

EAST HERTS COUNCIL

COMMITTEE – DATE 15 June 2016

East Herts Council and Stevenage Borough Council Joint Revenues and Benefits Committee

REPORT BY Head of Revenues and Benefits Shared Service

REPORT TITLE : Annual update

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To report to committee the position in the following areas.
 - Performance reporting
 - Other challenges
 - Budget outturn
 - Amendment to Terms of Reference

<u>RECOMMENDATIONS FOR East Herts Council and Stevenage Borough Council Joint Revenues and Benefits Committee</u>	
That:	
(A)	The report be received.
(B)	The revised terms of reference for the committee as detailed at 2.16.3 be approved

1.0 Background

1.1 This report includes an overview of performance in 15/16 and details future objectives and challenges.

2.0 Report

2.1 **Housing Benefit**

2.1.1 **Housing Benefit processing. (N181)**

This performance indicator measures the average processing time for new claims and changes in circumstances.

- 2.1.1.1 Stevenage N181 was 8.94 days the best result since at least 2009/10.
- 2.1.1.2 East Herts N181 was 9.73 days , close to the performance for 13/14 (9.22) which had been the best performance for some years.
- 2.1.1.3 These results demonstrate a harmonising of performance across the two Councils.
- 2.1.1.4 These core indicators represent a significant achievement for the shared service in the face of the welfare reforms.
- 2.1.1.5 The level of work received by the Housing Benefit team reduced during 2015/16 attributed to the ending of the duplication of electronic data received from the DWP. For some time information was received via both ETD and ATLAS, (Electronic data transfers from the DWP) requiring validation as there was only partial overlap. Atlas has now fully replaced ETD.
- 2.1.1.6 The overall level of HB post received in 2015/16 reduced by 11033 items compared to 2014/15, however in 2014/15 20735 items were received by ETD, indicating that the underlying level of post continues to increase. The following graphs demonstrate the changes.

Table 1: SBC Housing Benefit work received.

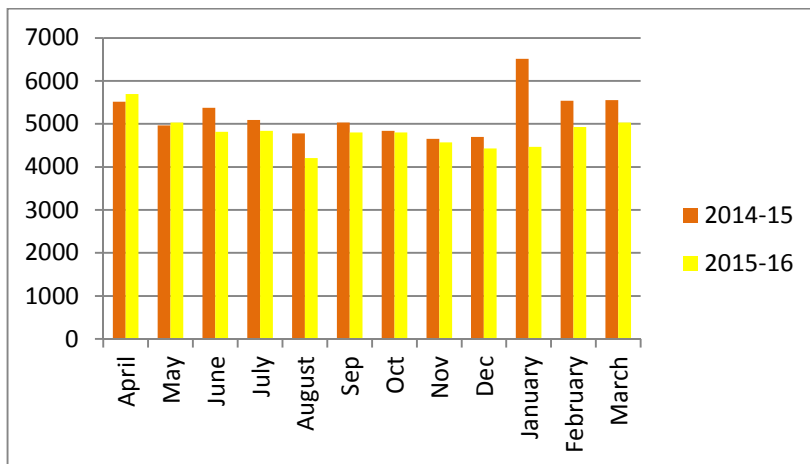
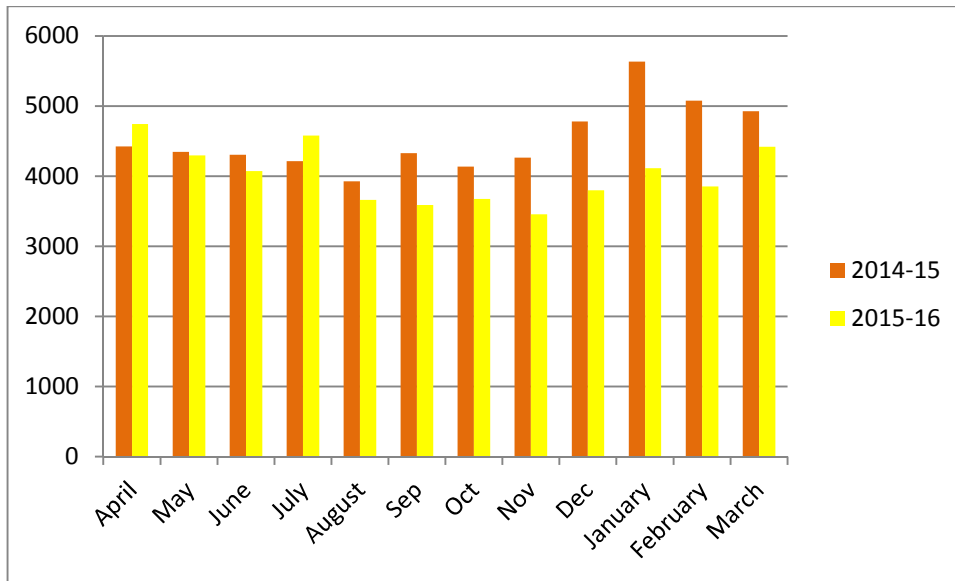


Table 2: EHC Housing Benefit work received.



