

CITY OF PLYMOUTH

Subject: Revenues and Benefits Update
Committee: Support Services Overview and Scrutiny Panel
Date: 10 March 2011
Cabinet Member: Councillor Ian Bowyer
CMT Member: Director for Corporate Support
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Ref:

Key Decision: No

Part: I

Executive Summary:

Attached are 3 reports in relation to :

- Restructure Consultation – Revenues and Benefits, Customer services, Cashiers, Incomes and Creditors
- Revenues and Benefits Performance
- Welfare Benefit Reforms

Restructure Consultation

Within the Corporate Support published budget delivery plans, there is a need to reduce spend by £1m across:

- Revenues and Benefits
- Customer Services
- Cashiers
- Incomes and Creditors

This restructure will integrate a range of transaction processing and customer contact services in order to drive improvements for customers whilst improving internal processes and reducing costs.

Revenues and Benefits Performance

Revenues and Benefits started work on removing waste from processes and delivering the service directly with the customer in 2009. Whilst small inroads were made during 2009, it wasn't until January 2010 that the service began rolling out the changes across the whole of the department.

During 2009 and 2010 the service has seen it's caseload increase significantly due to the economic downturn. Performance outturn is attached for 2010/2011 for the department's key performance indicators:

- Number of days taken to process new claims and changes in circumstances

- Council Tax collection
- National Non-Domestic Rates collection

Welfare Benefit Reforms

This report sets out the proposed changes to Housing Benefit as part of the Comprehensive Spending Review and how these changes will impact on the Revenues and Benefits department in the coming years.

Corporate Plan 2010-2013 as amended by the four new priorities for the City and Council:

Implementation of budget delivery plans are fundamental to achieve resource allocation to the four corporate priorities <http://www.plymouth.gov.uk/corporateplan.htm>

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

Budget Delivery plans have been developed to deliver a balanced revenue budget over the next three financial years. Published plans for Corporate Support require a full year reduction of £1m across Revenues & Benefits, Cashiers, Creditors and Income Collection by 2013/14

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

Equalities Impact Assessments, (EIA), have been developed to underpin top level Budget Delivery Plans. From this, a more detailed EIA is being developed to understand and address equalities issues affecting both clients and staff from the proposed restructure.

Recommendations & Reasons for recommended action:

Alternative options considered and reasons for recommended action:

Background papers:

Sign off:

Fin		Leg		HR		Corp Prop		IT		Strat Proc	
Originating SMT Member											

Restructure and Consultation

Customer Services, Revenues and Benefits, Cashiers, Incomes and Creditors

1.0 Introduction & scope

- 1.1 In line with the national reduction in public sector spending, Plymouth City Council has to reduce its revenue budget by £30m over the next three years. To achieve savings of this magnitude we need to fundamentally challenge our existing structures and ways of working. Within the Corporate Support published budget delivery plans, there is a need to reduce spend by £1m across the service areas covered by this review.
- 1.2 This restructure will integrate a range of transaction processing and customer contact services with the revenues and benefits service in order to drive significant improvements for customers whilst improving internal processes and reducing costs.

The individual service areas included within this scope are:

- Customer Services
- Revenues and Benefits
- Cashiers
- Incomes & Creditors

- 1.3 Each of these services faces specific issues and challenges which will be detailed within this report along with opportunities moving forward.
- 1.4 In total, this restructure and consultation incorporates 280 FTE employees. The review is specified within the Corporate Support budget delivery plans, published in December 2010, which requires the council to undertake transformational changes from 2011/12 onwards in order to retain, and improve, services within the constraints of reducing revenue and capital budgets.
- 1.5 Over time, we intend to incorporate other services into this structure to benefit from the economies of scale of a frontline customer information and advice service backed up with a fully integrated transactional processing centre. Initially we will consider the opportunity for incorporating other transactional processing services within the Corporate Support Directorate.

1.6 Our guiding principles are to:

- improve accessibility and quality of front line services to the customer;
- improve how we manage the peaks and troughs of service demand;
- provide a strong basis and structure for future Council customer service delivery,
- to be rolled out across all Council services on a modular basis;
- wherever practical, to ensure issues are resolved at the first point of contact with the council;
- improve performance and customer satisfaction;
- provide better opportunities for employee progression and variety of workload through a clear career structure

2. Current service, structure, issues & opportunities

2.1 Customer Services

- 2.1.1 Customer services have developed good management information on customer trends which they use proactively to allocate employee resources at peak times.
- 2.1.2 Cabinet Office benchmarking of public sector contact centres shows that the current rate of pay for the council is above the average national salary by just over £2,000. Local benchmarking with neighbouring authorities and private sector organisations confirms this statistic.
- 2.1.3 Demand on the service shows a reduction (-10% year on year) in telephone demand as a direct result of mixed working with the revenues and benefits service which ensures that most incidents are completed at the first point of contact. Face-to-face visits are rising slowly (up 5% year on year) and the number of visits to our website are rising (+8% year on year).
- 2.1.4 Seasonal demand on the service is minimal with only December showing a noticeable and consistent drop in customer demand.
- 2.1.5 Contact centre employees have to master many different systems at present due to the uncoordinated nature of council systems and the lack of a single customer relationship management system across the authority.
- 2.1.6 The web is becoming the de facto service delivery channel, however we are in the bottom decile of councils for the number and proportion of transactions carried out over our website. In addition, the website needs to become the primary service delivery vehicle for our customer contact centre employees.
- 2.1.7 The Corporate Management Team has agreed that all appropriate services will move into the service delivery model created as a result of this structure over the next three years.
- 2.1.8 From 1 April 2011, Customer Services will incorporate the Social Care Complaints team, (4 employees) from the Children and Young People department. These transferring employees will also be included within this restructure.

2.2 Revenues and Benefits

- 2.2.1 The Revenues and Benefits service has implemented many improvements over the last 18 months. The service has piloted a 'mixed team' approach to the processing of housing and council tax benefit, whereby the client's needs are addressed thoroughly and comprehensively at the initial point of contact. This has proved to be highly successful. It has enabled us to retain, and slightly improve, service levels whilst dealing with a significant increase of over 16% in referrals (linked to the current economic environment).
- 2.2.2 We have also reduced spend within the service by £300k over the last 12 months, by focusing on work patterns and reducing overtime, bringing us more in line with our unitary council comparators.

