

EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY COMMITTEE – 8 JULY 2014

REPORT BY DIRECTOR OF FINANCE AND SUPPORT SERVICES

THE REVENUES AND BENEFITS SHARED SERVICE – 2 YEARS ON

WARD(S) AFFECTED: ALL

**Purpose/Summary of Report:**

- To report on how the Shared Revenues and Benefits service is operating since the commencement of full operation in April 2014. The report details changes to the environment within which the service operates and future opportunities and challenges that it faces.

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**RECOMMENDATIONS FOR CORPORATE BUSINESS SCRUTINY COMMITTEE:**

<b>(A)</b>	<b>The report on the operation of the Revenues and Benefits Shared Service be considered.</b>
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1.0 Background

1.1 The Shared Revenues and Benefits Service is a partnership that operates for both East Herts Council (EHC) and Stevenage Borough Council (SBC). It has been formally operating since 1 August 2011 with a shared operating model but a full shared service commenced in April 2012.

1.2 East Herts is the Host Authority in that we employ the staff to provide the shared service, but we operate a Partnership Board and Joint Member Committee that monitor, review and manage the service for both Councils.

1.3 This was one of the first Shared Services that East Herts entered into, and remains one of only two Shared Revenues and Benefits services in Hertfordshire.

1.4 The service was scoped based on activities and service levels in 2010/11 and since that time, there has been a significant change

to the framework within which the service operates due to Welfare Reforms, the ceasing of Council Tax Benefit and introduction of Local Council Tax Support Schemes and Localisation of Business Rates.

1.5 The service has now been fully operating for 2 years and the agreement we have signed continues for at least a further 3 years. Its operating budget is in excess of £3.8m annually, with contributions shared 57.1% by EHC and 42.9% SBC, although any future savings identified are split on a 50:50 basis. This reflects the different levels of clients, residents and businesses that the Council's interact with in our relative areas.

1.6 The service has future challenges and opportunities that it will need to respond to and EHC and SBC will need to continue to work together to find solutions that work well for both partners.

## 2.0 Report

2.1 The Revenue and Benefits shared service was formally entered into on 1 August 2011 with full operational activities commencing in April 2012. The service is currently shaped around 4 areas of activity:

- a) Benefits (Housing Benefit and Council Tax Support)
- b) Revenues (Includes Council Tax and Business Rates)
- c) Systems and Support
- d) Control and Fraud

2.2 The shared service covers the core functions listed above for both Councils consistently, but there are also some differences in the way that we carry out face to face interactions. This reflects the way each Council carries out its wider customer service interactions and was agreed at the outset of the shared service that this was the best way to operate. These are financed separately for each Council.

2.3 To give some context around the scale of the activities that the Shared Service undertakes, the following tables describe some key metrics.

<b>Area</b>	<b>East Herts (EHC)</b>	<b>Stevenage (SBC)</b>	<b>Total</b>
Housing Benefit Customers	6,361	7,536	13,897

Council Tax Support Customers	6,961	7,912	14,873
Total Housing Benefit Paid Out to Customers	£34,494,270	£36,905,666	£71,399,936
Council Tax Support Paid to Customers	£6.4m	£6.7m	£13.1m
Number of Banded Properties/Households	59,679	36,144	95,823
Collectable Debit (Council Tax)	£82,760,260	£36,120,229	£118,880,490
In-year Council Tax Collection Rate (13/14)	98.1%	95.6%	-
Rateable Businesses	4,228	2,117	6,345
Amount of Business Rates to be collected	£53,936,238	£52,921,211	£106,857,449
In-year Business rate Collection Rate (13/14)	96.65%	95.89%	-

2.4 Taking each area of the service in turn, it is important to note what changes the service has undergone since the start of the partnership arrangements, as well as future changes likely to impact upon the service.

#### **Benefits Service:**

2.5 The Benefits service administers Housing Benefit and Council Tax Support to almost 30,000 accounts. Some people will be claiming both types of financial support, but this is not always the case.

2.6 These cases do not remain static, and due to changes in peoples income levels, through changes in their working patterns, tax credits, addresses, moving in or out of the area or within the area, the service is constantly having to update or change levels of support given. The number of changes in circumstances has changed significantly since the scoping of the service, in 2010/11 the number of changes that required processing was 71,474. In 2013/14 this grew to 110,574 – an increase of over 150%.