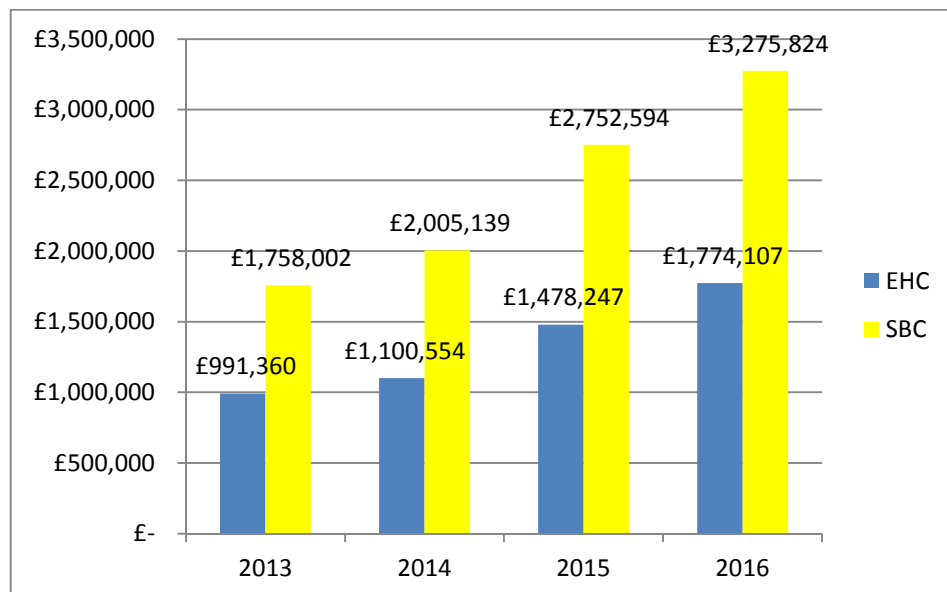
2.1.2 Housing Benefit subsidy.

The level of Housing Benefit claimed in subsidy reached £70m in 2015/16, subject to audit. (£34.3m SBC, and £35.7m for EHC).

2.1.3 HB Overpayments

However with this level of awards being made the value of overpayments also continues to rise.

Table 3: Overpayments outstanding at 1 April each year



- 2.1.3.1 Whilst the majority of overpayments attract 40% subsidy, there is an increasing burden on the Councils to collect the debts.
- 2.1.3.2 The rates of recovery for those who remain in receipt of Housing Benefit are capped and accordingly many debts will not be repaid for significant periods. A review in March identified that whilst the majority could repay within 3 years (assuming they remain in receipt of Housing Benefit) a few will take in excess of 20 years.

Table 4: Overview of debt status at 1 May 2016

as at 1 May 2016	SBC		SBC		EHC		EHC	
Balance outstanding		£	3,275,824		£	1,774,107		
Individual invoices	4601				2419			
Total Debtors	2701				1556			
Debtors not repaying by clawback	1857	£	2,289,284		983	£	1,116,319	
Debtors repaying by clawback	844	£	986,540		573	£	657,788	
If repayment by clawback continues at rate during April 2016								
up to 1 year	447	£	112,416		305	£	82,487	
up to 2 years	148	£	133,518		101	£	92,398	
up to 3 years	68	£	96,877		52	£	81,026	
up to 4 years	50	£	94,373		28	£	60,974	
up to 5 years	29	£	67,002		18	£	52,607	
5 to 10 years	54	£	179,386		48	£	168,165	
10 years plus	48	£	302,968		21	£	120,132	
	844	£	986,540		573	£	657,789	

- 2.1.3.3 The maximum rates of recovery are often reduced following negotiations with customers and their representatives where there are hardship issues.
- 2.1.3.4 There are a number of significant risks in relation to the collectability of these overpayments and they include;

- The majority are not in receipt of Housing Benefit following the overpayment being accrued, and recovery is therefore more complex .
- The transfer of working age claims to Universal Credit will reduce further our ability to recover from ongoing benefit deduction, as this form of recovery will no longer be available to us.

