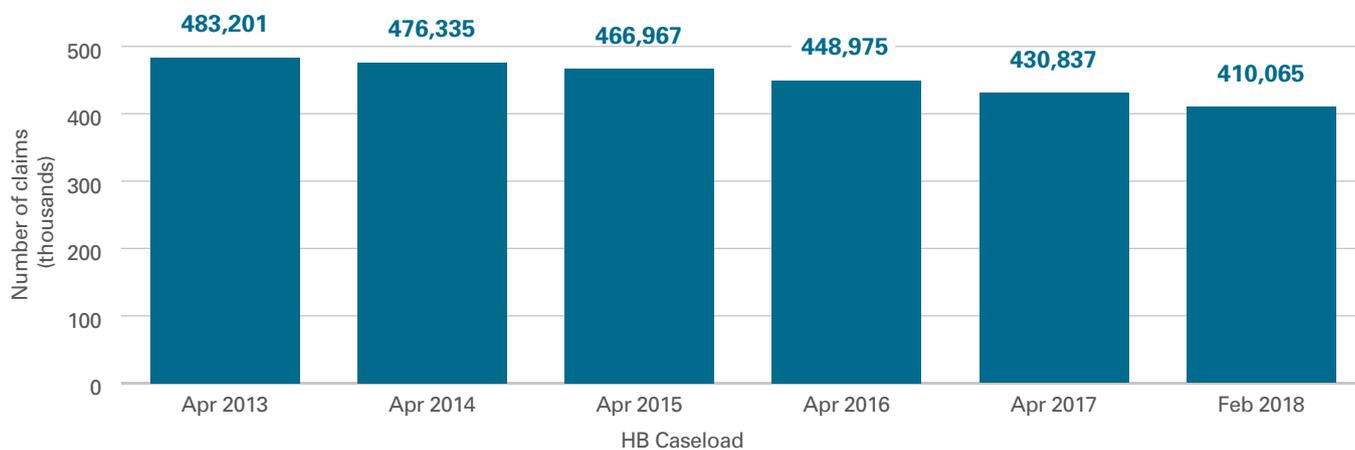
1. During 2017/18, approximately 18 per cent of Scottish households received financial support to help pay their rent in the form of means tested Housing Benefit (HB). Scottish councils paid out £1.63 billion in HB awards in 2017/18 (£1.74 billion in 2016/17), a reduction in spend of 6.3 per cent.
2. In 2017/18, Scottish councils received £22.8 million (£25.2 million in 2016/17) in funding from the DWP to deliver HB services. This 9.5 per cent reduction in funding in 2017/18 is due to DWP assumed efficiency savings.
3. On 23 March 2016, Musselburgh Job Centre, which serves East Lothian Council, was the first Job Centre in Scotland to deliver UCFS, which provides customers with an online UC account to manage their claim, report changes, send messages to their work coach, and find support. Further rollouts of UCFS have since taken place and the DWP expects a full rollout across the UK to be completed by December 2018 for all new HB claims, with the migration of the remaining working age HB claimants to UCFS to be completed by 2023.
4. The continued rollout of UCFS during 2018/19 will result in reduced HB caseloads in councils as fewer new HB claims are received. Working age claimants will start to move to UCFS with councils typically retaining claimants of pension age, some complex cases, and contribution-based Jobseekers and Support Allowance claimants.
5. The HB caseload has fallen from a high of 483,201 in 2013 to 410,065 at February 2018, as shown in [\(Exhibit 1, page 7\)](#). This represents a 15 per cent decrease in the number of claims during this period. [\(Exhibit 2, page 7\)](#) shows that claim numbers continued to fall during 2017/18 with a reduction of 4.8 per cent between April 2017 and February 2018.

## Housing benefit performance audit

6. The main objective of the benefit performance audit is to help councils improve their benefit service, but it also holds councils to account for any failing service. The audit has two phases:
  - a risk assessment phase that identifies risks to continuous improvement
  - a focused audit phase that examines the service, or parts of it in more detail, if a council is unable or unwilling to address key risks identified in phase one.

