

MANCHESTER CITY COUNCIL

REPORT FOR RESOLUTION

COMMITTEE : Finance and General Purposes Overview and Scrutiny Committee

DATE : 25 May 2006

SUBJECT : Revenues and Benefits Service

REPORT OF : City Treasurer

Purpose of Report

To outline the current position of the Benefits and Council Tax Service within the Council and to provide members with an update on progress in implementing the replacement systems for the Council's Benefits and Council Tax services.

Recommendations

Members are recommended to note the report.

Consequences for the Revenue Budget

Improved collection of Council Tax and Benefit overpayments has a positive impact on the Council's financial position.

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Background documents

- Best Value Performance Indicator monthly data

Wards Affected : All

Implications for :

Anti poverty

The Benefits Service deals directly with those in most financial need within the city. Any delays in processing benefits directly impacts on them emotionally and/or financially.

Council Tax collection and recovery procedures have been speeded up by the removal of non-statutory notices from the recovery process. This action has been taken in order to ensure that where possible current year debt is collected in year as required by the collection rate and to ensure that those falling into debt are made aware and are able to address issues promptly.

Equal Opportunities

Any delays in processing benefits could potentially affect the viability of housing schemes designed to assist particular vulnerable groups.

Environment

None directly

Employment

Any delays processing benefit claims can have a detrimental impact on employment levels in that people may be put off taking temporary or short-term contracts due to perceived problems with benefits, rent and Council Tax.

Although showing a consistent improvement, the outturn performance for 2005/6 is still not at the level required. This result can be directly attributed to a drop in performance during the last quarter of the year as a result of the new system implementation:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
New Claims	48.6 days	42.7days	38.7 days	60.7 days
Change of circumstances	10.7 days	8.9 days	8.2 days	29.1 days

3.1.2 Accuracy

One of the performance indicators for benefits administration measures the percentage of claims that have been calculated accurately first time. This is done by sampling and measurement of a small number of claims to an agreed methodology. Although only taken from a small sample, the results are encouraging as they do show a continuing trend of improved accuracy within benefits administration.

	2002/3	2003/4	2004/5	2005/6
Accuracy	96.4%	97.8%	96.8%	99.6%

To ensure quality levels continue throughout the Benefits Service and to comply with government expectations in this area, a 4% check of assessment of claims prior to payment and a 10% check of all assessments overall will continue through 2006/7.

3.1.3 Documents and Work Outstanding

The aim is to deal with all incoming claims and correspondence within 7 days of receipt into the office. This involves opening the documents, dealing with any document or claim validation issues and scanning and indexing the information onto the document imaging system within 24 hours of receipt and then passing onto the assessment teams for action.

To manage this the number of documents over 7 days is measured and monitored with the ideal position being to deal with all incoming work within 7 days. Prior to the system implementation this was going well and at the end of November 2005 the service only had a couple of thousand documents over 7 days. At the present time this is 10,500. The recovery target is now to clear this level of work by 1,000 documents each week with a plan to be up to date by the end of July 2006. In the mean time all incoming work is vetted and any urgent claims and other priority work areas are prioritised.

In addition to incoming claims and documents, there are also 5,000 claims that have been selected for an intervention check. This involves checking and validating the claimant's current information against their claim details and is required as part of the government's Verification Framework requirements. To assist backlog recovery, 3,000 of these interventions have been passed to a private contractor for processing. A large proportion of the funding for this has come from the central government grant for the system implementation.

3.2 External Inspection

3.2.1 Benefit Fraud Inspectorate (BFI)

The BFI have advised the Council that they will be conducting an inspection to assess claims processing within the Council. The Council was selected for inspection based on the 2004/5 Performance Indicator results, in that the Council was not reaching the standards expected in terms of speed of processing. The inspection has now been deferred by the

BFI to allow for the new system implementation and recovery. The Council is now waiting for a revised date for this inspection.

3.2.2 Comprehensive Performance Assessment (CPA)

As part of the Council's Comprehensive Performance Assessment process for 2005/6, a full appraisal of both the key performance measures and enablers contained in the Performance Standards for Housing Benefit was undertaken. This appraisal gave a score of 3 for the performance measures and 4 for the enablers. This gave an overall score of 3, which contributed towards the Council's CPA review.

The Council is now collecting data and evidence for the 2006/7 assessment, which is required by 30 June 2006. As part of this assessment the Council will be requesting that the inspectors consider the impact of the new system implementation on the performance measures, which assess speed of processing.