Table 5: Overpayments trends EHC

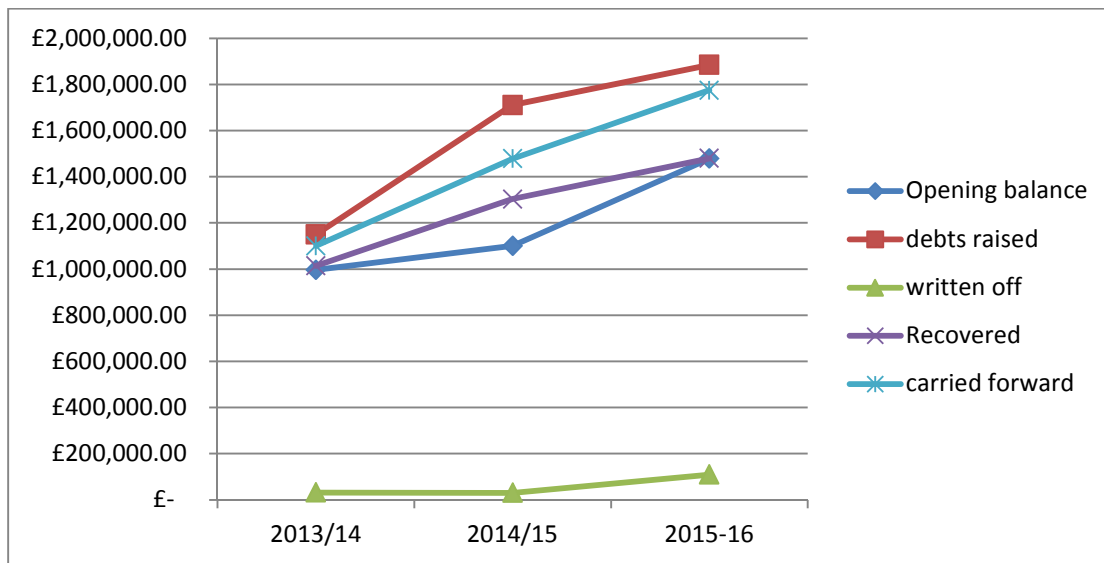
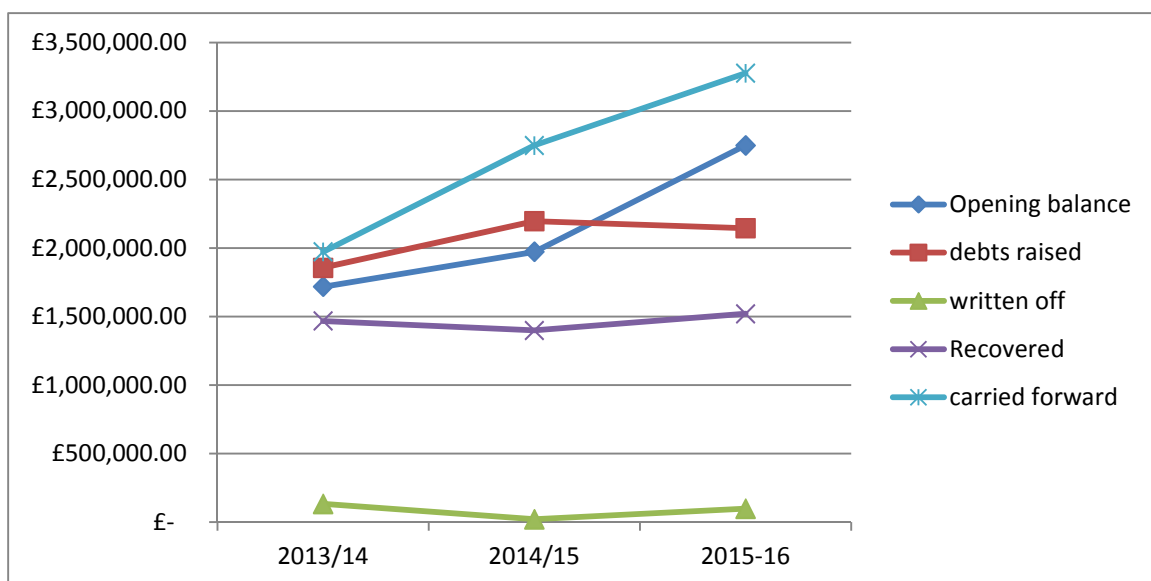


Table 6: Overpayment trends SBC



- 2.1.3.5 The Governments focus on data matching to identify fraud and error is increasing the level of overpayments much more quickly than in previous years. One of these (FERIS) initiatives are discussed at 2.3 below. Another initiative which uses Real Time Information (RTI) from employers is generating high level and long duration overpayment periods, when it is identified that earnings details provided by customers differ to information provided direct from employers.
- 2.1.3.6 The higher level of overpayments identified reduces the level of subsidy received by the council and increases the cost of recovery.
- 2.1.3.7 Bad debt provisions are made on the balances outstanding and these represent 84% at Stevenage and 50.5% at East Herts

2.1.4 DHP

The amount of Discretionary Housing Payments grant from the DWP received each year changes, reflecting the priorities that it considers need supporting. The reduction in 15/16 put additional pressure on the process of awarding funds and accordingly there were a number of unsuccessful applicants.

- 2.1.4.1 The majority of successful awards once again reflected pressure on households affected by the spare room subsidy restriction.

Table 7: DHP applications

2015/16 DHP	SBC	EHC
Received	531	411
Rejected	99	114
Under occupation subsidy	298	153

- 2.1.4.2 The introduction later this year (2016/17) of the new lower cap for total benefit income is likely to see further pressure on these funds, despite the increase in grant this year.

Table 8: DHP Grants

	SBC		EHC	
2013/14	£	163,535	£	162,055
2014/15	£	183,788	£	156,347
2015/16	£	156,565	£	124,641
2016/17	£	196,224	£	163,480

2.1.5 Housing Benefit caseload.

The following tables demonstrate the changes in Housing Benefit caseload. The number of claimants varies daily with changes in customers employment status. These demonstrate a reduction of 2.4% (SBC) and 2.7% (EHC) respectively.