## Exhibit 1

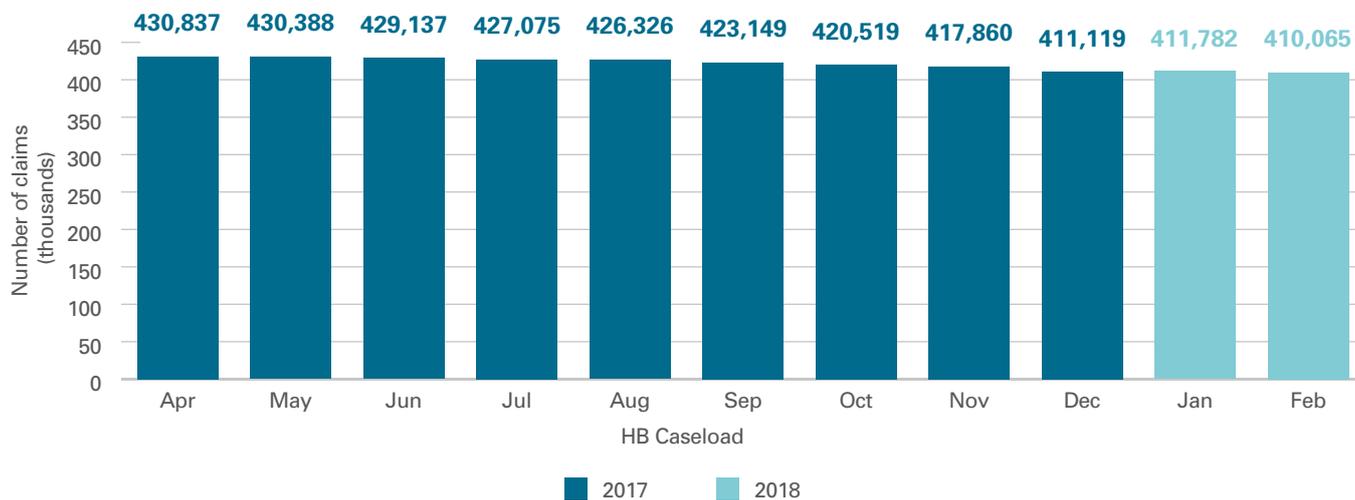
### Changes to Scottish HB caseload 2013 to 2018



Source: DWP

## Exhibit 2

### Changes to Scottish HB caseload April 2017 to February 2018



Source: DWP

**7.** Risk assessment reports are provided to council Chief Executives who are invited to prepare an improvement plan detailing the actions, responsible persons and associated timescales, to address the identified risks. When a focused audit is required, the Controller of Audit prepares a report for the Accounts Commission. These reports are also copied to the DWP and published on the Audit Scotland website to provide transparency and assurances over how councils are performing.

### **Work carried out in 2017/18**

**8.** We risk assess all councils every Autumn, and then update this assessment each quarter. The assessment is based on a range of factors, including the DWP's most recent published speed of processing performance statistics, and allows us to select councils for a more individual in-depth risk assessment and report. This approach ensures that councils not performing well, or where performance has significantly declined, are prioritised for an audit.

**9.** We issued individual risk assessment reports to five council Chief Executives during 2017/18 (eight in 2016/17). No focused audits were carried out as we didn't identify any significant concerns from the initial risk assessments. The five councils were:

- Stirling
- East Dunbartonshire
- Scottish Borders
- Moray
- Comhairle nan Eilean Siar

**10.** Each of the five councils developed an improvement plan to address the points raised. On receipt and review of council improvement plans, we requested further updates in respect of speed of processing performance from four of the councils (East Dunbartonshire; Scottish Borders; Moray; Comhairle nan Eilean Siar). We received progress reports from all four councils and, based on the updated performance information, we were satisfied with the improvements made in each council.