3.3 Issues/ Initiatives affecting the service

3.3.1 Validation of documents and advice surgeries in libraries

Service Level Agreements have been developed which allow some large Registered Social Landlords (RSLs) to provide claim receipt and validation services. The landlords involved are:

- Willow Park Housing Trust
- Northwards Housing
- Eastlands Housing
- Grove Village Housing

In addition there are now 7 libraries carrying out this service. This is a major achievement and has improved access and claims processing. During 2006/7 access will continue to be reviewed and more RSLs will be encouraged to provide the receipt and validation services.

The network of places in the city where people can receive Benefits and Council Tax advice has also been strengthened and now includes 10 daily sessions at 7 libraries across the city.

3.3.2 Development of an on line claim form

The Council has been successful in its bid for funding from the Performance Standards for Housing Benefit pool. The project is to develop an on line benefits claim form with 'smart' questions relating to a claimant's individual circumstances. The product is being developed with staff in Manchester Housing and Corporate Technology, as well as an external company, Team Netsol who are developing the software. The product is now being tested at several housing offices with full rollout planned in late summer. The product will then be available for purchase by other councils administering benefits.

3.3.3 Subsidy Payments

During 2005, the Council secured full extra subsidy payments of over £1 Million for ensuring that the level of overpayment attributable to local authority error during 2004/5 was below the threshold set by central government.

3.4 Benefits Fraud Action

3.4.1 Investigations by the Fraud Investigations Group

In the 2005/6 financial year the Fraud Investigations Group received 1,605 referrals, of which 1,077 resulted in an investigation. The group currently has 636 ongoing investigations of which 274 were referrals generated by the Department of Work and Pensions Housing Benefit Matching Service, which seeks to detect housing benefit, and related fraud by cross matching various data and information held by Central Government, with the Council's housing benefit data.

3.4.2 Sanctions and Prosecutions

The last report advised that in the first six months of the financial year there had been 3 convictions for benefit fraud, 6 offenders who had been formally cautioned and 2 Administrative Penalties had been issued. As a result of additional staffing resources being allocated to the team, there has been a significant improvement in performance with the group generating more sanctions and prosecutions between January and March 2006 than in the previous nine months. The result is that in the full financial year 11 convictions for benefit fraud were secured, 31 offenders were formally cautioned and a further 10 offenders accepted an Administrative Penalty.

Those convicted included:

- A woman from Cheetham was convicted of dishonestly obtaining £11,245 in Housing and Council Tax benefit, having failed to declare on her application forms that her husband was her landlord. She was sentenced to 180 hours Community Punishment Order;
- A woman from New Moston was convicted of dishonestly obtaining £9,462 in Housing and Council Tax benefit, having failed to declare that her partner was living with her and was sentenced to 160 hours Community Punishment Order;
- A couple from Harpurhey admitted that they had dishonestly obtained £10,346 in Housing and Council Tax benefit, having failed to declare that they had purchased the property they had claimed they were renting. They were both sentenced to 150 hours Community Punishment Order;
- A man from Levenshulme was convicted of dishonestly obtaining £2,598 in Housing and Council Tax benefit, having failed to declare that he had started full time work and was given an 18 month Conditional Discharge.
- A man from Longsight was convicted of dishonestly obtaining £15,872 in Housing and Council Tax benefit, having failed to declare that he owned the property from which he claimed and had a further property from which he had had undeclared rental income. When sentencing him to a 200 hours Community Punishment Order the judge stated that the starting point for such an offence was imprisonment but that he had given the defendant credit for his guilty pleas, and issued a confiscation and compensation order for the sum of the overpayment stipulating that failure to comply would result in 12 month imprisonment.

3.5 Benefit Overpayments

The 2005/6 target was to collect £2 million of billed, overpaid benefits within the financial year (those cases which cannot be offset or collected from ongoing benefit at the time of assessment). The Council achieved collection of £2.19M. (this money is real income to the Council as it is outside the benefits subsidy scheme).

The collection figure was made up of the following income:
£1.84M, in respect of full payment and ongoing installment collection.
£350,000 collected via landlord recovery.

For 2006/7 the target is to collect £1.7 million as a result of customer invoicing of benefit overpayments.

Of this amount,
£1.1 million recovery for debts raised prior to April 2006 (old debt)
£600,000 recovery for debts raised after April 2006.