Table 9 : SBC Housing Benefit caseload movements in 2015/16

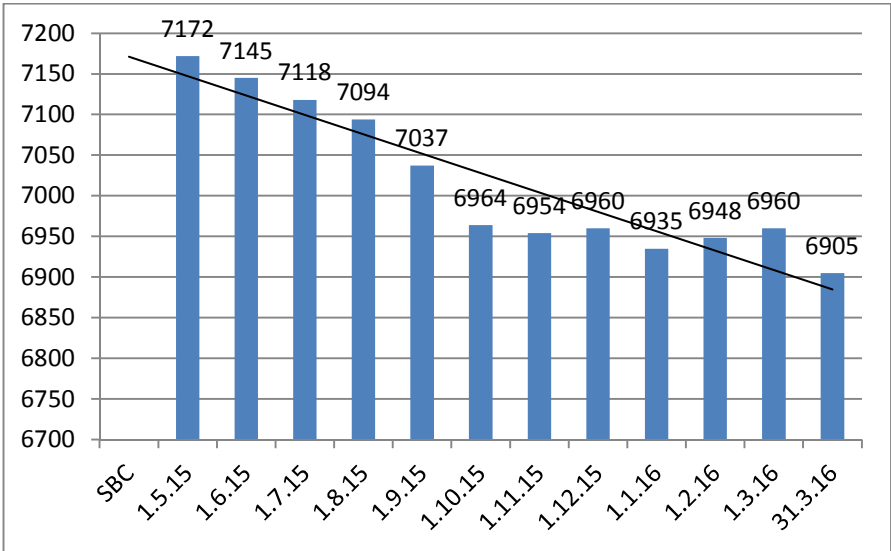
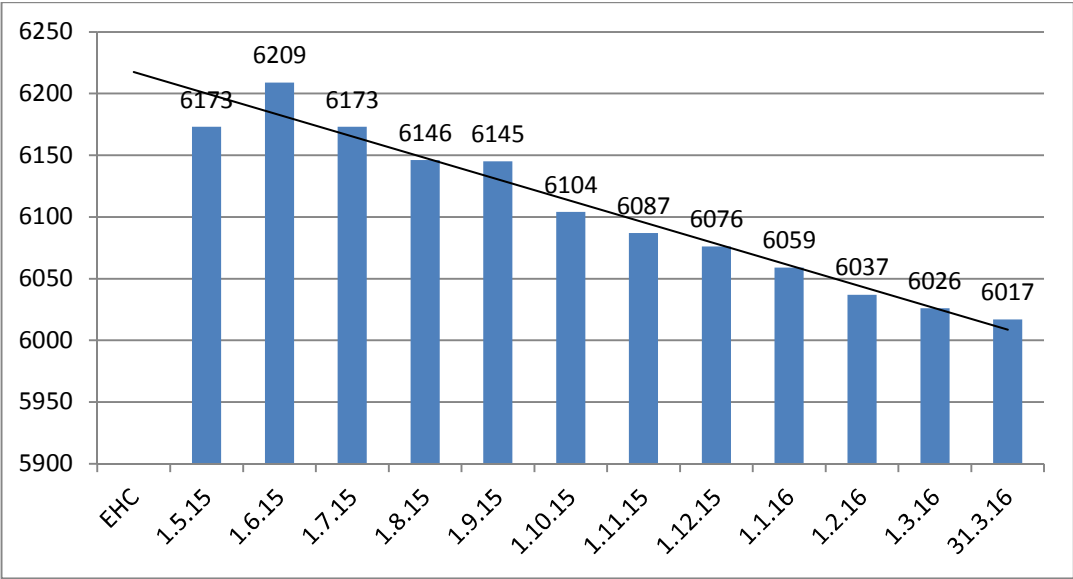


Table 10 : EHC Housing Benefit caseload movements in 2015/16



2.2 Council Tax Support

Reductions in caseload have been experienced in CTS, although there are variations as more obviously demonstrated on the table for EHC.

