Remote Control
The National Administration of Housing Benefit

Audit Commission
The Audit Commission for Local Authorities and the National Health Service in England and Wales
Remote Control:
The National Administration of Housing Benefit
Local authorities administer two social security benefits. Housing Benefit (HB) helps people living in rented accommodation to pay their rent, and Community Charge Benefit (CCB) helps people to pay their Community Charge. As their legislative frameworks are similar, the two are administered in tandem by most councils. Council Tax Benefit (CTB) will replace CCB when the Community Charge is succeeded by the Council Tax in April 1993.

Central government is responsible for the highly detailed legislative framework within which authorities must work. In addition, it supports much of authorities’ expenditure on benefits via subsidies from the Department of Social Security (DSS) and the Department of the Environment (DOE) and the Welsh Office. DSS also meets a proportion of authorities’ administrative costs and DOE and the Welsh Office provide further support through the Revenue Support Grant (RSG).

In 1993 the Commission's auditors will supplement their usual annual examination of grant claims submitted by individual authorities, and their testing of accounting arrangements and controls, with value for money reviews. This report describes the effect of the legislative and subsidy structure upon the achievement of value for money provided by local authorities. It also suggests to Government changes to improve the service that authorities provide and to help safeguard public money. A companion report, Benefits administration: A management handbook, describes the steps which local authorities should take to improve the position.

Both reports, and the associated audit guide, were prepared by a team from the Commission's Directorate of Local Government Studies, which worked under the direction of Doug Edmonds and was led by John Gaughan. Other members were Dene Robson, Annie Tsang and Tim Watkinson, an auditor seconded to the Commission from KPMG Peat Marwick. One of the Commission's computer auditors, Richard Havergal, and two consultants, Martin Ward and Sue Sanders, also contributed. The research included analyses of national data (some of which were performed by Emmanuel Thanassoulis of Warwick University), fieldwork in 15 authorities, shorter visits to others, and the analysis of a questionnaire about administration costs and arrangements which was returned by 240 authorities. The project team consulted the local authority associations, professional and voluntary bodies and other organisations. It also visited Citizens Advice Bureaux and housing associations in some field work authorities. The team also drew upon regularity and grant claim work carried out by the Commission's appointed auditors.

An advisory group comprising practitioners nominated by the local authority associations, officials from the DSS, the Chief Executive of a major housing association and an officer from the National Association of Citizens Advice Bureaux met regularly. Representatives of the Accounts Commission, which oversees the auditing of local authorities in Scotland and which has been carrying out work on benefits administration alongside the Audit Commission, also attended meetings.
The Audit Commission is grateful to all who helped; however, responsibility for the findings and the recommendations lies with the Commission.
Benefits administration is an important local government service. Housing benefit is awarded to over half of all tenants in rented accommodation - a total of 3.5 million recipients. Community charge benefit is received by up to 30 percent of all households. A total of £6 billion worth of benefits is awarded each year, 10 percent of all social security payments.

A well administered service helps people to afford rented accommodation and their Community Charge. It also helps local authorities by improving the amount and speed of rent and local tax collection. Conversely, poor administration can lead to significant backlogs of claims and large numbers of overpayments. This causes stress to claimants and, in the case of tenants in the private rented sector, can lead to eviction and homelessness because of unpaid rent.

There are strong reasons for local government to undertake the task of administration. Council tenants form over 70 percent of people receiving housing benefit and local authorities reduce costs and increase security by rebating their rents rather than tenants receiving cash from another source. The rules for calculating Housing Benefit and Community Charge Benefit are similar and entitlement to Housing Benefit usually connotes entitlement to Community Charge Benefit. There are savings in joint administration as there are in being able to rebate Community Charge bills directly rather than paying cash to chargepayers. In most cases these arguments will still apply when Council Tax is introduced.

But although there are clear advantages in local administration, there still needs to be strong central control. Central government pays directly for about 95 percent of benefits and about 30 percent of the cost of administration. Additionally, it supports some of the remaining benefits payments and some of the administrative cost through the Revenue Support Grant. Furthermore, it sets the rules for benefit entitlement, to harmonise the criteria with those for other social security payments. For example, eligibility for Income Support implies entitlement to Housing Benefit, for those in rented accommodation, and to Community Charge Benefit. The same approach will be taken with Council Tax Benefit. The rules have had to be changed because of changes to social security and local tax legislation.

Government seeks a consistency of approach through detailed regulations. It wishes to see that the right amount of benefit is received by everyone who has an entitlement and that benefits are paid promptly. It also wishes to see that money is not wasted either by overpayments or by payments to people who do not have an entitlement. It also wishes benefits to be efficiently administered.

There are tensions in these objectives. Although there is no apparent link between speed of processing and cost, the greater the effort to avoid fraud, the higher the administrative cost. The greater the effort to ensure that benefit is correctly calculated and the rules properly applied, the higher the cost; and the greater the effort to provide a quality service in terms of access, the higher the cost. Any extra administrative costs have to be met by cash-limited General Funds. Rather
than resolving these tensions by setting comprehensive service standards and monitoring their achievement, central government relies on subsidy incentives whereby Government grant is reduced for certain types of benefit payment, e.g. backdated awards and overpayments. Local authorities are then left to resolve the tensions in the light of local priorities.

Some of the subsidy incentives work well. They encourage local authorities to guard against the unjustified backdating of awards and they properly encourage authorities to review cases at least annually as a further protection against fraud and inadvertent overpayment.

But perhaps only a third of authorities largely administer benefits properly, efficiently and effectively. Many other authorities manage the system efficiently but do so at the expense of adhering to some of the (admittedly complex) Regulations. For a significant minority of authorities the position causes even greater concern; in some, large backlogs have developed causing a spiral of unopened mail, unprocessed claims, and unanswered queries. A companion report, Benefits administration: A management handbook, describes local authority performance and makes detailed recommendations on good practice.

There has been justified criticism of some authorities by the Ombudsman, housing associations and other agencies. Auditors, too, have criticised a number of authorities. Some authorities let the subsidy incentives adversely affect the quality of their decisions on individual cases. They rarely backdate claims even where there is good cause. Some do not put sufficient effort into identifying overpayments because of the consequent impact on subsidy. Some also treat all overpayments as recoverable even where they are in fact due to their own error and claimants could not reasonably be expected to recognise the mistake. And some do not use rents above those recommended by the Rent Officer even where such higher rents are justified by an individual's circumstances. In addition, some authorities have major backlogs and yet are reluctant to make an investment to recover the position. Some are also reluctant to invest the necessary resources to prevent fraud.

The present system of remote control must be replaced with effective external quality control. Central government recently has proposed changes which would improve the subsidy arrangements and encourage authorities to place greater emphasis on fraud investigation, but further change is needed. The emphasis should be more on rewards than on penalties. Government should set clear standards of service and monitor local authority performance in terms of speed and accuracy. Because this depends in part on the work of the Benefits Agency it should also monitor the success of the Service Level Agreements between local authorities and Benefits Agency offices that are planned to be in place by April 1993. There should be similar agreements for the Rent Officer Service. Throughout the system, quality control should replace remote control. In addition, the present confusion whereby administrative costs are supported partly through direct grant and partly by Revenue Support Grant should be ended and all the Government's support should come by way of direct grant.
Introduction

1. Housing Benefit (HB) is a financial lifeline for many people with lower incomes. A majority of the households living in rented accommodation receive HB, equivalent to one in six of all households in the country. Though the majority of recipients (73%) are council tenants, nearly one million private tenants (equal to about 45% of all people renting from private landlords), also receive HB. These private sector claimants include many housing association tenants, a majority of whom receive HB (Ref.1).

2. The number of people receiving help with their rent fell immediately after the change brought about by implementation of the 1986 Social Security Act in 1988, but there are still about 3½ million recipients of HB (Exhibit 1). Government policies - particularly increasing the rents charged by social landlords and the deregulation of the private rented sector - are now causing the numbers to increase slightly. The current recession has also played a part, by increasing the number of people eligible for benefit. The number of rent allowance claims has also increased as a result of Large Scale Voluntary Transfers (LSVTs) of council housing to housing associations.

Exhibit 1
NUMBER OF PEOPLE RECEIVING HB
There are still about 3.5 million recipients

Source: Audit Commission analysis of DOE and DSS data.
Figures for 1980 to 1982 give the position in October; later data is for April.

3. In addition to HB, about six million Community Charge Benefit (CCB) claims have been in payment in England and Wales at any given moment. As couples make joint claims, this means that up to 30% of households are reliant, at least in part, on CCB.
4. HB and CCB cost about £6 billion in 1991/92 (Exhibit 2) - over 10% of all social security payments. Following deregulation in the private sector and increases in housing association stock and rents, the cost of rent allowances has increased and is expected to be well over £2 billion in 1992/93 compared to £1.6 billion in 1990/91. The cost of CCB fell following the national £140 per head reduction in Community Charge at the start of 1991/92. The level of Council Tax, and hence the likely cost of Council Tax Benefit (CTB), has yet to be determined.

Exhibit 2
GROSS LOCAL AUTHORITY EXPENDITURE ON BENEFITS IN ENGLAND AND WALES
Gross expenditure is about £6 billion a year

5. Swift and accurate provision of the benefits is essential to help those with limited means to obtain, and keep, their accommodation. While people in all sorts of circumstances receive help, the majority have low incomes which qualify them for Income Support (IS) from the Benefits Agency; very few (only 6%) have any earned income. Recipients may be elderly, may be poorly educated, may have difficulties with written or spoken English, may be disabled or otherwise disadvantaged and may not be well placed to secure redress when they receive poor service.

6. When the service is administered well, local authorities are able to improve the quality of life of the more disadvantaged in society. As Government housing policy continues to shift its emphasis from blanket subsidies to local authority and other social landlords, towards market rents and subsidies targeted on those in most need, HB will become even more important. Deregulation of the private rented sector in 1989 has already increased the importance of HB to tenants of private sector landlords. Good administration helps these tenants pay their rent. It also reduces their landlords’ arrears and bad debt write-offs, making it more attractive to let property to people

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1 The 'Next Steps' agency within the Department of Social Security administering two other means-tested benefits, IS and Family Credit.

2 CCB is administered by London authorities, metropolitan districts and shire districts; these authorities will also process CTB. They also deal with all HB cases, except claims from tenants of development corporations, which are administered by the corporations themselves.
likely to claim benefit. Improved cash flow, and reduced write-offs of arrears, help hold costs down. By reducing costs, and thus improving the return on capital, good administration may also, in the longer term, help increase the supply and quality of rented accommodation. Bad administration can, conversely, help increase homelessness which, in turn, can increase local authority expenditure on temporary accommodation.

7. The performance of some authorities has been criticised by voluntary bodies, academics and landlords as well as by individual claimants. Some academics and others argue that problems with HB are a major factor preventing homeless young single people obtaining permanent rented accommodation in the private sector (for example, Ref. 2). The National Association of Citizens Advice Bureaux has said that 'the quality of service being provided by many local authorities throughout the country in administering housing benefit is inadequate at almost every level' (Ref. 3). Research published by the Housing Corporation (Ref. 4), has found that 'whilst the overall picture is not uniformly bad, the scale and range of problems [with HB administration] found by the study strongly indicates a major barrier towards [housing] associations achieving the expectations placed upon them by the Government's current and future housing policies'. Some associations are so concerned about delays in dealing with cases that they advocate transferring work on claims made by their tenants from local authorities to themselves.

8. The Social Policy Research Unit at the University of York has carried out research, sponsored by the Department of Social Security (DSS), into claimants' appeals against, and requests for reviews of, local authority decisions and has found a number of weaknesses (Ref. 5). The Local Government Ombudsman has found serious shortcomings in some individual authorities' operations; for example, investigations have revealed 'a deplorable catalogue of failure ... and at times nothing short of administrative chaos', 'serious failures in the way Housing and Community Charge Benefit are administered' and that failures 'caused Mr .... gross injustice in that he lost his home and possessions' (Refs. 6, 7, 8).

9. Local government has its own criticisms of the system. Authorities have a duty to administer benefits but the high level of detail in the Regulations and the predominance of subsidy mean that some in local government view the work as the equivalent of an agency, i.e. as a central government service delivered by local authorities, rather than as a local government one. There is also a widespread belief, among local authority officers and members, that the service is underfunded by central government. Many argue that transfers of responsibilities from central government in 1982 and 1983, and in 1988 and 1989, were under-resourced. They believe that too much of the cost saving in Department of Health and Social Security (DHSS) and, later, DSS offices was retained by Government rather than used to help authorities meet their extra responsibilities. In addition, administration grant is widely viewed as failing to take proper account of recent changes, such as the introduction of Rent Officer referral, which increase workload.

10. Central government does not accept these views and points out that General Funds are themselves subsidised via Revenue Support Grant (RSG). Nevertheless, many in local government believe they are being treated unfairly, as evidenced by the frequency with which benefits legislation has altered in the last ten years. These changes have made great demands on local authorities, particularly the timetables for three changes - the revisions to the social security system in 1988, the introduction of CCB in 1990 and of CTB in 1993.
11. Public criticism inevitably concentrates on the performance of the weaker authorities. A companion report *Benefits administration: A management handbook* analyses local authority performance. Perhaps only a third of authorities largely administer benefits properly, efficiently and effectively. Many other authorities manage efficiently and make prompt payments but do so at the expense of adhering to some of the (admittedly complex) regulations. For a significant minority of authorities the position causes even greater concern. In some, large backlogs have developed causing a spiral of unopened mail, unprocessed claims, and unanswered queries. The report shows that management action by both members and officers can help to overcome these problems so that local government can provide claimants with a uniformly high quality of service and obtain all the advantages that good benefits administration offers.