- 2.2.3 However more now needs to be done to ensure that we materially improve service performance and further reduce costs to ensure future sustainability. 2008/09 Benchmarking with our 'family group', as well as all unitary councils, has identified our revenues and benefits service as a relatively high cost and low performing service.
- 2.2.4 The number of days to process claim information is high (bottom quartile) and there have historically been issues regarding processing accuracy which has seen some improvement during 2009/10. The backlog of claims to be processed fluctuates throughout the year with clear trends evidencing peaks during periods of school holidays.
- 2.2.5 The service has historically been structured around processing individual elements of the housing benefits and council tax collection service. For example, a member of staff will take initial housing benefit application details from a client and pass the information on to a separate team in the back office to process. In most cases, such processing requires much further clarification of client details and / or finances hence further contact is required.
- 2.2.6 Progress has been made in reducing the number of client contact episodes from the point of initial visit or call to the actual payment of housing or council tax benefit. However, this is not consistent across the entire structure and needs to be addressed.
- 2.2.7 The technical and legislative knowledge required to undertake housing benefit claim processing should not be underestimated. The complexity around rules, finances and linked benefits does not always lend itself to basic transactional processing. Our Housing Benefit subsidy claim is in excess of £100m per annum and the risk of financial penalties being imposed on us through inaccurate processing is significant.
- 2.2.8 It is therefore proposed that the revenues and benefits service remains a 'stand alone' service within the overall 'Customer Services' area, managed by a professional, experienced Revenues and Benefits Manager.
- 2.2.9 The Benefits Fraud team is currently managed within Revenues and Benefits. However, the specialist nature of this work, and required knowledge and expertise of this team, has closer alignment to the fraud work that is undertaken by our Internal Audit service (as part of the Devon Audit Partnership). Through this consultation we will be exploring the opportunity of transferring the management of this function and team to internal audit.
- 2.2.10 In the longer term, the Government has announced a future move towards 'Universal Credit' which could result in much less complex processing being undertaken by local authorities with more standardised claims being processed under the direction of the Department of Work and Pensions.
- 2.2.11 However, such a system is unlikely to be fully operational until 2017 and significant service improvement and financial savings are needed now. We will continue to monitor legislative developments throughout the implementation of this restructure and ensure that our recommendations are fully compliant with the future direction of the service.

2.3 Cashiers

- 2.3.1 The Cashiers service operates within a separate environment to the main Civic Centre reception with separate public access. The Cashiers team have introduced a number of significant improvements over the last couple of years including obtaining 'Customer Service Excellence' accreditation.
- 2.3.2 However, trends for cash collection as a percentage of total income collected by the council have been diminishing consistently over the last five years with the promotion of alternative payment methods such as standing orders and on-line transactions.
- 2.3.3 Based on 2009/10 analysis, only 6% of our income is collected through the Cashiers service. Of this activity, approximately 20% of the clients visiting Cashiers do so in relation to paying their housing rent on behalf of Plymouth Community Homes (PCH). Our service level agreement with PCH ends on 31 March 2011, at which point this activity will cease as PCH plans to go 'cashless' (i.e. tenants not being able to pay for their rent in cash at branch offices).
- 2.3.4 Cash collection is the most expensive form of income collection for us in terms of processing costs, reconciliation, staffing costs and banking. Research has confirmed that there are many viable alternative income collection methods available to clients / residents of Plymouth. For example, there are 14 'Pay Points' in various establishments within half a mile of the Civic Centre alone.
- 2.3.5 The Cashiers service will close with effect from 31 March 2011. By integrating this service change within the overall restructure as detailed in the document, we are providing greater opportunity for employees to secure suitable alternative employment utilising their existing customer service and income collection skills. There will be some residual Cashiers functions, such as reconciliations, that will need to be undertaken by the Incomes section.
- 2.3.6 We will not be ceasing the collection of cash all together at this stage, just the closure of the Cashiers service. We will purchase a second self service 'payments kiosk', which has proved highly successful to date, as part of managing the change.
- 2.3.7 The self service machines will accept card or cash payments (also providing change) for all types of income due to the council. In the transitional period from 1 April 2011, customer services employees will assist clients wishing to pay through these machines.
- 2.3.8 Our improvement drive moving forward is to optimise the use of more cost effective income collection methods such as standing orders and on line collection via our, soon to be launched, new website.
- 2.3.9 Communications and promotions will be targeted to existing customers of the Cashiers services to improve the understanding and awareness of alternative payment methods.

2.4 Incomes and Creditors

- 2.4.1 The incomes and creditors service has gone through a number of incremental service changes over the last couple of years. We have retained a focus on reducing management costs whilst simplifying processes and optimising the use of ICT systems.
- 2.4.2 The cost of the service compares favourably with other unitary councils. However, there is much room for improvement in some areas of service delivery such as sundry debtors where our current collection rate is under 85%.
- 2.4.3 Much work has been done to 'clean up' our databases, removing duplicate creditors and debtors and improving controls regarding setting up new records. This has resulted in a significant reduction in the volume of queries and errors. In addition, the service has majored on improving customer service by implementing actions such as personally contacting people who owe money to us outside of normal working hours.
- 2.4.4 The overall shape of the income and creditors employee structure is robust, with few senior management posts and a good spread of lower graded transactional processing employees alongside a fewer number of higher graded, more experienced employees dealing with more complex cases.
- 2.4.5 Where possible, income and payment transactions that were in the past processed by individual departments have now been routed through this central team generating economies of scale and improved performance. For example, the commercial rents income recovery function has now been subsumed within the team.
- 2.4.6 It is recommended that we build on this incremental improvement through developing an efficient transaction processing service or 'fulfilment centre'. By moving other transactional activities into this service area, such as the residue cashiers function and, in the coming months, considering other Corporate Support functions, we will generate even further economies of scale by standardising processes, setting clear service targets, managing peaks and troughs across individual functions and spreading management overheads.

3. Recommended overarching structure for the service

- 3.1 When analysing existing structures and arrangements it is clear that there are similarities and overlaps between employee accountabilities across each individual service.
- 3.2 It is also clear that, in most cases, there is no cohesive career path for employees to progress within the council. The vast majority of existing posts are grade C and above with only 21 out of 280 FTE posts, (7.5%), being at grade B and **no grade A posts whatsoever**. This does not correlate with the fact that a significant proportion of duties across customer services, revenues and benefits, cashiers and incomes and creditors are mainly transactional defined processes with limited requirement for decision making.
- 3.3 In addition, there appears to be far too many posts, (133 FTE), within the Grade E band which currently accounts for 47.5% of the entire in scope workforce.

