

Housing Benefit Administration – Budget Shortfall

Problem

DWP have recently written to Chief Executives warning of a 5% year on year cut in administration grant from 2008/9 onwards. The exact amount will not be known until next year because of the complex distribution formula, based on weighted caseload.

In addition there is the effect of the budget gap between inflation and the 1% resource allocation uplift. Members last year agreed a £60,000 addition to the resource allocation- this has been taken into account in the calculation of the shortfall.

The shortfall in budget is estimated as:-

Amount	2008/9	2009/10	2010/11
Resource allocation shortfall	£97,000	£156,000	£215,000
Administration Grant cuts	£88,000	£176,000	£264,000
Total	£185,000	£332,000	£479,000

Performance Improvements.

Benefits performance has improved considerably in the last few years. In 2004/5 the service was under formal DWP monitoring for poor performance. Since 2006 the service has been rated 4 score "Excellent" in the CPA assessment.

The performance improvements have been against a background of rising caseloads – a 5% increase since 2005.

Cost Per Claim

The unit cost per claim has been benchmarked against those of 119 other councils in the CIPFA benchmarking club. Our unit cost per claim is now well below average. In 2002 it was 70p below average, now it is £14.30 below average. Whilst the average cost per claim overall has increased by 16% since 2002, at Stockton it has reduced by 5%.

I was unable to identify any better performing LA with a lower administration cost.

CIPFA Cost per Weighted Live case			
	2002	2006	2007 (new weighting formula)
Stockton	57.7	66.2	54.7
CIPFA club average	58.4	76.4	68

Stockton Darlington Partnership

Deloitte considered that savings of approximately 1% of gross costs could result from a Stockton/ Darlington partnership in benefits only if IT systems were changed and the teams co-located. It was concluded that this would not be cost effective.

Options for Savings

Options for savings are limited. 78% of administration costs relate to staffing. Only 4% is for supplies and services, and the majority of this is for essentials such as postage.

Inevitably savings of this scale would mean staff reductions. I have estimated the required reductions to be at least 7 staff in year 1. (with similar numbers required years 2 and 3) This scale of reduction could not be made without a serious impact on performance, currently rated as "excellent". The benefits service block score would drop from a 4 to a 2 in year one, and as further staff savings were made in future years, the drop would be to a score of 1.

Action Taken

The Cabinet Member has written to DWP expressing concern over the level of cuts and the effect on performance of reductions. Following the response to this letter, the DWP Performance Improvement Team have been invited in to help identify any efficiencies and improvements, which could be made. Following initial discussions this will focus mainly on the potential for improving income from overpayment recovery.

In addition the service is working to reduce sickness levels, utilising stricter monitoring and more flexible working options.

The pressure has been identified in the Medium Term financial planning process.