

## **Report of the Revenues and Benefits Business Manager**

**Finance Scrutiny Committee –7th September 2005**

### **REVENUES AND BENEFITS SERVICE UPDATE ON PERFORMANCE, IMPROVEMENT PLANS, RUNNING COSTS, LOCAL COST OF BENEFITS AND PROPOSALS FOR THE FUTURE**

The Scrutiny Committee has taken an interest in the running costs and Performance of the Revenues and Benefits Business Unit and has considered reports on the running costs and performance on a regular basis.

This report brings together detailed information about the Business Unit and the proposals for the future as well as considering the budgetary position.

#### **1.Organisational Structure**

The Revenues and Benefits business unit has 93 (Full time Equivalent) staff broadly split into three functions- Council Tax collection, Income and Business Rates (NNDR) collection and Housing Benefits. Whilst the Benefits team is in staff terms numerically the largest the 2 Revenues Teams are responsible for considerably larger budgets.

1.1 The Incomes and NNDR team collect sundry debts amounting to approximately £3m per annum, Periodics (commercial rents on Council properties etc) of approximately £8m, Housing Benefits overpayments of £2.5m and NNDR of £60m.

1.2 The Council Tax team are responsible for the billing and collection of 54,000 Council tax accounts totalling £60m.

1.3 The Housing Benefits service pays Benefits (Housing Benefit and Council Tax Benefit) of just under £50m per annum, most of which is reclaimed from the government in the form of subsidy. At any time there are approximately 10,500 households in the city receiving benefit. The Housing benefit team also has responsibility for the Document imaging process (DIP) and enters documents onto systems for the whole of the Business Unit.

1.4 Face to face and telephone contact with customers is undertaken as part of the remit of the Customer Services Business unit through local services shops and a telephone contact centre. This provides a comprehensive joined up service delivering advice and enquiry resolution at the point of contact and releases Revenues and Benefits staff to improve service and performance in other key areas. In the last 12 months the unit has received 96,000 phone calls and dealt with 38,000 face to face enquiries for Housing Benefit and Council Tax.

#### **2. Performance**

2.1 The Incomes and NNDR team have 2 BVPIs and a number of Local performance indicators.

BVPI 10 Measures NNDR collected and in 2004/5 this was 98.9%.

BVPI 79 Measures the amount of overpaid Housing benefit recovered. The calculation method for this has changed this year and we have no comparative data

The team clearly has a high profile corporate role in reducing debt and in 2004/5 achieved a 60% fall in commercial debt (from £683,000 to £281,000), a 53% fall in sundry debt (from £589,000 to £277,000) and a 60% fall in service charge debt (from £45,000 to £18,000). Housing Benefits Overpayments reduced by £261,343, with a further £1.4m being collected through established arrangements (such as deduction from ongoing benefits).

2.2 The Council Tax team are measured on one BVPI- the collection rate of current year Council tax. In 2004/5 this was 94.7% and in 2003/4 it was 95.4% (the best result recorded in Oxford). Both results are lower quartile performance. This year the collection rate to date is 0.3% higher than at this time last year.

I am of the view this Performance Indicator is less than instructive it fails to measure the amount of money collected from previous years and in 2004/5 the team collected more money than ever before, reducing arrears by £2.1m.

2.3 The Housing Benefits team have a number of BVPIs

BVPI 78a measures the number of days taken to process new claims. In 2004/5 the final result for the year was 33 days. To date the 2005/6 figure is 39

BVPI 78b measures the number of days taken to process changes of circumstances on new claims. . In 2004/5 the final result for the year was 17 days. This is lower quartile performance. To date the 2005/6 figure is 22 days

BVPI 79a measures accuracy of processing and in 2004/5 the final result for the year was 93.4%. This is lower quartile performance. To date the 2005/6 figure is 96%

### **3. Ongoing Improvements**

3.1 The Incomes team have recently reallocated work and re-trained staff to enable cover to be provided in all work areas and to allow staff to be allocated to priority work. The staffing situation in the Legal Business Unit meant that in 2003/4 and up to October 2004 the team had an additional member of staff pursuing recovery through the courts. This process will now be carried out by the Legal Business Unit and arrangements are in place on a trial basis to assess the effectiveness of this approach.

3.2 The Council Tax team has more fundamental issues to address. The Acting Council Tax Manager and I, with the support of the Team Leaders, have put together an improvement plan for the team. This is shown at Appendix 1.

In order to increase collection rates we have successfully tendered the bailiff service. Bristow and Sutor is the preferred supplier (as reported to Executive Board) and have already commenced work in the city.