Table 11: SBC CTS Caseload

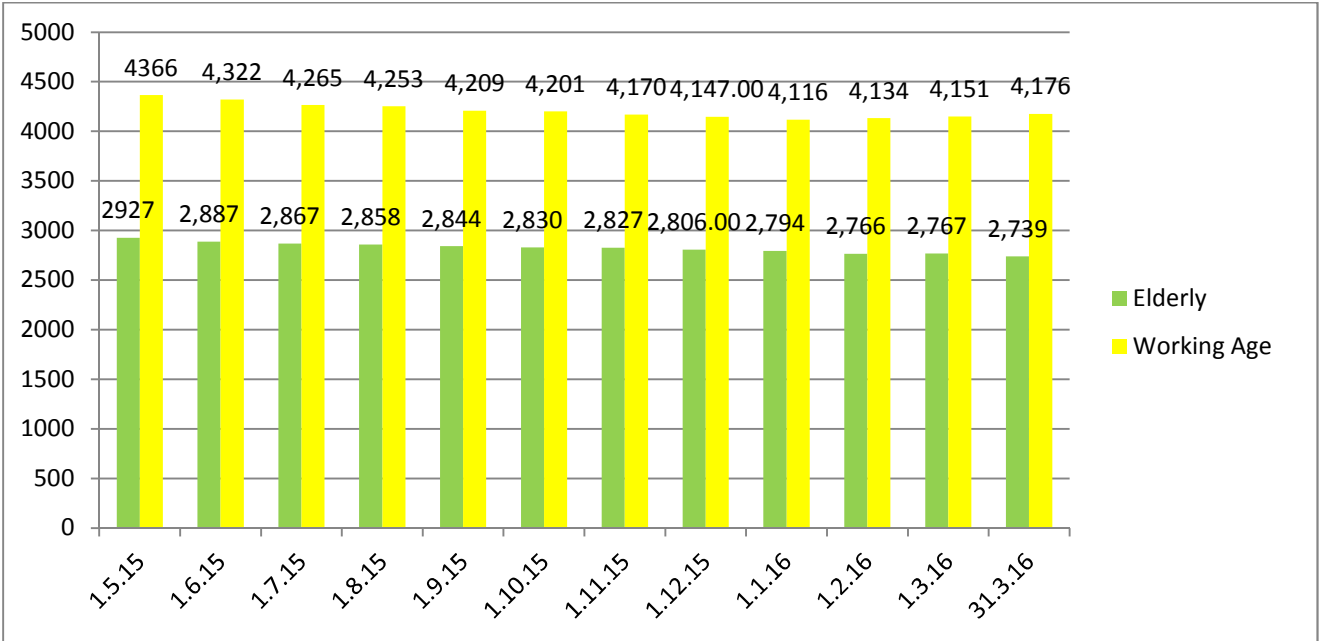
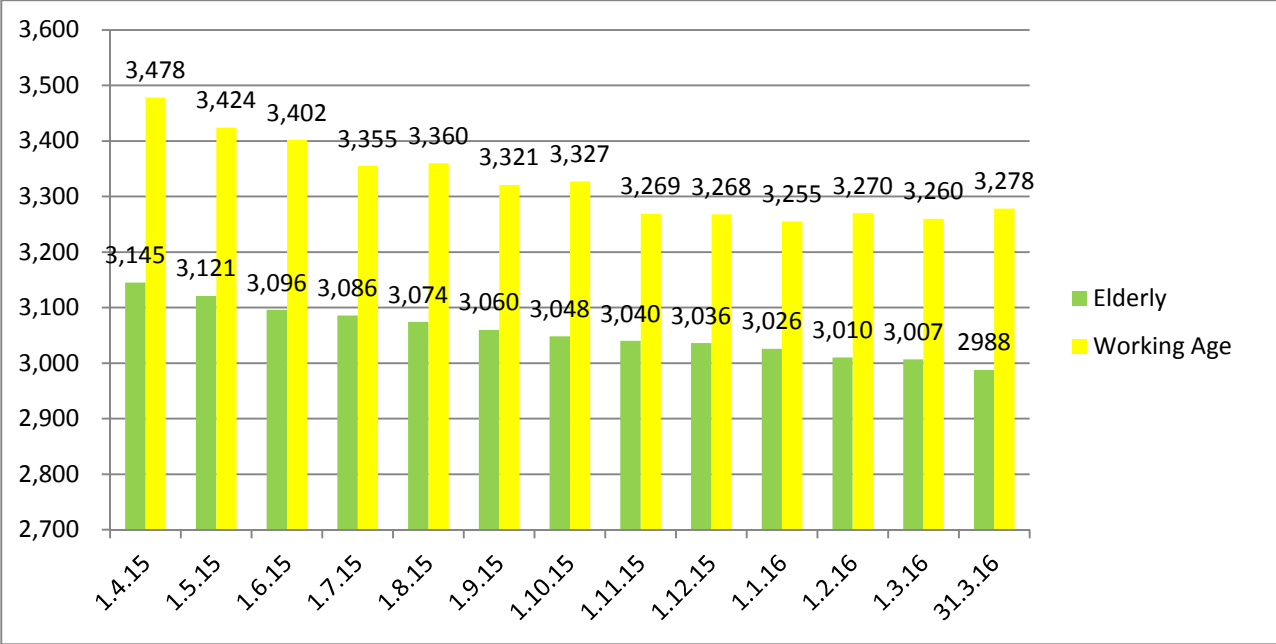


Table 12: EHC CTS Caseload



- 2.2.1 CTS cases are far more complex to collect, as variations in awards generate new bills and revised collection arrangements.
- 2.2.2 Collection rates for CTS are calculated on live claims only, and accordingly are indicative of the overall position. At 31.3.16 the in year collection rates for working age live CTS claims are shown below, compared with the overall collection rate.
- 2.2.3 All WA CTS reflects the overall working age CTS collection rate for live CTS claims at 31.3.16, and MAX WA CTS, reflects the collection rate for that subgroup who only pay the 8.5% liability.

Table 13: Working Age CTS collection rates

	ALL WA CTS	MAX WA CTS	General
EHC	80%	71.4%	98.4%
SBC	73.13%	67.35%	96.3%

- 2.2.4 The level of arrears from this group are consequently proportionately higher per household than from those not in receipt of CTS, and accordingly collection is more challenging.

2.3 FERIS

- 2.3.1 The governments anti fraud agenda continues to impact on the workload of the service. Data matching is received in various forms, including the National Fraud initiative, and the DWP's Real Time data Information scheme (RTI).
- 2.3.2 A new scheme introduced in 15/16 was called FERIS (Fraud and Error Reduction Incentive Scheme). Councils were invited to bid for funds to undertake additional anti fraud activity. The service was successful in obtaining £27,520 (the maximum allocated), and a further bonus of £24,756 for achieving a high level of success. The funds paid for resources to undertake reviews on high risk cases.
- 2.3.3 The scheme has been extended for a further year, and once again the service has been successful in obtaining £35,218 (maximum allocated) to continue this work. This will fund additional resources until December.
- 2.3.4 This activity inevitably identifies overpayments of Housing Benefit and Council Tax support which need to be recovered.

