

ITEM

**REPORT TO
CABINET**

**12 JANUARY
2012**

**REPORT OF
CORPORATE
MANAGEMENT
TEAM**

CABINET DECISION/KEY DECISION

Housing & Community Safety – Lead Cabinet Member - Councillor S Nelson

EIT GATEWAY REVIEW OF BENEFIT SERVICE

SUMMARY

A gateway EIT Review has been conducted to identify options for efficiencies and improvement within the Benefit Service, which is part of the Development and Neighbourhood Services Service Grouping. The review has reported to the Housing and Community Safety Select Committee.

The continuing uncertainty over the future of the service as a result of the Welfare Reform Bill proposals for the introduction of Universal Credit, published in February 2011 means that there are significant risks associated with committing to any long term improvement arrangements and therefore the review has concentrated upon identifying improvements and efficiencies which can be made immediately, without investment in new technology or any requirement for significant service reconfiguration. The priority will be to protect claim processing performance whilst still ensuring that the process is secure. Efficiencies will be achieved by eliminating work which, over time, with a shifting agenda is no longer necessary, automating some straightforward work and providing a simpler and more direct service to customers.

When details of the DWP national transition strategy to Universal Credit are published, a local transition strategy will be developed, and reports presented to Cabinet at that time.

RECOMMENDATIONS

1. That the benefit service be restructured, with estimated savings of £180,000 per annum (excluding any potential redundancy costs). The start of formal consultation with unions and employees be approved and authority be delegated to the Head of Housing in consultation with the Cabinet Member for Housing and Community Safety to implement the new structure on completion of the consultation.
2. Those arrangements for the recovery of old outstanding housing benefit overpayments are approved in accordance with established processes

outlined in paragraph 21, with anticipated additional income collected of £100,000 per annum.

3. That no new cases be accepted onto the Combined Payments Scheme.
4. Members endorse the trial to determine the effectiveness of using the Community Protection Service's Enforcement Officers to collect outstanding overpayment debt which is unsuitable for recovery by other methods. The team have experience of debt collection and currently collect unpaid Fixed Penalty Notices for a range of offences including littering and dog fouling.
5. Further reports be presented to Cabinet relating to the local transition strategy to Universal Credit and the proposed Localisation of Support for Council Tax when more detail of the government proposals are available.

REASONS FOR RECOMMENDATIONS/DECISIONS

The recommendations are in line with the principles of the review which were to identify improvements and efficiencies which could be made immediately without significant investment or service reconfiguration. The savings proposed of £180,000 can be achieved whilst enabling the service to maintain high performance and levels of customer satisfaction.

1. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

AGENDA ITEM

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12 DECEMBER 2011

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DETAIL

Background

1. At the meeting of the Housing and Community Safety Select Committee on 30 June 2011, a report was presented which outlined the current service provision and the challenges faced by the service both in terms of current pressures and the uncertain future of housing and council tax benefit following the publication of the Welfare Reform Bill. Plans are for Housing Benefit to be replaced by an element of a new Universal Credit, and Council Tax Benefit to be replaced by a new localised support scheme. The detail of how changes will be implemented is currently not known and we await further guidance.
2. Partnering for Benefits (and Taxation) with Darlington Council had been considered in 2009/10. A feasibility study concluded that whilst full partnering between the two Council's Revenues and Benefits services could generate an estimated £306,000 annual savings after set-up costs had been recovered, given the current legislative and government policy uncertainties around the Benefits system there were significant risks in investing in a long term partnership and shared ICT system at the moment. However, in recognition of the potential for partnering with another Council to deliver improved services and efficiencies in the future it is important that any recommendations coming forward from this review do not obstruct options for partnership working in the medium or longer term.
3. At their meeting on 30 June 2011 Members of the Select Committee agreed that this review would concentrate upon the known operational changes and the required budgetary savings. When details of the DWP national transition strategy to Universal Credit are published, a local transition strategy will be developed, and reports presented to Cabinet at that time.

What is the service and how is it provided?

4. The Benefit Service is an in-house service, responsible for the administration of the statutory Housing Benefit and Council Tax Benefit schemes. The service will pay out £83 million in 2011/12 in housing and council tax benefit to over 22,800 recipients. The staffing structure includes provision for 73.5 full time employees.
5. The key activities carried out in order to deliver these services are:
 - Processing new claims and changes in circumstances
 - Dealing with requests for reconsideration of decisions and appeals against decisions

- Recovery of overpaid benefit
- Providing a home visiting service for those unable to visit the office in person
- Publicising the service available and working with partners to raise awareness of the service and improve take up
- Investigation of benefit fraud, including taking action against offenders
- Accounting for benefit paid, and ensuring the correct subsidy is claimed from the Department for Work and Pensions
- In addition a number of support services are also required – training staff, supporting and developing the IT systems required and providing statistical and other information to the Department for Work and Pensions.
- Administration of the discretionary housing payments scheme.