With the support of elected members we have also taken bankruptcy proceedings against 12 major debtors, resulting in the collection of approximately £100,000. We intend to pursue more people through this route in the very near future. The legal

work for this was carried out on our behalf by a private sector practice and the next tranche will also be dealt with in this way. Subject to staffing in the Legal Business Unit we may carry out this work 'in house' for later exercises.

In seeing through these improvements we have necessarily generated more work (by, for instance, pursuing people against whom we have a court judgement) As a result a backlog of work has built up (we have approximately 4500 pieces of post outstanding in August 2005) and we are attempting to recruit an extra member of staff to help systematically reduce this.

3.3 Housing Benefits are considering ways of sustaining the considerable improvements achieved over the last 2 years.

Staff turnover and an increase in the volume of post, of some 20%, has meant the performance levels have stabilised rather than further improving. The service had a CPA inspection which rated it as fair and the prospects for improvement as good in February 2004. Since then the inspection criteria have changed and the team are in the process of producing a self assessment against the new Performance Standards.

A major issue for the whole Business Unit is the performance of the team responsible for the Scanning and Indexing of work onto the DIP system. In August this process was adding a week to the performance of the Revenues and Benefits teams. Rather than simply recruit people we have commenced process mapping the work of the team to properly assess staffing and hardware requirements.

#### **4. Staffing Costs and Budgets**

4.1 The salaries budget for the Incomes team is set at £270,854. This is insufficient to cover the costs of the salaries in the team following the strengthening of the team in 2004/5 when two people were appointed to reduce debt levels. These two posts were instrumental in the improved debt collection figures set out in paragraph 2.1 above. Latest monitoring figures from the Finance Business Unit suggest this salaries budget will be overspent by £54,000 over the year. In my view this figure does not represent the full picture of staffing changes and is likely to be exceeded. This overspend will be exceeded by the improved income collection rates.

4.2 The salaries budget for the Council Tax team is set at £455,324. Latest monitoring figures from the Finance Business Unit suggest this salaries budget will be overspent by £54,000 over the year. It is important to note, however, that this figure includes a total of £48,500 for people redeployed within the Council and still funded by the Unit and £27,000 for two people who have been seconded to the CAB for some years.

The appointment of an extra member of staff to assist in the backlog of work (see para 3.2 ) will increase the projected overspend to £79,000 This overspend will be exceeded by the improved collection rates.

4.3 The salaries budget for the Housing Benefits team is set at £1,361,876. This figure includes £105,464 for the scanning and indexing team. Latest monitoring figures from the Finance Business Unit suggest this salaries budget will be overspent by £80,000 in Benefits and-£64,000 in Scanning and Indexing over the year. The overspend in Benefits reflects the people recruited in Housing Benefits over the last 18 months that have resulted in the improved performance

of the team (it amounts to approximately 3 people or 4.9%.) The scanning and indexing overspend reflects the need for extra staffing to cope with an increase in post of 20%.

We are able to claim a Housing benefits administration subsidy from the DWP. The budget book projects this to be £1,064,900. A net cost for the Benefits service is shown as £394,000.

## 5. Internal recharges

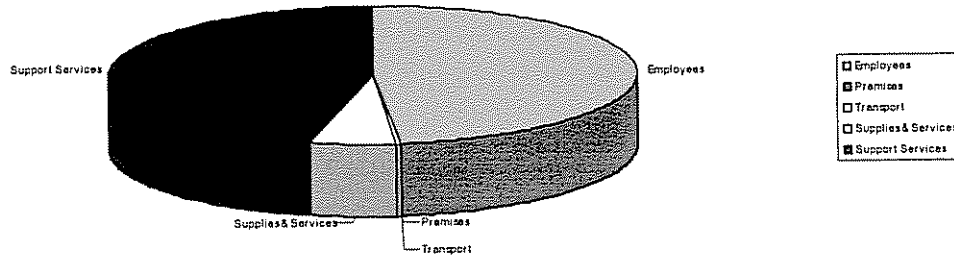
In addition to the salaries costs in the Unit there are internal recharges from internal service providers. Income and Council Tax teams have recharges that total £407,000. However the main impact on recharges is in the Housing Benefit team. The recharges for the Housing Benefits team were reported to this committee in May of this year and are reproduced below for ease of reference. In 2004/5 recharges amounted to £1,665,000. This figure will be similar for 2005/6 although. The estimate of the recharge from Customer Services to the Housing Benefit Service for the current year is £518,645 for the provision of direct front line service to customers. The recharge from accountancy is also likely to be reduced.

