

HOUSING BENEFIT ADMINISTRATION - TAX AND PENSION CREDITS

1 SUMMARY

- 1.1 Members to consider the report of the Head of Revenue and Housing Management on the introduction of Tax and Pension Credits and the associated staffing implications.

2 PROPOSED CHANGES

- 2.1 In February 2002 the Government announced changes to certain aspects of Housing Benefit administration which would be introduced in two stages. Firstly, in April 2003 the Government intend to abolish Children's Tax Credits, Working Family Tax Credits and Disabled Persons Tax Credits and replace these with two new tax credits - Working Tax Credits and Child Tax Credits.
- 2.2 The second change introduces a less intrusive income test in Pension Credits. There are two main elements to the Pension Credit, which a claimant and/or their partner can claim for from this date. These two elements are known as the Guarantee Credit and the Savings Credit.
- 2.3 The Guarantee Credit will provide a level of income for everyone aged 60 and over. This will be currently £100 a week for a single person over 60 years of age and £154 a week for couples over the age of 60. The Guarantee Credit will replace the Minimum Income Guarantee from the 1 October.
- 2.4 The Savings Credit will benefit people aged 65 and over that have saved for their retirement. The Savings Credit will be calculated by taking into account any qualifying income such as a private pension or part time job above the basic level of the State Retirement Pension. Customers will receive 60p for every £1 saved, up to a maximum of £13.80 a week currently for a single person and £18.60 a week currently for couples who apply.
- 2.5 The Pension Credit will abolish the capital rules excluding pensioners with £12,000 or more savings from any help. Savings below £6,000 will be disregarded.
- 2.6 Other changes associated with these proposals relate to benefit period for pensioners including detailed risk-based regular reviews for pensioner classes.

3 WORKLOADS

- 3.1 The Government believe that the introduction of tax credits and pension credits will make a significant contribution to their anti-poverty agenda.
- 3.2 Working Tax Credit will provide a major new work incentive for working age people, and Child Tax Credit will streamline support for all families with children. Pension Credit will for the first time reward people who have saved and will provide a significant boost to many pensioners' incomes in a less intrusive way.
- 3.3 There will of course, be a major impact on the administration of Housing Benefit. The Department for Works and Pensions (DWP), together with Inland Revenue, have been working hard to make the changes as easy as possible for local authorities, and have been involved in extensive discussions with local authority representatives. But there is a considerable challenge for all local authorities for two reasons.
- 3.4 First, workloads will increase. There will be an increase in the pensioner caseloads. The new tax credits will take some people off Housing Benefit altogether but there will be a sizeable increase in the numbers of existing Housing Benefit recipients who, in future, will receive a credit. And there will be a lot more changes of circumstances to handle.
- 3.5 Second, both new Tax Credits and Pension Credit involve new ways of treating income and capital which are not easy to fit with the existing structure of Housing Benefit. For example, tax credits are based on annual rather than weekly income, and there will be different ways of treating pensioner claims depending on whether or not they receive Pension Credit. And, at least to start with, most contact with the Inland Revenue (who will administer tax credits) will be by phone or by paper - there is no equivalent of the IT link through remote access terminals that Rochford currently have with Jobcentre Plus and The Pension Service. This will mean the Council having to establish secure links with the Inland Revenue by the establishment of a designated Liaison Officer who will have specific responsibility to ensure smooth transition to the new regime and then ongoing secure liaison on an individual case basis.
- 3.6 In the light of these substantial increases in local authority workload, the Government have sought and obtained additional funding. For next year (2003/4) the Government are distributing a further £49 million (including a further £5 million set-up costs), and in 2004/5 £30.5 million. Thereafter, administrative subsidy will increase by £27 million a year. These are large sums of money for ongoing costs and, although not

ring-fenced, they have been secured to enable local authorities to cope with these workload increases, and in particular the cost of extra staff.

- 3.7 The Government view is that there would have to be very special circumstances for an authority to decide that no additional staff were needed to run the Housing Benefit service effectively through 2003 and beyond. Caseload uplift is expected to be an additional 475 for Tax Credits and 500 for Pension Credits. Altogether around 20% increase in cases covered by an equivalent 2.3 additional staff.

4 FINANCIAL AND RESOURCE IMPLICATIONS

- 4.1 At the meeting of 5 December 2002, when Members agreed a revised form of delivery of the Revenue and Benefit Service, the Head of Service outlined the likely staffing implications. These are now developed further.
- 4.2 Because of the affluent nature of the area, Rochford is likely to have a higher than average number of pensioners affected by Pension Credits and this will be reflected in staffing requirements. The national funding figures outlined above translate to an additional £41,237 for Rochford in 2003/4, £27,016 in 2004/5 and £24,530 in 2005/6. There are unallocated set-up funds of (nationally) £5mill, which will supplement the 2003/4 allocation, but a precise figure cannot be calculated at this stage. The Head of Service estimates this to be below £2,000.
- 4.3 In addition, the Council made a successful bid for recruitment and training of new staff as part of its Service Improvement Plan associated with the Housing Benefit Performance Standards. An amount of £4,000 has been awarded for the current year and £28,000 for 2003/4. These amounts are in addition to the £23,100 awarded for set-up costs, although a substantial portion of this will be swallowed by cost of software as illustrated below:-

Software upgrade	£15,000
Office Equipment	£ 1,200
IT Equipment (one-off)	£ 3,200
IT Annual Support (ongoing)	<u>£ 2,000</u>
Total	<u>£21,400</u>

- 4.4 However, Members will see from the foregoing and the salary appendix that the project is substantially funded, but leaving an impact on the 2003/4 core budget of £24,000. (£20,000 included in Budget). The salary appendix illustrates full year costs from 1 April 2003, but it is unlikely that it will be possible to have staff in post by this date. The more probable date for staff appointments will be May 2003 so neutralising the £4,000 "shortfall" in this years Budget. Members should also note that the Budget Strategy includes a sum of £30,000

for additional net costs in 2004/5 and based on the financial information coming from the DWP this is viewed as sufficient.

