

## Benefits Fundamental Service Review

### Response to Scrutiny Questions on Presentation 13<sup>th</sup> October to the Member Advisory Group

**1. Can you show what has been included from the budgeted figures to arrive at the £111 per claim starting point and are we using net or gross of Administration Grant**

The last two years' calculations for the cost per claim are set out below.

This follows the CIPFA Benchmarking Club calculation methodology in order to enable us to compare our performance with the other members of the benchmark club. This calculation comprises the following outturn costs, with the gross cost divided by the weighted caseload giving the benchmark figure of £108.94 per claim for 2010/11 and £111.30 for 2009/10. Gross cost is used rather than net costs, so the administration grant is not included in the calculation.

|   | <b>2009/10</b>       | <b>2010/11</b>     |
|---|----------------------|--------------------|
| Total Benefits Staff cost*                              | £1,894,000           | £1,809,000         |
| Total CSO costs (annual recharge figure)                | £ 803,000            | £ 845,000          |
| External processing costs (use of external consultants) | No separate figure** | £ 93,000           |
| IT (annual recharge figure)                             | £ 143,000            | £ 144,000          |
| Running costs   | £ 238,000            | £ 343,000          |
| Accommodation (annual recharge figure)                  | £ 99,000             | £ 94,000           |
| Central charges (annual recharge figure)                | £ 219,000            | £ 228,000          |
| <b>Total (gross cost)</b>                               | <b>£ 3,396,000</b>   | <b>£ 3,556,000</b> |
| <b>Total weighted caseload ***</b>                      | <b>30,504</b>        | <b>32,641</b>      |
| <b>Cost per claim</b>                                   | <b>£111.33</b>       | <b>£108.94</b>     |

\* The staffing costs include all those staff involved in dealing with Benefits claims, including managers, assessment officers, fraud team, appeals staff, scanning and indexing team etc

\*\* No separate figure for external processing was requested by the benchmark club in 2009/10

\*\*\* The costs per claim methodology uses a weighted caseload rather than actual claim numbers, and is based on DWP's calculation for subsidy payments which only includes new claims (i.e. the larger change of circumstance workload is not included). The intention of this calculation is to reflect that different claim types require differing amounts of work. For 2010/11 the weighted caseload calculation was as follows;

| Calculation of Weighted Caseload  |         |        |                   |
|---|---------|--------|-------------------|
| Type  | Number  | Weight | Weighted Caseload |
| <b>New Claims:</b>  |         |        |                   |
| Rent Rebate (Non-IS etc.)   | 508 x   | 1.56   | 792               |
| Rent Rebate (IS etc.)   | 428 x   | 1.09   | 467               |
| CTB (Non-IS etc.)   | 1,938 x | 1.47   | 2,849             |
| CTB (IS etc.)   | 1,380 x | 1.00   | 1,380             |
| Rent Allowance - HA (Non-IS etc.)   | 457 x   | 1.60   | 731               |
| Rent Allowance - HA (IS etc.)   | 827 x   | 1.13   | 935               |
| Rent Allowance - Other (Non-IS etc.)  | 1,206 x | 1.72   | 2,074             |
| Rent Allowance - Other (IS etc.)  | 1,103 x | 1.23   | 1,357             |
| <b>Live Claims:</b>   |         |        |                   |
| CTB Only* (CTB - HB&CTB)  | 1,547 x | 1.52   | 2,351             |
| Rent Rebates  | 4,572 x | 1.51   | 6,904             |
| Rent Allowance - HA   | 2,915 x | 2.00   | 5,830             |
| Rent Allowance - Other  | 3,273 x | 2.13   | 6,971             |
| <b>Total :</b>  |         |        | <b>32,641</b>     |
| * CTB Only refers to the average number of live CTB cases minus the average number of live CTB cases also receiving HB. |         |        |                   |

(extract from 2010/11 CIPFA benchmark report showing calculation used)

2. Can you detail which and how much of central support costs have been reallocated to get to the £80 bench mark projected, who is bearing them now and which have been deleted. (the central support costs shown above are taken from the budget book and include the reductions expected in customer services costs this year)

The *estimated* costs of providing the service in 2011/12 have been set out below. These are based on 2011/12 budget figures rather than actual expenditure (as is used in the benchmark exercise) and are really only for illustrative purposes. The same weighted caseload figure has been used as 2011/12 figures are not yet available.