The spend on these recharges are shown below:

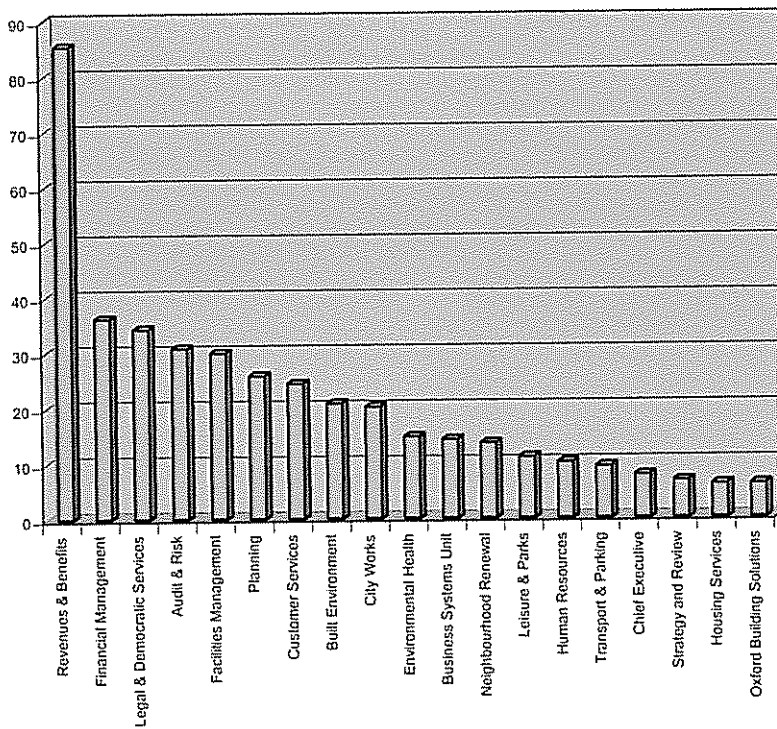
Media	11,576.16
HR Training	12,086.67
Human Resources	21,748.26
Chief Executive	16,650.24
Accountancy, Creditors & FM General	324,988.84
Audit & Risk	17,089.45
Business Systems	180,736.02
Fac Man Caretaking - City Centre	20,825.97
Fac Man Cleaning - City Centre	4,828.30
Fac Man Caretaking/Cleaning - Outer Buildings	116.03
Fac Man Other Admin & Post Room	15,966.37
Office Accommodation	47,705.58
Cashiers	9,786.91
Payroll	2,608.20
Sundry Debtors & Periodics	63.86
L&D Legal Services	10,294.05
Audit Benefit Investigation	146,336.04
Fac Man Telephones	23,219.44
Customer Services	730,932.32
BENV Rent St Aldates	57,347.77
<b>Housing Benefit</b>	<b>1,654,906</b>
HR Training	1,190.00
Human Resources	2,030.00
FM Accountancy, Creditors & FM General	685
Business Systems	6,905.00
Payroll	245
<b>Scanning</b>	<b>11,055</b>
	<b>1,665,961</b>

The budget book shows the net cost of Revenues and Benefits (after receipt of the Housing Benefits admin subsidy) of £843,000. Recharges for the Unit amount to

£1,997,526. This is a particularly high ratio of costs to recharges when compared with other units. The make up of costs of the benefits service is shown in the first chart, below. The second shows a comparison of recharges as a percentage of controllable expenditure for the whole Business Unit. Both of these diagrams are affected by our successful relationship with the Customer Services Business Unit.



Support Services as % of Controllable Expenditure



## 6. The Local cost of Benefits

The local cost of benefits is calculated by looking at two areas:

- The difference between the money the authority pays out to customers who claim Housing and Council Tax benefit and the amount central government pays back to the authority in subsidy.
- Any increase in the bad debt provision due to unrecovered debts resulting from benefit overpayments.

The government makes payments in instalments through the year. In 2004/5, we paid out £49,680,772 in benefits.

Not all of this can be claimed back from the government. In 2004-5 the main areas of cost were:

- Claimant error. This is where customers failed to tell the benefits department of changes in their circumstances, and as a result were paid too much benefit. The total amount of such overpayments was £1,477,600. The authority gets paid back only 40% of this amount, and must recover at least the other 60% from customers if this is not going to be a cost to the authority.
- Unreasonable rent levels on certain types of property. Where a tenancy
  - Existed before January 1996 and the customer has been in continuous receipt of housing benefit since that date.
  - Has a landlord who is a registered charity and who provides (or organises the provision of) general counseling and support for the tenants who occupy the property.

The authority is obliged to pay benefit even where the rent is high for the area and type of property. The authority gets back only 60% of this amount. In 2004/5 these payments amounted to £160,720.

