

# Updating the costs of Housing and Council Tax Benefit administration

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## Background

Local authorities (LAs) administer Housing Benefit and Council Tax Benefit (HB and CTB) within a framework set by DWP, and receive subsidy grants for administration (and for the HB and CTB paid out). At April 2010, the total number of people claiming either HB or CTB was 6.31 million, with 4.22 million claiming both benefits<sup>1</sup>.

In 2004, DWP commissioned Risk Solutions to estimate the costs to LAs of administering HB and CTB. Since then, a number of changes have taken place that are likely to have affected how LAs administer HB and CTB, and the costs they incur, including changes to the benefits themselves, and how LAs administer them:

- the benefits themselves;
- how benefits are administered;
- how performance is measured and managed;
- LA boundaries;
- reductions in HB and CTB administration subsidies paid to LAs;
- socio-economic factors, such as economic recession.

The research reported here has two specific objectives, which sit within DWP's overall goal of modernising the delivery of HB and CTB:

- 1 **provide an updated estimate of the costs to LAs of administering HB and CTB** – both at a national level and, as far as possible, for certain tasks and functions within the HB/CTB administration process;

<sup>1</sup> [http://research.dwp.gov.uk/asd/stats\\_summary\\_jul2010.pdf?x=1](http://research.dwp.gov.uk/asd/stats_summary_jul2010.pdf?x=1)

- 2 **recommend an information model** – to help DWP keep the estimated costs up-to-date by highlighting any gaps in the information currently submitted to DWP by LAs on a regular basis, and suggesting additional information requirements, while minimising unnecessary burden on LAs.

## Methodology

The methodology included collecting high level information from a large number of LAs (via a breadth survey administered by GfK NOP), and more detailed information collected from a representative sample of 30 LAs during fieldwork. We also used information provided by DWP from the Single Housing Benefit Extract (SHBE<sup>2</sup>). We analysed the data collected using a standard statistical package (Stata) and developed statistical models to predict national total costs for the administration of HB and CTB, together with estimates for individual workload areas (such as assessing new claims, investigating fraud, encouraging take-up).

## Findings

### Managing and organising work

Our sampling strategy provided a representative cross section of LAs, and so the fieldwork provides insight into current practice across each workload area.

It appears to be rare for LAs to outsource all benefits administration; in the breadth survey carried out for this work, five of 161 respondents do so. For the 30 LAs we visited, about half had customer service

<sup>2</sup> SHBE data is composed from monthly data returns from LAs about their HB and CTB claims.

functions delivered by another part of the LA, for example through 'one-stop shops'.

A small number of LAs in our fieldwork sample use staff who work on both revenues and benefits; managers in these LAs cited improved customer service and improved efficiency as reasons for this approach.

Since our 2004-05 research, there have been several changes to HB and CTB schemes, and changes in the ways that people work. The customer information system (CIS) allows LAs to have secure web-based access to DWP information relevant to the assessment of HB and CTB claims. It appears to have been welcomed by users, who told us that it is easier to use than its predecessor and has reduced the time taken to assess claims. However, LAs have interpreted DWP guidance on recording the results differently, (for example some state that no hard or electronic copies of CIS screens should be made, while others believe it is important that a record is kept as proof that the information has been verified and in case error or fraud is suspected in the future).

LAs try to make sure that claimants supply as much as possible of the information and evidence required to accompany a claim with the initial claim. Some LAs prefer to take new claims by visiting claimants in their own home, to increase the likelihood that all the information and evidence is provided up front. Some have implemented a 'claim promise' where they undertake to assess the claim within a given (short) period of time as long as all information and evidence necessary is provided up front. One LA told us that it now needs to write to claimants for further information or evidence in only five per cent of cases.

The introduction of LHA for private sector tenants has reduced double handling of claims as activities relating to rent officer referrals are no longer necessary. We note however, that some LAs have seen an increase in the numbers of safeguards applications<sup>3</sup>.