12. But securing improvements requires action by central as well as local government. Local authorities' benefits operations have undergone repeated change over the last ten years. Important responsibilities have transferred to them from the DHSS and, later, from the DSS. Their work has also become more closely integrated with the rest of the social security system. Exchanges of information with the Benefits Agency are a feature of all local authority benefits work. Government has continued to meet most of the expenditure but has been transferring an increasing proportion of the cost of administration and of HB and CCB themselves to local authorities. It has also been using the subsidy mechanism to encourage good practice, to assure itself that public money is being used wisely and as part of its defences against the misuse and exploitation of benefits.

13. This report begins by describing the regulatory and financial framework (Chapter 1). The impact on local authority operations of administrative subsidy, and of arrangements for subsidising benefits payments, are described in Chapter 2. The report ends by discussing what central government can do to help bring about improvements, while retaining the necessary oversight and control of a major element of public expenditure (Chapter 3).
1. Government Controls

SOCIAL SECURITY BENEFITS

14. HB is one of a range of social security benefits (Box 1). Government has sought to create consistent rules for means tested benefits, whether administered by local authorities or central government. The rationalisation and equity of treatment brought about by these reforms, particularly the Social Security Act 1986, have been widely welcomed. People do not now end up with lower net incomes if they successfully claim a further benefit. And applicants do not have to work out which claim, or combination of claims, gives them most money.

Box 1
SOCIAL SECURITY BENEFITS

<table>
<thead>
<tr>
<th>Type of Benefit</th>
<th>Expenditure&lt;sup&gt;1&lt;/sup&gt; £ billion</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributory benefits</td>
<td>34.8</td>
<td>The main benefits are retirement pensions, widows' benefits, invalidity benefit and unemployment benefit. All are administered by central government.</td>
</tr>
<tr>
<td>Entitlement depends on a National Insurance contribution record</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income related benefits</td>
<td>19.0</td>
<td>The principal benefits are:</td>
</tr>
<tr>
<td>Available to people whose income falls below a certain level, which varies according to their family circumstances. These benefits take account of people's capital as well as their income</td>
<td>of which:</td>
<td>– Income Support and Family Credit which are administered by the Benefits Agency for the DSS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Community Charge Benefit (CCB) and Housing Benefit (HB) which are administered by local authorities&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td>10.8</td>
<td>HB is often subdivided into: rent rebates, paid to council tenants and rent allowances, paid to housing association and other private sector tenants</td>
</tr>
<tr>
<td>Other benefits</td>
<td></td>
<td>Benefits include war pensions, attendance allowance and child benefit. All are administered by central government</td>
</tr>
<tr>
<td>Eligibility depends on qualifying conditions such as disability or family needs</td>
<td>10.8</td>
<td>Local authorities administer 10.1% of this expenditure</td>
</tr>
<tr>
<td>Total</td>
<td>64.6</td>
<td></td>
</tr>
</tbody>
</table>

<sup>1</sup> Data is for Great Britain for 1991/92. It includes the rent rebate subsidy element of Department of the Environment and Welsh Office support for authorities’ Housing Revenue Accounts.

<sup>2</sup> HB expenditure includes some payments by Development Corporations.
15. This consistency of approach is achieved only because government tightly defines the circumstances in which HB and CCB (and CTB) can be paid. Consequently local authorities have very limited powers to increase benefit beyond the national rules: their key discretion is to make concessions to people receiving war disablement or war widows' pensions and pay 'additional benefit' in 'exceptional circumstances'; but additional payments must be 0.1% or less of all payments.

16. The legislation governing the relative roles, and the relationship, of local and central government in benefits administration has been repeatedly altered in the last ten years (Exhibit 3). Changes have transferred important responsibilities to local government from the (then) DHSS and, later, from DSS. The transfer of claimants on Supplementary Benefit (now IS) and subsequently those living in Bed and Breakfast and hostel accommodation has increased the administrative burden for local authorities. For the second group, case turnover is high, as claimants often stay at an address for only a short time.

Exhibit 3
BENEFITS CHANGES SINCE 1982
The legislation has been repeatedly altered

17. The links between benefits administered by local authorities and the rest of the social security system and the battery of controls help explain why the calculation of entitlement is so complex. Rules for HB, for example, separate housing costs from other costs (which are supported via Income Support or other benefits). Entitlement to HB is derived by comparing the 'applicable amount' ¹, i.e. the money the claimant is assumed to need to meet living costs, other than rent, with the claimant's available resources (Exhibit 4). There is a system of 'allowances','premiums'

¹ A glossary of technical terms is at the end of this report.
and 'disregards' which take account of the size and composition of households, and personal circumstances, such as disability, and of eligibility for other benefits. If the claimant's 'applicable amount' is greater than or equal to net income, as defined in the legislation, then he or she receives 'maximum HB'. Otherwise claimants receive:

'Maximum HB' - 0.65 x (net income - 'applicable amount')

CCB is similar.

Exhibit 4
CALCULATING ENTITLEMENT TO HOUSING BENEFIT
HB is derived by comparing the money available to the claimant with what is needed to meet living costs, other than rent

LINKS WITH THE BENEFITS AGENCY
18. Important exchanges of information must take place between the Benefits Agency and local authorities. Anyone awarded IS is potentially entitled to maximum CCB and, if paying rent, to maximum HB. People claiming IS can fill in CCB, and HB, claims at the same time. These are forwarded to local authorities by the Benefits Agency which also informs authorities whether or not IS has been awarded. Many in local government criticise the level and quality of support they receive from the Agency and argue that failings within the Agency are a major contributor when

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1 'Maximum HB' may be less than the claimant's rent. The definition is based on 'eligible rent' which excludes some charges which may be included in rent but are not for the accommodation itself, for example water charges. Deductions are made to the 'eligible rent' on the assumption that any other adults, who are not dependants of the claimant or his or her partner, are contributing to the housing costs.

2 CCB compares 'allowances', 'premiums' and 'disregards' in a similar way to HB. 'Maximum CCB' is 80% of Community Charge liability but CCB employs a 15% taper (i.e. CCB falls by 15p for every £1 rise in income above the 'applicable amount'). CTB will use a 20% taper. 'Maximum CTB' will, however, cover 100% of Council Tax liability.
local authority performance is poor. For example, a survey carried out by the local authority associations in 1992 found that 72 percent of respondents reported problems in matching HB claim forms, forwarded by the Agency, with later information about whether IS had been awarded. This may be due to faults at local Benefit Offices or to post linking problems within authorities. The Benefits Agency and local authorities are creating Service Level Agreements (SLAs). A model agreement has been established as a framework for local ones.

19. Local government also argues that the impact on local authorities of any failings by the Benefits Agency are exacerbated by one of the changes introduced in 1988. Before 1988, authorities started to pay HB to people receiving Supplementary Benefit (the precursor of IS) when told by DHSS and continued to pay until DHSS told them to stop. This 'passporting' has been ended. Instead the legislation requires that claimants — rather than the DSS — tell authorities of the end of IS and of other changes likely to affect entitlement. Although it no longer has a legal duty to do so, the Agency informs authorities when entitlement to IS ceases, as a matter of good practice. Claimants may delay telling the Agency of such changes. However, any delays within the Agency can help to increase payments of HB and CCB/CTB to which the recipient is not entitled.

20. Dealing with such overpayments increases authorities' administrative costs. In addition, they receive reduced subsidy from central government when benefit is overpaid. Furthermore, the award of IS is open ended but authorities are allowed to pay HB or CCB for, at most, 60 weeks before obtaining a further successful ('repeat') claim. Since they inform the Benefits Agency when they become aware of changes which might affect entitlement to IS, the revised arrangements changed from those which existed before 1988. Then, with passporting, the DHSS had to ensure local authorities did not give people HB to which they were not entitled. Now local authorities form an important, if largely unrecognised, part of the Agency's defences against paying people IS to which they are not entitled.

**HOW CENTRAL AND LOCAL GOVERNMENT SHARE COSTS**

21. There are good reasons why local authorities should administer benefits. Much of the work has strong links with other local authority tasks. Deciding entitlement to CCB involves establishing claimants' Community Charge liabilities, from local authority records, while benefits can be paid directly into claimants’ Community Charge accounts as rebates. The administration of cash payments thereby is avoided. The same will apply to CTB. Similarly councils need information on rent liability to help decide entitlement to HB and can use their own rent records when processing claims from council tenants and again can pay benefits into accounts. Even for private sector tenants claiming HB (rent allowances) there is a close link between its administration and the rebating and collection of Community Charge. Most rent allowance claimants are eligible for CCB and will be eligible for CTB, providing common details in support of each claim. (In a minority of cases there will be no such link; the landlord will be liable for Council Tax but the tenants will be eligible for rent allowance).

22. Central government subsidises most of the costs of benefits paid by local authorities, so it naturally wishes to exercise a controlling hand. The exact arrangements vary from year to year.

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1. This can be extended to 64 weeks for those on IS and those receiving disability and other premiums.
DSS currently pays specific grant to help cover rent allowance, CCB and some rent rebates, for example, to people placed in some types of temporary accommodation by the council. The maximum subsidy in 1991/92 was 95%, a reduction from the 97% used since 1988. Rent rebates to tenants of Housing Revenue Account (HRA) dwellings were also subsidised by DSS until April 1990 when support was blended into the HRA subsidy mechanism. Table 1 sets out the gross costs of benefits and shows the elements that fall on local authorities.

Table 1
EXpenditure on HB and CCB in England and Wales
1990/91, £million

<table>
<thead>
<tr>
<th></th>
<th>Rent rebates</th>
<th>Rent allowances</th>
<th>CCB</th>
<th>Administration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross expenditure</td>
<td>2,850</td>
<td>1,580</td>
<td>1,820</td>
<td>350</td>
<td>6,600</td>
</tr>
<tr>
<td>Specific subsidy from</td>
<td>2,710</td>
<td>1,410</td>
<td>1,690</td>
<td>120</td>
<td>5,930</td>
</tr>
<tr>
<td>central government*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost to LA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- HRA</td>
<td>110</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>110</td>
</tr>
<tr>
<td>- General Funds</td>
<td>30</td>
<td>170</td>
<td>130</td>
<td>230</td>
<td>560</td>
</tr>
</tbody>
</table>

* Further central government support is provided through the Revenue Support Grant.

Source: Audit Commission estimates based on DSS and HRA grant claims and DOE/Welsh Office revenue out-turn forms. Costs to General Funds ignore recovery of overpayments.

23. All administrative costs, including those relating to council tenants, lie outside the HRA. Up to the end of 1987/88, DHSS met 70% of actual administrative expenditure by each Welsh authority and 60% of expenditure by each English one. Administration grant was then cash limited. Separate sums are provided for different groups of authorities — London authorities, metropolitan districts, English shire districts and Welsh shire districts - and allocated within each group by formula. The subsidy covers only a proportion of the total cost so as to give authorities a reason — the marginal savings to their own funds — to use administrative resources wisely.

24. DSS gave £120 million in administration grant in 1990/91; authorities’ General Funds contributed a further £230 million. General Funds also bore over £300 million of the gross cost of benefits payments. This expenditure is taken into account in the calculation of Standard Spending Assessments (SSAs) and so part of this cost is in turn met by RSG. The burden of administration and other costs met by the General Fund varies significantly between authorities. For example, a minority, predominantly in London, incur high General Fund costs on non-HRA rent rebates to people in temporary accommodation.

25. The DOE and Welsh Office included £2.7 billion in rent rebates within their calculation of HRA subsidy payment for 1990/91. But in an average authority, 3.8% of rent rebate paid to HRA tenants was excluded from the HRA subsidy calculation. On average HRAs had to meet

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1 The current HRA subsidy mechanism, established by the Local Government Housing and Finance Act 1989, came into effect in April 1990 and is operated by DOE and Welsh Office. If, however, a council's HRA is in ‘surplus’, that surplus is used to meet the costs of benefits payments to HRA tenants. Though subsidy for benefits payments to HRA tenants is dealt with by the Secretaries of State for the Environment and Wales, the Secretary of State for Social Security remains responsible for Regulations affecting individuals’ entitlement to rebate.
marginal costs of over £1 million (inner London), £550,000 (outer London), £780,000 (metropolitan districts), £160,000 (shire districts).

26. In total, local government met over 4% (£290m) of the net cost of benefits in 1990/91, £150m of which was a cost to General Funds. These Funds also met over two thirds of the costs of administration. The proportions of administrative cost and subsidy cost that are charged to local government are therefore different and this may affect adversely the way in which benefit is administered in some authorities. It may lead them to place a higher weighting on administrative savings than on customer care or fraud prevention - a policy which may not be best from the national viewpoint.

PERFORMANCE INCENTIVES

27. Government uses the benefit subsidy mechanism to encourage good administration, to help assure itself that public money is being well spent and to try and ensure that the benefits system is not being misused or exploited. Councils’ General Funds bear some of the costs of payments, to give them a reason to examine claims carefully and only pay benefit when entitlement exists. DSS subsidy for benefits payments also contain a number of other incentives where Government gives reduced, or no subsidy; local authority staff habitually refer to these as 'penalties' which cause 'subsidy loss'. They are described in Box 2. Central government will be making certain changes for 1993/94. These are discussed in Chapters 2 and 3.

