

DUNDEE CITY COUNCIL

REPORT TO: Finance Committee - 10 February 2003
Personnel & Management Services Committee - 10 February 2003

REPORT ON: Finance Department - Revenues Division - Housing & Council Tax Benefit Verification Framework and Staffing Restructure

REPORT BY: Director of Finance and Director of Personnel and Management Services

REPORT NO: 137-2003

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek authorisation from the Committee to a modular implementation of the Housing and Council Tax Benefit Verification Framework (VF) and to approve the establishment of 21 new posts and the regrading of a number of other posts.

2 RECOMMENDATIONS

It is recommended that the Finance Committee:-

- 2.1 agrees to the implementation of modules 1 and 2 of the VF from 1 October 2003, or as soon as practicable thereafter; further consideration will be given in 2004/05 to the implementation of the third and final module;
- 2.2 notes and approves the financial implications of this initiative;
- 2.3 agrees to a review of the layout of accommodation in which staff involved in this initiative are or will be based;
- 2.4 instructs the Director of Finance to bring forward a further report after the VF has been introduced in order to update the Finance Committee on the implementation;
- 2.5 agrees to a publicity campaign to heighten public awareness with regard to the requirements of the VF prior to its introduction.

It is recommended that the Personnel and Management Services Committee:-

- 2.6 approves the changes to the establishment outlined in Appendix C to this report.

3 FINANCIAL IMPLICATIONS

- 3.1 The total capital cost of implementing the report in the financial year 2003/04 will be £227,000 as detailed in Appendix A and this is offset by grant from the Department of Works and Pensions (DWP) of £146,500, leaving a net capital expenditure of £80,500 which will be included in the Council's Capital Plan.
- 3.2 After the introduction of the VF, other Councils have reported a marked drop in their benefit caseloads. As the Council presently funds 5% of any benefit awarded, it is estimated that the resultant reduction in funds paid out by the Council will be in the region of £320,000, being a reduction of 10% .
- 3.3 The anticipated ongoing annual revenue costs are £377,716 and £493,332 in 2003/04 and 2004/05 respectively, all as detailed in Appendix A. This appendix also outlines revenue income from the DWP and Security against Fraud and Error (SAFE), as well as estimating the saving from the reduction in benefits payable.
- 3.4 From 1 April 2002, the DWP introduced SAFE. This scheme has been introduced to measure the level of weekly incorrect benefit throughout the country. In order to gain an effective measurement, it is now mandatory for all local authorities to maintain additional statistics on the number of benefit reductions caused by either claimant error or fraud. The scheme allows local authorities to claim two types of financial gain. The first financial gain centres on reductions in benefit, which result in a period of overpaid benefit. Local authorities have always claimed a subsidy gain based on the overpaid benefit for the financial year. The second financial gain is based on a "reward" element and is dependent on the amount the benefit in payment was reduced by. This financial gain is controlled by a three tier banding system. Further, where local authorities are certified as being fully compliant or partially compliant with regard to the VF, the level of "reward" for each overpayment of benefit resulting from claimant error or fraud is higher. Having analysed the data for subsidy and reward projections, it is estimated that should the Council adopt modules 1 and 2 in respect of VF, there will be approximately £100,000 per annum in income to be obtained under SAFE.

4 LOCAL AGENDA 21 IMPLICATIONS

- 4.1 None.

5 EQUAL OPPORTUNITIES IMPLICATIONS

- 5.1 None.

6 VERIFICATION FRAMEWORK – BACKGROUND

- 6.1 The DWP, formerly Department of Social Security, has introduced a VF with the aim of introducing more stringent checks on applications for benefit payments and, similarly, stricter checks prior to awarding benefit to those re-applying. As part of the Council's response to the Benefit Fraud Inspectorate Report in July 1999, the Council gave an undertaking to the Secretary of State that the VF would be introduced. Increased funding from the DWP in respect of the VF will allow for its introduction with no additional ongoing costs.
- 6.2 The requirements of the VF are detailed in Appendix B attached.
- 6.3 It is recommended that the VF be introduced from 1 October 2003, or as soon as practicable thereafter, with any contribution by Government towards set up cost being paid in 2003/2004 financial year. Any Government contribution that may be payable to assist in continuing costs will be paid from 2003/2004 onwards.
- 6.4 In agreeing to operate the VF and therefore claim any available additional grant, it will be a requirement for the Council to provide an implementation plan and also keep records of expenditure for audit purposes. Ultimately, compliance with the VF and the resultant funding payments will be based on certification by the External Auditor. The VF will be linked to existing arrangements covering certification of subsidy.