2.7 The way that the service receives notification of changes can be either directly from the customer or through a system called ATLAS and electronic transfer of data (ETD) from the Department for Work and Pensions (DWP). ATLAS was introduced in November 2011 by Central Government and information from

there can be duplicated by ETD as well as information from customers. However, all three of these data sources need to be checked and verified so data can at times be double or even triple handed but there is no alternative to this.

- 2.8 The impact of the increase in changes in circumstances can clearly be seen in the average number of changes in circumstances per claim. From the original scoping of the service to last year this increased to:

	EHC	SBC
Changes in circumstances/caseload 2010/11	5.72	5.68
Changes in circumstances/caseload 2013/14	8.26	7.71

- 2.9 Welfare Reform has had a significant impact on the service as well, particularly in terms of increasing the number and complexity of the customer interactions that the service now deals with. For customers, the service tries to work proactively where it can by providing information and guidance on the impact of changes and also where further advice and support can be provided. We work closely with partners within the sector, as well as through the voluntary sector and housing providers etc. at times of significant change. Since the service was introduced, the following changes have come into effect:

- a) Benefit Cap
- b) Spare Room Subsidy
- c) Council Tax Support
- d) Disability Living Allowance to Personal Independence Payments
- e) Employment Support Allowance (ESA)
- f) Persons from Abroad
- g) Discretionary Housing Payments (Grant increase)

- 2.10 The number of changes that have been introduced would have impacted upon the service whether it was delivered in a partnership or not, but the advantage of working across more than one Council has been around the scale and ability to work resiliently within a larger team. The levels of increase have been similar across both EHC and SBC and the two Councils have worked well together to try to harmonise policies and procedures to allow staff within the service to deal with effectively one set of "rules" which makes for a better and more efficient service.

- 2.11 Due to the pressures that the service has faced due to the changes in Welfare Reform, both Councils have invested additional resources on a temporary basis to assist the service. These include additional funding for temporary staff in 2012/13 and 2013/14 of £200,000 (shared equally between EHC and SBC) as well as additional front-end support through Welfare Reform staffing budgets at East Herts and additional customer service centre support at Stevenage. This has all been on a temporary basis to date.
- 2.12 Both Councils have also received one-off New Burdens money from Central Government, some of which has had to be used to fund system changes by our IT supplier given the number of assessment changes. Any other funding has been used to create other capacity within the team to deal with the increased workload and ensure that the team deal as quickly and efficiently as possible with our customers.
- 2.13 The more significant changes to the service are yet to come, with the wider introduction of Universal Credit. Timescales for implementation still remain unclear which creates a degree of uncertainty for the service.
- 2.14 It should be noted, that Universal Credit affects only the Housing Benefit aspect of the service. Council Tax Support will remain the responsibility of Local Authorities and there will be some other aspects of benefit administration that remain with the Council. We are already aware that there are some areas of Housing Benefit that will stay outside of Universal Credit, for example Pensioners which make up 50% of our current caseload

#### **Revenues Service:**

- 2.15 The Revenues team deals with Council Tax and Business Rates. For Council Tax, they deal with almost 96,000 households across both East Herts and Stevenage, and this number will continue to grow year on year as building increases. In addition, the service deals with in excess of 6,000 businesses each year in terms of their Business Rate bills. Both areas within Revenues have seen significant changes and these can be summarised as follows:
- a) Introduction of Council Tax Support
  - b) Change in Council Tax Discounts
  - c) Localisation of Business Rates
  - d) Increasing number of Business Rate reliefs introduced

- 2.16 The money that the Council has to spend on its residents and services relies heavily on how we bill, collect and manage our debts around both Council Tax and Business Rates. The importance of these income streams has increased significantly since the changes to the way Local Government is financed since April 2013 and also the risks and potential rewards from running an excellent revenues service have increased.
- 2.17 Prior to April 2013, we effectively acted as an agent on behalf of Central Government, to collect Business rates and our overall levels of finance were largely unaffected by our ability to collect these rates. Now, there is a greater emphasis on us to manage this collection more effectively.
- 2.18 Business rate collection needs to be fairly undertaken, ensuring that our customers that are entitled to reliefs are able to claim them, that we manage our debts effectively for the benefit of the wider community and that we ensure that we hold the most up-to-date information that we can on what we should be charging businesses.
- 2.19 We do not set the rates, this is done by the Valuation Office (VOA), but we do have to collect them. Businesses may appeal their valuation rating, and these appeals can be backdated up to 5 years, which can make forecasting monies due extremely challenging.
- 2.20 Some businesses may also be awarded particular reliefs, some of these are mandatory (Small Business Rate relief, Charity Relief) and others set locally. In addition, from time to time, Central Government may add additional reliefs to drive particular economic activity. We have seen the number of these types of relief increase recently; we are currently administering 28 different types of discount/relief. Four new reliefs have been introduced in 2014/15 so far.
- 2.21 Given the importance of these funding streams to both East Herts and Stevenage, again the main advantage from working in partnership has been about resilience of the team. Again, where possible, all policies the team work within are streamlined so it doesn't matter if you are working with an East Herts or a Stevenage customer, you will deal with them in a similar way.