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<sup>3</sup> Local Housing Allowance is usually paid directly to the claimant, but the claimant or their landlord can apply to the LA asking for it to be paid directly to the landlord; this is known as a safeguards application.

The economic recession has resulted in increased caseload and so workload for almost all LAs. LAs have used a range of approaches to manage the extra workload, including overtime, recruiting additional staff, outsourcing some assessment activities, and reducing work in discretionary areas such as checking and reviews. LAs no longer have prescriptive targets to meet for checking and reviews, and some had moved resources from these tasks to assessment work.

The fieldwork found considerable variation in numbers of reviews undertaken. Total numbers of reviews completed varied from around four per 1,000 caseload to 880 per 1,000 caseload, with mean and median averages of 217 and 160 reviews per 1,000 caseload respectively. While some of this variation results from differing work priorities as a result of increased workload, some may reflect choices made by LAs in the mix of activities to use to manage customer error.

## Costs

The breadth survey and fieldwork together produced a rich database on costs and on potential drivers of cost. We analysed this data to:

- 1 obtain a deeper understanding of how the total costs are broken down, and what drives those costs;
- 2 produce an estimate of the total national cost of HB and CTB administration, by estimating costs for those LAs where we do not have the actual costs, and summing over all the actual and estimated costs.

We find that differences in caseload explain most of the differences in costs between LAs. We would expect numbers of new claims and changes of circumstances to affect costs. However, to be able to see any such effect in the data, there would have to be some LAs with low numbers of new claims (or changes of circumstances) relative to caseload,

and some with high numbers. This is not the case; the numbers are too similar across LAs to allow any effect to be observed. In the same way, while we might expect the mix of new claims to drive costs (e.g. tenancy type, passported status) because some claims are more complex to assess, the mix across LAs does not vary sufficiently for any differences to be observed in the data. Thus, caseload is a good predictive variable. Using either ONS classification or region helps to explain some of the remaining variation. This is probably because the cost of employing staff is higher in some places, notably in London Boroughs.