7 OPTIONS

- 7.1 Two options were considered:-
- a) not implementing the VF - discounted due to the Council giving an undertaking to the Secretary of State that the VF would be introduced. This undertaking was also given as part of the Council's response to the Benefit Fraud Inspectorate Report in July 1999;
 - b) implementing the VF - having examined the modular implementation of VF, it is recommended that the Council adopts modules 1 and 2 and gives further consideration at a later date to implementing module 3.

Funding of the VF if implemented in modular format is split as follows:-

MODULE	SET UP FUNDING	ONGOING FUNDING
1. New Claims	60%	40%
2. Renewal Claims	20%	20%

8 IMPLEMENTING THE VERIFICATION FRAMEWORK

8.1 Impact on Workloads

- 8.1.1 This section details areas of the VF which will have a major impact on the present method of administering Council Tax and Housing Benefits.

- 8.1.2 All claims for benefit made after 6 September 1999 must contain details of a valid National Insurance number and individuals making a claim for benefit on or after this date must prove their identity. When establishing the identity of a claimant, or their partner, efforts must be concentrated on the whole picture the individual has presented. The aim is to be satisfied about the validity of a claimant's identity by collecting a sufficient amount of information and evidence about the claimant and their circumstances.
- 8.1.3 All claims require to be cross checked with various other systems, e.g. Council Tax records, Rent Officer records, Electoral Register, Council House waiting lists, etc., to ensure that the composition of the household declared on the application form is consistent with information held on other systems.
- 8.1.4 Verification will be required of all earned income - main employment and other earned income. Cross checking with capital is required if the applicant is in receipt of any income and it is paid directly into a bank account. Detailed scrutiny of bank statements is a requirement of the VF. This increase in detail required will lead to an increase in the number of incomplete forms being submitted. This will result in an increase in the number of letters requiring to be issued and an increase in the delay in assessing and processing applications.
- 8.1.5 Verification of all income for the self-employed is required from audited accounts. Where no audited accounts are available, a pro-forma must be completed. In addition, detailed information about the self-employed is required.
- 8.1.6 Verification will be required of all benefits received. The benefit application form must have a box for each individual type of income received and ask to whom it is paid. It must also have a box for the amount and frequency. When verifying, the Council will be expected to see the actual benefit payment book, award letter, a benefit payment card, recent post office receipt and current bank statements. Bank statements will be scrutinised for details of flow of monies.
- 8.1.7 Visits to the Council's Enquiry Office will increase and interviews will be longer.

8.2 Risk Groups

- 8.2.1 The VF categorises people who receive benefit into five areas of risk. The group in which they are placed demonstrates the relative likely occurrence of change of circumstances and, therefore, the relative risk as to information of that change of circumstances being passed on to the local authority.
- 8.2.2 The following have been identified as Group A:-

Houses in Multiple Occupancy tenants
 Boarders
 Hostel dwellers
 People who have previously committed benefit fraud
 Cases where the landlord is known to be questionable

8.2.3 The following have been identified as Group B:-

Sub-tenants

Non Income support claimants receiving statutory sick pay or lower rate Incapacity Benefit

Casual/seasonal earners (e.g. bar staff, taxi drivers, jobs with tips)

8.2.4 The following have been identified as Group C:-

Lone Parents

Unemployed aged under 25 and living alone

8.2.5 The following have been identified as Group D:-

Self employed

Rent Allowance cases (excluding Housing Associations)

Unemployed

8.2.6 The following have been identified as Group E:-

Any client group not specified in the Groups A - D

8.2.6 The maximum suggested benefit period for Groups A and B is 26 weeks. The maximum suggested benefit period for Groups C and D is 52 weeks and for Group E 52-60 weeks.

8.2.7 With the exception of claimants with earned income, whose entitlement to benefit is reviewed every 26 weeks, this Council generally grants benefit for a period of 52 weeks. The decrease in benefit period for the cases detailed will lead to a substantial increase in workload. It should be remembered that every time a claim is received, the full verification system must be operated.

8.2.8 At the end of each benefit period, a complete new application must be made and the complete verification procedures (apart from ID) must be carried out. At present a shortened review form is used to ascertain claimants` ongoing entitlement to benefit. This allows for claimants to indicate their current income and savings and household details.