Telephone and face to face enquiries are dealt with by the Resources Customer Services Team, and the administration team provide the mail scanning and indexing services.

What does benchmarking tell us?

6. A review of available benchmarking information including that from the CIPFA benchmarking club and Audit Commission Value for Money indicators shows that Stockton is providing a high performing, and low cost service, with performance within the top quartile and costs of administration amongst the lowest 25% in the country based on costs per claim. Customer satisfaction has consistently been extremely high.

What influences impact on the service?

7. In addition to the major proposals for Welfare Reform the following influences on the service have been identified:-
8. Effects of the Recession – **Workload has increased by 47% since the recession.** At the same time the nature of the client group has changed including a growing proportion of working age claimants who have high expectations of service levels and support. There are also significant increases in the number of telephone and face to face enquiries – which are now the responsibility of the Resources Customer Services Team. This increased workload has been recognised by the DWP who have provided additional administrative subsidy in the form of one off “Credit Crunch” funding payments. These payments have been utilised to provide temporary and Agency staff cover to deal with the increased workload and maintain service levels.
9. Legislative Changes- A raft of legislative changes to housing benefit were proposed in the 2010 comprehensive spending review for implementation at various times up to 2013. These changes are controversial and will place limits on the amount of housing benefit available. There are likely to be increased numbers of enquiries, appeals, requests for discretionary housing payments and a requirement for increased partnership work with the Housing Options Service in order to prevent homelessness.
10. Stock Transfer – Housing Benefit payments for tenants of Tristar Homes are now classed as rent allowance claims, rather than rent rebate. These are acknowledged to be more time consuming to process and staff have been taken on to deal with this.

11. Admin Review – The team providing administrative support to the service and other occupiers of 16 Church Road, previously managed by Benefits have now transferred to the Resources directorate. Some reconfiguration of remaining services is required to incorporate work which was not transferred with the team.
12. Technological Issues – The DWP continue to develop information sharing initiatives such as the “Tell Us Once” service and the Automated Transfers to Local Authority Systems (ATLAS) service which provide details of changes to benefits and tax credits directly to Local Authorities in respect of HB and CTB recipients. These initiatives mean that the service is notified more quickly of changes and will help to reduce overpayments. However, because many of these changes have not previously been notified, workload has increased significantly.

Options

13. The review has considered a number of possible reconfigurations of the service with savings targets of £180,000, £320,000 and £500,000. The latter two options would result in significant reductions in staffing resource and have a detrimental impact on claim processing times. In particular there would be delays in processing changes in circumstances which would result in an increase in the amount of overpaid benefit. Quite apart from the effect on people relying upon benefits in order to pay their rent, such delays would impact on the Council’s income from benefit subsidy. The increased amounts of overpayments would be classified as “Local Authority Error/ Administrative Delay” and would not qualify for any DWP subsidy. It is estimated that this could cost the council approximately £376,000 in subsidy, completely negating any additional savings made. The review has therefore concentrated upon developing an option which would make savings of approximately £180,000 whilst maintaining a high level of service to the public, safeguarding the security of the system against fraud and protecting subsidy income.
14. **Staffing costs account for 94% of the service expenditure** and any savings made will inevitably reduce the numbers of staff employed. The review has therefore considered a number of initiatives which will reconfigure the service to focus on customer requirements rather than meeting centrally imposed targets and prescriptive methods of working. The main focus of work will be to maintain claim processing performance, ensuring that residents are able to meet rent and council tax commitments. The security of the system will be safeguarded and partnership working will refocus on providing tools and information for partner agencies to advise their customers in an informed manner regarding housing and council tax benefit issues. Direct take up work will be scaled down.

Claim Processing

15. This will be the service’s main area of focus and systems will be redesigned to eliminate work which is no longer essential given the changing nature of the welfare system, automate more straightforward work where possible, and provide a simpler more direct service. This comprises 3 main initiatives, which have all been recently introduced or are currently being trialled:-

Revised Verification Arrangements

16. New arrangements have been introduced this year which still meet DWP audit requirements but require verification only of those items which have a direct impact on the claim. Where possible verification is carried out by staff accessing database systems, rather than requiring the claimant to produce original documents. This will not affect the standard of verification.

Automated Processes

17. Notification of changes to tax credits through the ATLAS process are now imported directly into the claim processing system, with staff accepting or rejecting the resulting changes. This system is working well and a fully automated process will be trialled shortly. The process will then be extended to include notifications of changes to other welfare benefits later in the year. Automation will only be extended to those areas where the accuracy of the assessment will not be compromised. Quicker notification and processing of the changes will also help to minimise overpayments. In addition to this a service has been introduced to allow landlords to view details of claims paid directly to them, online and this facility will be extended to claimants next year.