- 3.4 Furthermore, there is inconsistency in relation to the spans of control and responsibilities of senior graded management across the different structures. Within this restructure we are recommending an overall reduction of senior management posts, with greater consistency in span of control as well as more opportunities for lower graded posts and a better defined career structure.
- 3.5 A comparison of existing structures, as detailed in **appendix A**, shows a diverse spread of post grades and role profiles at all levels (other than grade A) between grades B and K as demonstrated in the following table:

Current Grade	Current	% 'age of total
K	1	0.36%
J	1	0.36%
I	1	0.36%
H	9	3.21%
G	15	5.36%
F	9	3.21%
E	133	47.50%
D	22	7.86%
C	68	24.29%
B	21	7.50%
A	0	0.00%
Totals:	280	100%

- 3.6 Our recommendation is to rationalise and reduce management positions under the following defined parts of the structure:
- Customer Services
 - Revenues & Benefits Service
 - Fulfillment / Transactional Processing Centre
 - Integrated Service improvement and Quality Assurance (either as stand alone – or managed under one of the above areas)
- 3.7 Service improvement and quality assurance functions and employees are currently in place within each separate service area. We are recommending that these functions are integrated under one team under the revised structure reporting either directly to a Head of Service or any one of the other three areas.
- 3.8 We recommend reducing the volume of **tiers** from top management downwards. Our initial thoughts, (for consultation), are to reduce from ten existing tiers to six with clear distinction between the core requirements, skills and responsibilities at each tier. This will rationalise the number and type of role profiles into the following generic categories:
- Strategic Manager
 - Operational Manager
 - Supervisors
 - Technical Experts
 - Decision makers

- Transactional processors / routine enquiries

3.9 To help inform the consultation, we have drafted some broad areas of responsibility that could apply to each tier as follows:

- Strategic Managers: will provide strategic direction and hold responsibility for overall service performance, ensuring compliance with all legislative and statutory requirements.
- Operational Managers: will lead service improvement and direction, and monitor and manage top level budgets. They will provide direction for employees in cases that are escalated for technical or organisational guidance and assist supervisors in difficult or non standard decisions.
- Supervisors: are the key people managers in the department. They will be responsible for employee management and team development and will lead the appraisal process. They will also be responsible for managing resources, absence, conduct and day to day business.
- Technical Experts: will be up to date with the latest policy, statutory rules and regulations. They will undertake all of the required roles of decision makers. In addition, they will provide expert guidance to decision makers for non standard customer issues and situations – acting in a mentoring role. Technical experts will have substantial knowledge and experience in their service area and will advise on complex cases requiring expert judgement. They will have excellent customer service skills and be required to deputise for supervisors as and when required.
- Decision makers: These are individuals who deal with customers on a daily basis and are used to making judgements against set criteria for standard case work. They have the ability to think on their feet, be decisive and make interpretative decisions, weighing up evidence against criteria. Decision makers will have proven customer service skills and predominantly be able to work on their own initiative.
- Transactional processors / routine enquiries: These individuals are at the front line but perform simple tasks in a very structured environment. They will undertake routine functions such as scanning, indexing, archiving, filing and performing initial 'meet and greet' responsibilities.

Each strand of the structure will need to determine the mix of experience and skills required based on business need.

3.10 Based on benchmarking comparisons and the overall need to reduce costs linked to anticipated future resources, we are recommending an overall reduction of circa 30 FTE posts across the entire structure (out of a total of 280). This is in line with the required financial reductions as detailed within our published budget delivery plans.

3.11 The advantages of engaging a complete restructure across all of these service areas in one go is that it reduces uncertainty for employees; it provides greater opportunity for employees within smaller teams, (such as cashiers), to secure a relevant position within a wider structure; it increases flexibility to manage peaks and troughs across different strands of the structure; and it ensures that the resulting structure is financially and operationally sustainable into the medium term.

- 3.12 Alongside supporting employees through this transitional change, it is imperative that we review and challenge how best the future service can be organised to improve the accessibility and services provided to our customers. Challenging existing work patterns and practices will form an integral part of the restructure.

4. Employee engagement

- 4.1 A number of incremental improvements have been introduced within all of the service areas within the scope of this review. This restructure builds on this improvement and will continue to utilise the significant experience and varied skill base that we have in our employees.
- 4.2 We will engage in full and open consultation with all employees in developing and implementing a revised fully integrated structure. Our parameters for this engagement process are that we need to:
- (a) rationalise and significantly reduce management posts and costs under four distinct strands being Customer Contact / Revenues and Benefits / Fulfilment Centre /Service Improvement and Quality Assurance;
 - (b) rationalise the number of role profiles – developing more generic and consistent profiles that span across the structure under no more six (providing greater opportunity for employees);
 - (c) reduce the overall employee numbers by circa 30 FTE posts (out of the 280 posts);
 - (d) redefine the balance of posts across the available gradings – ensuring a better balance of lower graded positions and significantly reducing the volume of middle graded posts;
 - (e) provide a flexible workforce design that meets customer demand now and in the future;
 - (f) requirement to fully implement proposals by July 2011 at the latest
- 4.3 We have previously communicated that the pilot work on integrated mixed teams of customer service and revenues and benefits employees would result in a major restructure of the service.
- 4.4 With this in mind, we have undertaken a number of actions to minimise the impact on employees throughout this change process by holding vacancies, using agency employees and addressing expensive overheads such as overtime costs. We are committed to avoiding compulsory redundancies wherever possible and will make every effort to ensure fairness, consistency and equality of opportunity for all employees directly affected.
- 4.5 The council is committed to meaningful consultation with Trade Union representatives and employees, and will ensure that views are sought and fully considered before making final restructure proposals. We will be holding a number of interactive workshops focussed on:

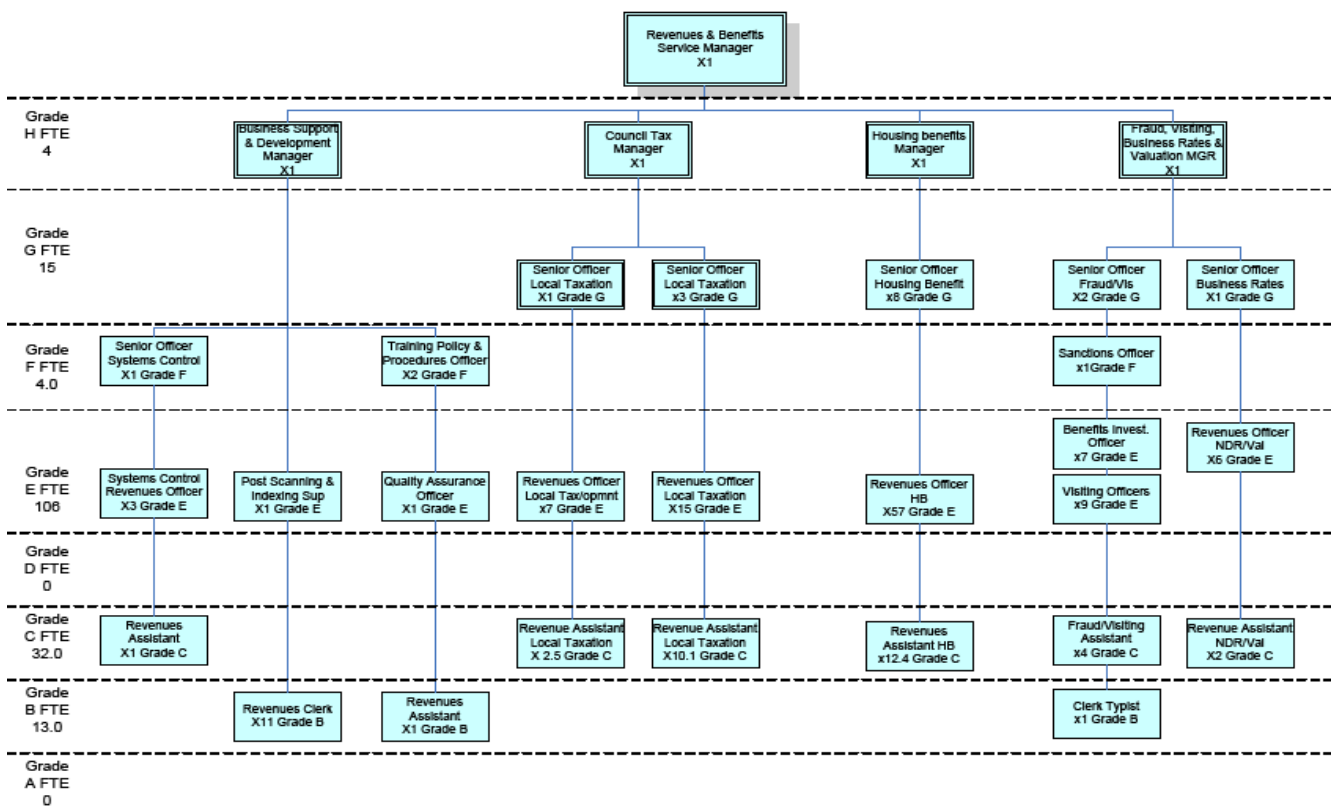
- (a) 'Your Organisation': building on the recent employee survey results, recommending how to improve the working environment and morale of employees;
- (b) 'Your Customer': discussing how to further improve the accessibility of the service and the overall customer experience whilst maximising productivity;
- (c) 'Your Structure': ascertaining the right grades and right number of posts within each tier of the structure;
- (d) 'Your Role': exploring the responsibilities and duties required within each tier;