- 4.5 The Head of Service is basing his additional staffing requirements on current staff/caseload ratios (currently one officer manages around 420 cases) and the need to raise standards associated with Housing Benefit Overpayment recovery. Rochford is currently in the bottom quartile of local authorities. The Housing Benefit Performance Standards (HBPS) Action Plan highlighted the need for improvement in this area and the Revenue and Benefit Manager has set specific targets for his team to improve in this service area. The likely out-turn figure for 2002/3 is around a 48% recovery rate. An improvement on last years' figure, but one that still places Rochford in the third quartile. The overall aim is to improve performance to 'top quartile' ranking in a three year period. This will mean a 17% increase in performance with potential "income generation" amounting to £22,600. Success at this level would adequately cover the salary cost of the Overpayments Officer. To achieve this the Head of Service proposes the appointment of a member of staff dedicated to this aim. Details of other staff, with on outline of duties, are shown below

Benefit Assessors x 2 (Scale 2-4)

To deal with the Government predicted uplift in caseload reflecting that Rochford is an approved Verification Framework site.

Overpayments Officer (Scale 4-5)

With specific responsibility for the recovery (repayment) of overpaid Housing Benefit to bring Rochfords' performance up to top quartile ranking. (Members are reminded that the Subsidy Arrangements favour those authorities with high rates of Overpayment Recovery effectively permitting the retention of funds recovered in excess of 70%. This is, therefore, potentially an area for income generation or the reduction of an already high level of expense falling directly on the General Fund). As part of a Government funded consultants review of Housing Benefit administration (associated with the HBPSs) specific attention was drawn to the need to set targets for and achieve higher levels of overpayment recovery.

Liaison/Publicity Officer Scale 4-5)

To act as co-ordination officer between DWP and Inland Revenue so as to ensure smooth transfer of data and develop a raft of publicity documents associated with the new benefit regime. The person appointed to this post will need to

have/achieve website development skills, be able to research Government Circulars and translate these into an understandable form for our customers. The Head of Service has undertaken a needs analysis and estimates that 60% of this officers time will be taken up with direct liaison on individual cases with the Inland Revenue and DWP. Around 20% of time will be spent on case liaison with the Supporting People Team at Essex County Council and the remaining 20% on scheme publicity including contact with Day Centres, Pensioner Clubs, CAB, Sheltered Housing tenants in RDC housing and Housing Association properties , and general take-up campaigns to ensure that resources are directed to those in most need.

- 4.6 The Head of Service has discussed with the Head of Administration and Member Services and the Corporate Policy Manager the implications of the appointment and duties of the Liaison/Publicity Officer as potentially they might duplicate the work undertaken by staff in other work areas. However, both Heads of Service and the Manager are fully satisfied that work undertaken in this area either falls within the departmental operating framework for website upgrades/updates or is of a sufficiently specialised nature as to need specific Housing Benefit knowledge in order to maintain a raft of public information documents to assist claimant and meet the aforementioned Housing Benefit Performance Standards.
- 4.7 On the assumption of an early advertisement and recruitment process the posts have been costed from 1 April 2003 in line with the funding provided. (See Appendix) but as indicated above, the likely date for the appointment of new staff will be May 2003.
- 4.8 Following the restructure of the Revenue and Benefits Team from 1 February there will be a settling in period and a fairly steep learning curve on Tax and Pension Credits for new and existing staff. There will therefore be a two year peak in staffing after which there is expected to be a plateauing effect from 2005 onwards. The Head of Service therefore intends to undertake a fundamental review of staff required to take the service beyond this date coupled by a comprehensive justification report on any vacancies which might occur in the lead-up to this date.

5 UPDATE ON PERFORMANCE STANDARDS

- 5.1 The Head of Service is pleased to report that the Performance Standards Action Plan is on target and will now be amended to reflect the additional requirements of Tax and Pension Credits.
- 5.2 Of the 647 standards which must be achieved, at the time of drafting this report 477 had been met. The Head of Service has set a target of

achieving at least 500 of the standards during 2003/4. The Council now need to tackle some of the more challenging and demanding standards over the next twelve months. An update on progress will be made in July 2003 which will include the success of the Revenues/Benefits integration and the appointment of new staff.

6 CONCLUSIONS

- 6.1 The Government is encouraging a high level of success from local authorities in the introduction of this new regime. They have substantially funded the exercise and are therefore looking for an early 'payback' on their investment.

7 RECOMMENDATION

- 7.1 It is proposed that the Committee **RESOLVES**
- (1) That the introduction of the new tax and pension credits regime be noted and that it be included in the Action Plan
 - (2) That the following posts be created from 1 April 2003:-
 - 2 x Benefit Assessors (Scale 2-4)
 - 1 x Overpayment Officer (Scale 4-5)
 - 1 x Liaison Officer (Scale 4-5)
 - (3) That progress on the Performance Standards be reported in July 2003. (HRHM)

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Background Papers:

Housing Benefits Performance Standards
Capita Consulting PLC Report
DWP Letter 6 November 2002
"Funding Housing Benefit Changes" - DWP Guidance

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