28. The HRA subsidy mechanism also contains incentives. The subsidy given to the HRA of each authority includes a fixed sum for the incentive areas, including backdating, set by DOF or Welsh Office, based on a forecast expenditure and reflecting the reduced subsidy rates set by the DSS. This includes 0.5% of total estimated HRA rebate expenditure, to recognise unavoidable expenditure in the incentive areas. The authority's HRA receives the set sum no matter how much expenditure it incurs in the incentive areas. Its HRA then bears the actual cost. Most recovered overpayments are, however, retained by the HRA. In addition, the subsidy is reduced if the rents of tenants receiving HB have been raised relative to those of other tenants. This rule aims to deter local authorities from exploiting the system, for example, by grouping HB claimants in a particular block and then raising the rents, knowing that this will cost the tenants nothing.

29. From the foregoing it is clear that the legislative and subsidy framework is complex. Yet only a simplified summary has been given. Including Subsidy Orders and annual uprates to take account of inflation, Ministers have made close to forty HB Statutory Instruments since 1987, one of which¹ contained over one hundred Regulations and seven detailed Schedules. There have also been over twenty Statutory Instruments (SIs) on CCB. SIs are already being made for CTB; one² contains ninety Regulations and seven Schedules.

DISTRIBUTING ADMINISTRATIVE GRANT

30. The formulae used by DSS to allocate administrative grant have been criticised by some in local government for not sub-categorising claims sufficiently. This is a mistaken view. The

Box 2  
**DSS SUBSIDY INCENTIVES FOR 1992/93**

### Backdating

Backdating is the award of benefit from before the date on which the claim was made. Payments outside the HRA receive 25% subsidy from DSS in, where backdating is due to the claimant having continuous good cause for not making a claim earlier. The reduced subsidy rate is intended to generate a pressure to ensure that the requirement is taken seriously.

### Overpayments

Overpayment is benefit to which the claimant was not entitled. DSS gives 15% or 25% subsidy (depending on the cause of the overpayment) but allows authorities to keep overpayments which they recovered. Overpayments caused by DSS error are treated differently; maximum subsidy is given where the overpayment is not recovered but otherwise there is no subsidy. These subsidy provisions recognise that some overpayments are inevitable, and cannot all be recovered, but give authorities a reason to recover.

### Thresholds

Private sector tenancies, created before the deregulation of the private rented sector early in 1989, are unlikely to involve exploitation of HB, if they have 'registered' rents or 'reasonable' rents, determined by a rent tribunal, as these are likely to be below the market rate. For other pre-1988 tenancies, each authority has a 'threshold', set by DSS, for the purposes of calculating subsidy. If the rent for HB purposes is above the threshold, the authority receives reduced subsidy. Rent rebates paid to people placed in bed and breakfast and other types of temporary accommodation are covered by a similar mechanism. Both arrangements try to ensure that the local authority uses public money wisely and to guard against exploitation by landlords.

### Rent Officer Referral

Private sector tenancies, created after deregulation of the private sector market in 1989 removed rent controls, present a possibility of rent inflation. The Rent Officer (RO) considers individual deregulated tenancies for which HB has been claimed and decides whether the rent is significantly above a market rent.

If it is, the RO makes a valuation of the market rent. If the 'eligible rent' used to decide entitlement to rent allowance is above the RO figure, DSS gives no subsidy on benefits arising from the difference. However, Regulations create certain protected categories where the authority is not allowed to restrict 'eligible rent' to the RO figure. Here DSS gives 50% subsidy.

The RO also considers whether the accommodation is of a reasonable size, given the number of occupants, using specified criteria. If it is not, the RO sets a notional rent for suitable alternative accommodation of an appropriate size. After thirteen weeks the DSS gives no subsidy on the difference between 'eligible rent' and the RO's figure, unless the claimant is in a protected category when subsidy of 50% is paid on the difference.

Housing association tenancies have to be referred only if the authority believes that the Rent Officer's assessment of a reasonable market rent would be lower than the rent charged by the housing association.
system already has too many categories; many currently employed make little difference to the proportion of grant received by any one authority, because the numbers of people in the different categories are strongly correlated with each other (although an enhancement to reflect the extra work emanating from claimants in Bed and Breakfast - boarders - is necessary to reflect the variable incidence of such cases). Most of the suggested new categories are unlikely to improve the system significantly. High correlations with existing categories are probable while some proposed categories - for example, a special weighting for self-employed claimants - involve very few cases.

31. The most important distinction within the formulae is between rent allowance and rent rebate but even here the numbers of cases in each category are strongly correlated. However, the Large Scale Voluntary Transfer (LSVT) of council stock to a housing association converts HB cases from rent rebate to the more highly weighted rent allowance categories, with a gain in the proportion of the total cash limited sum received by the authority. But LSVT authorities’ arrangements for paying rent allowance to tenants of the new housing association resemble those for administering rent rebates; for example, the housing association’s tenants usually agree that HB can be paid directly to the housing association, and credited to their rent accounts, via electronic or tape transfer. The Voluntary Transfer authority’s administration costs have not risen in the same way as the amount of grant they receive. This reflects a wider weakness in the formulae - failure to discriminate between housing association tenants and other private sector tenants. The circumstances and types, and lengths, of tenancy of the two groups can differ markedly but they are treated as if they are identical.

32. Although differences in the weighting formulae used for different years make little overall difference to the allocation of grant, a minority of authorities are affected to a significant degree (Exhibit 5). The DSS therefore dampens these changes by 'nets' and 'caps' such that the size of the year on year change in grant for any individual authority is constrained.

Exhibit 5
ALLOCATIONS OF ADMINISTRATION GRANT TO ENGLISH SHIRE DISTRICTS
The year on year differences in the weighting formulae used to distribute administrative grant affect some authorities to a significant degree

* That part of total administration grant distributed using DSS weightings; change calculated assuming a constant (February 1991) caseload.
33. DSS discusses changes to administration grant formulae with the local authority associations before they are introduced. Changes in administration grant have important implications for individual authorities. Great effort and ingenuity is expended to produce formulae which are viewed as allocating resources fairly. For example, literacy rates and demographic make-up, as well as case load mix, are taken into account. Any reduction in grant creates a pressure to reduce the quality of benefits administration or competition for resources with other services or is passed on as an increase in Community Charge (or Council Tax). However, it is difficult to demonstrate that one weighting system has major advantages over another. Whenever formulae alter, budgeting processes are disrupted, although netting and capping abate their effect. Some of the effort and ingenuity may be unnecessary and even damaging, by disrupting budgeting.

34. Administrative subsidy arrangements have other, more important, effects. The formulae used to apportion grant are based on caseloads and take no account of the speed of processing or other quality of service measures. They fund workload not performance. The shortfall between administration costs and specific administration grant accounts for about 50% of the net benefits costs falling on authorities' General Funds. Councils then have an incentive to reduce administration costs rather than improve the quality of service. More weight is also put on cost control than on systems to guard against paying people benefit to which they are not entitled. This creates a false impression of the relative importance of the two to the public purse. As administration costs under 6p for every pound paid in benefit, a two percent reduction in benefit payments, through reduced overpayments or better defences against fraud, is equivalent to a reduction of over 30 percent in administration cost.

EFFECTS ON BENEFITS ADMINISTRATION

35. Rather than specify and monitor set administrative procedures and standards, Government has sought to signal its wishes to local government indirectly through the subsidy mechanism and through Regulations. The Regulations set out principles of good service quality, while the subsidy mechanism incorporates cost control incentives. The tension between these two objectives is not resolved by central government, but cascades down to individual councils to resolve in the context of their local circumstances. Local government's task is made more complicated because the benefits are an integral part of the social security system. There also have to be links to the Benefits Agency. This linkage adds a further difficulty to the management process and the subsidy mechanism.

36. The twin objectives of service quality and cost control create tensions:

— the greater the effort to identify proper recipients and to pay the correct sum, the greater the cost but the better the quality of service;

— the greater the control and auditing, the less there will be error and fraud but the higher will be the administrative cost.

37. And, in turn, these tensions and the Regulations and subsidy mechanism create difficulties and conflicts of interest for local authorities administering benefits (Exhibit 6, overleaf):

— the full marginal cost of any increase in administration cost is met by local tax-payers (Community Charge payers and, in future, Council Tax payers); any decrease can reduce
Tensions may require an examination of the system

- other parts of the subsidy mechanism also contain perverse incentives which may damage the quality of service. For example, subsidy penalties create a pressure to avoid justified backdating and may deprive claimants of money to which they are entitled;

- there are other perverse incentives which may place public money at risk. For example, the lower subsidy received for overpaid benefit means that an authority, which believes it is unlikely to recover an overpayment, is better off if it ignores any evidence of possible overpayment. Since any benefit paid following a fraudulent claim is treated as an overpayment, this creates an incentive to ignore possible fraud;

- as the Commission has previously pointed out (Ref.9), the reductions made to HRA subsidy when rents of tenants receiving HB are raised relative to those of other tenants contain perverse incentives which can distort investment decisions. Where authorities wish to concentrate improvement on particularly needy groups, for example to target the installation of central heating on elderly tenants, the resulting rent increases may not be fully supported by subsidy. The mechanism may also discourage the setting of more realistic rent differentials between different sizes of property or between similar sized properties of different capital values;

- the system is complex and demanding to administer correctly. Relatively junior staff must master the lengthy and complicated Regulations covering entitlement to, and payment of, benefit and overpayments and their recovery. They also have to classify individual benefits payments and overpayments for subsidy purposes. Staff do not always understand how they should arrive at decisions on claims or the subsidy implications of their decisions. Complexity, and speed of change, also mean that there are weaknesses in the computer systems used by many authorities;
— administrative costs are a high proportion of the costs borne by local authorities. This may not achieve the correct balance between accuracy and fraud detection on the one hand and holding down administrative cost on the other.

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38. An examination of local performance reveals the effect of these problems and the extent to which good local administration can resolve or surmount them. These issues are discussed in the next Chapter.
39. Good quality benefits administration should ensure that people promptly receive the benefit to which they are entitled, that overpayments are avoided or recovered as far as possible, and that claimants’ rights are respected. Good administration also requires that there are defences against fraud and error, that public money is accounted for properly, and that the subsidies due to local authorities are properly calculated. All of these tasks should be performed efficiently.

40. Achievement varies from authority to authority as each seeks to resolve the intrinsic tension between central government Regulations and subsidies in the light of its particular objectives and financial circumstances. The performance of the better ones shows that individual councils can do much to overcome these difficulties. The subsidy structure nevertheless has a negative influence on the way in which some authorities approach the work. Failures to understand or properly to operate the legislative structure also occur. They damage quality of service, put public money at risk and also mean that data in subsidy claims submitted to central government, and other financial returns and management information, is sometimes flawed. Auditors often find and report errors in subsidy claims.

41. There are many dimensions to performance. They include take-up and clear communication with claimants. Speed of processing, adherence to Regulations, avoidance of fraud and proper accounting arrangements are also important. Many authorities perform well on most of these issues but comparatively few have everything right. There is also a minority of authorities, notably those with major backlogs, which have problems with almost every aspect.

42. Performance by councils is also affected by factors which are outside their direct control. The legislative and subsidy framework, and the quality of the support provided by the Benefits Agency, are critical. Moreover, claimants’ failures to fill in application forms correctly, any delays within the Rent Officer Service and the quality of computer software all have a significant effect. Good administration, however, can help to overcome these difficulties, for example by providing claimants with clear, well-designed application forms.

**QUALITY OF SERVICE**

43. Some aspects of service quality are not covered by the legislation. Decisions on where to locate benefits offices, or the times when they are open to personal callers, are matters for local authorities. Individual authorities can balance the marginal costs of their decisions against the advantages they bring to their customers. But the legislation sets out, in detail, how to determine entitlement to benefit and to decide whether benefit has been overpaid. Decisions about entitlement and overpayments must also comply with other administrative and civil law. In

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1 [See the Commission’s companion report, 'Benefits administration: A management handbook'].

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addition, Regulations give claimants a variety of rights, including the right to be sent specified information about the decisions that authorities make on their cases. Claimants can also require that authorities re-examine (‘review’) decisions, initially at officer, and subsequently at member, level. Regulations also set target times for dealing with cases.

44. Many authorities approach the work conscientiously. But, in some, administrative convenience, a fear that altering working methods will increase the administrative costs falling on the General Fund, and a desire to maximise subsidy, have contributed to failures to fulfil these Regulations. For example, applying some Regulations properly increases the time spent on individual cases, creates extra training needs and may require more able, and therefore more highly paid, staff.

ENSURING CLAIMANTS RECEIVE ALL THE BENEFIT TO WHICH THEY ARE ENTITLED

45. Such administrative failures, where they do occur, can affect only small numbers of claimants. But they can deprive some claimants of money to which they are entitled:

— authorities receive reduced subsidy from DSS whenever they backdate awards made outside their HRAs 1 even though Regulations specify that awards must be backdated when there is ‘continuous good cause’. Faced with such a financial disincentive, many authorities do not publicise backdating, so as to discourage such requests. A minority apparently refuse to ever backdate (Table 2);

<table>
<thead>
<tr>
<th>% of total sum paid which was backdated</th>
<th>Number of authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero</td>
<td>82</td>
</tr>
<tr>
<td>Greater than 0, less than 0.5</td>
<td>236</td>
</tr>
<tr>
<td>Greater than or equal to 0.5, less than 1.0</td>
<td>23</td>
</tr>
<tr>
<td>Greater than or equal to 1</td>
<td>14</td>
</tr>
<tr>
<td>(maximum value = 3.2)</td>
<td></td>
</tr>
<tr>
<td>Total number of authorities in analysis</td>
<td>355</td>
</tr>
</tbody>
</table>

Source: Audit Commission analysis of data from DSS.

