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# Housing and Council Tax Benefit Improvement Assessment

## **Caerphilly County Borough Council**

**Audit year:** 2011

**Issued:** March 2012

**Document reference:** 579A2011

# Status of report

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# Summary report

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## Background and context

1. Local Authorities (LAs) in Great Britain pay out around £25 billion in Housing Benefit (HB) and Council Tax Benefit (CTB) to over 5 million low income households. In 2009-10 some £1.08 billion was spent on HB (£832.9 million) and CTB (£248.9 million) across Wales.
2. Housing and council tax benefit is a non-devolved function in Wales: some 380 councils across the UK deliver the scheme under the guidance of the UK Government's Department for Work and Pensions (DWP).
3. The DWP currently reimburses councils the cost of benefits paid to claimants via a complex set of subsidy rules. Councils also receive an 'administration grant' to cover the cost of delivering the service and in recent years, due to the recent downturn, additional administration grant to mitigate extra costs associated with an increased caseload has been paid to councils.
4. This report comments on the effectiveness of the housing and council tax service's performance, current issues and DWP's view of the service. National information about benefits is provided by the DWP but this is restricted to the following key indicators:
  - BNF/004 – time taken to process HB and CTB new claims and change events; and
  - BNF/005 – the number of changes of circumstances which affect customers' entitlement to HB or CTB within the year.

While it is not yet clear if the Welsh Government will keep these as part of the NSI, the DWP will not continue to formally require them from April 2011.

5. For the last two years, the Wales Audit Office has used a Service Performance Profile (SPP) to gather data about the service at the year-end. This is a much wider set of data which we feel service managers need to help them manage their services.
6. In order to arrive at conclusions and recommended areas for future work, in section 3 of this report we have considered a range of information and have provided an assessment of the risk of service failure and/or poor outcomes for service users in four areas of performance:
  - Claims administration
  - Security
  - Customer focus
  - Resource management

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## **The administration of housing benefit has a significant impact on citizens, including vulnerable groups**

7. The administration of HB/CTB requires significant interaction with a large volume of vulnerable customers, so it is important that the service can meet their needs. Poor service in respect of HB/CTB can impact on a council's performance on customer service generally and more specifically can impact negatively on:
  - The number of rent arrears and evictions.
  - Access to suitable housing – if landlords are reluctant to rent to HB/CTB recipients, which can lead to a reliance on unsuitable or temporary accommodation.
  - Tenants with children – as eviction and the need to move may necessitate a change in schools. (Studies have also shown that living in temporary accommodation may adversely affect a child's progress at school.)
  - Efforts to get people to move off benefits and into work – because of concern over the possible disruption to benefit.
  - The health of vulnerable and elderly claimants – delays in payment and other problems, such as overpayments, can have an adverse effect on the mental and physical health of these customers.
  - Wider anti-poverty strategies.
8. Housing and Council Tax Benefit teams therefore contribute to positive outcomes for citizens, in a number of areas including child poverty, homelessness, worklessness and support for people with disabilities. In doing so they also assist the council in achieving a range of improvement objectives. Effective benefit services enable fairer access to decent homes, which in turn helps address health issues. Poorly performing benefit services can put barriers in the way of people returning to paid employment, prevent financial help getting to those who need it, and cause additional hardship.
9. Significant numbers of people who are entitled to claim benefits across the whole of Wales do not claim them. The Welsh Government has allocated £1 million per annum for the three years 2008-2011 to fund actions by local authorities aimed at increasing the take-up of CTB/HB. In addition to this funding the Welsh Government set up a working group to research the barriers to CTB take-up in Wales and to highlight and promote best practice, based on the experience of the local authorities that have successfully increased CTB take-up in recent years.

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## **Housing benefit also has a significant impact on central and local government finances**

10. Expenditure on HB and CTB accounts for a significant proportion of a council's gross revenue expenditure. Although most of this is funded by DWP, poor administration can result in a direct financial loss to the LA through reduced subsidy on benefit that has been overpaid. These losses, coupled with the potential greater costs of an inefficient service, may in turn contribute to the need to raise council tax levels (or reduce other services for the community) in order to 'fund' the costs of providing the HB/CTB service.
11. A council can also lose funding if its errors are high and/or if it pays out benefit on fraudulent claims, especially if it does not do enough to recover overpaid benefit.
12. It is also important that councils protect wider public funds (ie, those provided by the DWP) – ensuring that benefit is paid at the correct rate, that it is only paid to those who are entitled to it and that benefit fraud is tackled through activities that prevent, detect, correct, punish and deter.