|   | 2011/12 Budget    |
|---|-------------------|
| Total Benefits Staff cost                               | £1,729,000        |
| Total CSO costs (annual recharge figure)                | £ 280,000         |
| External processing costs (use of external consultants) | £ 40,000          |
| IT (annual recharge figure)                             | £ 159,000         |
| Running costs   | £ 99,000          |
| Accommodation (annual recharge figure)                  | £ 85,000          |
| Central charges (annual recharge figure)                | £ 239,000         |
| <b>Total (gross cost)</b>                               | <b>£2,631,000</b> |
| <b>Weighted caseload</b>                                | <b>32,641</b>     |
| <b>Cost per claim</b>                                   | <b>£80.60</b>     |

An overall reduction of £925,000 is estimated in the gross costs of the Service between 2010/11 and 2011/12. Key reductions contributing to this difference are;

- Benefits staff cost (£80k reduction); this reflects the reduction in staff levels and the non-filling of vacant posts

- CSO Costs (£565k reduction); this is based on a change in the recharge calculation methodology to the number of transactions dealt with per service, and also the general reduction in overall costs of Customer Services due to the creation of a single customer service & contact centre. Reductions in the Benefits recharge due to the change in calculation methodology will be balanced by increased charges to those council services that receive a greater proportion of CSO service.
- Running costs (£244k reduction); key changes within this category of spending are reduction in the use of consultants, reductions from the centralisation of ICT, lower office costs (postage, printing, miscellaneous expenditure) and lower depreciation charges.
- External processing (£53,000); this reflects a reduced use of external processing and the move to a new call-off contract

**3. What is the benchmark data used to arrive at this range (£70 - £80 cost per claim)**

There wasn't any hard data to calculate it. The precursor to the FSR Board was the Benefit Inspection Board, which monitored the work related to our Audit Commission Inspection. At one of the last meetings of this Board, an appropriate target for the cost per claim was discussed. The Board felt that the cost of running a Benefits Service in Oxford was above the national average due to higher staff costs and so on. As such the Director suggested that £70 - £80 would be a reasonable cost to achieve provided that good performance was also being achieved.

**4. Given that the range represents a significant cash difference what is the target**

The target savings reduction is for £185,000 rather than achieving the benchmark average for cost per claim. This is to ensure the service achieves the savings required of it as part of the Medium Term Financial Strategy, and represents 'real' savings, in terms of a reduced budget allocation. As has been shown from the difference between 2010/11 and 2011/12, it is possible to achieve a reduced cost per claim without significantly reducing actual costs.

**5. From the bench mark data available what would be the high medium and low cost per claim for a group of urban authorities, with similar case loads to ours and including a face to face customer service element**

It is difficult to provide a comprehensive response to this question as the Council does not 'own' all the benchmark data and so cannot manipulate it easily to arrive at this information. Data for 2010/11 is still provisional and has not been provided to the Council in full. However, some illustrative data was produced using 2009/10 benchmark data and choosing 'similar' authorities, although it should be stressed that this is fairly out of date and does not include workload assessments;

Costs per claim (£000) using 2009/10 benchmark data

|                      | Oxford | Cambridge | Crawley | Lincoln |
|----------------------|--------|-----------|---------|---------|
| Gross Cost           | 111    | 88        | 65      | 53      |
| Staff costs          | 62     | 43        | 26      | 30      |
| Contact Centre costs | 26     | 21        | 9       | 6       |
| IT costs             | 5      | 7         | 5       | 5       |
| Running Costs        | 8      | 4         | 4       | 3       |

**6. How much per claim are we charged for external processing within the contract discussed**

£8.84 per change processed.

**7. Are the costs for external processing included in the current and projected cost per claim**

Yes, please see details in the answer to question 1.

**8. What type of work is in the backlog being handled externally? Is it new claims or changes in circumstances or a mixture of both**

The work comprises Changes in Circumstances, but a variety of case types.

**9. Given that backlogs have been a regular feature in the service over time are we aiming to budget within the cost per claim to regularly externalise some of our case management or are we building resilience so that all processing is done in house**

The intention is to carry out as much work as possible in house as this gives us greater control and ensures service standards are kept. Planned improvements to claims processes should enable work to be carried out in a shorter time and so prevent backlogs. However, it is prudent to maintain a resilience contract on a call-off basis to deal with any unanticipated peaks in workload to keep processing times. As the contract operates on a call-off basis we do not incur any charge for having the facility available to us but not used.

**10. What is the top quartile bench marked performance for as many of the elements listed above as possible**

The CIPFA Benchmark report deals with a large number of performance metrics relating to benefits claims, but expresses these in terms of average performance rather than top or bottom quartile. Since the coalition government came to power it has relaxed the performance reporting regime for local authorities which has meant that comparable performance is not now as easily accessible as it was previously against national indicators. The DWP are supposed to publish quarterly benefits performance but this is not kept up to date, and there is nothing available for the current year yet.