5. Timeline

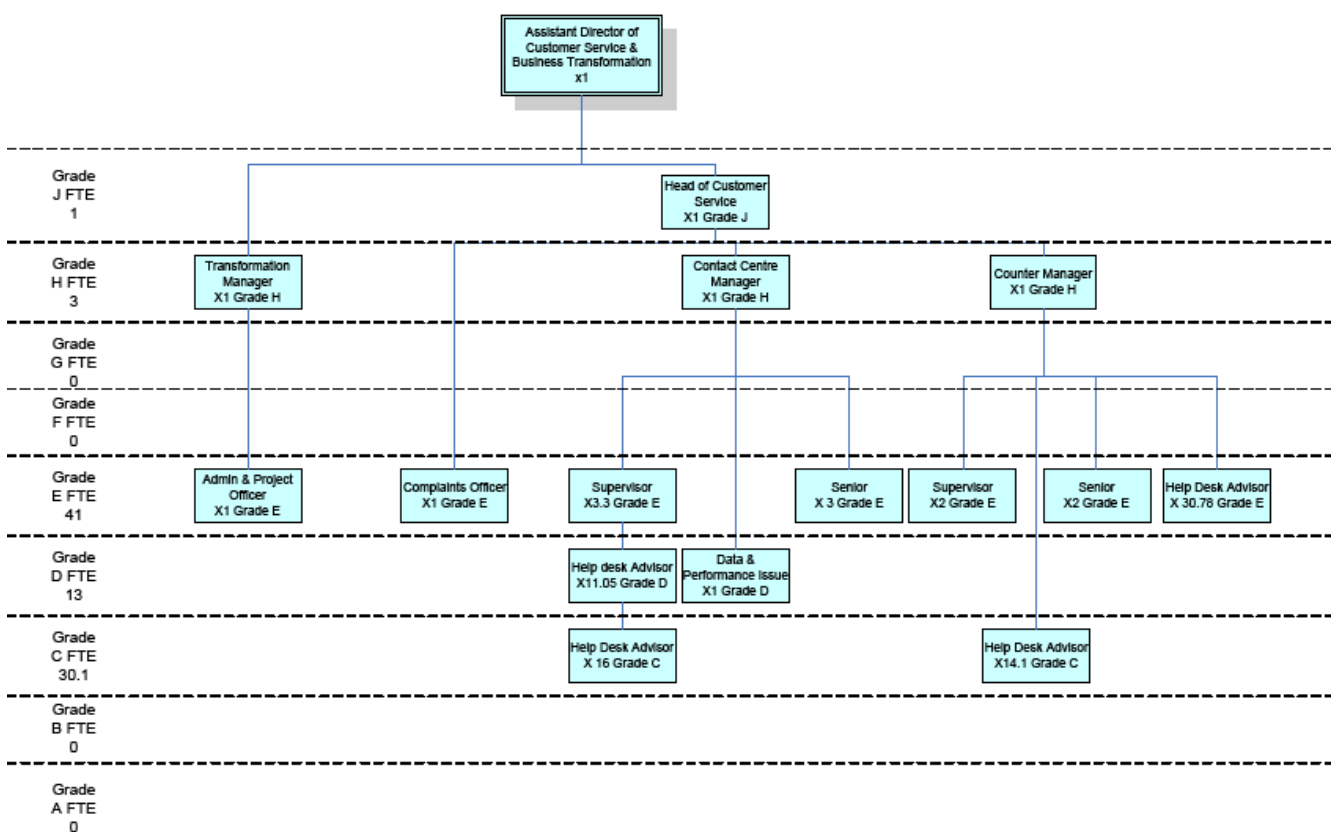
- 5.1 Interactive engagement workshops commenced on Monday 7 February 2011 to provide all employees with the opportunity to contribute to this restructure.
- 5.2 The outputs from these workshops will be collated and circulated with some headline proposals for a two week consultation period commencing on Monday 28 February.
- 5.3 We will review the consultation feedback during the week commencing Monday 14 March and produce draft restructure proposals by Friday 18 March. These proposals will include draft structure charts, role profiles and selection process.
- 5.4 Employees and trade unions will have a further two weeks to comment on these detailed proposals, concluding on Friday 1 April 2011. The consultation feedback will be considered before the final proposals are issued by Friday 8 April at which point role profiles will be submitted for job evaluation.
- 5.5 The selection process for the new structure will commence in May 2011.