## **A higher proportion of households in Caerphilly receive housing benefit than the average for Wales**

13. In 2009, 19.4 per cent of households within Caerphilly were in receipt of HB, higher than the Welsh average of 17.5 per cent. There were 27.5 per cent of households in Caerphilly receiving CTB compared with a Welsh average of 23.9 per cent (both of these place Caerphilly towards the higher end compared with other councils in Wales).
14. Caerphilly's 'benefit age' population (ie, those that could become claimants) in May 2011 was the fifth in Wales (where first equals the highest). Its caseload at that time was similarly placed at the fourth highest council in Wales.
15. The caseload in Caerphilly, in May 2011 (latest available) has increased since April 2009 (ie, over the last two years) by just under four per cent compared with a Welsh average of seven per cent for the same period. The number of recipients of HB has increased since April 2009 by just over eight per cent and just over four per cent for CTB. Both of these increases are broadly in line with the Wales average for the period of eight per cent for HB recipients and five per cent for CTB recipients indicating that although more people across Caerphilly have been claiming in the last two years, it has not seen the same level of increase as some other councils.

**Table 1 – Numbers of people in Caerphilly in receipt of HB/CT benefits**

Date	Number of people in receipt of HB	Number of people in receipt of CTB	Caseload Totals
April 2009	13,950	19,810	20,900
July 2010	14,890	20,790	Not published by DWP
March 2011	15,080	20,670	21,760
May 2011	15,100	20,640	21,680
Percentage increase from April 2009 to May 2011	8.2%	4.2%	3.7%

16. A Benefits Fraud Inspectorate (BFI) inspection in February 2002 found that claim processing performance was good but there was considerable room for improvement in fraud and error. A second BFI inspection in the spring of 2005 found that Caerphilly was performing to a fair standard in benefit administration and counter fraud. There have been no DWP Local Authority Performance Team (LAPT) engagements although Caerphilly did make contact in July 2008 for advice on Right Benefit target-setting. There have been no DWP Performance Development Team (PDT) engagements (the PDT assists councils in addressing known performance weaknesses).

## **The arrangements for administering claims should ensure that people receive their benefits in a timely manner**

17. One of the key strategic aims for the DWP is that people receive their benefits in a timely manner. The Right Time Indicator (RTI) is used by the DWP to evaluate how quickly a council has processed its new claims and change of circumstances notifications (DWP now monitors this data on a quarterly basis and has published this data for 2010-11 only).
18. The RTI for Caerphilly for 2010-11 is 10 days, which is just below the average for the UK of 11 days and in line with a Welsh average of 10 days for the same period. This indicates that the time taken to process new claims and changes of circumstances in Caerphilly is comparatively rapid.
19. The two components of RTI are new claims and notification of change of circumstances, and these are now reported separately under the term 'speed of processing' for 2011-12. Table 2 below shows the performance for these two elements.

**Table 2: Overall Claims Processing (all data are days)**

Annual Claims Processing Average			UK Average		Welsh Average	
	New claims	Change of circumstances	New claims	Change of circumstances	New claims	Change of circumstances
2006-07	30	8	29	9	29	10
2007-08	25	9	25	8	24	8
2008-09	27	7	Not available		Not available	
2009-10	26	6	25	8	23	8
2010-11	25	7	23	10	23	7
2011-12 Q1	27	11	25	12	23	9
2011-12 Q2	24	9	24	11	20	8