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# Outcomes of the 2017/18 risk assessments

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**11.** Audit Scotland identified 24 risks to continuous improvement (18 in 2016/17) in the five risk assessments completed in 2017/18. Our work identified that 78 per cent (18 out of 23) of previously agreed actions had been fully or partially implemented (80 per cent in 2016/17).

**12.** Improvement actions were received from all councils visited. Analysis of the risks identified shows that:

- 100 per cent (100 per cent in 2016/17) of the identified risks were fully accepted by councils
- 26 per cent (6 out of 23) of agreed risks from previous risk assessments were carried forward (20 per cent in 2016/17).

**13.** The outstanding risks relate to:

- Accuracy
- Interventions
- Overpayments.

**14.** Councils have cited workforce numbers and reducing budget as reasons why not all agreed actions have been fully implemented. UCFS continues to roll out across councils, and we found that each of the five councils that we risk assessed had undertaken significant internal restructures to refocus the benefit service as UCFS is implemented. As our risk assessment is completed each quarter we continue to monitor all councils' performance for improvements or significant risks.

**15.** As UCFS is being implemented, benefit services have been planning for caseload reductions in conjunction with year on year reductions in funding from the DWP, and wider pressures on council budgets. There has been an impact on the level of full-time benefit service employees available to manage the transition, with councils increasing their use of outsourcing and employing temporary staff on fixed-term or rolling contracts. In all five councils audited, we reported that the level of resources might not be sufficient to maintain or improve on previous claims processing performance levels.

**16.** During 2017/18 Audit Scotland has identified weaknesses in the following key areas:

- Business planning and performance reporting - in four councils (Stirling/Moray/East Dunbartonshire/Scottish Borders) we 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. We 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.
- Accuracy – the levels of accuracy in two councils (Stirling/Scottish Borders) were in decline. One council (Stirling) was not routinely analysing the outcomes from its management checks to help identify trends and patterns of error that could help improve accuracy rates.
- Interventions – in three councils (East Dunbartonshire/Comhairle Nan Eilean Siar/Scottish Borders) we 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.

## Changes to housing benefit verification and debt recovery

### DWP Verify Earnings and Pensions (VEP) Service

**17.** The VEP service was rolled out to all councils between April and November 2017 and enables council staff to verify claimant/partner earnings and pensions information in real-time from HMRC's payment system in respect of new claim assessments, change of circumstances and reviews.

**18.** The DWP has now developed an alerts service that has been rolling out across the UK since May 2018. This will use HMRC payment data to trigger an alert to councils as and when there are certain changes to a customer's earnings/pension information during the life of an HB claim. There are two alert categories:

- 'Start' alerts – this will alert a council that a claimant/partner has new employment earnings or non-state pension
- 'Fluctuating' alerts – this will alert a council that a claimant/partner's employment earnings or non-state pension has changed.

**19.** There are a number of potential benefits to councils and customers from this service. It provides councils with access to up to date and accurate information that might not have been provided by the customer/partner at the time of their new claim. Where the customer/partner has a current claim and has failed to notify the council that their earnings/pension amount has changed, this information will be alerted to councils automatically. Therefore, in taking prompt action to process an alert, it should provide councils with an opportunity to:

- deliver improvements in claims processing times
- reduce the potential for an avoidable overpayment/underpayment.

### **DWP HB Debt Recovery Project**

**20.** The HB Debt Service project commenced in April 2018 and provides councils with the opportunity to match outstanding HB debtors to real-time information on HMRC's employment and pension data. Since April, the DWP advise that 25 councils in Scotland are using the service with approximately 10,200 cases sent for matching.

**21.** Councils can send up to 1,200 outstanding debtor files to the DWP for matching each month and, although it is too early to say how successful this service has been for Scottish councils, it should lead to improved collection and recovery performance.