4. Council Tax Administration

4.1 2005/6 performance to date against Key Performance Indicators

4.1.1 Best Value Performance Indicator 9 (BVPI9)

	2002/3	2003/4	2004/5	2005/6
Council Tax collection in year	87.9%	89.6%	90.3%	89.1%

After incremental improvement for the past 4 years, 2005 has shown a drop in the percentage of in-year Council Tax collected of 1.2%. This is a direct result of the suspension of any new recovery action from November 2005 until the end of the financial year, due to implementation of the new computer processing system. This result puts Manchester in the lowest quartile nationally and means that there is a lot of work to do to make the necessary improvements to collection levels.

The Performance Indicator relates solely to the amount of Council Tax raised by the Council and collected in the year in which the charge was raised. Although the amount of cash collected has continued to rise year on year, a significant element of the cash collected is made up of collection of previous years arrears and does not contribute to the Performance Indicator result. However, there has been effective performance in this area and significant amounts of arrears have been collected to help fund the Council's ongoing activities.

During 2006/7 the Council Tax service will undertake further reviews and assessment of this Performance Indicator result and this will include comparisons to other councils to compare how they achieve higher BVPI results and examine whether this is down to effective Council Tax recovery and debt management or cash allocation practices and routines. Where good practice is identified this will be considered and where possible implemented.

4.1.2 Cash collected

Overall cash collected during the 2005/06 financial year (after allowing for refunds) was £95.1M, which added to the £39.2M paid into accounts by Council Tax Benefit, gave a total amount 'collected' of £134.3M.

The target for cash collection for last year was set at £135.5M so the Council was £1.2M short of achieving the target. Again, this was solely due to the inability to take recovery action against non-payers during the period November 2005 to March 2006, when the main Benefits and Council Tax processing system was being replaced. However, recovery of last year arrears started again in early April 2006 with over 16,000 reminder notices issued already in respect of previous year accounts, to a value of almost £5M.

For the current year a cash collection target in the region of £140M will shortly be agreed with the City Treasurer. This target takes into account the rise in the amount of tax charged (2.77%), a necessary increase in the previous years collection levels, and an anticipated 1% rise in the taxbase (basically an allowance for the continuing increase in the numbers of domestic properties in the City).

4.2 2006/7 Council Tax accounts

4.2.1 Direct Debit Payers

The Council has a 5% annual target to increase the numbers of residents paying their Council Tax by direct debit. During 2005/6 the total number of Council Tax accounts being paid by direct debit increased to 65,184 accounts totalling £54.31M. This compared to 59,784 accounts totalling £48.6M during the previous year. This means there was a 9% increase in the number of accounts and a 12% increase in the amount paid in this way. Increasing direct debit take up reduces transaction costs, ensures regular cash flow and frees resources to tackle non-payers.

For 2006/7 the target for the increase in direct debits is to achieve 71,400 accounts and revenue of £58.7M.

4.2.2 Tax Base

The number of domestic residential dwellings within the city boundary continues to increase at the rate of approximately 1% a year. As at March 2006, the number of properties has risen to above 203,000 for the first time. This compares with just over 193,500 in November 2000.

4.2.3 Recovery Issues

During 2006/7, the Council will continue to take a robust approach to recovery of outstanding Council Tax. We will use all available collection and recovery methods to maximise collection of the billed Council Tax within the financial year, as this is how the current BVPI for Council Tax is measured. Unless there are exceptional circumstances, payment plans will not be extended outside the statutory timescales and not outside the financial year. Extended payment plans can cause problems for future years as the resident is always in a position of arrears on the current debt.

In some cases, usually where there are multiple debts and the normal recovery process has been exhausted without payment, the Council now considers the use of Charging Orders and personal bankruptcy. The pilot, trialling the use of bankruptcy has been a success for the Council, and has secured income of over £1M in the 12-month period of the trial.

This new recovery method has proved effective for those people who in the past would not have engaged with the Council and who have evaded more traditional debt recovery methods, including landlords and people who are self employed.

Conclusions

Performance within the Revenues and Benefits Unit is positive and shows systematic improvements in both Council Tax and Benefits administration. Performance results suggest that although high level performance indicators may not be reached, the majority will show an annual, incremental improvement.

The Unit continues to plan to develop the service in accordance with central government guidelines and to deal with required changes to the computer system.

Further updates will be provided as required, to update members on performance and changes.

RICHARD PAVER
CITY TREASURER