— to maximise the subsidy received, some authorities visited by the Commission automatically base all rent allowance payments to tenants in the deregulated private sector on the Rent Officer figure. Recent research sponsored by the Joseph Rowntree Foundation has also found that many authorities automatically use the Rent Officer's determination (Ref.10). Such authorities do not follow DSS’s advice that, where rent can be restricted, Regulations require that the authority consider other information about local rent levels as well as the RO's figure. Some authorities restrict to the Rent Officer figure even when the protected category provisions apply. If the claimant cannot subsequently persuade the landlord to reduce the rent, he or she faces financial hardship or rent arrears. The latter may lead to the loss of the

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1 DOE and Welsh Office exclude the backdated awards that authorities make to council tenants when calculating HRA subsidy - see paragraph 28.
claimant's home either because of eviction or because the landlord chooses not to renew the tenancy.

RECOVERING OVERPAYMENTS

46. Other problems involve the recovery of overpayments. Overpayments affect large numbers of claimants: the majority are categorised as claimant error (Exhibit 7). For example, 1.1 million rent allowance overpayments occurred in 1990/91, a larger figure than the number of rent allowance claims - 950,000 - being paid at any given moment. Although most individual

Exhibit 7
OVERPAID HOUSING BENEFIT
The majority of overpaid benefit is categorised as claimant error.

The proportion is similar for rent allowances

![Diagram showing proportions of overpayments]

* The bracketed sums are the average values for overpayments in each category.

Source: Audit Commission analysis of data from DSS; percentages are of total sums identified as overpaid.

...and rent rebates

![Diagram showing proportions of overpayments]

Note: It was not possible to calculate the average values for overpayments in each category for rent rebates, as the number of overpayments is not available.

Source: Audit Commission analysis of data from DOE/Welsh Office; percentages are of total sums identified as overpaid.
overpayments are relatively small, large sums of money are still involved (Table 3). Average sums per overpayment varied with type of benefit and cause of overpayment. Figures for rent allowances were usually about £100 a case.

Table 3
OVERPAYMENTS
1990/91

<table>
<thead>
<tr>
<th>Category</th>
<th>Value of overpayments £ million</th>
<th>% of total payments in category</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRA rent rebates</td>
<td>130</td>
<td>3.7</td>
</tr>
<tr>
<td>Non HRA rent rebates</td>
<td>4</td>
<td>5.0</td>
</tr>
<tr>
<td>Rent allowances</td>
<td>100</td>
<td>7.0</td>
</tr>
<tr>
<td>CCB</td>
<td>95</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: Audit Commission analysis of data from DSS, DOE and Welsh Office.

47. Recovery of overpayments is not straightforward:
— Regulations do not allow authorities to recover if the overpayment was caused by official (DSS or local authority) error and the claimant could not reasonably be expected to realise that he or she was being overpaid. Local authority error overpayments can arise if, for example, a claimant reports a change in circumstances which affects entitlement to benefit, but the authority has a backlog of work and does not process the information immediately. Benefits practitioners have differing views about the circumstances when it is reasonable to assume that the claimant understood that he or she was being overpaid. However, some treat all local authority error overpayments as recoverable, without examining the circumstances of each individual case to see whether the exception applies;
— some authorities classify all overpayments as caused by claimant error, such as a delay in notifying the authority about a change in circumstances, rather than as local authority error. This guarantees that their computer systems treat all overpayments as recoverable. It can also give them subsidy to which they are not entitled, as DSS pays a lower rate of subsidy for overpayments caused by local authority error than for ones caused by error by the claimant. This helps explain an astonishing variation between authorities in the proportions of overpaid money apportioned to different categories;
— authorities nevertheless are entitled to recover most overpayments of benefit but have discretion about whether to do so. Some have a policy of always recovering such overpayments without considering the facts about each individual case. This fettering of discretion ignores an important administrative principle, intended to tailor decisions to individual circumstances;
— some authorities transfer details of overpaid rent rebates to tenants’ rent accounts where they are treated as rent arrears. A few of these have not followed DSS advice that the overpayment is a separate debt and that failure to repay is not grounds for repossession of the property. This problem has reduced in recent years;
— rent allowance can be paid directly to the landlord in some circumstances, for example at the claimant’s request. Some large landlords regularly receive substantial sums in this way,
usually as payments consolidating the benefit due to many different claimants. Regulations allow the authority to recover overpaid benefit, which it has sent directly to a landlord, from that landlord. Recovery can be a real problem with certain landlords and some local authorities have sought to recover by making deductions from later payments to the landlord. DSS advice that money should not be recovered from benefit due to the landlord in respect of other claimants is supported by recent case law but has not always been followed. The issue does not involve only the landlord's rights; other tenants, who have no connection with the overpayment, may be pressed to make up the difference between what the landlord received and was sent, particularly if the reasons for the deduction are not set out clearly.

Given this complexity, occasional errors in recovery procedures are understandable. But in some authorities systematic errors are widespread. The development of consistent and equitable procedures is hampered by the conflicting messages given by Regulations and subsidy rules.

REVIEWING DECISIONS

48. People receiving benefits from local authorities have relatively low incomes and may, if deprived of money to which they are entitled, face financial hardship and emotional distress. Failures to administer benefits correctly can have a particular impact upon them because they are often poorly placed, for example, by reason of age or disability, to challenge administrative decisions. Regulations therefore specify a review mechanism and stipulate the information that must be given to claimants. However, some authorities do not send claimants all the required information and some fail to tell claimants about their rights to have decisions reviewed by officers and then members.

49. In addition, some councils lack proper arrangements to identify requests for review, to act upon them or to monitor their progress. Review decisions do not create internal precedents and can be ignored when dealing with other, similar cases. For example, one authority visited by the Commission's team treated all overpayments as recoverable. It applied Regulations properly if a claimant appealed and asked for officer review but did not change the way it treated other overpayments. Furthermore, as the Social Policy Research Unit (SPRU) found (Ref.5), some authorities have not given their staff any training on how to recognise and deal with appeals.

50. SPRU also found that the quasi-judicial rôles of Review Boards has not always been explained to the councillors serving on them. They have not received training on procedures to ensure that they act, and are seen to act, fairly and impartially. The Boards themselves can be poorly organised and run. Boards meet infrequently in many authorities, making it difficult for members to build up expertise. Regulations require that a Board be held within six weeks of its being requested, or as soon as possible thereafter. Though Boards are rare, the six week target is missed in a high proportion of cases.

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DEALING SPEEDILY WITH CASES

51. Regulations set a number of targets for the speed with which claims should be processed (Box 3). The DSS monitors performance against the requirements that the authority completes work on HB and CCB claims within 14 days, or as soon as practicable thereafter, of receiving all the information it needs from the claimant to determine entitlement.

Box 3
STATUTORY TARGETS FOR PROCESSING CLAIMS

<table>
<thead>
<tr>
<th>Housing Benefit</th>
</tr>
</thead>
</table>
| The targets are:
| — every claim shall be determined within 14 days of the date the claim is made and all supporting information and evidence required from the claimant has been supplied or as soon as reasonably practicable thereafter (HB Regulation 76(3));
| — people affected are to be notified of determinations on claims immediately or as soon as reasonably practicable thereafter (HB Regulation 77(a));
| — people affected by other determinations (e.g. reassessment of entitlement following a change in circumstances) shall be notified within 14 days or as soon as practicable thereafter (HB Regulation 77(b));
| — the first payment shall be within 14 days of receipt of the claim at the 'designated office' or, if that is not reasonably practicable, as soon as possible thereafter (HB Regulation 88(3)).

CCB and CTB have similar targets to the first three above. There are no targets for the speed with which rebates should be made.

52. Most authorities report that they process the overwhelming majority of cases within the target time; but a minority clear none at all within the 14 days (Exhibit 8). This data gives only a partial picture. The time interval on which they are based does not begin until an authority has obtained all the information it needs from the claimant and has completed any follow up contact. Unless it has outstanding enquiries with a third party, it then has 14 days to act on the information. So even when the DSS's target is met, the time to process a claim can be much greater, from the claimant's point of view, because of the time taken in obtaining information at the outset. Even well run authorities can take one or two months to process a claim completely. In addition, unactioned claims or failures to process other information, such as details of changes in a claimant's circumstances, are not included in the 14-day statistic. Most authorities do not have large backlogs of such work but an important minority do have considerable problems. In one authority visited by the Commission's project team, CCB claims over a year old still had not been processed.

PAYMENT ON ACCOUNT

53. Private sector tenants face particular problems if benefit is delayed. They may be harassed or evicted or find that their landlord will not renew a tenancy. The legislation recognises this.
PREVENTING OVERPAYMENT AND FRAUD

54. Fraud investigation is one of a battery of measures intended to prevent, or at least to identify and recover, payments of money to which the recipient is not entitled. But prevention is better than cure. Supporting information for claims, such as sight of pay slips, cross-checks with records of other claims, internal checking of samples of assessors' work, the preservation of audit trails and regular internal audit testing of systems all contribute to the defences.

55. There are wide differences in the amount of information and supporting documents which claimants are asked to provide. Internal controls, such as sample checking of work by supervisors or internal control teams, also differ. The majority of authorities' internal auditors regularly examine systems, sample cases and perform other checks. But in about one sixth of authorities, internal auditors do not examine benefits operations in detail every year. This is sometimes because the authority has no designated fraud investigation officers, so internal auditors spend their time examining suspect claims referred to them by benefits staff, rather than ensuring

Exhibit 8
SPEED OF PROCESSING HOUSING BENEFIT CLAIMS
Reported performance varies dramatically between authorities

Source: Audit Commission analysis of data from DSS.

HB Regulation 91 specifies that an authority 'shall' make a 'payment on account' if unable to process a rent allowance claim within 14 days of its receipt and the delay is not the claimant's fault. These payments can be administratively difficult. Authorities need systems to identify claims 14 or more days old and to inspect each to identify the reasons for delay. Accounts have to be kept, usually outside the main computerised benefits records. Adjustments will be needed if entitlement, once calculated, is found to differ from the sum paid on account. Only one of the authorities visited by the Commission had systems to ensure it could identify all the cases where the payments should be made. The others would make them only in isolated instances, where claimants, aware of their rights, visited the benefits office and demanded that the authority obey the law. Other recent research, published by the Housing Corporation, has also found that few authorities automatically make payments on account (Ref. 4). Therefore a major safeguard is not operating in many authorities.
that their authority’s systems are sound. But here too the subsidy mechanism exerts its influence. Authorities’ General Funds bear the full costs of preventative work, yet central government receives the bulk of the savings.

IDENTIFYING OVERPAYMENTS, ERRORS AND FRAUD

56. There are significant variations between authorities in the proportions of benefit reported as overpaid (Exhibit 9). Some of this may be due to different accounting practices but subsidy also has an influence. As authorities receive reduced subsidy on overpayments, there is a perverse incentive to ignore possible overpayment whenever it is unlikely that the authority will be able to recover the money. Subsidy also influences the way some benefits units check and process repeat claims. Regulations stipulate maximum periods for which benefit can be paid without a successful fresh application (repeat claim) from the claimant. This is 60 weeks for most claimants. Authorities are required to invite new repeat applications (except where benefit was awarded for 16 weeks or less) before current entitlement ends. Comparisons of the original and repeat claim can reveal discrepancies. Some authorities ignore these and simply pay on the new information; others follow them up to establish when the claimant’s circumstances changed and to identify any associated over- or underpayment.

Exhibit 9
PERCENTAGE OF HRA RENT REBATE REPORTED AS OVERPAID
Zero marginal subsidy on overpayments may help to explain the wide variation

Source: Audit Commission analysis of data from DOE/Welsh Office HRA grant claims for 1990/91.

57. Despite pressure from auditors a minority of authorities have not invited repeat claims and have paid benefit beyond the permitted maximum. One authority visited by the Commission’s project team had paid some claimants continuously since 1988 without inviting repeat claims. Not surprisingly, the proportion of benefit identified as overpaid was significantly below the average. Problems with computer systems help to explain why claimants have sometimes been paid for too long; some systems have not held the date on which entitlement ends! The DSS has recognised these problems and the subsidy rules were amended in October 1992 to penalise such inaction. Authorities making such payments will lose up to five percent of their subsidy entitle-
ment in 1992/93 and up to ten percent in 1993/94. Some would have foregone several million pounds a year if they had not revised their practices.

INVESTIGATING FRAUD

58. The checking of repeat claims is an important defence against fraud (and inadvertent overpayment). But there are further problems caused by perverse subsidy incentives. Councils bear the entire marginal cost of fraud prevention and investigation but central government receives most of the saving when fraud is prevented. In addition, as benefit obtained fraudulently is classified as an overpayment for subsidy purposes, authorities have a perverse incentive to ignore possible fraud if they are unlikely to recover the money.

59. Allegations of widespread fraud, particularly of organised rent allowance fraud in London, appear regularly in the press. Some major investigations have been carried out. But undetected fraud is, by definition, impossible to measure accurately. In 1989, the National Audit Office reported on DSS’s payment of grant claims submitted to it by local authorities and expressed some concern at the low level of reported HB fraud. It suggested that there was scope for improving safeguards (Ref.11). DSS has since taken or supported a number of initiatives. Fraud investigation is covered at length in its ‘Guidance Manual’ on benefits. It introduced free training courses for local authority investigators in April 1992 and has helped to produce a good practice guide for local authorities (Ref.12).