Appendix A – Current Structure Charts

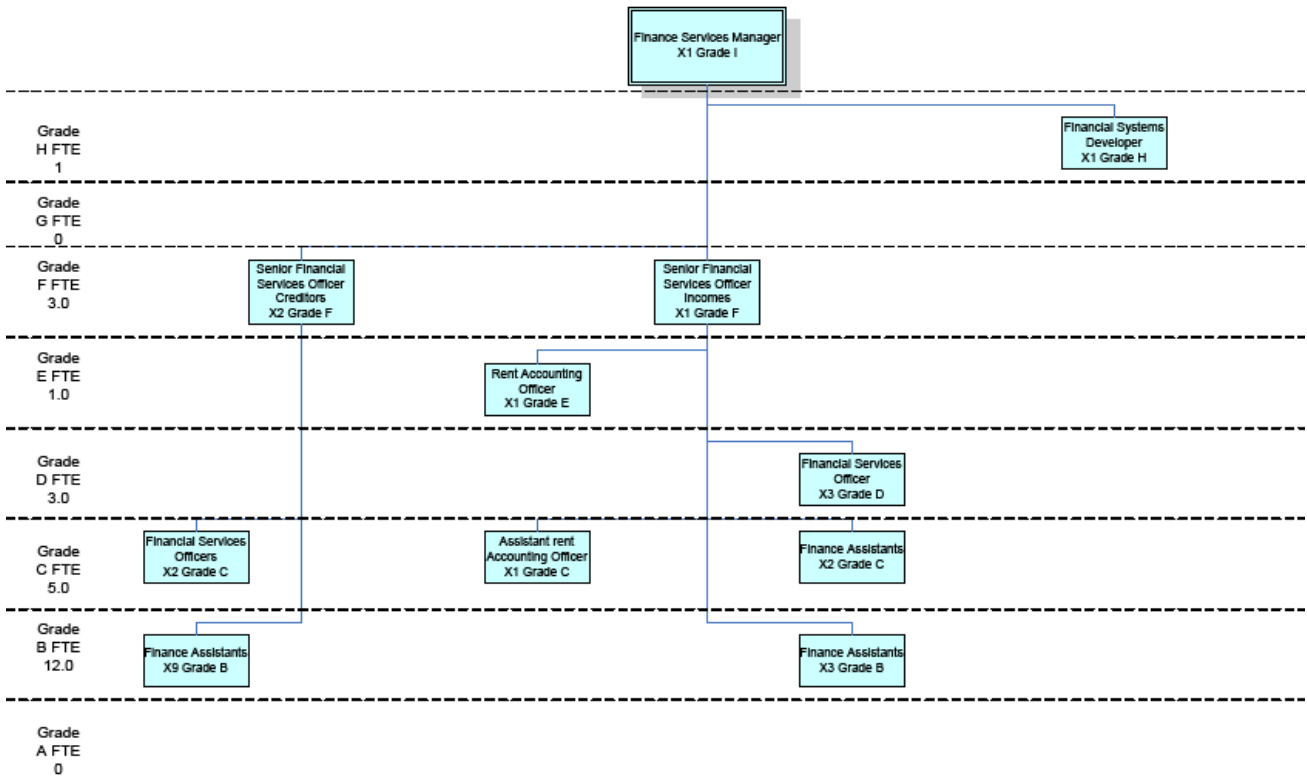
Revenue & Benefits Current



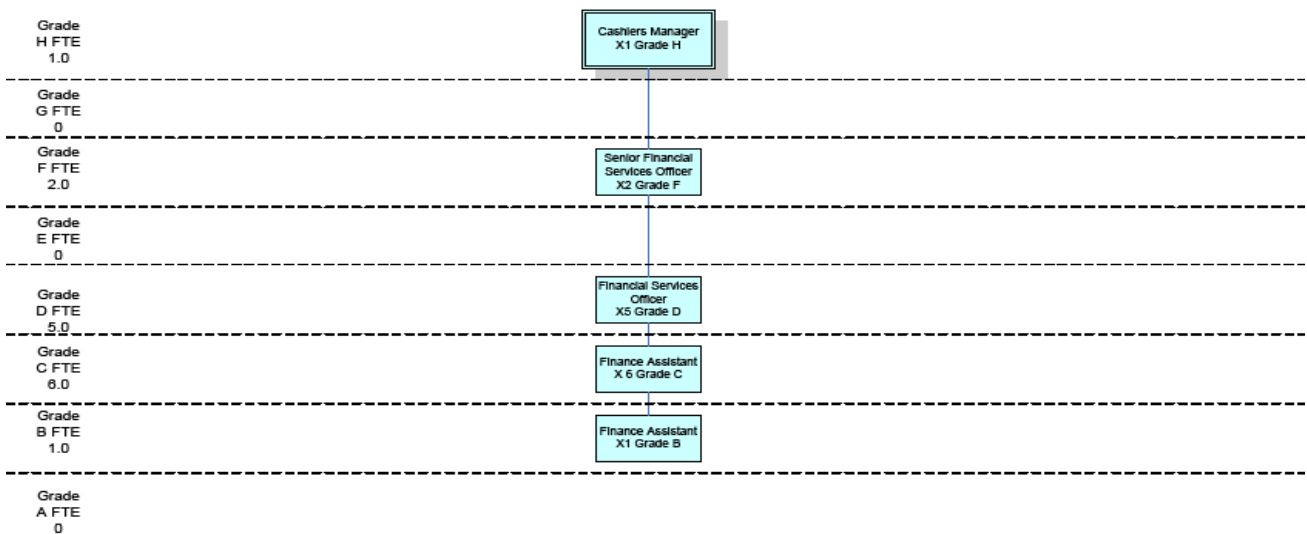
Customer Service Current



Finance Services Current



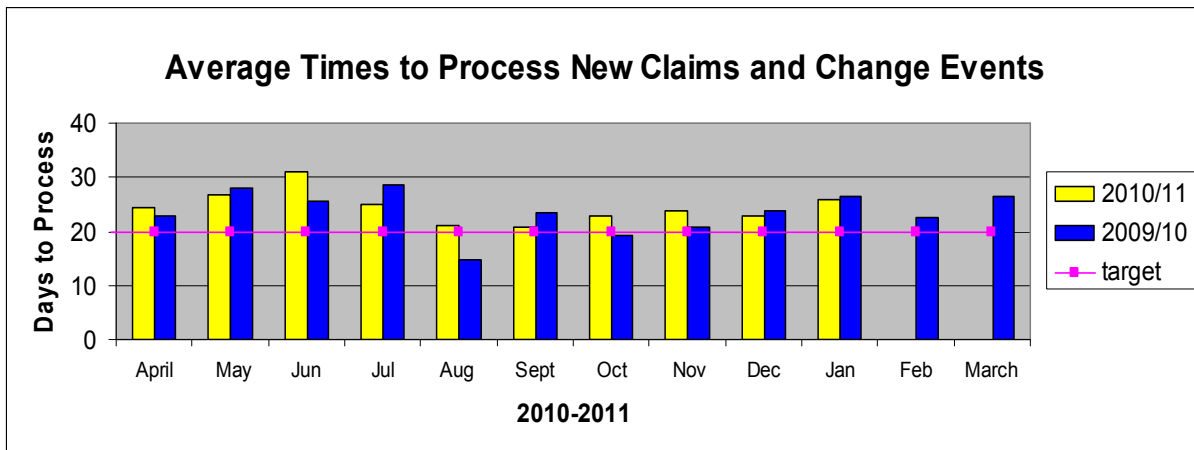
Cashiers Service Current



Revenues and Benefits Performance

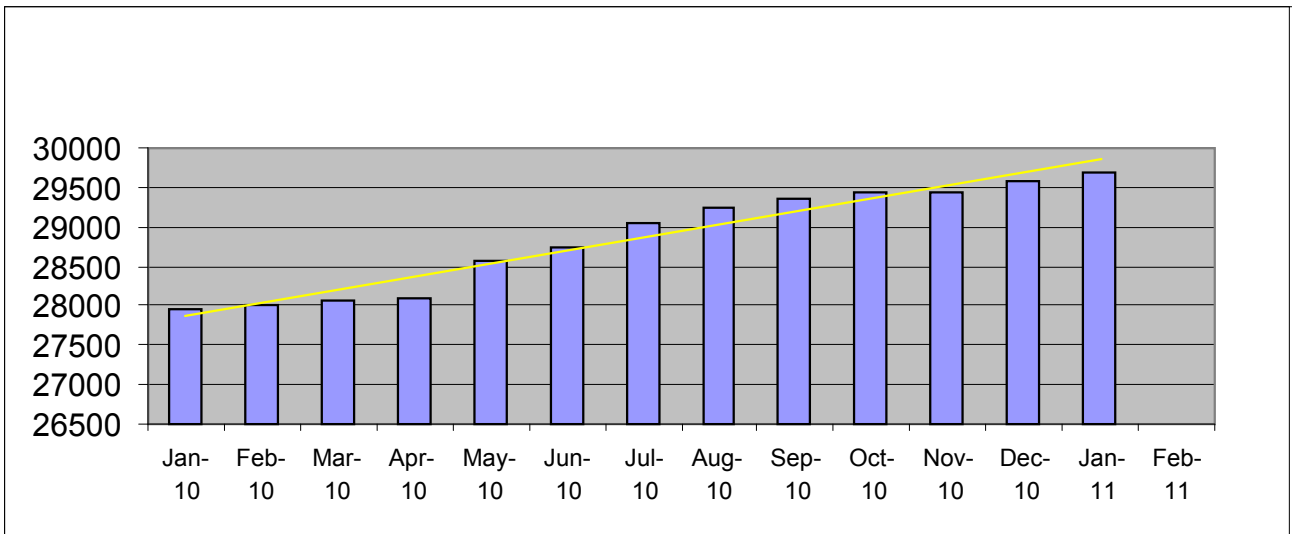
N181 Right Time Performance Indicator

■ Target = 20 days
Actual = 25.76 days



- The number of days taken to process new claims and change events in January was **25.76** days compared to **22.82** days in December. For the same period last year the average was **26.45** days.
- The increase in days to process was expected due to the Christmas holiday period. During January more of the oldest work was prioritised across all staff which has also contributed to the increased processing times.
- Overall work outstanding is continuing to reduce and this is being monitored on a weekly basis.
- Training on the Housing Benefit changes is underway and it is expected that this will impact on processing times again during February.
- On average **63%** of telephone and **45%** of face to face contact is completed in full with the customer.
- The overall volume of work outstanding now represents a small proportion (around **13%**) of the overall incoming work.
- Staff are currently undertaking training on housing benefit changes due to come into effect in April.

Housing Benefit Caseload



- The caseload currently stands at **29,701**, an increase of **4871 (16.5%)** new customers claiming benefit since 2009. The caseload continues to rise at an average **130** new claims per month. The increase in new claims demonstrates the significant service improvements made over the past year as the service has absorbed the increase and continued to reduce levels of work. However, the improvements made have been overshadowed in part due to the increase in claims.
- Despite the increase in caseload there has been an overall reduction in the number of telephone calls and overall volume of work coming in to Revenues and Benefits. This has been achieved by cutting down on the waste coming in to the department by doing more at point of transaction:

Revs and Bens calls

April – Jan	No.s
09/10	115,741
10/11	103,579
Demand reduced by 11%	

Answer Rates

Apr - Jan	No.s
09/10	66.8%
10/11	71.4%
Increased answer rate by 4.6%	

Volume of work

April - Jan - HB	No.s
09/10	46664
10/11	41408
Demand reduced 11%	

April – Jan - CTax	No.s
09/10	48,895
10/11	36,641
Demand reduced 25%	

- During 2010/2011 there has been a **39%** increase in customer compliments and an **89%** decrease in complaints (since 2009).

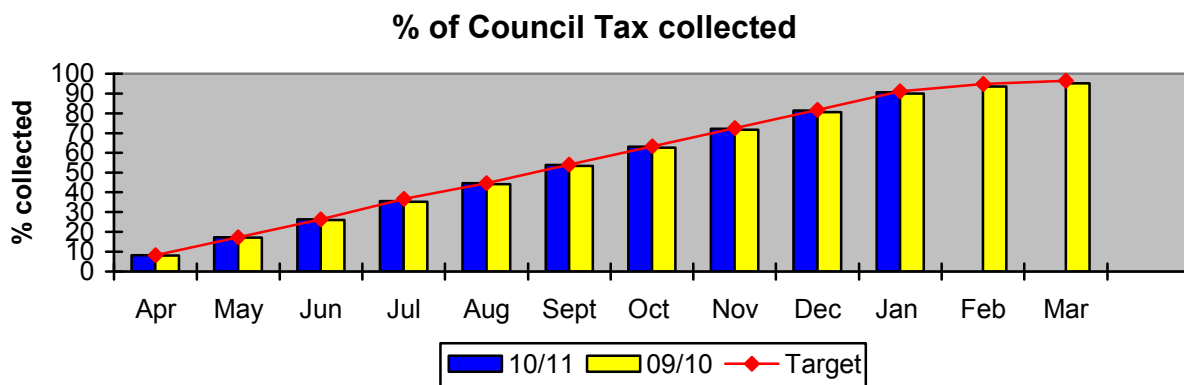
Council Tax

Collection Rates

- Net Collectable Debt 2010/11 £92.91m
- Collection Target 2010/11 96.5%

Monthly Target = **91.04%**
 Collection Rate = **90.57%**

	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
10/11	8.28	17.23	26.34	35.52	44.54	53.83	62.94	72.17	81.42	90.57		
09/10	8.06	17.14	25.99	35.23	44.16	53.31	62.59	71.77	80.68	89.94	93.54	95.20
Target	8.17	17.36	26.32	35.67	44.61	53.97	63.36	72.54	81.67	91.04	94.75	96.50



- Cumulative collection at the end of January is **£84,152m (90.57%)** against a target of £84,588m (91.04%). Collection is **0.63%** ahead of the same point last year with projected collection for 2010/11 at **96.03%** based on current performance.
- Mid-year benchmarking showed our collection up by **0.50%** against the average of 0.10% for other benchmarked authorities.
- There was a reduction in collection during January due to the problems encountered in November and December around Santander Bank direct debits. This saw a reduction in payments from approximately 200 direct debit payers and the majority have spread their instalments to March.
- More customers are reporting payment difficulties and more customers are requesting extended arrangements past the end of the financial year.
- The backlog of work in Council Tax has reduced from **8000** and has allowed the department to focus on more proactive recovery methods, such as breaking the cycle of debt for customers and focusing on in-year payments, meaning customers have saved on further recovery action and bailiff costs.