8.2.9 Following the introduction of the VF, the required use of a complete new benefit application will have a considerable impact. The length and number of interviews at Enquiry Offices will increase, as will telephone enquiries. There will also be an increase in correspondence. It is anticipated that a large number of review forms will be returned where insufficient proof is provided at the time. These reviews will not be processed until sufficient proof is provided, unless legislation dictates otherwise.

8.3 Visits

8.3.1 The VF specifies that un-notified visits to claimants at their homes must be introduced. This is in addition to the normal renewal application that must be made at the end of each benefit period.

8.3.2 Group A Cases

A visit must be made within 13 weeks of the first determined payment of benefit unless a visit has been made to the claimant at that address within the last six months. If a visit has been made to that address within the last six months, the benefit period should be allocated and a visit made within eight weeks of the next benefit period. People claiming within this group must be visited at least once a year.

8.3.3 Group B & C Cases

These cases must be visited at least once every two years.

8.3.4 Group D Cases

These cases must be visited at least once before the end of the third benefit period.

8.3.5 Group E Cases

These cases must be visited within 13 weeks of the third benefit period.

8.3.6 As this area of work falls within module 3 of the framework there will be no impact until the Council carries out a review in 2004/05 and decides whether to implement this module.

8.4 **Application Forms**

The revised procedures and increased duties placed on this Council by the VF will require a major redesign of the benefit application forms making it larger and more complex for claimants to complete. At present, a standard benefit application form has 40 questions on 10 pages and it is anticipated that the new form will have 60 questions on 15 pages.

8.5 **Information Technology**

The high degree of operational and management information requirements that will exist as a result of operating the VF dictate that sound, efficient and comprehensive computer systems are available. Fortunately, this Council has recently purchased and implemented computer systems that will satisfy the requirements of operating the VF. It will be necessary to purchase an additional 21 PCs to accommodate the additional people required.

9 **STAFFING**

The implementation of modules 1 and 2 will require additional staff and the regrading of a number of posts to reflect increased duties and responsibilities. These proposed changes are outlined in Appendix C attached.

In order to allow for the extensive training for any new staff to be productive and effective it will be necessary to appoint them prior to the introduction of the VF. Staff changes will be required in the following locations:-

9.1 Enquiry Offices

- 9.1.1 At present, enquiries from members of the public in relation to Council Tax and/or Council Tax Benefit/Housing Benefit can be addressed at the Enquiry Office situated at 6/7 City Square, and Lochee Housing Area Office.
- 9.1.2 It is expected that the number of telephone enquiries relating to benefit following the introduction of the VF will increase sharply.
- 9.1.3 Due to the increase in enquiries expected, it was felt that an Enquiry Team should be set up to deal with all customer enquiries (by telephone and in person) in respect of Council Tax and Benefits. A number of staff would be transferred to the new Enquiry Team in addition to the new staff detailed in Appendix C.

9.2 Mail Room

While the volume of mail received will increase, it is anticipated that barcoding of some key forms, e.g. benefit review forms, will have been introduced, thereby reducing the level of resource required to index documents on the Workflow system. Development of barcoding will be undertaken by the Information Technology Division.

However, not all documents can be barcoded. For example, any document originating from a claimant or a landlord (such as payslips, leases etc.) will not be barcoded. Therefore, despite the introduction of barcoded documents, the additional work generated by VF requirements will result in additional members of staff being required.

9.3 Accounts Section

The volume of claims which the department will be unable to process as soon as they are received due to the requirement for additional supporting documentation will be substantial. The number of letters which will be sent to claimants will increase greatly as will the number of claims in a pending file. It is expected that there will be a large increase in the number of phone calls, incoming mail and complaints due to the additional time taken to process claims and additional reviews for higher risk groups. The additional checking and verification of forms and documents is likely to be undertaken by clerical staff as part of a pre-assessment process for all applications/reviews.

9.4 Liaison Visiting Section

Although increase in workload is expected to be minimal, the Team Leader will require to have knowledge of the workings of the VF and offer advice to the visiting officers as necessary, as well as developing a closer working relationship with the new Enquiry team and the Accounts & Benefits teams.