60. Many authorities have responded positively to DSS’s initiatives. There is an increased awareness of the importance of fraud prevention and detection and a greater willingness to employ investigative officers. Organised or high value fraud should be prosecuted and an occasional individual case may have an important deterrent effect, provided that the case is watertight. But the number of fraud investigations reported to DSS is still low. Reported theft of rent allowance cheques and giros is also low. In 1990/91, they represented under 0.03% of all rent allowance paid; over 60% of authorities reported no thefts at all. Prosecution for fraud or theft is even rarer; with most authorities reporting that they prosecuted no-one in 1990/91 (Table 4). This is not, perhaps, surprising. Fraud can be difficult to prove, unless it clearly involves the creation of false identities or documents. Given the complexity of the legislation, claimants who have provided incorrect information, or failed to notify the authority about changes in circumstances, may well be simply making a mistake.

Table 4

PROSECUTIONS
Number of prosecutions in 1990/91

<table>
<thead>
<tr>
<th></th>
<th>Lower Quartile</th>
<th>Median</th>
<th>Upper Quartile</th>
<th>No. of authorities reporting no prosecutions</th>
<th>No. of authorities in the analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>London Boroughs</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>7</td>
<td>18</td>
</tr>
<tr>
<td>Mets</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>16</td>
<td>28</td>
</tr>
<tr>
<td>Shires</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>147</td>
<td>252</td>
</tr>
<tr>
<td>All authorities</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>170</td>
<td>298</td>
</tr>
</tbody>
</table>

Source: Audit Commission analysis of DSS data.
61. Central government is to change the subsidy rules so as to encourage greater attention to fraud investigation. From April 1993, it will increase the subsidy on overpayments to the full rate (i.e. 95% for non-HRA rent rebates, rent allowances and CTB and 100% for HRA rent rebates). It also proposes that authorities will share in any weekly benefit savings above a certain threshold set for local government as a whole. If the national target is not met, no authority will receive any money. The savings will take account of fraudulent payments to date and the payments that would have been made had a fraud, based on deliberate misrepresentation or deliberate failure to report a change in circumstances, not been discovered. There will be a tight definition of fraud so as to distinguish it from claimant error. But Government proposes to pay maximum subsidy on fraudulent payments even when there has not been a successful prosecution. Whether or not to classify an overpayment as fraud will then become an internal administrative decision; and authorities will have an incentive - the higher subsidy rate - to classify as fraud rather than claimant error. Government also proposes that authorities will receive 15% of any savings above the baseline of £229m which it proposes. This percentage will be enhanced in the first two years to help pay for recruitment and training. The savings will include any savings of IS resulting from local authority action. The means of distributing the local authority share to individual authorities has yet to be settled.

62. Local authority fraud officers do not have specific powers to enter premises, examine persons and obtain documents and information and have to rely on bluff and persuasion. The balance between the privacy of the individual and the need to protect public money is a sensitive issue. Individual authorities do not always give detailed guidance to their staff. Individual fraud officers develop their own methods, leading to wide variations in practice. Approaches regarded as unexceptional in one place are viewed as legally and morally suspect elsewhere.

ACCOUNTING AND INFORMATION SYSTEMS

63. Benefits accounts are complex and demanding. Large numbers of transactions have to be recorded and classified for subsidy purposes; for example, rent allowance is usually paid fortnightly and a typical shire district makes about 40,000 separate rent allowance payments a year. There are problems with some benefit accounting systems. Records cannot always be reconciled with the rent account, Community Charge or cheque systems to which payments have been posted. It has sometimes been difficult, or unfeasible, to verify accounts fully. Classification of payments for subsidy purposes can be weak and some councils have not always claimed money to which they are entitled. For example, DSS subsidy on most overpayments is based on the sum originally overpaid; some authorities wrongly deduct their recoveries from the figures entered on grant claims, thereby depriving themselves of subsidy.

64. Large amounts of overpaid benefit are sometimes held 'in suspense'. The overpayments have been recognised but have not been classified for subsidy purposes and decisions have not been taken about whether or not to recover. Overpayments can remain in suspense for long periods without being acted upon (or, alternatively, written off as unrecoverable). Senior management may, indeed, be unaware of their existence. In addition, establishing the position on overpayment recovery is sometimes difficult. What is more, overpayments are not always treated as a cost centre (which compares sums overpaid, subsidy received on them and monies recovered) to establish a
net cost to, or income received by, the council and, in some authorities, management does not know whether subsidy, plus recoveries, is or is not covering the cost of overpayments.

65. Again, problems are not universal. Where they do occur, software weaknesses, caused in turn by the frequency and pace of change, and poor staff training, help to account for them. Many computer systems are flawed. Regulations and Subsidy Orders are interpreted differently. Ways of classifying overpayments in some are cumbersome and it is easy to use an incorrect classification, decided automatically by the software. These problems contribute to the great variation in overpayment classification between authorities. Similar combinations of poorly designed software and inadequately trained staff cause errors in other computer generated information; for example automatically generated settings mean that some authorities use the wrong key dates when deciding whether they have met the 14 day target for processing claims and thus contribute to the variation in reported processing times.

CONTROLLING ADMINISTRATION COSTS

66. Staffing is the largest component of administrative cost, accounting for about half of the total expenditure (Exhibit 10). In 1990/91 the average staff cost per employee was in the range £10,900 to £14,600 for half of authorities which responded to the Commission's postal questionnaire but was less than £10,900 in a quarter of cases and over £14,600 for the remainder. Overtime working was significant in some authorities; staff in 17% of the 174 authorities which provided the Commission with relevant data received an average of over £1,000 per head in overtime in 1990/91.

Exhibit 10
ADMINISTRATION EXPENDITURE
Staffing is the largest component

![Exhibit 10](image)

*Transport, debt financing, agency and contracted work.

Source: Audit Commission questionnaire and fieldwork. (Data from 203 authorities).
67. Reported administration costs have risen in real terms since administration grant was cash limited at the end of 1987/88, while the value of the grant has decreased (Exhibit 11). Local authority officers argue that the rise in cost is caused by changes in legislation and caseload. They also point out that administrative costs are demand led - authorities must process applications and must pay benefit to whoever applies and meets the criteria set by Regulations.

*Exhibit 11*

**ADMINISTRATION COSTS**
Total costs have risen in real terms since 1987/88, while administration grant has decreased

Source: Audit Commission analysis of data for Great Britain from 'Social Security - the Government's expenditure plans, 1992-93 to 1994-95'.

68. Reported administration costs vary markedly between authorities even after account has been taken of the numbers of cases of different types being dealt with by individual authorities. Differences in the reported speed of processing do not explain the variation. Some lower cost authorities perform well, which suggests that other authorities can save on administration costs. But administrative savings cannot be made immediately in every authority. Some need to invest to reduce backlogs of unprocessed work or to train staff.

**ADMINISTRATION COST AND WORKLOAD**

69. The formulae DSS has used to distribute administration grant since 1988 have been altered from year to year but have always taken account of caseload and case-mix. Caseload counts have been multiplied by weightings, intended to reflect both the relative difficulty of different types of claim and turnover (e.g. the frequency with which one claim ends and another begins, which can vary with type of claim and is not reflected in a caseload count taken at any point in time). The categories and weightings vary with the type of claimant (Exhibit 12).

70. The DSS formulae are not intended to predict actual administration costs. However, if they are allocating grant fairly, there should be clear links between weighted workloads, under
The weightings vary with the type of claimant.

Source: DSS categories and weightings used to distribute administration grant for 1992/93. Weightings are increased by 25% for cases involving boarders.

these formulae, and the costs of efficient administration. Differences can arise, either because the formulae are in some way deficient and could be improved, or because there are local differences in either efficiency and/or quality of service (or because of different accounting practices). Correlations between the DSS weighted caseloads and reported administrative cost exist but are not particularly strong. Alternative formulae derived from multiple regression analyses carried out for the Commission (Appendix A) have identified formulae which give better predictions of administration cost than the DSS formulae. But even the best alternate formulae do not give a good match between administration cost and case-load and case-mix. There are still variations in cost which cannot be explained by the workloads of the various local authorities.

ADMINISTRATION COSTS AND QUALITY OF SERVICE

71. Variations in costs between councils would be justified by any differences in service quality. But cost savings are not always the enemy of quality (Exhibit 13, overleaf). Despite tensions, the two can sometimes reinforce each other. For example, customer care emphasises courtesy and clarity when communicating with claimants. This can help to ensure that applicants provide the necessary information at the first time of asking, thus reducing administration costs. Field work has revealed well run benefits operations which do not have high administration costs. But other low cost, and some higher cost, authorities have backlogs of unprocessed applications or are processing benefits badly in other ways. Some process claims incorrectly and do not always award people the benefit to which they are entitled; others fail to identify overpayments and are vulnerable to fraud. Comparisons of administration costs with data about the speed with which
claims are processed confirm the absence of any clear relationship between costs and reported speed (Exhibit 14). Cost savings can be made in some authorities without damaging service quality. Authorities with a poor quality of service may, nevertheless, need to increase expenditure in the short term. For example, overtime or temporary increases in staffing may be needed to clear backlogs or staff may need to be trained.

Exhibit 14
SPEED OF PROCESSING AND ADMINISTRATION COST IN ENGLISH SHIRE DISTRICTS IN 1990/91
There is no relationship between cost and speed

Administration cost (£) per 100 workload points

Source: Audit Commission analysis of data from DSS and DOE.
COUNCIL TAX BENEFIT

72. From April 1993, authorities will have to deal with CTB which, whilst similar to CCB, will make different demands and require different resources. It may reduce workload and costs in the long term; fewer people will be liable for Council Tax than for Community Charge. This should reduce the number of rebates claimed and awarded. But, in the short term, authorities have to switch from CCB to CTB and will have to carry out residual work on CCB systems after CTB has been introduced, thus causing some duplication of activity. In addition, CTB contains a number of administrative requirements not found in CCB, mainly because Council Tax applies to households and not individuals (Appendix B). The consequences are difficult to predict. Similarly, the necessary resources are difficult to estimate.

73. Preparations for introducing CTB are discussed in more detail in the companion report. Authorities will need to budget in advance for the required staffing and administrative resources but staffing complements should not be finalised until authorities have actual experience of the new system. They then need a period of relative stability without major legislative change, to allow the less efficient to learn from and copy the better councils. The importance of stability is emphasised by the results of analyses carried out for the Commission. These have provided formulae which give good correlations between gross administration costs and the numbers of cases of different types, and between staff numbers and case-load and case-mix, for 1987/88. This is a marked contrast to the results for 1990/91 suggesting a decline in the relationships between administrative resourcing and case-load and case-mix. This decline implies increasing variation in practice and costs as authorities struggle with continuing legislative change. Administration costs now vary far more, from authority to authority, than they did in 1987/88, even after adjustment to take account of caseloads, and the relative difficulties of different types of case.

74. This Chapter has discussed a number of problems of service quality and financial control. Difficulties are not universal and the performance of the better authorities shows that much can be achieved even within the current framework. But that framework has contributed to problems found in the weaker authorities. Councils which implement the Regulations precisely suffer subsidy penalties; those which maximise their subsidy may ignore inconvenient Regulations. The casualties of this tension are the individual claimant and the public purse. This Chapter inevitably concentrates on the performance of the less successful councils. In each case, the various local authority responses to the problems highlighted in this Chapter illustrate the different ways individual councils have responded to the conflicting messages of the Regulations and the subsidy system. Nevertheless there are well run benefits operations and the less successful authorities can learn from these to improve their performance (Exhibit 15, overleaf). Collective action by local government would help further, but action by central government is also essential if good performance is to be more widespread. The next Chapter discusses these issues.

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1 The National Audit Office has commented on DSS’s difficulties in setting complements for new benefits it administers (Ref.13).
Exhibit 15

IMPROVING QUALITY OF SERVICE

This involves:

- Take-up
  - Liaison with:
    - housing staff
    - Community Charge/Council Tax staff
    - social services/health authority staff
    - other landlords, voluntary bodies etc.
  - Analysis of data on numbers of claimants
  - Targeted publicity

- Customer care
  - Easy access to council offices
  - Short queues
  - Privacy during interviews
  - Good response to telephone enquiries
  - Clear, well presented forms and documents

- Speedy processing
  - Targets
  - Monitoring
  - Backlog clearance

- Respecting claimants' rights
  - Correct treatment of:
    - backdating
    - Rent Officer referral
    - overpayments
    - Notices of Determination
    - Reviews
    - payment on account

- Accurate accounts & management information
  - Reconciliation
  - Audit trails
  - Correct treatment of:
    - payment on account
    - overpayments etc.

- Proper payment
  - Checking and validating claims
  - Periods of entitlement/repeat claims
  - Identifying under- and over-payments
  - Sample checking/quality control
  - Internal audit
  - Fraud investigation and prosecution

- Efficient administration
  - Managerial structure
  - Budgeting
  - Performance measurement
  - Flexibility
  - Working practices
  - Procedural guidance
  - Training
  - Liaison with the Benefits Agency, Rent Officer Service etc.
3. Action by Local and Central Government

75. Local government, acting in concert, should take steps to improve the administration of Housing Benefit. Yet such internal reform is insufficient. Central government should amend the framework within which authorities operate so as to resolve many of the tensions which this report has identified. Furthermore central and local government should co-operate by agreeing to core service levels and to build upon the model Service Level Agreement between the Benefits Agency and local authorities.