- Discretionary local schemes. The authority gets back only 75% of discretionary increase in benefit to those receiving war pensions. In 2004/5 these payments amounted to £41,311.

Other areas that involve some cost to the authority in 2004/5 are claims not referred to the rent officer correctly, excess council tax benefit arising from budget substitution, delayed award of transitional relief, and reduced council tax liability. These areas give rise to a cost of around £36,000 currently.

It will be noted from the above that the main area of cost to the authority is claimant error. This is being addressed in two ways:

(i) Clearer information is being produced so customers are clear that they must tell us about all changes to their circumstances. This is highlighted in the forms that are completed and most letters that are sent from the Benefits Service.

(ii) By improving the level of debt recovery on overpayments. A significant improvement in performance has already been reported. There is a limit on the level of recovery that can be achieved because the authority is limited to recovering amounts that do not cause excessive hardship for those on low

incomes. Currently arrangements exist for £1,397,000 of benefit overpayments but this will take in some cases many years before full recovery is achieved as the Government limits deductions from ongoing Benefits at £8.55 per week

Other areas of cost cannot be so easily controlled, but all possible measures are being taken. Some areas of improvement have been identified in procedures around referral to the rent officer that will reduce in further reduction in cost for this area.

A major potential area of cost is overpayments due to local authority error. Unless a particular threshold is achieved in this area these overpayments attract no government subsidy. Subject to checking, it appears that this threshold has been achieved in 2004/5. Mid Year estimates for 2005/6 indicate we may exceed the limit this year.

## **7. Further improvement initiatives**

7.1 As stated above the telephone service for Housing Benefits and Council Tax is provided by the Customer Services Business unit, which answers incoming calls offers help and updates the systems. This service operates standard opening hours and is well used by the public, but currently does not have the capacity to extend opening hours further.

As outlined to this committee in May 2005 we have been exploring ways of extending our debtor contact. To improve collection rates we have sought tenders for the provision of a telephone based debt recovery process, allowing customers to be contacted outside normal working hours to arrange payment. The service would operate from 5pm-9pm on weekdays and on Saturday mornings. Such a service would only be for Council tax calls. An indicative cost would be approximately 15% of the debt collected.

In addition the provider could offer a responsive call service during the extended hours. Again this would initially be for Council tax enquiries only. Whilst the detailed assessment of the tenders has not been carried out an indicative cost would be £45,000 for an 8 month trial. This may also help to provide some indication of actual customer demand for extended hours services as the Council develops its corporate approach to customer contact.

There is no budgetary provision for either the incoming telephone service or the out of hours debt collection. We would expect, however, the increased income to far exceed the cost of the service. A report to Executive Board will identify the potential advantages and costs of such an approach.

7.2 We have commenced benchmarking the Housing Benefit Service with a group of 10 other Councils. This exercise will provide information on caseload, staffing levels, numbers of appeals and costs.

This will inform our future plans as well as give valuable data on issues such as productivity (measured as caseload/number of assessors) and the cost per claim as well as the local cost of benefits. The calculation of the cost per claim is likely, however, to be inflated by the recharges outlined earlier.

The benchmarking data is being collated by the Group's Chair and, when received, the results will be the subject of a report to this committee

## **8. Other Budgetary pressures**

In addition to the overspend outlined earlier in this report there have been 2 'one off' payments made that were not budgeted for.

In January this year Executive Board agreed to a recommendation from the Health Overview and Scrutiny Sub-committee that that a shortfall in funding for the benefits in practice initiative of £20,000 be met by the Council, from within the existing Revenues and Benefits Business Unit Budget,

The software Licence for all the Unit's Academy software (the Benefits and Council Tax system runs out in September of this year. We have agreed to £10,650 this year and £22,000 next year to pay for this licence.

The budget for 2006/7 shows the Business Unit saving a further £60,000 to fund the 3% inflationary increase. The £60,000 is marked as Staff savings. At present it is unclear how these would or could be met.

## **9. Summary and Conclusions**

This report summarises the improvements that have been, and are being achieved, in the Revenues and Benefits Business Unit.

Further improvements in Council Tax collection rates should arise from extending debt recovery activity at evenings and weekends and this will be the subject of a further report to Executive Board.

This exercise will also inform the corporate policy on customer contact.

Benchmarking of the Housing benefits function is currently being carried out to inform further improvements for BVPIs and steps to improve our standing in the CPA Performance Standards regime.

The budgets for the Unit were not sufficient to cover the level of staffing at the beginning of the year and whilst increased income will cover the overspend in the Business Unit this will not be reflected in the operating budgets which will remain overspent. This is also true for 2006/7 when we expect even further increased collection rates at the cost of not meeting the identified savings of £60,000 in the year.