2.4 Universal Credit

- 2.4.1 Universal Credit went live in this area from February 2016 for a small group of claimants. ("*single people with no dependent children, who would otherwise apply for JSA*".) So far this has affected 6 claimants previously on Housing Benefit. (5 at EHC & 1 at SBC).
- 2.4.2 The DWP have a partnership agreement with local councils to deliver services in relation to;
- online claiming support,
 - personal budgeting (following a referral from the DWP) and
 - data transfers between the DWP and local Councils.
- 2.4.3 Funding is limited and must be claimed monthly by sundry debtor on the number of transactions handled.

- 2.4.4 At Stevenage the on line claiming assistance and personal budgeting is provided by the Housing Service, whilst at East Herts the Personal Budgeting is subcontracted to the local Citizens Advice Bureau.
- 2.4.5 The arrangement with the DWP runs to end of March 2017, when we expect a further contract in relation to the roll out of universal credit to a broader client base.
- 2.4.6 There remains no indication of any scheme for pensioners who will until further notice remain eligible for Housing Benefit.

2.5 Council Tax.

- 2.5.1 The performance measure looks at the proportion of the current years liability collected in that year.
- 2.5.2 For 2015/16 Stevenage collection rate was 96.3%, which is the highest since at least 2010/11, and East Herts 98.4% the highest since 2012/13. This is despite increasing levels of collectable tax.
- 2.5.3 In 2015/16 £86.4 million (net of refunds) was collected for EHC, relating to 2015/16 liability and prior year arrears. The Council Tax budget was set at £82.5 million.
- 2.5.4 For Stevenage, £39 million was collected (net of refunds) relating to 2015/16 liability and prior year arrears, against an in year budget of £37.2m
- 2.5.5 Whilst in year collection is the prime performance indicator, considerable work goes into collecting prior year arrears. The table below demonstrates the position for each Council.

Table 14: Stevenage Council Tax arrears

Stevenage					
	Arrears at 31.3.16		Arrears at 31.3.15		Difference
pre 2000	£	439	£	484	£ 45
2001-2010	£	404,433	£	518,353	£ 113,920
2010-31.3.15	£	1,992,216	£	3,505,389	£1,513,173
Total pre 2015/16	£	2,397,088	£	4,024,227	£ 1,627,139
2015-16	£	1,539,650			
Total arrears		£3,936,737			

Table 15: East Herts Council Tax arrears

East Herts					
	Arrears at 31.3.16		Arrears at 31.3.15		Difference
pre 2000	£	12,270	£	8,747	- £ 3,523
2001-2010	£	490,332	£	565,944	£ 75,611
2010-31.3.15	£	1,605,635	£	3,145,026	£ 1,539,391
Total pre 2015/16	£	2,108,237	£	3,719,717	£ 1,611,480
2015-16	£	1,526,659			
Total arrears	£	3,634,896			

2.5.6 The tables demonstrate that significant inroads into prior year arrears were achieved in 2015/16, and whilst some of these were deemed non recoverable and written off, the overall level of arrears at 31.3.16 was less than at 31.3.15 even when including a further years outstanding balances.

Table 16: Net collection of prior year arrears.

	EHC		SBC	
Reduction in arrears during 2015/16	£	1,611,480	£	1,627,139
Of which this amount was written off	-	£ 148,006	-	£ 48,814
Arrear recovery net	£	1,463,474	£	1,578,325

- 2.5.7 The taxbases for each council also produced surpluses for each preceptor as the spend on Council Tax Support was less than expected and a successful review of single person discounts reduce the cost of this mandatory relief.
- 2.5.8 The service also carried out a review of empty homes, identifying a number which were in fact occupied. Whilst this did not increase the council tax revenue (long term empty properties pay 100% liability), it did increase the number of properties on which New Homes Bonus could be claimed.
- 2.5.9 The review is carried out in conjunction with an external company, and the costs shared in relation to the New Homes Bonus income proportion with Herts County Council (HCC).
- 2.5.10 Consideration is being given to carrying out this review in-house this year in an attempt to reduce the cost of the review. HCC have indicated their provisional support to continue to contribute to these costs.

2.6 Business Rates

The performance measure looks at the proportion of the current years liability collected in that year.

