

Report of: Paul Warters, Business Manager, Revenues and Benefits

To: Finance Scrutiny Committee

Date: 24 January 2006

Item No 6

Revenues and Benefits – Preliminary Cost Comparisons

Summary and Recommendations

Purpose of report: To report the preliminary findings of benchmarking work done to identify comparative costs in Housing Benefits and comment on the recent Audit Commission report on the administration costs of Revenues and Benefits

Key decision No:

Portfolio Holder: Councillor Paskins

Scrutiny Responsibility: Finance

Ward(s) affected:

Report Approved by:

Mark Luntley
Lindsay Cane

Recommendations

1. To note the preliminary findings of the benchmarking exercise in Housing benefits.
2. To note that taking part in a national benchmarking survey will produce results in Mid 2006
3. To note the recommendations of the Audit Commission report into the administration costs of revenues and benefits and to recommend the Council consider all the options for reducing cost and improving performance set out in the Audit Commission report.

1. Background

The Finance Scrutiny Committee has considered a number of reports on the performance and cost of the Revenues and Benefits Business Unit.

We have recently taken part in a benchmarking exercise carried out with 8 other authorities carrying out the Housing Benefit function. This provides data on relative costs (and hence productivity) as well as Performance. This benchmarking process was carried out with a number of authorities we are in regular contact with. Whilst many of them are not direct comparators it has

enabled us to collate information to enable us to take part in the national HB benchmarking project through CIPFA. Final results of this will not be known until the summer of 2006 though we will have an indication earlier than this

We have not been able to carry out benchmarking in the administration of Council Tax collection but have detailed costings for the service. A commentary on these is included in the report. In common with Housing Benefit we have registered to take part in the national Council Tax benchmarking project through CIPFA. Results of this will not be known until the summer of 2006

The committee requested a summary of the results of the benchmarking, in relation to cost and performance, and we have also added to this some of the findings from the National Report of the Audit Commission 'The efficiency challenge- the administration costs of revenues and benefits' published in November 2005

2.Housing Benefit

The Housing Benefits team have benchmarked their service against 8 other Councils. These Councils were not chosen as comparators but make up a group we are in contact with. Of these 8 perhaps 3 are 'better' comparisons in terms of scale and environment. Whilst this is not ideal the comparisons are made because the exercise was taking place over a relatively small timescale and provided an opportunity to gather information. A clearer idea will come from the national benchmarking exercise.

When looking at the cost of the Benefits service the key indicators are often seen as the cost per claim and the operating costs of the service.

The cost per claim is a BVPI (BVPI 77).. The Audit Commission report suggests the reported cost per claim ranges from less than £25 to nearly £450 per claim. This is no longer a BVPI as the results were not useful, as there appeared to be discrepancies in the way Councils collected the information and what they included. Amongst those Councils taking part in the benchmarking exercise varies between £75 and £132, with Oxford being the most expensive. The average cost is £88. The Audit Commission report noted that a major factor in the average cost was the level of recharges.

Further analysis shows that the total operating costs for Oxford and 2 of the 3 best comparators are approximately the same at £1.3m. The third comparator costs are just over £1m. However recharges for the 3 services vary from £541,000 to £1.4m with Oxford being the most expensive, at £1.4m. This impacts significantly on the cost per claim.

The benchmarking exercise also considered productivity, measured in terms caseload to Assessor ratio. The average ratio across all the authorities taking part was 1037. Oxford reported 850 cases per assessor, after adjusting for turnover (i.e with a full complement of staff this would be 779 but we have

been at least 2 short for the last two years. This meant only 2 of the authorities had less cases per assessor.

Given productivity improvements over the last 2 years this was disappointing and will be the subject of further work and comparison in the national benchmarking exercise. One area for consideration will be the turnover of cases (we have 17,000 cases p.a with 10,500 in payment at any one time- a Council with a less mobile population may not have those extremes) Other areas include work allocation, time spent on each claim and whether other Councils are ending claims when not getting the appropriate documentation.

Other useful statistics for comparison will be error and accuracy rates for Councils that are direct comparators

3. Council Tax

Whilst Council tax collection has not been part of a benchmarking exercise it is possible to compare our costs with others using the 'big picture' figures in the Audit Commission report.

The total cost of the Council Tax collection team amounts to £384,000 with recharges of £550,000 projected for 2006/7. The Team collects income (from Court fees) of approximately £300,000 pa.