Oxford's performance against the 2010/11 CIPFA benchmark average for a range of indicators is set out in the table below. The full benchmark report can be made available to members should they wish to examine the full range in more detail.

| Performance Measures |  | 2009/10 |       | 2010/11 |       | Changes |       |
|----------------------|--|---------|-------|---------|-------|---------|-------|
|                      |  | Value   | Avg   | Value   | Avg   | Value   | Avg*  |
| PM1                  | Speed of processing claims                     | 19.7    | 24.5  | 17.2    | 21.9  | -2.5    | -2.6  |
| PM2                  | % New claims outstanding over 50 days          | 5.8%    | 10.1% | 0.5%    | 11.2% | -5.4%   | 0.4%  |
| PM3                  | % New claims decided within 14 days            | 80.4%   | 84.5% | 83.6%   | 86.6% | 3.2%    | 2.6%  |
| PM4                  | % RA paid on time or within 7 days             | 89.0%   | 92.2% | 89.7%   | 90.7% | 0.6%    | -0.4% |
| PM5                  | Speed of processing C. of Circumstances (days) | 10.0    | 9.3   | 10.9    | 9.3   | 0.9     | -0.1  |
| PM7                  | Overpayments recovered as % identified         | 82.3%   | 68.2% | 83.0%   | 67.7% | 0.7%    | -0.7% |
| PM8                  | Overpayments recovered as % outstanding        | 36.4%   | 30.8% | 40.8%   | 31.3% | 4.4%    | 0.1%  |
| PM9                  | Overpayments written off as % outstanding      | 4.0%    | 4.9%  | 6.8%    | 5.3%  | 2.8%    | 0.4%  |
| PM11                 | % Data-matches resolved within 2 months        | na      | 94.0% | na      | 90.5% | na      | -2.8% |
| PM16                 | Successful sanctions per 1,000 caseload        | 7.1     | 5.0   | 6.8     | 5.1   | -0.3    | 0.1   |
| PM17                 | % Applications for reconsideration/revision    | na      | 77.1% | na      | 80.8% | na      | 2.1%  |
| PM18                 | % Appeals submitted in 4 weeks                 | na      | 58.4% | na      | 61.6% | na      | 2.3%  |
| PM19                 | % Appeals submitted in 3 months                | na      | 85.3% | na      | 88.2% | na      | 3.0%  |

The benchmark report does not cover customer service performance (queuing times, telephone response times, satisfaction with staff attitude) or benefits take up. This is being established as part of a separate exercise using the GovMetric system.

#### 11. For those without quartile data how have we set our aspiration

Targets for speed of processing have been based on previous consultation on service standards to reflect local requirements. We do not set targets against each of the performance measures listed in the Benchmark report, focusing instead on those that are of the highest importance to customers.

#### 12. How are performing currently

Our September performance 2011 against key indicators within Customer Service (including Housing Benefit) is set out below;

| Indicator   | Performance | Target     |
|---|-------------|------------|
| CS001: The % of customers satisfied at their first point of contact across all access channels (web, telephone, face to face) | 0.00%*      | 90.00%     |
| CS002: Time to process changes in circumstances   | 10.67 Days  | 10.00 Days |
| CS003: Customers getting through first time on Councils Main Service lines  | 87.13%      | 90.00%     |
| CS004: Enquiries resolved by customer service centre without hand off   | 0.00%*      | 80.00%     |
| CS005: Time to process new benefits claims  | 17.06 days  | 14.00 days |

\* Reporting is due to commence Oct 2011, subject to appropriate data quality and systems in place.

**13. What elements are in place to stabilise performance within budget**

The aspiration is to improve performance rather than stabilise it. The process improvements arising from the Fundamental Service Review will provide the mechanisms to achieve this.

**14. Can we articulate and financially calculate what the added value of our proposed service will be compared to other similar authorities**

The best mechanism to compare our service with other authorities is to continue to participate in the CIPFA Benchmarking club as it will enable us to establish our direction of travel against others. In terms of 'added value' we will be able to use the performance metrics within the benchmark reports to see what any difference in cost achieves. For example, our current costs are well above the benchmark average for 2010/11, but our speed of processing new claims was well above average.

It is currently too early in the Review to provide firm data on the improvements in processing times and cost as the process improvement workshops are still ongoing during November and will be subject to further scrutiny and reality checks by others. Detailed analysis will then be required to calculate the differences in processing time provided by the new process over current processes, which can be equated into a savings figure. This is scheduled to be completed by the end of December 2011.