- 2.22 Currently there are no expected changes to the framework within which the service operates.

### **Systems and Support:**

- 2.23 This team covers two main areas, ensuring the smooth running and maintenance of all of the IT systems used exclusively for the shared service as well as providing all front facing staff and administration functions such as those Officers who carry out property inspections for Council Tax and Business Rates and home visits for Benefit Claims. Administrative functions also include low level telephone queries, dealing with all outgoing correspondence from all teams and dealing with incoming correspondence whatever format this arrives in.
- 2.24 Given the extensive changes to the administration of all areas of the Shared Revenues and Benefits service, this service has had to work closely with our IT supplier to ensure that all legislative changes are properly reflected in our systems. They have also had to deal with a significantly increase in terms of contacts from and with our customers.

### **Control and Fraud**

- 2.25 This team are responsible for Housing Benefit Fraud prevention and investigation as well as training, appeals and reconciliations of the cash that we receive in and pay out through all of our interactions.
- 2.26 Nationally, there are changes to the way that Housing Benefit Fraud will be dealt with. This will be absorbed into a national service over a phased period during 2014/15 and 2015/16 but we will still need to retain responsibility for fraud prevention and detection in other areas such as Council Tax Support, Council Tax, Business rates and the wider corporate anti-fraud agenda. The details of this are still being considered given that notification that this is going ahead has only recently been received.

### **General Operation of the Shared Service:**

- 2.27 The Shared Service has been in full operation for just over 2 years, and during that time has seen extensive changes that would have happened whether we were in a shared service or

not.

- 2.28 The benefits to both East Herts and Stevenage of managing some of these changes in a larger and therefore more resilient service have meant that we have been able to cope more effectively with the sheer number of changes that we have been required to through Welfare Reform and Local Government financing reforms.
- 2.29 The two Councils face different challenges at times in terms of the make-up of our customers. For example, East Herts tends to have a greater number of businesses but as many of these are small and medium sized, the total debit we raise for Business rates is similar in total size to Stevenage. This mix of business size and type can create its own different challenges but also opportunities to consider how we work with a broader range of customers.
- 2.30 Being in a shared service is also important for our staff, there can be greater opportunities for our staff to learn more about the area, learn from each other's best practice (so taking the best from East Herts and the best from Stevenage for the advantage of both of us) and in a market where some jobs are hard to recruit to, the opportunity to be part of a shared service may be more attractive to some candidates who want to be a part of something innovative.
- 2.31 Being one of the first shared services that was put in place for East Herts, there has been some areas that we learnt from that have allowed us to make different choices and/or recommendations for future shared services, including the new shared ICT, Print and Design service implemented in August 2013. This learning includes the setting up of some aspects of the partnership agreement, consideration of jointly agreed policies and procedures and the way the partnership makes some of its decisions.
- 2.32 The Shared service has been working through aspects of harmonisation of policies and procedures, IT systems and other business processes to determine what further efficiencies can be made to create capacity to deal with the increased level of customer interactions that we are having to manage. It is also important to ensure that we are getting the most benefit out of working within a Shared environment.



- 2.33 There are still areas where further work is required, and this importantly includes support that the wider Council can give to the service in terms of streamlining the way we expect the service to operate. It is important for the two Councils to recognise, for example, that instead of having two separate management teams we now have one shared management team who still have to respond to two Councils requests for information. Where possible, we need to streamline the burden on those individuals and join up our approach to minimise the corporate impact on the team.
- 2.34 One particular learning point was around Internal and External Audit for example, by jointly undertaking audits wherever possible, this minimises the duplicated requests on the service and still ensures that we get the assurance that we need that risks are being appropriately managed.
- 2.35 Going forward, we will need to jointly consider the impact of further reform, especially around the introduction of Universal Credit and the increasing importance of managing our revenues to maximise income to both Councils for wider service provision.

### 3.0 Implications/Consultations

- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

#### Background Papers

None.

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