- 20.** Overall during 2010-11 the average time taken to process new claims is 25 days. This is slower than the UK and Welsh average of 23 days for the same period. Performance has remained relatively stable since 2008-09 and Caerphilly has not seen the deterioration in processing new claims experienced in some councils in the UK. Improvement during the first half of 2011-12 is better at 24 days (and is comparable with an average of 24 for the UK).
- 21.** Overall during 2010-11 the time taken to process change in circumstances notifications was seven days. This compares well with a UK average of 10 days and is in line with the Welsh average of seven days for the same period. This means that the deterioration in performance seen in some councils when compared to the UK and Welsh averages was not as great in Caerphilly even though performance did deteriorate by one day during 2010-11. Caerphilly has told us that recent changes to call centre operations may have contributed to this deterioration. The first half of 2011-12 remained better than the UK average of 11 days, but there has been a deterioration at Caerphilly by two days compared to 2010-11.
- 22.** As part of the DWP's Welfare Reform agenda the full picture about what services will be provided centrally and locally is yet to emerge. Current indications are that the HB element will form part of the Universal Credit which will be processed by the DWP. The CTB is likely to become fully devolved to the Welsh Government and processing will be handled by the councils. In order to understand the differences in performance between both benefit types ie, one that may be discontinued and one that is likely to be continued, the table below shows detailed performance for each for 2010-11.



**Table 3: 2010-11 Performance (all data are days)**

	Council Tax Benefit			Housing Benefit		
	RTI	New Claims	Change of circumstances	RTI	New Claims	Change of circumstances
Q1	15	26	11	13	25	10
Q2	13	25	9	11	25	9
Q3	12	22	9	11	21	8
Q4	11	25	8	5	25	4
Annual	13	25	9	8	24	6

- 23.** Whilst the speed of processing is important there are a number of other measures which help to give a full picture of how well the council is processing benefit applications. As the DWP does not publish this data we have collected it directly from the councils via the Service Performance Profile (SPP). This information has been collected directly from councils and as such should be used as an indicator only as there may be inconsistencies in local calculations (although most councils have continued to use previously agreed definitions). Analysis of these measures for 2010-11 suggests no problems in this area for Caerphilly:
- The percentage of new claims outstanding over 50 days was at four per cent for 2010-11 which compares well with a Welsh average of nine per cent for the same period indicating a prompt and responsive service is being delivered to the majority of HB claimants.
  - The percentage of new claims decided within 14 days of receiving all information is good at 88 per cent for 2010-11. This is slightly below the Welsh average of 89 per cent but would not have met the DWP's previous good practice standard of >90 per cent.
  - The level of accuracy is high at 97 per cent, and is well above the Welsh average of 92 per cent for the same period. This level of performance is just under the DWP's previous good practice standard of >98 per cent. The Wales Audit Office Overpayment review (August 2010) concluded that 'there were good arrangements in place for the quality assurance process, with a targeted quality assurance programme in place'.

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An evaluation of information provided above indicates that the arrangements for administering claims should ensure that people receive their benefits in a timely manner and that there is a low risk of service failure and/or poor outcomes for service users. We have concluded this because:

- the time taken to process new claims and change of circumstance notifications is relatively rapid;
- the percentage of new claims outstanding over 50 days is lower than average;
- the percentage of new claims decided within 14 days of receiving all information is around average; and
- the level of accuracy is well above the Welsh average.

## **The security arrangements in place should ensure that the right benefit is paid to the right people**

24. One of the key strategic aims for the DWP is that the right benefit is paid to the right people. The DWP seeks to ensure that this happens by making sure that the arrangements for making payments are 'secure'. This includes arrangements in place to identify fraudulent claims.
25. The Right Benefit Indicator (RBI) is used by the DWP to evaluate how successful a council has been at reviewing its claimants and making the changes DWP feels are likely given its caseload.
26. Caerphilly has performed very well in its RBI, achieving 96 per cent during 2010-11 compared with a Welsh average of 89 per cent and a UK average of 90 per cent. It has also seen an increase in performance since 2009-10 when it achieved 93 per cent and Caerphilly's performance has not been a concern to DWP. Full details are in Table 4 below.