**22.** The DWP reported that, during the pilot stages of the project, it worked with 46 councils (one in Scotland) that submitted 11,300 records in respect of HB debts raised in 2013-14 where no recovery had taken place. Of these cases, 65 per cent were matched and returned to councils with up-to-date employed, self-employed or pension data.

### **Move to Universal Credit**

**23.** 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.

**24.** 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.

**25.** In October 2017, the Scottish Government introduced two flexibilities to how Scottish UC claimants can choose to receive their payments, under powers devolved through the Scotland Act 2016. The Universal Credit Scottish Choices allow claimants to request twice monthly payments (instead of monthly) and to request that the housing element of their entitlement is paid directly to their landlord. The Scottish Government anticipates that offering direct payments to landlords will help to prevent rent arrears. [Scottish Government data](#)  for the period 4 October 2017 to 21 December 2017 shows that around 17 per cent of new UC applicants in Scotland, who were offered the choices, requested direct payments to their landlord.

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# Wider welfare reform

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**26.** In March 2018, the Accounts Commission considered a paper on the changing social security landscape. This provided an overview of changes to the social security system at the UK level and of the powers being devolved to Scotland. Also, in March 2018, the Audit General for Scotland (AGS) reported on the Scottish Government's implementation of the devolved social security powers, concluding that good early progress was being made but that a significant amount of work remained.

**27.** The Social Security (Scotland) Act received Royal Assent in June 2018. The Scottish Government is continuing to plan and implement the devolved powers on a phased approach. It is yet to take decisions on and set out plans in a number of important areas which may have implications for local authorities. This includes how it intends to deliver on its commitment to provide a local presence as part of the new social security agency. In December 2017, the Scottish Government and COSLA signed a delivery agreement setting out guiding principles with the aim of ensuring social security services are delivered in a consistent way across Scotland. The Scottish Government is currently exploring potential local delivery models.

**28.** The new Scottish social security agency, Social Security Scotland, became operational from the start of September 2018. This coincided with the launch of the Carers Allowance Supplement. The size and complexity of the agency will increase significantly as it becomes fully established to deliver the full range of devolved benefits.

**29.** Audit Scotland is the appointed auditor for Social Security Scotland and the payments that it administers. The AGS will also appoint the auditor for the Scottish Commission on Social Security, which was established under the Social Security (Scotland) Act 2018.

**30.** Audit Scotland has set up a new social security audit team that will be responsible for all our financial and performance audit work on social security, including our existing housing benefit performance audit work. By establishing a single, cross-organisational team, we will be able to effectively identify and examine issues of audit interest across the social security landscape. We will continue to review our resource needs for this work and build additional capacity as more social security benefits are devolved through to 2021.

**31.** At the UK level, the roll out of UC remains the most significant change to the social security landscape. In June 2018, the [National Audit Office \(NAO\)](#)  reported on the progress being made by the DWP to implement UC. The NAO concluded that UC is not delivering value for money and it is uncertain that it ever will. It reports that implementation of UC has taken significantly longer than planned and it may cost more to administer than the package of benefits it is

replacing. It also found that, due to a lack of data, the DWP is unable to evidence that UC is achieving the stated aim of increasing employment.

**32.** The NAO looked at the experience of UC claimants. It found that claimants and organisations representing them report hardship because of moving onto UC. It also found delays to claimants being paid in full and on time, mainly due to the DWP having difficulties in verifying claimant details. The NAO also reports on the challenges some claimants face in accessing and successfully using the digital application systems.

**33.** The NAO also considered the impact of the roll out of UC on local organisations that help administer the new system. It found that UC was creating additional costs for local authorities, particularly due to the processing of housing benefit stop notices and the impact of rent arrears which can take significant time to be recovered. It also found that there were additional demands on local authorities due to their role in providing local support services on behalf of the DWP. The NAO also reported that some local authorities claim that the funding provided by the DWP does not cover the costs of providing these services.

# Housing Benefit Performance audit

Annual update 2018

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