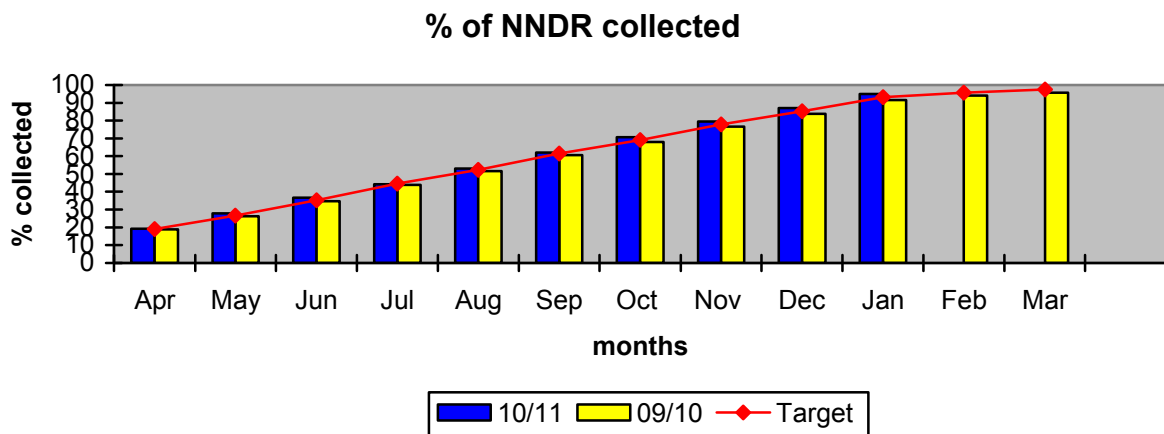
- **90%** Of all customer contact through the telephone and face to face is now completed in full at point of transaction. Previously 90% of customer contact was passed to the back office to sit in trays.
- As at 31 December collection against previous year's arrears has increased on last year by **0.74%** with payments towards arrears up by **£0.2m**. The amount collected in since April 2010 is **£3.09M** against **£2.87M** at the same point last year. The previous years' arrears figure is now £4.8M, it was £5.4M at the same point last year.

National Non Domestic Rates

- Net Collectable Debt 2010/11 £79.775m
- Collection Target 2010/11 97.50%

Monthly Target = **93.12%**
 Collection Rates = **95.03%**

	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
10/11	19.19	27.83	36.63	44.14	52.99	61.87	70.75	79.61	87.09	95.03		
09/10	18.89	26.27	34.63	43.83	51.52	60.46	68.12	76.65	83.87	91.62	94.04	95.70
Target	19.05	26.59	35.11	44.47	52.22	61.32	69.14	77.83	85.21	93.12	95.70	97.50



- Cumulative collection at the end of January is **95.03%** against a target of 93.12%. This equates to £75.811m against a target of £74.286m.
- Lean working has allowed the department to focus on pro-active recovery.
- The small business rates relief scheme which allows customers to delay payment for a year, running from September 2010 to October 2011 has also contributed to the increased performance. Many customers have requested that any credits on their account be held against their forthcoming liability in October 2011.
- Mid-year benchmarking shows our collection up by **1.4%** against 0.50% for other benchmarked authorities. This is a massive improvement.

Comprehensive Spending Review

Changes to Housing and Council Tax Benefit

The Government's Comprehensive Spending Review (CSR) was published on 20 October 2010 and will have a significant impact on every aspect of public services in the years ahead. Spending budgets for the four years from 2011/12 to 2014/15 have been set and the CSR will have a significant effect on the structure of the welfare benefits system and the availability of welfare benefits and Tax Credits over the next few years.

For working age people there will be the introduction of Universal Credits (UC), which will incorporate a housing element over the next 2 parliaments. In real terms possibly something like 10 years of further Housing Benefit work with an unknown number of transitional schemes to administer during this period for Revenues and Benefits.

There are elements that will not be included in UC such as pension age claims, but there is no detail yet on what will happen or where this will sit. It has also been suggested that Council Tax Benefit will not be included although this is still under debate, and there will be Local Schemes administered by Local Authorities (LA's) but again no detail of how this will work. The Department for Work and Pensions (DWP) are considering whether there may still be a role for LA's in dealing with non-mainstream Housing Benefit cases such as supported and temporary accommodation. LA's may also provide the gateway for customers to the DWP as it is accepted that not all customers will be in a position to use the telephone or internet as proposed.

Significant changes in the way benefits are dealt with have already been identified by Government, and this brings uncertainty for the future of Revenues and Benefits. However, the existing service will continue to be delivered by LA's over the next 3-7 years until the full implementation of UC.

Information on the proposals are contained in this report, however detailed information about the changes as outlined in the CSR is limited at present. Although some changes will happen quickly, others may take several years to put into practice. It is also likely that some will be subject to further revision at a later date.

Known Changes

February 2011

Housing Benefit Changes

- Claimants will be moved from Incapacity Benefit onto Employment Support Allowance which will be phased in over 2011-2014.

This will generate increased work levels during the phased period due to the administration of the change to customers' circumstances.

April 2011

Council Tax

- There is to be a freeze on Council Tax increases for 2011/2012. Thereafter there are proposals to replace the current government capping scheme with the right of the public to veto excessive tax rises for any council that looks to increase its council tax above a set ceiling. No further information is known at present.

Housing Benefit

- Changes to Local Housing Allowance

This will bring changes to the way Local Housing Allowance rates (LHA) are set. All measures to reduce LHA rates will come into effect for new claims from April 2011. Existing customers will not be assessed on the new arrangements until 9 months after the anniversary date of their claim occurring either on or following the 1st April 2011. This means that existing customers will be affected between January 2012 and December 2013.

The total number of private rented cases within Plymouth is **22590**. Of which:

14557	are Housing Association
2327	are not subject to Local Housing Allowance
5706	are subject to Local Housing Allowance

- LHA will be restricted to a 4 bedroom rate (reduced from 5 bedroom) regardless of household size. **20** Households will be affected by this limit in Plymouth. The reduction will come in to place on the anniversary of the customer's claim. Plymouth will be visiting all customers affected to advise of the changes and work with them to consider their options.

The loss in income for customers ranges from **£4.00** to **£90.00**.