**Table 4: Right Benefit Performance**

<b>Right Benefit</b>					
<b>2009-10 Full Year adjusted performance (latest caseload)</b>					
Risk Group	Number of cases	Annual expected changes	Expected changes to scan date	Number of changes achieved	Percentage of changes achieved
<b>Total</b>	<b>21,175</b>	<b>17,846</b>	<b>N/A</b>	<b>16,534</b>	<b>93%</b>
<b>2010-11 adjusted performance data to scan date 18 October 2010 (using latest caseload)</b>					
Risk Group	Number of cases	Annual expected changes	Expected changes to scan date	Number of changes achieved	Percentage of changes achieved
<b>Total</b>	<b>21,491</b>	<b>19,030</b>	<b>11,731</b>	<b>11,240</b>	<b>96%</b>

27. Each month the DWP's Housing Benefit Matching Service (HBMS) provides councils with cases for it to investigate (as potential fraudulent claims). The council's data is 'matched' with a range of other data in a process very similar to the national fraud initiative<sup>1</sup>. The DWP then monitors how many of the potential matches are investigated and positive matches are followed up. The DWP views this as a measure of a council's security arrangements.
28. Caerphilly achieved a referral return rate of 100 per cent in 2009-10 compared to a UK rate of 50 per cent and a Wales rate of 53 per cent. Caerphilly has seen a decline in performance in 2010-11 with only 59 per cent of referrals returned up to March 2011. However, no concerns are expressed by the DWP and generally returns are good with a good hit rate. Full details are in Table 5 below.

<sup>1</sup> An exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

**Table 5: HBMS Performance**

HBMS data matches					
	Issued	Returned	Number outstanding	Percentage outstanding	Percentage positive
2008-09	769	644	125	16%	37%
2009-10	813	813	0	0%	23%
2010-11 To 20 March 2011	814	481	333	41%	26%

29. The Wales Audit Office Overpayment report (July 2010) concluded that Caerphilly has satisfactory arrangements in place to prevent overpaying benefit and is good at identifying overpaid benefit.
30. The overall level of overpayments classified as LA error is well managed and during 2009-10 no subsidy was lost.
31. Other measures of security arrangements based on the information supplied in the council's Service Performance Profile (SPP) suggest concerns in this area. This information has been collected directly from councils and as such should be used as an indicator only as there may be inconsistencies in local calculations (although most councils have continued to use previously agreed definitions):
- The average fraud referral per 1,000 caseload is comparable with the Welsh average in 2010-11 (45 in Caerphilly and a Welsh average of 46).
  - The number of referrals compared to successful sanctions per 1,000 caseload is low at just under nine per cent compared with a Welsh average of 25 per cent for 2010-11. The council has told us this may be due to the financial threshold that it uses as part of its sanctions procedure.
  - The number of fraud investigators has stayed the same through 2007 to 2010, however, the council reduced the number of investigators from four to three in 2010.
  - The number of fraud investigations per 1,000 caseload is also low at 31 compared with a Welsh average of 35 for 2010-11. This may be explained by the use of a scoring matrix, and only cases that score above a fixed point are investigated.
  - Caerphilly has told us that investigations have become more sophisticated and time consuming. This involves a more discerning use of methodology and resources to achieve required outcomes. The number of successful sanctions from closed investigations per 1,000 caseload is just under 13 per cent, much lower than the average in Wales of 21 per cent, in 2010-11.

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- The number of successful sanctions per 1,000 caseload has varied in recent years from six in 2007-08 to four in 2010-11 and is below the Welsh average of six for the same period.

**An evaluation of information provided above indicates that the security arrangements in place should ensure that the right benefit is paid to the right people, and there is a medium risk of service failure and/or poor outcomes for service users. We have concluded that because:**

- Caerphilly has performed well in its RBI and DWP has no concerns;
- the referral return rate for HMBS matches compares well with the average and although the number of referrals outstanding increased during 2010-11, DWP has no concerns;
- the Overpayment review found that Caerphilly has satisfactory arrangements in place for preventing overpaying benefit and is good at identifying overpaid benefit;
- the overall level of overpayments classified as LA error was well managed and during 2009-10 no subsidy was lost;
- although an average number of potential fraud referrals are being made a lower proportion are leading to sanctions than the Welsh average;
- the number of fraud investigations per 1,000 caseload is low;
- the number of referrals compared to successful sanctions per 1,000 caseload is much lower than average;
- the number of successful sanctions from closed investigations is lower than average; and
- successful sanctions per 1,000 caseload have dipped in 2010-11 and are lower than average.