9.5 **Fraud Section**

The Framework indicates that the Fraud Section should issue monthly or quarterly reports to keep all benefit staff informed on the progress of fraud investigations. It may be necessary for the officers to work outwith normal office hours as and when required, so that certain types of cases can be investigated. This will require administrative procedures to be put in place to maximise the security of officers. In addition to the above, the demands placed on Fraud Officers by Government is continually growing in terms of volume, complexity and, perhaps more importantly, breadth of operation. Fraud Officers are now involved, on a day-to-day basis, with surveillance, legislative powers of obtaining information, interviewing under caution and prosecuting offenders. Due to the changes in the volume and diversity of the work now being undertaken by the Fraud Officers, the role of the Clerical Officers has been similarly affected to the extent that it is now not feasible for any one officer to tackle every area of the clerical workload. The Clerical Officers now concentrate on different areas of our workload, case management and sanctions.

9.6 **Board and Lodgings Section**

The number of staff in this section will be sufficient.

9.7 **Overpayment Recovery Section**

The number of staff in this section will be sufficient.

9.8 **Training Section**

The training requirements of staff and external agencies with regard to the VF will have a significant impact on this section. In addition, the VF instructs the management of the Revenues Division not only to ensure that compliance checks are carried out on all processed work, but also to ensure that staff are conducting the checks accurately, efficiently and that payments are correct. Management must be satisfied that both the initial and annual training required is adequate and that staff are aware of their responsibilities. Records must be kept of all checks. The records must show the nature, frequency and outcome of checks including those where discrepancies have been identified. Whilst the VF is silent on what percentage of the caseload should be checked for compliance, it is anticipated that between 5% - 10% would be expected. In addition, it will be necessary for, say, a further 1% check by senior staff to ensure that the compliance checks are accurate, effective and that payments are correct.

9.9 **Management Posts**

Due to both the increased workload and staffing levels required to accommodate the demands of the VF, it is considered appropriate to review the management posts and amend the management structure.

10 PUBLICITY

Re-educating our customers to the new culture for claiming benefit will take time. However, to ensure that the process is introduced as smoothly as possible, it will be necessary to enlighten our customers of the change prior to the introduction of the framework. The publicity should be targeted at certain groups such as claimants/landlords, etc. This will serve to communicate the change and heighten awareness amongst stakeholders.

11 CONSULTATION

The Chief Executive and the Director of Support Services have been consulted on this report, as have the trade unions. As a result of the recommendations contained in this report, all Revenues Division employees who have applications for regrading outstanding agree to withdraw these applications.

12 BACKGROUND PAPERS

No background papers as defined in Section 50D of the Local Government (Scotland) Act 1973 (other than containing confidential or exempt information) were relied on to any material extent in preparing the above report.

D.K. Dorward
Director of Finance

29 January 2003

J.C. Petrie
Director of Personnel and Management Services

29 January 2003

SUMMARY OF FINANCIAL IMPLICATIONS**CAPITAL EXPENDITURE SET UP COSTS - 2003/04**

Furniture, equipment, mail opening area, etc	£ 30,000
Review layout of associated offices	£ 60,000
Re-construction works at Lochee Housing Area Office	£ 30,000
Additional enquiry booths at 6/7 City Square	£ 30,000
Printers	£ 22,000
Scanners + Kodak	£ 50,000
Electronic queuing system	£ 5,000

GROSS CAPITAL EXPENDITURE	£227,000
LESS DWP CONTRIBUTION	<u>146,500</u>

NET CAPITAL EXPENDITURE	<u>£ 80,500</u>
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REVENUE EXPENDITURE	<u>2003/04</u>	<u>Full Financial Year</u>
Staffing	£348,966	£463,332
Stationery/postage	£ 11,250	22,500
Telephone Calls	£ 7,500	7,500
Publicity	<u>£ 10,000</u>	<u>-</u>
GROSS REVENUE EXPENDITURE	<u>£377,716</u>	<u>£493,332</u>

REVENUE INCOME

DWP Annual Contribution	£115,332	£230,665
Saving due to reduction in Benefits payable (10%)	160,000	320,000
SAFE Scheme Income	<u>100,000</u>	<u>100,000</u>

GROSS REVENUE INCOME	<u>£375,332</u>	<u>£650,665</u>
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NET REVENUE EFFECT	<u>nil</u>	<u>(£157,333)</u>
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APPENDIX B

The Framework sets out minimum standards for verification of Council Tax Benefits and Housing Benefit claims and administration of the benefits. The Framework is intended to help prevent fraud and error from entering the system and to improve fraud detection as well as tightening up on procedures during any period that benefit is paid.