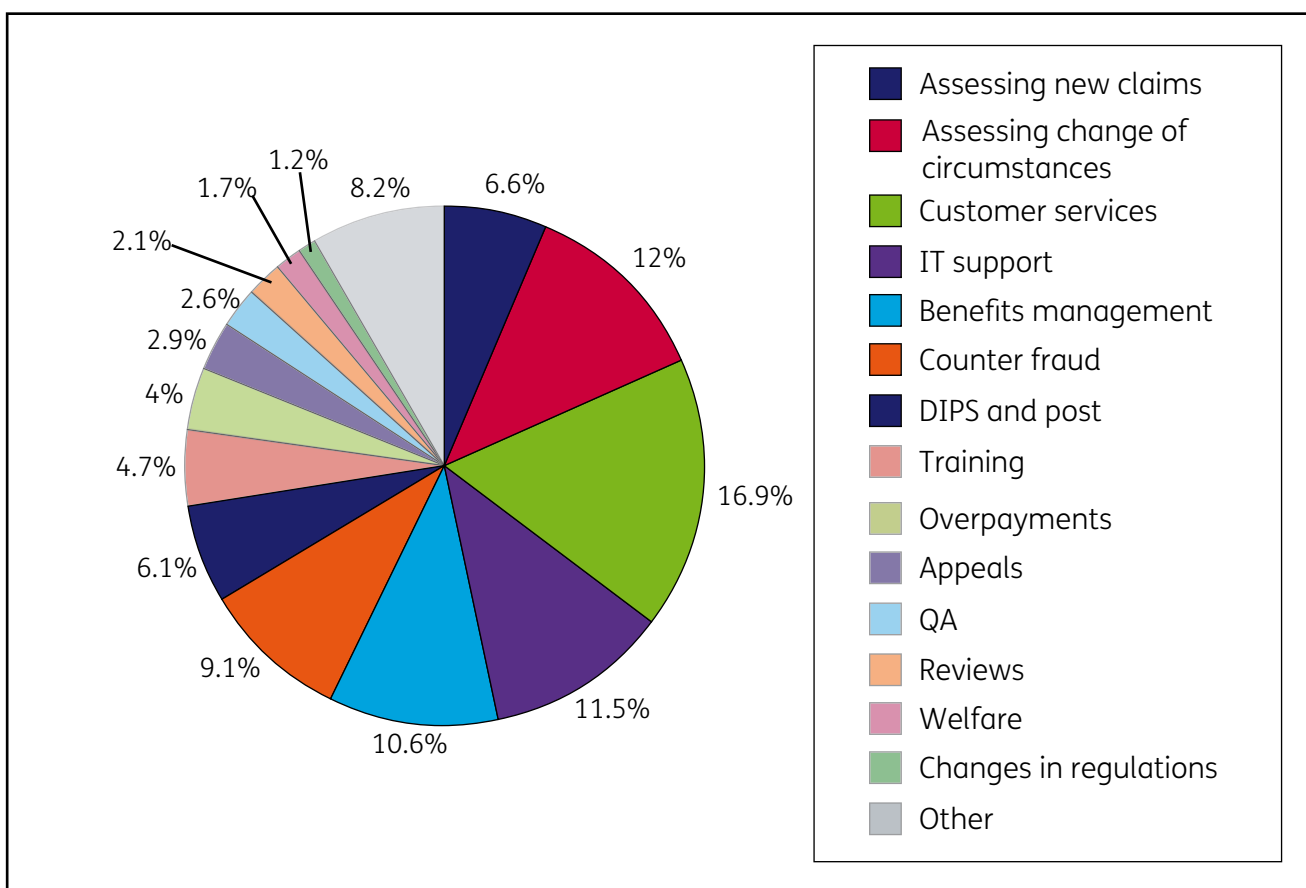
The estimate of the total national costs to LAs in England, Scotland and Wales of administering HB and CTB is £(986 ± 12)M.

The unit cost per item of caseload is approximately £(163±1).

There is some evidence that modernisation of HB and CTB and changes in LA working practices have led to savings since 2004. The estimate for 2004/05 was £(801 ± 11)M. Uprating this by the apparent increase in employment costs for assessors and the increase in average caseload gives an adjusted figure of £1,120M. The estimate above is 88% of this figure, suggesting an overall reduction of 12% compared with the costs we might expect to see in the absence of any other changes.

The estimate of total costs measured using a bottom up approach – from detailed data gathered during fieldwork – is £(752 ± 2.4)M. This comprises the cost of people’s time together with recharges and external charges that can be allocated to specific workload areas. Thus, it is lower than the total national cost estimate as it excludes items such as recharges for finance, HR, accommodation and LA corporate management. Figure 1 below shows how the total bottom up cost is divided among the workload areas.

Figure 1 National total costs of workload areas



## Updating cost estimates

We suggest that the priorities for regular information gathering are as follows:

- 1 ensure that SHBE extracts are accurate, and support the disaggregation (by claim and claimant types) of interest. Priority should be given to caseload data, as this appears to have the greatest overall predictive power for costs;
- 2 it would be useful if LAs could supply data annually on the average cost of employing an assessor. Staff costs help to explain differences in costs between LAs, and assessor costs are a useful benchmark to indicate differences in pay rates between LAs. This would require careful definition of which grade(s) correspond to 'Assessor';
- 3 it would be useful if LAs could supply annually the outturn numbers for what we have called total top down costs (essentially the outturn for the LA benefits cost centre). This would give a more direct picture of national costs. Changes in the total top down costs when compared with costs estimated using statistical models based on caseload and annual assessor staff cost could indicate that changes in the underlying processes or drivers and hence in the cost basis had occurred.

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The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 868 3. Research Report 705. November 2010).

You can download the full report free from: <http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

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