ACTION BY LOCAL GOVERNMENT

76. Benefits are administered by 403 councils in England and Wales. These vary in size from the City of Birmingham, with nearly 100,000 HB claims and 170,000 CCB claims in payment late in 1990/91 to the Isles of Scilly with 70 live HB claims and 150 CCB claims. Some caseloads, particularly in rural areas, are very small. About 13% of the authorities which provided data to the Commission had ten or less staff in their benefits units at the end of 1990/91. Yet, despite the different capabilities of departments and the need of smaller teams for support, local government lacks co-operative structures which allow it to share effectively the costs of specifying computer systems, research into customer needs, designing and trialling forms and designing procedures, working methods and training courses. Other social security benefits are, in contrast, delivered by national organisations such as the Benefits Agency which provide their service delivery points with central support.

COMPUTER SYSTEMS

77. Changes to primary legislation have meant that choices of new software have been based on promises (‘vapourware’), not demonstrable products. Hardware, interfaces to other systems and the conversion of records of people already receiving benefits have constrained choice. Suppliers, not users, have thus driven developments. They have been widely accused of failing to keep promises, of delivering late and of providing systems which do not apply Regulations correctly. They allegedly refuse to enter contracts which would give authorities proper redress when software is late or contains errors. A number of suppliers have also failed or withdrawn support for their systems.

78. Much software is unsatisfactory. But this is true both of in-house systems, which are used by 20% of authorities, as well as proprietary packages. Short lead times affect everyone. No contractor is likely to enter an arrangement which contains tough non-performance clauses before Regulations have been finalised. The DSS is always mindful of the need to allow long lead-in times where changes structurally affect software, but the ease and frequency with which Regulations can subsequently be altered inevitably make it difficult to predict the costs of later support.
Though well designed data-bases are flexible and amenable to change, there are still difficulties when a system to handle new legislation has to be specified, written, tested and implemented, possibly with conversion of millions of existing records, and at a multitude of different sites, in 15 to 18 months.

79. But much is still possible. Better recording of key dates, better information on the progress and status of a claim, user friendly ways of correctly entering dates and classifying overpayments, consistent and correct interpretation of Regulations and Subsidy Orders, better designed and worded Notices and ways of easily handling payments on account are required. Local government can improve the present position substantially. It needs to specify systems which meet its needs fully and to exploit open systems technology. If current suppliers cannot provide satisfactory systems, local government needs to seek alternatives and to include the interfaces to rents and other systems, and conversion of existing records, in its requirements.

STANDARDIZED FORMS AND PROCEDURES

80. HB, CCB and, in future, CTB have nationally determined rules. Some authorities need to translate material into languages other than English. Such requirements have contributed to the current bewildering array of application forms and other documents. But the extent of diversity is absurd. Differences in internal working methods and, particularly, in the ways in which claims are checked and validated have been used to explain much of the current variety. Yet this variety also reflects a lack of consensus of how to organise the work process. And this, in turn, means that every authority, no matter how small, has to devise its own procedural guidance for staff and make its own training arrangements. Local authorities should get together to design and trial application forms and to specify the associated minimum validation and checking. Standardised procedures and training would then be easier. The work could include the design and mailing of comprehensible Notices of Determination (which, unlike some present forms, should satisfy all of the Regulations) and similar work on other computer generated documents. The local authority associations and DSS have agreed that they will produce a model HB claim form. Similar cooperation is needed to develop standard procedures and other documents. As a separate initiative, small authorities within a county or similar area, which are unable individually to bear the cost, might co-operate to employ a fraud investigation officer.

ACTION BY CENTRAL GOVERNMENT

81. Local government administers benefits because of legislation. Central government decides timescales for change, funds most of the expenditure and is responsible for the Benefits Agency. Decisions are made in the context of policies on public expenditure, local taxation, and the social security system, all of which lie outside the Commission's remit. But all of these decisions have an impact on local authority performance and some have made the work difficult for local authorities.

82. DSS has already taken a number of steps to help improve matters. It has issued the 'Guidance Manual' and circulars containing advice on good practice. It has also sponsored the SPRU study into the appeal mechanism, has made some shorter term changes in response to those
findings and is considering further changes. And Service Level Agreements (SLAs) between local Benefits Agency offices and individual local authorities are due to be in place by April 1993.

83. In addition to the new anti-fraud incentives, the government is to make three further changes to the DSS subsidy incentives:
   — to decrease the direct subsidy rate for local authority error and technical error overpayments from 15% to nil;
   — to increase the direct subsidy rate for benefit paid above the rent officer determination in vulnerable group cases from 50% to 60%;
   — to increase the direct subsidy rate for backdated benefit payments from 25% to 50%.

The first change will widen the gap between the rates paid for overpayments due to claimant error, as opposed to local authority error, from 10% to 25% and may thus increase perverse incentives to misclassify overpayments. The second and third changes will lessen the perverse incentive for authorities that always seek to adhere to the RO's determination and seek to avoid backdated claims.

84. But further change is needed. Some of the Commission's recommendations build upon initiatives which are already being taken. But implementing other recommendations will require further changes. The National Audit Office has already suggested that Government should be more pro-active, arguing that 'although it is not the Department [of Social Security]'s responsibility to monitor in detail the performance of individual Authorities against such standards it would seem essential for standards to be set... The Department are responsible for establishing overall whether the scheme is being run efficiently and effectively and, in the National Audit Office's view, the Department cannot adequately discharge this responsibility unless they have identified standards of acceptable performance on which to base their appraisal...' (Ref.11, paragraph 2.7).

85. Government has always set standards (for example via time targets in Regulations) and sought to influence behaviour via subsidy. In response to the NAO report, DSS is now monitoring performance more precisely (e.g. against the 14 day target for clearing claims, discussed in Chapter 2), and has issued detailed advice (such as the 'Guidance Manual' and its good practice circulars). But despite the changes some of the subsidy incentives it is using are cumbersome and, as this report shows, are often counter-productive or ineffective.

86. Continued changes to the benefit rules are to some extent inevitable and the better authorities have learned to cope with this. But greater legislative stability is needed so that systems can bed down once CTB is live. The less successful authorities can then learn from the better. But further changes to the subsidy rules are still needed. HB and CCB, in future CTB, are national schemes which are administered locally. But the treatment claimants receive varies enormously across the country. The mechanism needs to reward good performance more clearly (Exhibit 16, overleaf). This will require Government to improve monitoring and quality control.
IMPROVING THE SUBSIDY MECHANISM
87. Improving subsidy involves:
— making the system less complex;
— earlier notice of subsidy rules;
— ending perverse incentives;
— linking subsidy to good performance;
and
— improved performance monitoring and external quality control.

SIMPLIFYING THE SYSTEM
88. The current mechanism is over-complex and many local authority staff do not understand it. Better training, procedural guidance and internal quality control will improve matters. But key decisions about payments are made claim by claim by relatively junior staff. The system has to make realistic demands of them; rules and Regulations are unlikely to influence behaviour in the ways its designers are seeking if people cannot follow them. Software suppliers
also find it difficult to meet Government's requirements and to amend systems successfully as those requirements change. These comprehension and software problems mean that the ways in which expenditure is currently classified and recorded are sometimes flawed.

EARLY NOTICE OF SUBSIDY RULES

89. The DSS needs to give local authorities more advance warning of subsidy rules and other information requirements. Late notification makes it difficult to set up systems and collect and record the information government requires. It also means that the rules cannot influence behaviour in the way government is seeking. Problems were most acute in 1988/89 when the Subsidy Order differed in important aspects from the draft previously circulated. Many systems had been designed to meet the draft requirements. Auditors amended or qualified the information sent to DSS by 40% of councils. DSS now makes its Order, for non-HRA rebates, rent allowance and CCB, at or close to the end of the year the Order covers but gives advance notice of information it will require. This can, however, be difficult to interpret until the Order is made. In contrast, DOE and Welsh Office make the Order affecting HRA rent rebates before the start of the relevant year.

ENDING PERVERSE INCENTIVES

90. Current subsidy arrangements have a number of strengths. They provide an incentive to recover overpayments once they are identified, include defences against exploitation by landlords, and guard against unjustified back-dating of awards. A powerful incentive to obtain repeat claims, rather than continue paying benefit for longer than permitted by Regulations, has been introduced from October 1992. This substantially improves defences against fraud and inadvertent overpayment in those few authorities that had not achieved the 60 week target.

91. But subsidy arrangements are less than perfect as they encourage authorities to classify overpayments as recoverable, when the authority has no power to recover. They deter authorities from using eligible rents which are above the Rent Officer level, even where such higher rents are justified. They also discourage backdating when there is good cause. And as the Commission has already recommended (Ref.9), the Government should review the differential rent increase provisions of HRA subsidy to remove disincentives to sensible rent and investment decisions, while retaining safeguards against exploitation.

92. The relationship between subsidy, Rent Officer referral and the Regulations covering HB payments for premises with unrealistically high rents, and for accommodation which is too large for its occupants’ needs, should also be reconsidered. The Regulations are so difficult to interpret, and problems in their application so common, that it is doubtful whether they will ever be applied consistently and correctly. Part of the confusion is that, in theory, the authority should consider whether to restrict HB whenever premises appear overlarge. This is never, to the Commission's knowledge, done for council tenants and rarely, if ever, for housing association ones. To say the least this would prove difficult. Councils and housing associations almost never create a new tenancy in overlarge premises. Under-occupancy only usually occurs much later and councils would then find themselves either restricting HB or putting pressure on (often elderly)
tenants to move. There are defence mechanisms but nonetheless there would be many unpopular decisions. If Government does not want to subsidise under-occupation of council housing via HB, and wants the Regulations to be applied to council tenants, it should say so. If it wants the legislation to apply only to private landlords, it should amend the Regulations accordingly, making clear whether it does or does not cover housing association tenancies.

93. The system of Rent Officer referral should be simplified. Definitions covering entitlement to HB, subsidy and the Rent Officer’s decision should be aligned. The replication of effort whereby ROs determine a rent for a tenancy, based on their knowledge and research, and the authority then uses the RO figure as part of its own research into rent levels and the availability of suitable alternative accommodation, should be reconsidered. Research into the reasons for differences between local authority and RO views on rent levels may be required, to help decide where future responsibility should lie.

94. Government should also consider allowing authorities to re-apply to the Rent Officer, for a fresh determination, every six months. Many deregulated tenancies are ‘assured shortholds’ which last only this long. Properties are then re-let, possibly to the same person, but sometimes at a higher rent. Rent Officer decisions currently apply for twelve months; authorities which increase HB, to cover rises in rent when assured shorthold tenancies are renewed, can thus lose subsidy. The anomaly creates a further perverse incentive to restrict to the RO figure even when claimants are in a protected category.

95. Administration grant contributes to perverse incentives, for example by asking local tax payers to meet the entire marginal cost of fraud prevention and detection. Its existence also helps reinforce the view that benefits administration is an agency not a local government service, contributing to the low priority that is given in some authorities. In addition, the grant now covers under a third of the cost of benefits administration, making it easy for authorities to blame underfunding by DSS for poor service. The proportion of cost covered by grant will still be low even after authorities make all the administrative savings which are possible; and those savings cannot be made overnight. The proportion of administration cost met by specific grant could be raised substantially and still leave significant expenditure with local government, which would thus retain an incentive to avoid administrative waste. This could be done without increasing government expenditure, by transferring the administrative support also given via RSG to specific grant.

REWARDING GOOD PERFORMANCE

96. Despite the name, ‘incentive’ arrangements are essentially negative. They punish ‘bad’ behaviour rather than reward good performance. This approach has an important part to play, when rules are clear and well targeted. For example, in the summer of 1992 a number of authorities began to request repeat claims from customers who were being paid benefit beyond the maximum permitted period, because of the subsidy penalties which would apply to such payments from October 1992. An abuse, which created major dangers of undetected fraud and overpayment in

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1 Many council tenants in overlarge properties - for example elderly people - are in protected categories. Their eligible rent cannot be restricted unless there is suitable alternative accommodation (which may be difficult to provide). Council tenants, like other claimants, can appeal against decisions, first to officers and then to a member level Review Board.
some authorities, was being addressed. In future, similar mechanisms can be linked to monitoring and external quality control arrangements to ensure government does not subsidise other payments which are not in accord with Regulations. But the current incentives do not encourage authorities to process cases quickly or to provide good customer care. Subsidy for benefits payments should include an element of reward for good performance, based on quality of service measures.

97. Rewarding good performance via subsidy for benefits payments, rather than through administration grant, would help correct the over-emphasis on low administration costs within the present arrangements. If only 2% of the current subsidy for benefits payments was distributed in this way, good performance would offer local authorities as much money as they currently receive in specific administration grant. This would require topslicing only 1% of the current subsidy for benefits payments. Such a redistribution would not affect the amounts of benefit awarded to individual claimants, because their rights are established by law. Nor would it increase the overall level of support given by central government. But it would provide a powerful incentive for good performance. Remote control would be replaced by external quality control.

IMPROVED PERFORMANCE MONITORING AND QUALITY CONTROL

98. Improved performance monitoring will be needed if subsidy is simplified and includes a reward mechanism. Caseload counts and financial and management information have a part to play but so does other information on the quality of service, for example on accuracy of processing. The Government also needs to assure itself that benefit payments, which it subsidises, have been paid correctly, in accordance with Regulations.

99. This might be done by expanding the role of the Commission's auditors. External audit is the only regular independent check of authorities' operations and much has been done to highlight problems and secure improvements. The efficiency and effectiveness reviews auditors are to carry out in 1993 will improve the position further. Other approaches are possible. For example, the Institute of Revenues Rating and Valuation has suggested that an independent national Benefits Inspectorate be established with powers to monitor performance and to request faults to be corrected.