The Verification Framework sets out information which must be verified before benefit is paid, specifies what is acceptable as evidence and what checks must be made during the life of a claim. The measures in the Framework represent the minimum standard to be applied by Local Authorities. In addition to the documentary evidence the Verification Framework specifies the importance of the claim history in building a complete picture.

The Framework has been drawn up in two parts. The first and main body of the Framework is the core guidance which must be followed by authorities who “sign-up” to implement the Verification Framework and the second is supplementary guidance to enhance the core guidance and provide authorities with a level of flexibility to meet their local circumstances, e.g. the design of the application form.

In broad terms the core guidance will specify:-

i) **Standards of Evidence**

The Verification Framework specifies what is acceptable as evidence and the checks to be completed to increase confidence about their authenticity.

ii) **A Maximum Level of Benefit Periods on Certain Cases**

Claims have been categorised into five risk groups (as detailed in section 8.2) and benefit periods specified accordingly to these groups.

iii) **Cross Checking**

Specific cross checks are required with other Local Authority data and previous claims

iv) **Targeted Checks**

The Housing Benefit Accuracy Review (1995) identified that around 75% of frauds were due to non reported changes of circumstances. The Verification Framework sets standards to ensure the best use of resources by targeting checks at those claims that are considered high risk.

From April 2002 the Verification Framework has been split into 3 modules with Local Authorities (LAs) being able to choose to implement 1, 2 or all 3 of the modules.

When signing up for each module the LAs must satisfy certain criteria as detailed below –

1. New Claims

- have an Anti-fraud policy
- verify all new claims to VF standards
- assign new claims to the appropriate risk group
- set an appropriate benefit period according to risk group
- verify subsequent renewals to VF standards

2. Renewal Claims

- have an Anti-fraud policy
- verify all renewal claims to VF standards
- assign renewal claims to the appropriate risk group
- set an appropriate benefit period according to risk group

3. In-Claim Activity

- All new and renewal claims dealt with as per modules 1 & 2
- Adopt the VF visiting programme for all claims

STAFFING STRUCTURE - COMPARISON OF EXISTING AND PROPOSED STAFF AND TOTAL COSTS

	Existing Staff	Proposed Staff	Grade	Job Title of Additional Staff	Cost/(Saving) in 2003/04	Period	Cost/(Saving) in Full Financial Year
Accounts Section	6	9	GS2/3	Benefit Pre-Assessor	23,162	6 months	47,520
Accounts Section	4	6	AP5	Revenues Officer	41,079	9 months	56,402
Enquiry Team	0	7	GS3/AP2	Accounts/Benefits Assistant	86,704	9 months	117,747
Enquiry Team	0	2	AP5	Revenues Officer	41,079	9 months	56,402
Administration Section	1	0	AP4	-	(26,560)	12 months	(26,560)
Administration Section	0	1	AP5	Administration Officer	27,386	12 months	28,201
Mail Room	9	11	GS2/3	Senior Clerical Assistant	15,441	6 months	31,680
Fraud Section	0	4	AP3/AP4	Benefit Fraud Officer	84,396	12 months	87,156
Fraud Section	4	0	AP2	-	(82,040)	12 months	(82,040)
Fraud Section	2	0	GS2/3	-	(34,420)	12 months	(34,420)
Fraud Section	0	2	GS3/AP1	Senior Clerical Assistant	35,227	12 months	35,909
Liaison Section	1	0	AP2	-	(10,255)	6 months	(20,510)
Liaison Section	0	1	AP3	Administration Assistant	10,550	6 months	21,789
Training/Checking Team	8	12	AP5	Revenues Officer (IT)	109,544	12 months	112,804
Management Team	4	2	PO3-6	Recovery Manager, Senior Revenues Officer	(70,138)	12 months	(70,138)
Management Team	0	3	PO7-10	Senior Accounts & Benefits Manager, Support Manager, Training & IT Manager	107,949	12 months	110,730
Incomes Section	2	1	AP2	Administrative Assistant	(20,510)	12 months	(20,510)
Incomes Section	3	4	GS2/3	Senior Clerical Assistant	15,441	12 months	15,840
Recovery Section	5	4	AP2	Administrative Assistant	(20,510)	12 months	(20,510)
Recovery Section	20	21	GS2/3	Senior Clerical Assistant	15,441	12 months	15,840
Overall Total	69	90			<u>£348,966</u>		<u>£463,332</u>