- 2.6.1 Stevenage collection rate was 98.35%, which is the highest since before 2010/11, and East Herts 97.79 highest since 2008/9.
- 2.6.2 The table below shows some of the headline values at 31.3.2016

Table 17: Business Rates liabilities and reliefs

	SBC	EHC
Gross Rates	£52.38 million	£52.85 million
Mandatory relief	£3 million	£7.3 million
Discretionary Relief	£192.5 k	£294 k
Government funded specific relief	£519k	£842 k
Net yield to collect	£48.4 million	£44.4 million

Table 18: Mandatory reliefs granted

Mandatory Relief	Explanation	SBC 2015/16		EHC 2015/16	
Empty (sec 45)	A Mandatory Relief applied to properties which are empty – 3 months for Shop & Offices etc and 6 months for Industrial type properties	-£	1,747,764	-£	1,532,095
Small Business Additional yield	The additional amount paid by any business not eligible for Small Business Rate Relief (i.e. they pay the higher multiplier)	£	1,317,307	£	1,198,194
Small Business rates relief	A Mandatory Relief for Small Businesses under £12,000 rateable value	-£	992,108	-£	2,798,727
Charitable (Sec 43(5))	A Mandatory Relief where the organisation is a charity or would be considered to be a charity	-£	1,553,390	-£	4,039,135
Sports Clubs (sec 43(5))	A Mandatory Relief (43(5)) for registered Community Amateur Sport Clubs	-£	4,043	-£	107,951
Village Shops	A Mandatory relief to a Post Office or the only General Store, Pub or Petrol Station in a Rural Settlement with a population not exceeding 3,000	£	-	-£	50,302
		-£	2,979,997	-£	7,330,017

2.6.3 In addition to the collection of current year liabilities the Business rates team have been focussing on old year debts. Many of these accrued prior to the localisation of business rates when the impact of non-collection was less significant than currently.

Table: 19: Prior year arrears recovery 2015/16

	East Herts	Stevenage	Total
Opening balance of arrears at 1.4.2015	£ 1,858,234	£ 2,935,640	£ 4,793,874
*New arrears (generated after 1.4.15, and relating to periods up to 31.3.15)	£ 1,244,802	£ 5,316,438	£ 6,561,241
Total arrears to address	£ 3,103,036	£ 8,252,078	£ 11,355,114
Total balance outstanding at end of 31.3. 16 in relation to arrears pre 1.4.15.	£ 940,284	£ 954,551	£ 1,894,835
Arrears have changed by	£ 2,162,752	£ 7,297,527	£ 9,460,279
<i>Of this change, this amount was written off</i>	<i>- £ 223,762</i>	<i>-£ 1,715,131</i>	<i>-£ 1,938,893</i>

- 2.6.4 *Arrears are added during the year, relating to previous years where properties are either brought into rating with a retrospective start date, or where a revaluation or change has a prior year impact.
- 2.6.5 Unsurprisingly some of these have been complex cases and absorbed considerable resources, whilst others have been determined as non recoverable.
- 2.6.6 A project to review mandatory reliefs will be carried out during 16/17 on the East Herts business properties. This will identify the level of error, fraud or avoidance on these properties which reduce the income available to the Council. The project is funded from the Easts Herts share of a salaries underspend in 2015/16. The results will then indicate the level of future intervention necessary on these properties to avoid future loses. The project is starting with small business rates relief cases where the full liability is subject to relief.

2.7 RV Finder

- 2.7.1 The importance of identifying the correct rateable values (RV) to maximise the revenue streams to the councils is taken very seriously, and will continue to be a focus as the reliance on this income grows.
- 2.7.2 We are currently under contract with a company who use national data sources to identify changes and potential changes in rateable value in the area. Herts County Council contribute to the cost of both the core information system and towards each rateable value identified.
- 2.7.3 In 2015/16 this identified £77.4k new RV for Stevenage and £164k RV for East Herts.
- 2.7.4 The team also identified £380k new RV for Stevenage and £600k for East Herts.
- 2.7.5 However there are increasing pressures on the RV across the country with schools moving to Academy status and attracting mandatory relief, and most recently NHS trusts attempting to claim relief on hospitals. The NHS cases are being examined nationally.
- 2.7.6 According to an article in “Public Finance” on 6 May 2016, the move to Academy status may not be mandatory for *good* and *outstanding* schools, but further details will be needed before the exact impact can be determined.
- 2.7.7 A review was commissioned at East Herts, to identify internal data sources that might inform the Business Rates team of changes in Business activity. The draft report identifies a number of sources of *data* which might be relevant, but coordinating this into *information* rather than streams of data is a challenge. It is intended that lessons learnt will be applied to data from Stevenage.
- 2.7.8 The shared anti fraud service also plan to carry out data matching on both LA’s data, which may identify useful leads.

2.8.1 Single Fraud Investigation Service (SFIS)

2.8.2 The DWP's single fraud investigation service subsumed the Benefits fraud team from the 1 May 2015 for both Stevenage and East Herts.

2.8.3 New procedures for referring cases to the DWP are in place, but we remain responsible for providing relevant information, carrying out adjudications and the collection of any overpayments generated.

2.8.4 The DWP have struggled to adjust to the changes and anecdotally the level of fraud activity leading to prosecutions etc has suffered.

2.8.5 East Herts joined a pilot exercise for joint investigations between SAFS and SIAS, but this has been very frustrating for SAFS due to DWP resource issues.

2.9 Service plan objectives 2016/17

The agreed service plan focuses on collection rates and performance in processing Benefit claims, whilst reviewing the access and support offered to customers as discussed above.

2.10 Print & post contract

A print & post contract is currently being evaluated which in addition to providing a supplier for the annual billing activity, will offer options to carry out daily printing and postage. Where these options can be taken up savings will be delivered to the shared service.