The total cost is therefore £934,000 (£630,000 net of income). Nationally the Audit Commission found the cost of administration of each account varied from £4 to over £47. When this was a PI it was based on gross costs which means the cost in Oxford is £18.68.

The national average mean is £16.16 per dwelling.

Whilst this shows the Council is at or near the mean for costs the performance of the team in terms of collection rate remains firmly in the lower quartile. The Audit Commission gave clear guidelines on how costs can, in their view, be reduced and collection rates improved and these are explored in the next section of this report.

Whilst performance rather than cost creates the biggest concern we expect to be able to gather comprehensive data as a result of the national benchmarking exercise.

4. The Audit Commission view

The Audit Commission report, which some members will have seen, and is attached at Appendix 1 draws some high level conclusions, all of which we support and intend to pursue through 2006/7 onwards. In summary they recommended that Councils should:

- consider the benefits of sharing services, with other councils, other public service providers, or through the private sector;
- ensure that, when new initiatives are undertaken, there is a clear cost-benefit analysis;
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The Council has initiated this in the Council Tax area by entering into an 8 month contract with Capita to answer telephones between the hours of 5 and 7 pm and on Saturday mornings. Initial statistics of the first 3 weeks of this will be available at the committee

The Council has also properly tendered its Bailiff service

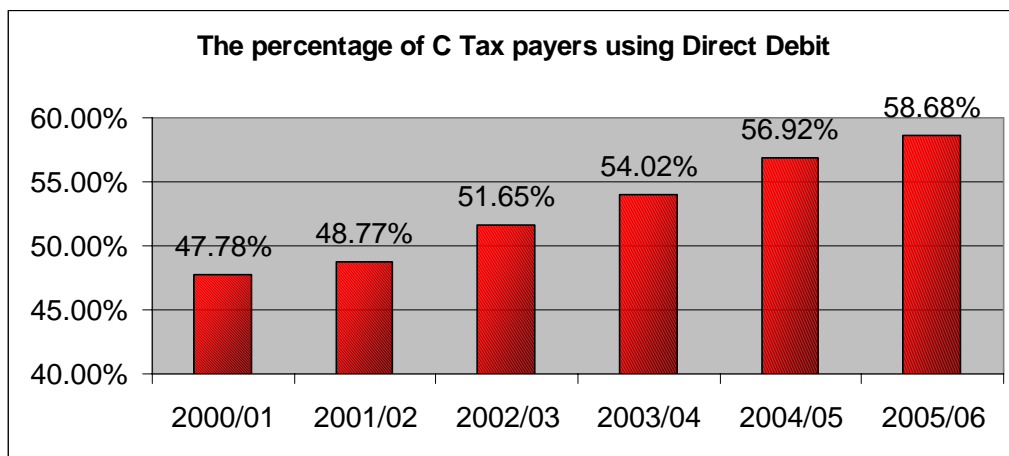
In benefits we have worked in partnership with other Local Authorities in the area to set an NVQ assessment centre, identify training needs and carry out training for Benefits staff

- set clear goals and objectives for benchmarking activity to ensure that good practices are shared, with improved outcomes for customers

In Benefits we have used the results of the preliminary benchmarking reported here to address these issues in time to take part in the CIPFA benchmarking;

- maximise opportunities to improve collection by direct debit;

Council tax have set up paperless debits (in 2003/4) and actively promote DD on all the Council' Council tax literature. On average we set up 20 Direct Debits a week and this is shown in the graph below



In addition the Audit Commission recommended that London councils should actively work together in order to maximise efficiency for the Revenues and Benefit services and relocate transaction processing out of London.

Whilst this latter recommendation is specifically aimed at London Councils there is clearly an impact in areas such as Oxford also. Analysis of the benchmarking data shows staff in Oxford are not comparatively expensive list it may have been expected that accommodation would be a factor in higher costs the Benefits benchmarking showed the cost of accommodation amongst the Councils to be between £37,000 and £148,000, with Oxford being £73,000. The 3 main comparators averaged

costs as £107,000 so this does not appear to be a major element of the additional costs.

A summary of other key issues raised in the Benefits preliminary benchmarking will be the subject of a presentation to the Committee.

Recommendations

1. To note the preliminary findings of the benchmarking exercise in Housing Benefits.
2. To note that taking part in a national benchmarking surveys for both Housing benefits and the Council Tax service will produce results in Mid-2006
3. To note the recommendations of the Audit Commission report into the administration costs of revenues and benefits and to recommend the Council consider all the options for reducing cost and improving performance set out in the Audit Commission report.

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Background papers: None