100. HB, CCB and CTB lie outside the Social Security Appeals Tribunal (SSAT) mechanism that applies to most of the social security system. This mechanism does not just offer safeguards for the individual claimants who bring cases. Decisions help set standards, act as a form of quality control and help ensure consistent, equitable treatment. In contrast, the Internal Review and Review Board system is flawed. The government recognises the criticisms and is considering options. SPRU has already suggested that SSATs should be extended to cover HB and CCB. Making this change would provide government with some assurance that the system was being operated consistently and equitably. In addition, claimants of other benefits can appeal to a Social Security Commissioner against SSAT decisions. Applying this procedure to benefits administered by local authorities would establish a body of case law. This would be more accessible than judicial review.
SERVICE DELIVERY RESPONSIBILITIES

101. DOE has recently sought views on whether HB administration, particularly rent allowance, should be exposed to contract as part of the extension of CCT to housing management functions (Ref.14). In general, the Commission favours competition. Introduced at the right time it could help improve benefits administration. HB is, however, administered centrally in conjunction with local tax rebates in most authorities. Decentralisation to estate level has many potential problems and can increase costs. Benefits administration involves a high level of confidentiality and the exercise of discretion. Information gathering and decision making are inextricably linked. Government needs to be certain that decisions can be devolved to contractors if it intends to apply CCT to benefits administration under existing legislation. It is currently considering the implications. In addition, there are grave dangers in exposing the service to competition before the Government has introduced better arrangements to ensure external quality control and consistency.

102. Contracts might force authorities to specify service levels more clearly but great care would be needed to ensure that existing unsatisfactory and unlawful practices were not institutionalised in contracts. Contractors, like local authorities, could face similar conflicts between the proper application of Regulations and financial advantage. Private sector staff, not local authority ones, could be investigating possible fraud, without clear legal powers and without a clear supervisory mechanism. Review Boards would be examining action by the authority's contractors; perceived conflicts of interest have already damaged Boards' credibility (Ref.5).

103. There would also be conflicts of interest if housing associations or other landlords were allowed to bid and won contracts. They might be deciding how much money to pay their own tenants. Where tenants had asked or agreed that benefit be sent direct to the landlord, they would even be paying money directly to themselves. Strong supervision and defences against fraud and abuse would be essential. The temptations authorities face when paying benefit to their own tenants and local tax payers are one reason why Government has introduced the current complex and cumbersome subsidy and control mechanism. Controls on contractors' operations would further complicate the position. Great care would be needed to ensure that new contracts, unlike the rules now imposed on local authorities, were not counter-productive and did not include perverse incentives.

104. If ways are found of making CCT a practical and legal possibility then Government will need to consider the private market for the provision of this service. Outside local government, the Benefits Agency and the Employment Service, rather than the private sector, possess the greatest reservoir of experience in benefits administration. But unless the overall performance on benefits administration consistently reaches the required standard, alternative providers may be sought.

JOINT ACTION BY CENTRAL AND LOCAL GOVERNMENT

105. Authorities need a better understanding of what is expected of them. Subsidy mechanisms which reward good performance, and related management information and quality control arrangements, imply the existence of clearly understood common standards. The Regulations, despite their number and complexity, do not set standards for important parts of the system. For
example, there is no target time to act on information about changes in circumstances and entitlement. Checks to be carried out on claims, accuracy levels and target overpayment levels are also undefined. This lack of common, publicly available standards compares unfavourably with the position in the Benefits Agency, whose 'Procedures Manuals' are being made available through HMSO.

106. However, local government needs to be able to tailor its service delivery arrangements to local needs. Individual authorities can use their own resources to enhance benefit entitlement, for example for war widows, and to improve service quality. Central and local government should agree the core service level and quality which all local authorities are to provide. This should be broader in scope than current regulations. This agreement should form a quasi-contractual basis for central government’s subsidy of the system. Local enhancements to service levels and quality, including their funding, would then be left entirely to individual local authorities. The agreement could underpin the development of a standard software specification and of standard documents and core procedures. Such an agreement is essential if local government and central government are to co-operate in the development of these standard approaches.

THE BENEFITS AGENCY AND THE RENT OFFICER SERVICE

107. Authorities’ performance, and the service the public receives, are bound to suffer if work on HB and CCB, or CTB, is given a low priority by the Benefits Agency. DSS has previously circulated detailed advice on the exchange of information, and liaison arrangements, in its ‘Guidance Manual’. In the absence of an effective enforcement mechanism, some of this advice has been widely ignored; for example, a survey by the local authority associations in 1992 found that there were no regular liaison meetings between local Benefits Agency staff and local authority staff in 59% of authorities that responded. DSS, the Benefits Agency and the local authority associations have developed a model Service Level Agreement for the relationship between authorities and Benefits Agency district offices. With DSS support, the Benefits Agency is encouraging district offices to enter into local agreements, based on the model, with individual local authorities. The Agency wishes to have agreements in place with every authority by April 1993. In addition, the Agency has agreed targets for other work with the Secretary of State. Adherence to these targets should ensure that local authorities receive the basic information that they require from the Agency in a timely manner. The SLAs should, however, be reviewed next year to check that they have brought about the necessary improvements.

108. The model SLA is a welcome development but one which can be improved. Individual local authorities will have to publish benefits Citizen’s Charter Performance Indicators from 1993/94. The government should consider similarly publishing data on how well the Agency is supporting local authorities, preferably at an authority by authority level, to help the public interpret those Performance Indicators. (Benefits Agency performance will be of greater importance if housing management, including rent collection, is subject to Compulsory Competitive Tendering. The speed of processing Housing Benefit is a major factor affecting rent arrears. So any failures by the Agency will assume a high profile.) Additionally the Government should consider extending this approach to the relationship between the Rent Officer Service and local authorities. Referral should take place within a Service Level Agreement which sets minimum standards for both ROs and local authorities, supported by published statistics.
109. The Government should also reconsider whether claimants, rather than the Benefits Agency, should continue to be responsible for telling the authority that entitlement to Income Support, and thus to HB or CCB, has ended. It is not surprising that many claimants assume that official bodies will tell each other about such changes (as indeed they do). The present legislation absolves the Benefits Agency of responsibility for overpayments made by the local authority as a result of delays within the Agency. Altering the position would create a further discipline in the relationship between the Agency and local government.

110. Government can examine other simple changes which would improve customer care. For example, the present form used to submit a claim for HB to the Agency at the same time as one for IS does not ask for any information about the claimant's rent or accommodation. When rent allowance is claimed the authority subsequently has to contact the claimant to obtain that information. Claims would be processed more quickly if the Agency's form asked for the information in the first place.

* * *

CONCLUSION

111. Many local authorities administer benefits well. Over 50% of authorities claim to clear at least 80% of their HB cases within 14 days. Many take great care in delivering a good quality service. But throughout the benefit system there is an unresolved tension between cost control and quality of service. Government uses the subsidy system to signal its wishes but it does not fully resolve these tensions. The interaction between the Regulations and the subsidy mechanism is a crude form of remote control. Given their varying priorities, councils interpret these signals in different ways and with varying degrees of success. Many claimants suffer as a result. Three principal steps are needed to remedy this situation. Firstly, the subsidy system should be reviewed so that it reinforces good practice, rather than inhibits it. Secondly, external performance monitoring and external quality control should be improved. Thirdly, the system should reward performance not caseload. It is the quality of the work done by councils which is important. But the emphasis on the quality of outcomes necessitates new approaches to the testing of councils' activities. It is not the job of the Audit Commission to re-invent the system. Nevertheless, this Report points out the directions for further development by government and councils. Effective external quality control needs to replace remote control.
References

2. Young and homeless in Wales, Susan Hutson and Mark Liddiard, Department of Sociology and Anthropology, University College of Swansea, May 1991.
10. Unreasonable rents and housing benefit, Housing Research Findings No. 70, Joseph Rowntree Foundation, November 1992 (reporting research carried out by P. Kemp and P. McLaverty of the Centre for Housing Policy, University of York).
INTRODUCTION

1. There is considerable debate between the local authority associations and the DSS over the appropriate formulae that should be used to distribute the cash limited administration grant to individual local authorities. The formulae have changed over the years to reflect changes in the benefits system and to improve the fairness of the allocation.

2. The Commission has examined the various formulae that have been used in recent years by means of regression analysis. It has also examined the data used to determine the allocations to see if better formulae could be derived, again using regression analysis.

3. Before presenting the results, it is important to understand the limits of such analysis. Regression does not identify cause and effect. It merely calculates the way in which the variation in one set of data - the 'dependant variable' (e.g. the administrative cost of each authority) is linked to variations in other items of data - the 'independent variables' (e.g. the case-loads of different types of benefit). When analysing the data, the computer program operates in a 'step-wise' manner. It picks the item from the list of independent variables which is most closely linked to the dependent variable. It then calculates how much of the initial variation is explained by this independent variable, calculates the residual variation and then picks the next best independent variable and again calculates the residual variation. These steps are repeated until no further residual variation can be linked to the independent variables. Two important qualifications stem from this process:

   — where two or more of the independent variables vary in a very similar way (what statisticians term auto-correlation) the step-wise program picks the 'best' one. In doing so it may pick up the effect of more than one of the independent variables. For example if the number of IS and non IS cases of rent rebates have a very similar ratio in most authorities, just one of the caseloads will be chosen. This does not mean that the workload of the second type is insignificant;

   — a perfect match will never be found, if only because local levels of service and local efficiency will also cause variations in administrative cost.

4. The extent to which the equations that are derived from this process 'explain' the variation in administrative cost is measured by the 'coefficient of determination' ($R^2$). The closer the value of $R^2$ to 100% the greater the proportion of variation that is 'explained'. $R^2$s of 100% almost never occur with real life data; a value greater than 75% would normally be described as a reasonable fit. However, if multiple regression analyses are carried out with data which includes a few high value outliers, it can produce equations which give good predictions of the costs of these outliers and which have good $R^2$ values but which do not give good predictions of the costs.
of the majority of authorities. For this reason the four largest metropolitan districts were not included in any of the analyses.

THE DSS FORMULAE

5. DSS distributes the cash limited administration grant primarily by assigning weightings to different categories of benefits case, multiplying the numbers of cases of different types dealt with by each authority by these weightings, to obtain a weighted workload for each authority, and then allocating the cash limited sum to individual authorities pro-rata to their weighted workloads. Weighting systems require adjustment when legislation alters case categories. DSS has, however, used different weightings for different years when legislation has not changed. For 1991/92 it used different weightings systems for different groups of authorities (London, metropolitan districts, English shire districts and Welsh shire districts). Just one weighting system has been applied to all types of authority for 1992/93.

6. Actual administrative costs for 1991/92 were not available when the study team undertook the analyses. Instead the administrative costs and case load mix of individual local authorities for 1990/91 were studied. The DSS assigns its weights retrospectively and so it was not until 1991/92 that the weightings took account of CCB. The regression analyses therefore examined how good the weightings that were set in 1991/92 and 1992/93 were at explaining the link between gross administrative costs (i.e. costs before account is taken of the specific administration grant provided by DSS) and caseloads.

7. The comparisons used linear regression. This can be viewed as a simple version of multiple regression which always starts with a single category of data — in this case the weighted workloads for individual authorities — and which always, therefore, gives an equation based on this one category. The results are summarised in Table A.

ALTERNATIVE FORMULAE

8. Separate analyses have produced equations which predict gross administration costs in terms of caseload counts. They have been carried out for three years:

— 1987/88, the last year in which authorities administered the HB legislation introduced in 1982 and 1983. Some benefits administrators argue that initial problems in administering the legislation had been overcome by then and that most authorities had well functioning, cost effective administrative arrangements. (Authorities had, however, begun preparing for the April 1988 change in 1987/88);

— 1989/90, the second year in which authorities administered the HB system introduced in April 1988. They new system had thus had time to settle down (though, during 1989/90, authorities began preparing for the introduction of CCB in April 1990);

— 1990/91, the latest year for which data was available when the analyses were performed. It was the first year in which authorities were administering CCB.

Because the legislation was different in each of these years, each year's analysis was based upon a different set of caseload categories. The equations derived for different years cannot therefore be compared directly.
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Table A

COEFFICIENTS OF DETERMINATION FOR THE 'BEST' EQUATIONS FOUND USING
DSS WEIGHTINGS

<table>
<thead>
<tr>
<th></th>
<th>R² (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td></td>
</tr>
<tr>
<td>- 1991/92 weights</td>
<td>60</td>
</tr>
<tr>
<td>- 1992/93 weights</td>
<td>49</td>
</tr>
<tr>
<td>Metropolitan districts plus the 12 biggest shire districts*</td>
<td></td>
</tr>
<tr>
<td>- 1992/93 weights</td>
<td>15</td>
</tr>
<tr>
<td>Other English shire districts</td>
<td></td>
</tr>
<tr>
<td>- 1991/92 weights</td>
<td>47</td>
</tr>
<tr>
<td>- 1992/93 weights</td>
<td>49</td>
</tr>
<tr>
<td>Other Welsh shire districts</td>
<td></td>
</tr>
<tr>
<td>- 1991/92 weights</td>
<td>51</td>
</tr>
<tr>
<td>- 1992/93 weights</td>
<td>55</td>
</tr>
<tr>
<td>Other shire districts (English and Welsh)*</td>
<td></td>
</tr>
<tr>
<td>- 1992/93 weights</td>
<td>46</td>
</tr>
</tbody>
</table>

* These analyses cannot be performed using the 1991/92 weights, as different weighting systems were applied to different types of authority.