- Local Housing Allowance will be capped from April so that the maximum that anyone can get on each of the bedroom sizes are restricted to the following weekly rates:

£250.	1 bedroom
£290.	2 bedroom
£340.	3 bedroom
£400.	4 bedroom

No customers will be affected in Plymouth from these changes. The caps will mainly affect customers who live in London.

- LHA rates are currently set at a value where **50%** of the rents fall below them and can be met in full by Housing Benefit, and 50% are more expensive. LHA rates will reduce to **30%** of the rents below being met by Housing Benefit and 70% being more expensive. The average loss is expected to be **£9** per week per household.

The change to 30th percentile for new claimants (existing claims will change from 9 months after their anniversary date), is earlier than expected.

The changes to the rates based on January 2011 figures are as follows:

	January 2011 Rates	30th Percentile as per VOA
	£	£
Single Room Rate	71.00	66.50
1 Bedroom	98.08	92.31
2 Bedroom	126.92	115.38
3 Bedroom	150.00	126.92
4 Bedroom	190.38	161.54

- LA's will now be able to pay landlords direct where it is felt that they have assisted the claimant in securing or retaining a tenancy.
- The £15 excess provision will be removed. This is the rule that if the LHA rate is higher than the rent that a Housing Benefit claimant is paying, they can keep the difference up to a maximum of £15 a week.

1802 Customers currently receive up to £15.00 excess, these range from 0.23p up to £15.00. These customers will lose the excess payments from the anniversary date of their claim.

- An extra room will be allowed for a non-resident carers in the 'size criteria' used to determine LHA where a disabled customer or their partner has a need for overnight care.
- Non-dependant deductions are to be increased (uprated) on the basis of prices using the Consumer Prices Index. This means that if a customer has a non-dependant living with them, a charge is applied to the Housing and Council Tax Benefit called a non-dependent deduction which reduces the amount customers are allowed. In April 2011 the Government will be increasing these rates by a larger amount as they have been frozen since 2001. The maximum weekly rate will increase by 27% which is a significant amount.

Non-dependant's income or circumstances from April 2010	2010 Weekly Deduction £	Non-dependant's Income or Circumstances from April 2011	2011 Weekly Deduction £
Aged 25 and over, and: In receipt of Income support Job Seekers Allowance (Income Based) Main phase Employment and Support Allowance (Income Related) Aged 18 or over and not in remunerative work	7.40	Aged 25 and over, and: In receipt of Income support Job Seekers Allowance (Income Based) Main phase Employment and Support Allowance (Income Related) Aged 18 or over and not in remunerative work	9.40

Aged 18 or over and in remunerative work where:		Aged 18 or over and in remunerative work where:	
Gross income (before tax & deductions) is less than £120.00 per week	7.40	Gross income (before tax & deductions) is less than £120.00 per week	9.40
Gross Income is £120.00 to £177.99pw	17.00	Gross Income is £120.00 to £177.99pw	21.55
Gross income is £178.00 to £230.99pw	23.35	Gross income is £178.00 to £230.99pw	29.60
Gross income is £231.00 to £305.99pw	38.20		48.45
Gross income is £306.00 to £381.99pw	43.50	Gross income is £306.00 to £381.99pw	55.20
Gross income is £382.00 and above pw	47.75	Gross income is £382.00 and above pw	60.60

- The Discretionary Housing Payment (DHP) grant is to be increased nationally by £10million for 2011/2012. It is intended to be offered to those affected by the cuts and provide a limited amount of time to 'ease' the situation if they have to move somewhere else. Some Housing Benefit claimants in private sector rented properties may in effect be made homeless by the Housing Benefit changes.

Plymouth has received an additional **£40,000**, taking its DHP budget to **£105,000**.

April 2012

Housing Benefit Changes:

- A further £40million will be added to the Discretionary Housing Payment budget
- There will be an increase in the threshold for shared room rate from 25 to 35. This means that single customers up to the age of 35 will have their Local Housing Allowance paid based on a room in a shared property rather than a self contained one bedroom property. There are currently **814** customers between the age of 25 and 35.

April 2013

Council Tax Rebate

- The Government is committed to introducing local schemes designed and administered at a local level within parameters. LA's will be in a position to devise a scheme that suits the needs of local taxpayers whilst managing spend within the lower limits. This is a major change with massive implications for the current work undertaken by benefit offices and also for Council Tax enforcement, especially if the overall amount of benefit is reduced. The proposal suggests that budgets will be reduced by 10%, with localisation to provide greater flexibility to Local Authorities.

Discussion is currently underway as to whether Council Tax Rebate can realistically be performed as a separate function to Housing Benefit and whether this should also be aligned with Universal Credits.

Housing Benefit Changes:

- Universal Credit will be introduced replacing Housing Benefit for new claims initially. The current complex system of working-age benefits and Tax Credits is to be gradually replaced by a Universal Credit. Along with Universal Credit there will be a cap on the amount of benefits a working-age household can receive, capped at the level of the average working family income after tax, with the exception of those households that include a person claiming Disability Living Allowance, war widow, or Working Tax Credit.
- LHA rates will be increased in line with the Consumer Price Index instead of the market rents in each area. The connection with actual rents will be lost.
- A size criteria will apply in the social rented sector (council and housing association properties). This means that people living in houses larger than they need will have to move to somewhere smaller or make up the difference in rent because their Housing Benefit will be based on a smaller property. This is only for working-age people.

Preventing Fraud and Error

- This will remain a priority for the future. There is discussion about the use of credit reference agencies to identify potential fraudsters however in reality low level fraud is very expensive to prosecute. There is more likely to be a focus on prevention and compliance.

Discussion is ongoing about the creation of a centralised Fraud team within the DWP.

Summary

The main impact on Revenues and Benefits from the changes for the next 3 years will be:

- Implementing legislation changes:
 - a. Resources to respond to changes and increased enquiries from customers
 - b. IT software testing and implementation of changes
 - c. Increased requirement for staff training
 - d. Development, testing and implementation of working practices - lean processes, to respond to changes but maximise capacity to deal with increased workloads
 - e. Continued focus on improving performance and reducing error. Frequent changes may result in increased error resulting from increased complexity and number of schemes
- Managing increased workloads as a result of changes:
 - a. Increased enquiries and changes resulting from the changes in legislation
 - b. IT systems releases to cope with running the various schemes some of which will require manual intervention
 - c. More people falling into hardship as their benefit reduces

- d. Increased number of Discretionary Hardship Payment requests as more people experience hardship
 - e. Potential increase in fraud and error as less people advise of changes to their circumstances that might adversely affect their benefit
- Continuing to maximise Council Tax collection despite the impact of benefit changes
 - a. More people will fall out of the benefit system and will be required to pay Council Tax. This will in effect increase the amount of collectable Council Tax, from those least able to pay. Some of these customers will have never previously had to pay Council Tax
 - b. Impact of the localisation of Council Tax Rebate with a reduced grant (10%) is currently unknown, but likely to mean restrictions for those currently in receipt of Council Tax Benefit.