2.11 New document management system

The purchase of a new document management system is proceeding. This will provide improved performance monitoring information as well as greater flexibility and efficiency in ways of working.

2.12 Enforcement framework

The service also hopes to use a new Enforcement framework to review current enforcement arrangements and explore any additional services that will assist recovery rates. It is hoped that

this will give greater recovery options for Housing Benefit overpayments too.

2.13 Supporting customers

The service continues to exploring additional sources of free advice and support for customers in financial difficulty, with a view to early intervention preventing the additional costs of enforcement action being necessary.

A review was commissioned at East Herts to review the service at first point of customer contact. The objective was to identify what we need to provide face to face and what activities could be provided in a different way. The draft report recognises opportunities for channel shift, but proposes further work to establish the level and type of alternative delivery.

2.14 Future Challenges

2.14.1 Reduction in staff

2.14.2 The business case to resize the service to reflect workloads and pressures from welfare reforms was agreed in 2014. This report supported the recruitment of a number of staff in both Revenues and Benefits. It also included a proposal to reduce the staff numbers by 4 posts from 31.3.2017. Accordingly these posts have been filled on fixed term contracts.

2.14.3 Whilst there has been some reduction in Housing Benefit and Council Tax caseloads the pressure from welfare reforms continues and the increasing importance of Business Rates and Council Tax as income streams has not diminished. There was for example, no indication of the Government's intention to devolve all business rates to local authorities by 2020 at the time the report was written.

2.14.4 There remains the risk, that with the reduction of staff in these areas that the ability to perform at the levels demonstrated by this report will be severely diminished.

2.15 Outturn budget for 2015/16

2.15.1 The table below shows the outturn for both 2014/15 and 2015/16, and the initial budget for 2016/17.

	2014/15 ACTUAL	ORIGINAL BUDGET 2015/16	OUTTURN (AS AT 05/04/2016)	ORIGINAL BUDGET 2016/17
	£	£	£	£
Employees				
Salaries	2,527,213	2,964,940	2,744,138.02	2,994,000
Professional Training	2,091	2,000	714.00	2,000
Home Working Allowance	9,977	7,130	10,148.51	9,500
Long Service Award	-175	0	349.96	0
Staff Appointment Expenses	2,648	0	10,516.10	0
Eye Tests	1,320	1,200	1,545.75	1,200
Childcare Fees	201	400	467.95	400
Agency Staff	428,721	0	110,850.36	0
Transport Related Expenses				
Car Expenses	22,666	23,200	23,282.66	14,700
Travel Allowance	1,268	1,500	1,030.16	1,500
Supplies & Services				
Purchase & Maint of Equipment	5,566	5,200	4,661.73	5,200
DBS Payments	52	50	234.00	300
BFI Funding	6,608	6,200	7,942.40	6,200
General Stationery	18,639	20,500	17,642.36	20,500
Printing	43,580	28,000	29,452.32	28,000
Photocopying	2,822	5,000	1,598.99	5,000
Books & Publications	1,478	1,600	584.44	1,600
Advertising	9,138	6,450	3,695.66	6,250
Subscriptions	5,508	5,000	3,002.17	5,000
Telephones	1,836	2,000	2,183.01	1,450
Postages	118,455	151,000	139,247.43	151,000
Subsistence Allowance	90	100	20.00	100
Training & Development	6,828	11,250	11,220.27	11,250
Misc & Third Party Insurance	14,290	15,150	7,990.00	17,080
Other Expenses	5,835	10,300	10,724.99	10,300
Support Services & Divisional Costs				
Central Offices Apportioned	85,260	82,680	88,720.00	86,830
Support Services & Divisional Costs	1,031,760	1,036,400	988,950.00	975,700
TOTAL EXPENDITURE	4,353,675	4,387,250	4,220,913.24	4,355,060

2.16.1 **Terms of Reference (TOR)**

The minutes of the Joint committee meeting of 19 January 2016 record that it was resolved;

1. That the report be received and noted.
2. That the Committee meet annually in June, and
3. That the responsibility to complete budget preparations for the shared service be delegated to the Section 151 Officers

2.16.2 However the TOR of the committee also require that the committee approve the annual service plan for the shared Revenues & Benefits Service. Due to the timing of the annual meeting this is not practical and accordingly the proposal is to amend the TOR as follows.

2.16.3 **Stevenage and East Herts. Joint Executive Revenues and Benefits Shared Service Committee**

Quorum - three Members (at least one from each constituent Authority)

Terms of Reference -

1. To compare the years performance against the annual Service Plan for the Share Revenues and Benefits Service.
2. To compare the years performance against the approve the budget of the Shared Service.
3. To give initial consideration to future development of the Shared Service and any changes in legislation that may affect service delivery and make recommendations thereon to the Executive or Officers.
4. Where it is considered appropriate, report to the Executives of the Constituent Councils.

3. 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

Contact Members: *Joan Lloyd, Executive Member for Resources, Stevenage Borough Council, and (TBA)*

Geoffrey Williamson, Executive Member for Finance and support services, East Herts Council.

Eric Buckmaster Executive Member for Health and Wellbeing , East Herts Council.

Contact Officer: *Su Tarran, Head of Revenues & Benefits Shared service Contact Tel No 01279 502075*