9. Metropolitan districts and the largest shire districts were grouped together because, as major urban areas, they can face similar challenges when administering benefits. In addition, separating the largest shire districts from the rest of such authorities ensures analyses do not produce equations for shire districts which give good predictions of the costs of these large authorities but give bad predictions of the costs of the more typical, smaller shire district.

10. The analyses for 1987/88 began by dividing cases into eleven different categories. But the best equation obtained had an R² of 78% and uses only four categories of case; increasing the number of categories in the equation does not significantly improve R². Though 78% of administration costs can be explained using just these four categories this does not imply that all the costs are caused only by these four categories and that cases in the other seven categories have no effect on costs. The numbers of cases in different categories are strongly correlated with each other; the equation incorporates the costs of case types which do not feature explicitly in the formula. These results suggest that, in 1987/88, for most types of authority, there were clear relationships between administrative effort and live caseload.

11. The analyses for 1989/90 and 1990/91 produced best equations which required only one to six categories of case, but began by using 25 categories (1989/90) and 20 categories (1990/91);
the difference between the two years reflects changes following abolition of rates and the introduction of CCB.

12. The initial categories included ones for boarders (bed and breakfast cases and hostel dwellers), to take account of local authority arguments that these cases are particularly time consuming to administer and need to be identified separately when examining administration costs. Boarders categories appear explicitly in some of the equations which have been obtained, supporting the local authority argument for separate treatment of this group.

13. The initial categories were primarily based on counts of numbers of live cases of different types in payment close to year end. They also, however, included counts of the number of new claims received during the year and of the number of these which were unsuccessful. None of these claim categories appeared explicitly in the best equations.

14. Outside London, $R^2$ values deteriorated between 1989/90 and 1990/91. This supports (but does not prove) the local authority argument that the switch from rate rebates to CCB disrupted some authorities' administration (as such disruption could increase the variability of administration costs from authority to authority and thus cause the deterioration in $R^2$). The local authority argument is further supported by the deterioration in $R^2$ values between 1987/88 and 1989/90. However, the $R^2$ values of the best equations for London authorities improved between 1989/90 and 1990/91.

15. The best equations obtained for the major categories of authorities for 1989/90 and 1990/91 are summarised in Table B.

CONCLUSIONS

16. The equations produced by the Commission's multiple regression analyses do not give good predictions of actual administrative costs, suggesting that there is considerable variation in administrative practices and/or efficiency (or that there are important errors in some of the source data). In general, however, the Commission's equations give better predictions than those derived using the DSS weights. Since the Commission's equations use fewer categories than the DSS system, this suggests that it may be possible to satisfactorily distribute administration grant using only a few caseload categories. There seems to be no case for increasing the number of caseload categories.

17. The Commission has, however, derived its equations, using different caseload categories, for different years. Ideally an allocation formula should use the same categories from year to year. As CCB is about to be succeeded by CTB, changes in category are inevitable (if caseload counts and categories are to continue to play a part in the allocation process). One longer term approach to developing a formula would be to carry out similar analyses to those performed by the Commission, using administration costs and caseload data for 1993/94. The best equation(s) could later be applied to caseloads for 1994/95 to predict administration costs in that year and the predictions compared with actual costs. If the predictions were good, this would suggest that simpler formulae could be carried forward from year to year.
Table B
THE 'BEST' EQUATIONS FOUND USING MULTIPLE REGRESSION

<table>
<thead>
<tr>
<th></th>
<th>( R^2 ) (%)</th>
<th>No. of different categories of case used in the best equation</th>
<th>The identified categories</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>London</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 1989/90</td>
<td>66</td>
<td>3</td>
<td>• New claims</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Rent Allowance (IS)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Boarders (private &amp; LA(non IS))</td>
</tr>
<tr>
<td>- 1990/91</td>
<td>71</td>
<td>1</td>
<td>• Rent Allowance (IS cases)</td>
</tr>
<tr>
<td><strong>Metropolitan districts plus the 12 biggest shire districts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-1989/90</td>
<td>69</td>
<td>4</td>
<td>• Rent allowance and rate rebates (IS)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Rent rebates and rate rebates (non IS)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• LA boarders (non IS)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Earners (all types)</td>
</tr>
<tr>
<td>-1990/91</td>
<td>65</td>
<td>3</td>
<td>• Rent rebates (non IS, earner)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Private boarders (non IS)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• CCB(IS)</td>
</tr>
<tr>
<td><strong>Other shire districts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-1989/90</td>
<td>69</td>
<td>6</td>
<td>• Rent rebates and rate rebates (IS)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• LA boarders (IS)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Rate rebates (private sector - no rent allowance) (IS)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Rent allowance plus rate rebate (non IS)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Owner occupier rate rebates (non IS)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Students</td>
</tr>
<tr>
<td>-1990/91</td>
<td>62</td>
<td>4</td>
<td>• Private boarders (IS)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• CCB (non IS, earner)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Rent allowance excluding boarders (non IS, earner)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Rent rebate excluding boarders (non IS, earner)</td>
</tr>
</tbody>
</table>


Appendix B

CTB - NEW ADMINISTRATIVE REQUIREMENTS

These include:

NON-DEPENDANT DEDUCTIONS

CTB resembles HB, rather than CCB, in that it makes deductions for non-dependants (on the assumption that non-dependants are making some contribution toward the payment of the Council Tax). The claimant has to supply the authority with the necessary information about the income of non-dependants. As with HB, the claimant does not necessarily have (and has no legal right to obtain) this information.

CTB CLAIMS AND COUNCIL TAX DISCOUNTS

Council Tax liability can be reduced by measures which are part of the Council Tax, and not the CTB, legislation. These include disability reductions and transitional relief as well as discounts, which reduce liability by:

- 25%, if there is only one liable adult in the dwelling (certain 'disregarded' people, such as students, do not usually count as second adults);
- 50%, if all the adults who live in the home are 'disregarded' or the dwelling is unoccupied.

Authorities will award discounts on the basis of information obtained from benefit claims. Benefits units will pass this information to Council Tax units. They in turn will need to inform the benefits units of the revised CTB liability.

MAXIMUM ALTERNATIVE COUNCIL TAX BENEFIT

Alternative Maximum CTB is sometimes informally described as a 'second adult rebate'. It is designed to help a liable person who lives with other people who are on low incomes. A reduction in Council Tax liability is made equal to:

- 25% of tax liability, if the other adult(s) are on Income Support;
- 15% if the other adult(s) has(have) a total weekly income (less certain disregarded income) of less than £105 (1993/94);
- 7.5%, if the other adult(s) has (have) a total weekly income (less disregarded income) of between £105 and £135 (1993/94).

The tax liability used to calculate Alternative Maximum CTB is after account has been taken of any disability reductions and transitional relief but before any discounts have been applied. Someone cannot receive both CTB and Alternative Maximum CTB.

Alternative maximum CTB is thus claimed by, and awarded to, people liable for Council Tax, but the amount of any Alternative Maximum CTB awarded does not depend on their
incomes; it is based on the aggregate income(s) (less disregard income) of the second and all other qualifying adults in the dwelling. As with non-dependant deductions, there may be difficulties in obtaining and verifying these income details.

'BETTER BUY' CALCULATION

A 'better buy' calculation is required for those claimants potentially entitled to both CTB and Alternative Maximum CTB, to decide which award gives the larger rebate. The claimant must be notified of the result.

EXEMPT DWELLINGS

Certain dwellings are exempt from the Council Tax either indefinitely, for example where all the residents are students, or for up to six months, for example where it is unoccupied and substantially unfurnished. It is for the local authority to ascertain whether particular dwellings are exempt. Benefit claims may be one source of such information.
Applicable amount
The notional amount of a claimant's needs, used to calculate entitlement to HB or CCB/CTB. It reflects the basic living needs of different categories of claimant, other than housing. It is made up of allowances and premiums (see below).

Allowances
Allowances are used to help calculate the claimant's applicable amount. There are different allowances for:
- single claimants;
- lone parents;
and
- couples.

These are age related with e.g. different single person allowances depending on whether the claimant is over 25 years of age.

Additional allowances are given for children/young persons. These too are age related.

Backdated benefit
An award of benefit for a past period for which the claimant has not already claimed HB/CCB.

Benefits Agency
A 'Next Steps' Executive Agency within DSS which administers Income Support, Family Credit and other benefits, through its network of local offices.

Claimant's capital
If a claimant's capital exceeds a cut-off there is no entitlement to benefit. Certain items such as a claimant's home and household possessions are not normally included.

Designated Office
Each authority must have at least one designated office. This is the place to which claims should be sent and changes of circumstances notified.

Disregards
Resources available to the claimant which are ignored in the assessment of benefit entitlement. Disregards cover both capital (where e.g. personal possessions are normally ignored) and
income (where, for example, part of any earned income is disregarded, with the amount ignored depending on the claimant's circumstances).

**Eligible rent**

Eligible rent is the actual rent payable on the claimant's home (or the claimant's share of the rent if accommodation is shared) but excluding an amount for water charges, fuel, meals or other ineligible service charges, if these services are included in the rent. Deductions are also made if the rent includes business premises, and may be made if the rent covers land and/or garages. Rent is also reduced in some cases if the rent is unreasonably high or the accommodation unreasonably large.

**Family credit**

An income-related benefit awarded to those responsible for children where the parent or parents are working 16 or more hours a week.

**Income Support**

A means tested benefit, administered by the Benefits Agency, intended to provide a basic minimum income for individuals or families where neither the claimant nor his or her partner work for 16 or more hours per week.

**Internal Review**

An authority's reappraisal of any ruling in respect of a HB or CCB/CTB claim carried out in response to representations from the claimant or any other 'person affected' by the ruling. Internal Reviews are often referred to as 'officer reviews'.

**Large Scale Voluntary Transfer (LSVT)**

Takes place when a local authority transfers all, or a substantial part of, its housing stock to a housing association, usually, but not necessarily, created for the purpose.

**Maximum CCB**

80% of personal Community Charge liability.

**Maximum CTB**

100% of personal Council Tax liability, less any non-dependant deductions.

**Maximum HB**

Eligible rent as adjusted for e.g. non-dependant deductions.

**Non-dependant**

Anyone who lives with the claimant on a non-commercial basis, except members of the family included in the assessment of the claimant's applicable amount, e.g. a foster child; a joint occupier of the accommodation; a tenant or a sub-tenant of the claimant; or an employee of a voluntary or charitable organisation whose care services are paid for by the claimant or partner.
In most cases where a non-dependant is present, a non-dependant deduction is made to eligible rent, to obtain maximum HB. The size of the deduction depends upon the non-dependant’s financial circumstances. Non-dependant deductions are not made for CCB but are made for CTB.

**Overpayment**
An amount of HB or CCB/CTB which has been paid but to which there is no entitlement under the regulations.

**Premiums**
Premiums are used to help calculate certain claimants’ applicable amounts. They are added to the claimant’s allowance(s). Claimants receive whichever of the family, disabled child, severe disability and carer premiums apply to their case. They also receive the highest of whichever of the following apply to their case:
- lone parent (the lone parent premium is separate from the lone parent allowance);
- pensioner;
- enhanced pensioner (claimant, or, in the case of a couple, the older partner, is aged between 75 and 79);
- higher pensioner (claimant or, in the case of a couple, the older partner, is 80 or older);
- disability.

**Protected category**
Claimants who are protected by Regulations which limit the restriction of the eligible rent for benefit purposes. A claimant can be accorded protection:
- because special terms apply during the first 13 weeks of the claim, where any of the occupiers could afford the accommodation when liability to pay rent commenced;
- if any of the occupiers has died within the past 12 months, and the claimant has not moved since then;
- due to personal circumstances. If any of the occupiers is aged 60 or more; is responsible for a child or young person living in the household; or is incapable of work through sickness or disability for social security purposes.

**Rent Officer**
The Rent Officer determines the market rent of appropriate accommodation for subsidy purposes.

**Rent allowance**
Assistance with rent (Housing Benefit) administered by housing authorities to help private tenants, including housing association tenants.
Rent rebate

Assistance with rent (Housing Benefit) provided by housing authorities to help their tenants with rents (usually a rebate applied to the rent account).

Rent restriction

The reduction of a claimant's eligible rent because the rent for the dwelling is unreasonably high or the accommodation is unreasonably large for the needs of everyone who lives there (Housing Benefit Regulations 11 and 12).

Repeat claim

Benefit (HB and/or CCB) is awarded for a fixed benefit period. Regulations set a maximum time but the authority can choose a shorter period and can cease payment before the period ends, e.g. if the claimant's circumstances change.

There is usually no power to continue awarding HB/CCB after the end of the benefit period, unless a repeat claim is made, i.e. the claimant submits a successful application for the further award of HB/CCB.

Review Board

A panel of councillors who re-appraise any ruling by an authority in connection with a HB or CCB/CTB claim. Boards are held in response to representations from the claimant, the authority, or any other ‘person affected’ by the ruling. Review Boards can only consider cases which have already been subject to Internal Review.

Taper

The percentage of the difference between the income and the applicable amount which is deducted from the eligible rent or maximum CCB in order to determine entitlement, if a claimant's net income is more than his or her applicable amount. For example:

Net income : £100 p.w.
Applicable amount : £60 p.w.
Difference : £40 p.w.
HB taper : 65%
Deduction from eligible rent : 65% of £40 p.w. = £26 p.w.
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