New Claim Process

18. The process for claiming benefit has been looked at in some detail. The present processes can be confusing with different arrangements for claiming for people receiving an income related benefit and for others. Claim forms are available from a number of agencies and while this creates choice it can also cause confusion about who to approach when making a claim. The claim forms can be difficult to complete for people unused to dealing with paperwork and in fact in 60% of cases further information is needed before the claim can be processed. Only 40% of these claimants provide the information on first request and further contact is required. When the notification letters are received these too can be difficult to understand and a number of enquiries are made for an explanation of the letter. It is not uncommon for 5 or 6 contacts to be made before a claim is fully complete and the claimant satisfied with the outcome. There is little scope to change the format of the form to substantially simplify it because of the amount of information necessary to process the claim. Similarly the content of notification letters is enshrined in legislation and so cannot be greatly simplified.
19. The new process (on trial since 1 September 2011) replaces these contacts with a single "new claim interview." An appointment is made for the claimant to call into the office with the required documents, and the form is completed and documents verified by the assessment officer at the interview. Where possible the claim is processed the same day and either the customer returns to pick up the notification letter or is called at home by the assessor, who explains the letter and the process for reporting changes. So far 68% of claims taken at new claim interviews have been able to be processed the same day. If they cannot the claimant knows why the claim cannot be processed and what to do next. Customer feedback on the service has been excellent:-
 - *"Thank you for your help- it took a lot of worry away"*
 - *"The experience was a whole lot better than with other organisations I have experienced"*
 - *"The process of claiming was very quick and good"*

- *“interviewer was thoughtful and put me at ease”*

The process will continue to be rolled out on a phased basis to more customers and extended to cover the reporting of some changes in circumstances.

Discretionary Housing Payments

20. The Department for Work and Pensions provide councils with a cash limited fund in order for them to assist people requiring additional help with their housing costs over and above their Housing or Council Tax Benefit entitlement. The payments are made based on locally determined criteria. Payments in Stockton are made in cases of hardship, usually on a temporary basis until the underlying problems (such as debt or unaffordable rents) can be tackled. It is anticipated that demand for these payments will increase significantly when the cuts to Local Housing Allowance take full effect from January 2012, meaning that many people will no longer be able to afford to pay their rent. The most vulnerable people will need to be protected and the main priority will be to prevent homelessness. Partnership working with the housing options team will remove duplication present in the current processes by enabling housing options staff to authorise Discretionary Housing Payments to customers to prevent homelessness in the short term and allow a planned solution to a the problem

Overpayments

21. In addition to changes to current methods of working to create efficiencies, the review has also considered whether additional income could be generated from recovery of outstanding overpayments. A sample of old overpayment debt outstanding in the Agresso debt recovery system was analysed to determine whether circumstances had changed since the initial debtors invoice was raised. In a number of cases it was found that the debtor now had a source of income where it was possible to make or request direct deductions in order to repay the debt. Findings were as follows:-

- 13% of cases were now back in receipt of housing benefit and a deduction could be made to repay the debt
- 20% of cases were now in receipt of another social security benefit where it is possible to request a deduction to repay the debt.
- 10% of cases were now in receipt of working tax credit and if an arrangement is not made to repay the debt, it is possible to apply to court for an attachment of earnings order.

The restructure of the service proposed would create capacity to put additional resource into overpayment recovery work and by introducing a process to systematically trawl old debt it is estimated that an additional £100,000 per annum could be recovered, in addition to the efficiency savings of £180,000 already identified from the proposed restructure. The recovery methods are well established and the processes incorporate safeguards for debtors to ensure that repayments can be tailored to affordable amounts. The services usual arrangements for referrals for money advice will be maintained.

22. Benchmarking has also identified that a number of Local Authorities use debt collection agencies to recover old benefit overpayment debt where other recovery methods are not possible. These have had some measure of

success with recovery rates amounting to approximately 15% of debt referred. Use of a debt collection agency at Stockton on a trial basis was proposed but Members of the Housing and Community Safety Select Committee expressed concern and felt that alternatives should be sought as this could look unfavourably on the council. Since the Select Committee, meetings have been held with the Council Security and Surveillance team to consider whether their Enforcement Officers could assist with the recovery of outstanding debt. This team has experience of debt recovery and currently recovers unpaid Fixed Penalty Notices for a range of offences including littering and dog fouling. A very small scale, closely monitored trial is being undertaken and a verbal progress update will be available at the meeting.