## **The customer focus arrangements in place should ensure good access to the benefit service**

32. The Wales Audit Office review of Overpayments concluded that the service provides a focus on access and customer care at the first point of contact. However, subsequent changes to access and customer care were made.
33. Other measures of user focus suggest mixed performance in this area:
  - The percentage of applications for reconsideration/revision (eg, when the claimant feels the benefit awarded is incorrect) actioned and notified within four weeks during 2010-11 was 98 per cent, far better than the Welsh average of 74 per cent for the same period.
  - The average time taken to respond to requests for reconsiderations/revisions is 13 days, far better than the Welsh average of 23 days for 2010-11 (and one of the quickest in Wales).
  - Caerphilly could not tell us what percentage of these requests progress to appeal but the number of appeals received in 2010-11 is low (29 compared with a Welsh average of 53).
  - Caerphilly could not tell us what percentage of cases were submitted to the appeals service within four weeks.

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- The percentage of appeals submitted to the appeals service within three months is high at 98 per cent (compared with a Welsh average of 76 per cent).
  - The average time taken to submit an appeal to the Tribunal service in Caerphilly is 52 days, slightly higher than the Welsh average of 49 days in 2010-11. Caerphilly appointed an Appeals Officer in 2010 and improvement is expected in the future.

An evaluation of information provided above indicates that the customer focus arrangements in place should ensure good access to the benefit service, and there is a low risk of service failure and/or poor outcomes for service users. We have concluded that because:

- the percentage of applications for reconsideration/revision actioned and notified within four weeks is far better than the Welsh average;
- the average time taken to action and respond to reconsideration/revision requests is very good (one of the quickest in Wales) and far better than the Welsh average;
- Caerphilly could not tell us what percentage of reconsideration/revision requests progress to appeal but there are a low number of appeals received compared with other councils;
- Caerphilly could not tell us what percentage of appeals were submitted to the appeals service within four weeks but nearly all of the 29 cases for 2010-11 were submitted within three months; and
- the time taken to submit an appeal is just above average but improvements are expected following the appointment of an Appeals Officer in 2010.

## **The Council is contributing about half a million pounds towards the cost of providing the service but the total cost per claim is well below the Welsh average**

34. This year we have analysed cost and caseload information by the DWP (based on the 2009-10 financial year). The tables below show workload and cost per claim data and a comparison of the actual cost of providing the service compared with the administration subsidy received from the DWP.

**Table 6: Workload and cost per claim**

Item	Authority amount/number	All-Wales average
Total caseload (HB and CTB)	35,680	25,408
Gross HB expenditure <sup>2</sup>	£1,020,000	
Gross CTB expenditure	£1,077,000	
Total HB/CTB expenditure	£2,097,000	£1,990,409
Income received from fees, charges, etc	0	£60,318
Central departmental support services cost (HB and CTB) – included in total expenditure figure	£270,000	£640,681
Total expenditure less income	£2,097,000	
Total cost per claim	£58.77	£75.96
Percentage of total expenditure that is central support costs	12.88%	33.19%

**Table 7: How much is the local taxpayer contributing to the service?**

Item	Authority amount/number	All-Wales average
Main administration grant subsidy – 2011-12	£1,407,525	£1,062,097
Additional administration grant subsidy – 2011-12	£141,367	£106,741
Total administration subsidy – 2011-12	£1,548,892	£1,168,838
Total income accruing from sales, fees, charges and other income	0	
Total HB/CTB expenditure less income (= total cost)	£2,097,000	

<sup>2</sup> Sourced from DWP cost data.

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Item	Authority amount/number	All-Wales average
Total cost less administration subsidy (ie, cost to local taxpayer of the service)	£548,108	£761,251
Cost to local taxpayer per claim	£15.36	£29.96

35. The issues raised by this analysis in Caerphilly are:

- cost per claim is below the Wales average, and within that the direct cost per claim is also just below average;
- the cost to the local taxpayer is well below the Wales average; and
- the percentage contribution to central support services is low.

## Recommendations and next steps

36. A further review of Caerphilly's housing benefit service this year is not recommended. Next year we would want to:

- follow up issues regarding the changes to call centre operations;
- explore the reasons for low fraud sanctions;
- ascertain if the improvements anticipated in the handling of appeals happened; and
- follow up recommendations in the Overpayments report.







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