Combined Payment Scheme

23. A significant amount of officer time is currently utilised in managing and monitoring arrangements made under the council's Combined Payment Scheme. This process was introduced in 2002 to ensure equitable treatment for debtors owing more than one priority debt to the council – Council tax and rent arrears, and introduced a single payment arrangement for the debtor. The process is very time consuming and imposes restrictions on payment methods available to debtors. Analysis of cases where benefit overpayments also exist has showed that the cost of collection was higher than the actual amount collected. Since stock transfer the council now only manages one priority debt and the Local Taxation Service agree that the system is no longer required. Alternative arrangements are in place with Tristar Homes and SDAIS to manage cases where multiple debts exist and these are working well. It is considered that the Combined Payments Scheme is now outdated and therefore recommended that no new cases are accepted onto the scheme and existing arrangements will lapse following any defaults.

Welfare Reform

24. Indications are that workload of the service will begin to reduce from 2013 onwards Universal Credit is introduced. The new Localised Support for Council tax will also impact upon workload. Further reviews of the service will be required as more details of the new arrangements become clear. These may need to take place on an annual basis in order to respond to changing workloads. Reports will be presented to Cabinet when future intentions regarding Welfare Reform become clearer.

Financial Implications

25. The Housing Benefits Administration Section has a current gross expenditure budget of £2,065m and a net expenditure of £0.528m. This is broken down over the standard headings as detailed in the table below:-

Table 1 – Income and Expenditure Estimates 2011/12
2011/12

	Current Budgets	Expenditure %	Estimated Outturn
Employees	1,937,724	93.8%	1,845,724
Transport	9,490	0.5%	9,490
Supplies	115,525	5.6%	115,525
Third Party Payments	2,300	0.1%	2,300

Gross Expenditure	2,065,039	100%	1,973,039
Government Grant			
Recession Funding DWP	(131,526)		(39,526)
Government Grants DWP	(1,405,077)		(1,405,077)
Total Income	(1,536,603)		(1,444,603)
Net Expenditure	528,436		528,436

26. Two main points to identify from the table is that 94% of the expenditure relates to employees and that nearly 75% of the service is funded through the Department of Work and Pensions (DWP) Housing and Council Tax Benefit Admin Grant.

DWP Grant

27. Nationally in 2011/12 the Government made available £488.4m for Housing and Council Tax Benefit Administration. Stockton's allocation was £1.600m. Even though there has been an overall reduction of 5% in the national pot (down to £464.7m) Stockton's allocation is to remain at £1.600m. Please note approx £0.195m is top sliced to fund SBC central overheads. Therefore the amount allocated to Housing Benefits for 2011/12 and 2012/13 will be £1.405m. Please note since 2009/10 there has been an annual 5% reduction in Admin Grant which the service has absorbed.

28. Since 2009/10 the Government has also made available funding to offset the cost of the increased workload during the recession. SBC's 2011/12 and 2012/13 allocation is £0.161m. Please note that it is projected that the service will only need to utilise £0.039m of this grant in 2011/12 to retain a balanced budget. The balance will be held in reserve to offset medium term financial pressures within this service. The Government have not given any indication that they will continue to provide additional recession funds beyond the 2012/13 financial year.

29. Due to the continued reduction in the core DWP grant and the fact that the service cannot rely on future additional recession funding, it was proposed that the employee efficiencies identified in this review will need to be utilised to offset the reduced grant income. Members of the Housing and Community Safety Select committee felt that the savings should be put back into the council's central budget, and this is now the proposal. Any pressures identified as a result of cuts in DWP grant or the ending of recession funding will be considered as part of future service reviews.

Restructure

30. The efficiency savings proposed will require a restructure of the service. Details of this will be agreed with Human Resources and consultation will take place in accordance with the Councils agreed framework.

FINANCIAL IMPLICATIONS

31. The review has identified potential savings of £180,000 from a service restructure with a further £100,000 income generated from increased overpayment recovery.

LEGAL IMPLICATIONS

32. There are no legal implications directly arising from this report

RISK ASSESSMENT

33. This review is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

34. The proposals within the report are in accordance with the Sustainable Community Plan Key Themes of Environment and Housing, Healthier Communities and Adults and Stronger Communities.

35. There are no implications for Community Safety

EQUALITIES IMPACT ASSESSMENT

36. This report has been subject to an Equality Impact Assessment and has been judged to have a neutral impact. No remedial actions are required.

CONSULTATION INCLUDING WARD/COUNCILLORS

37. The review has reported to the Housing and Community Safety Select Committee and comments of that committee have been included and addressed in this report. Informal consultation has been undertaken with staff. There will be a formal consultation period when the new organisation structures are released.

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Education related? No

Background Papers

“EIT Gateway Review of Housing and Council Tax Benefit Baseline Report” – report to Housing and Community Safety Select Committee - 30 June 2011

“EIT Gateway Review of Housing Benefit and Council Tax Benefit Service” – Report to Housing and Community Safety Select Committee - 3 November 2011

Ward(s) and Ward Councillors:

The report is not ward specific

Property:-

There are no property implications.