Housing and Council Tax Benefits Administration in England:

A long-term perspective on the performance of the Local Government delivery system.

Abstract This paper evaluates the performance of the Council Tax and Housing Benefits Administration Services delivered by local authorities since the current system for the delivery of these benefits was introduced. During this period the performance of local government has been regulated and influenced by four successive national delivery regimes imposed by central governments namely Compulsory Competitive Tendering (CCT); Best Value (BV); Comprehensive Performance Assessments (CPA) and Comprehensive Area Assessments (CAA). An earlier paper (XXXX et al. forthcoming) examined the CPA period in detail and found a significant improvement in performance across all types of authorities in all parts of the country during this period. The current paper is intended to complement this earlier analysis and provide a longer term perspective on the performance of the benefits service under successive regimes between 1993 and 2010.

The findings show that under CCT the performance of the system was poor, there were wide variations in individual local authority’s performance, with many acknowledged inadequacies in the system and unacceptably high levels of fraud. However in this period and in the subsequent BV period the antecedents of some of the tools and techniques subsequently used to drive improvement in the CPA era were either put in place or were being developed. The BV period itself did not show significant improvements in performance and it wasn’t until many of the initiatives were refined, developed and applied within the CPA framework that sustained and significant improvements became evident. This overall improvement generally continued under the CAA although the previous trend of consistent reductions in the variation between authorities performance had stalled between 2009/2010 and 2010/2011. It is, however, too early to judge whether these latest trends will be maintained under the Coalition Governments “Localism” regime.

KEY WORDS: Local Government, performance management, service delivery, council tax and housing benefits, public sector reform,

Background and Context

When presenting its emergency budget and subsequent Comprehensive Spending Review for the period up to 2014, the coalition government announced its intention to eliminate the “structural” deficit on the public accounts over the course of the current five year parliamentary term. By March 2010 the total national debt was estimated to have risen to approximately £900 billion or the equivalent of 70% of GDP from approximately 35% of GDP in 2008 before the current recession The governments’ stated intention is to achieve this through a combination of public expenditure cuts and increased taxation with (depending on how you do the calculations) approximately three quarters of the income gap coming from reductions of public expenditure and the remainder from multiple changes to taxation. (HMT 2010 pg13-20) The biggest single contribution to the public expenditure reductions would be from reductions in the welfare benefits system.
“As a result of the measures announced at this Spending Review and the June Budget, welfare spending will be falling in real terms over the next four years, in contrast to the 45 per cent real increase over the last decade...The June Budget took the first step towards these goals with a package of measures that will deliver net savings of £11 billion a year by 2014-15...This Spending Review builds on these measures with further radical reforms...a package of reforms to the existing welfare system which will deliver net Annually Managed Expenditure savings of £7 billion a year by 2014-15.” (HMT 2010 p.68)

In effect the chancellor announced changes to every aspect of the welfare system in an attempt to meet his macro-economic targets, and these included changes to pensions, national insurance; tax credits, employment benefits, invalidity and other benefits delivered directly by central government agencies and Housing and Council Tax Benefits provided indirectly through local authorities.

However the purpose of this paper is neither to look at the coalition governments’ economic strategy nor to look at the redistributive effects of these proposals on individual or household incomes, important though these things are. The intention of this paper is to look at the third group of benefits, namely the Council Tax and Housing Benefits delivered by local authorities since these systems of benefits were introduced to attempt to evaluate the performance of Benefits Administration Services in local authorities collectively. The delivery and performance of the service has been influenced by a variety of performance management regimes imposed on local authorities as the deliverers of these services by successive central government administrations. Although there will be significant changes to benefits themselves and their likely recipients, our interest is not (in the current paper), on the outcomes of the delivery of this public service but on the economy, efficiency and effectiveness with which this service has been managed and delivered in the past. From this perspective we hope to inform current and future proposals for public sector reform and the delivery of a public service that has become increasingly important to some of the poorest and most vulnerable people in our communities but is currently under researched in the academic literature. This research is intended to complement previous official and academic research that specifically focused on the delivery of these services under the Comprehensive Performance Assessment Regime (Audit Commission 2009, XXXXX et al. forthcoming) and provide a longer term perspective for this earlier work.

The Introduction of Council Tax and Housing Benefits.

Council Tax and Housing Benefits are income related benefits that were introduced, to help people on low incomes pay for rented accommodation and their local council tax respectively. Responsibility for payment of Housing Benefit (HB) was partially transferred from Central Government (the former Department of Social Security) to local authorities in 1982 when Mrs Thatcher’s government was deregulating the privately rented housing market shortly after introducing the “Right to Buy” for Council Houses in 1980. Full responsibility was transferred to local authorities in 1989 and the primary legislation was consolidated and updated in the Social Security Contributions and Benefits Act 1992. All local authorities are required to pay the same nationally set levels of benefit and then reclaim the amounts paid from the Department of Works and Pensions though subsidy claims. Council Tax Benefits (CTB) were introduced in April 1993 when the Council Tax replaced the short lived Community Charge as the main local property tax in the UK through the Local Government Finance Act 1992. It is paid as a rebate on the council tax bill to adults who are unable to pay the Council Tax because of their low level of income. The total number of claims, the average weekly amounts paid, and performance data on the time taken to pay claims and other data and information are collected on a quarterly basis by the DWP, supplemented by an annual sample survey. All returns are rigorously quality assured and any false or missing data is now retrospectively corrected on the historical database, usually by the following quarter. Figure 1 below shows the number of benefit recipients since the benefits were introduced. There are currently
approximately 4.87 million claimants of HB and 5.85 million claimants of CTB and with average payments of £84.81 and £15.84 respectively this currently amounts to approximately £26,296 million per year in redistributed benefits (DWP Quarterly statistics 18th May 2011). There are no national CTB figures that cover this whole period but the profile is very similar to that of the HB, contained below.

![Housing benefit recipients 1997-2010](image)

**Figure 1 Housing Benefit 1997-2010**
(Source: House of Commons summary statistics, 2010)

**Methodological and Data Issues**

In a previous paper the authors examined the performance of the HB and CTB administration system during the period of Comprehensive Performance Assessments between 2002 and 2009 using the key performance indicator of the time taken to register new claims for benefits then known as PM1 (XXXXX, et al. forthcoming). Since October 1999, this has been regarded by central government, local authorities, and external regulators and auditors of the system as the most appropriate of the national indicators to act as a reasonably “proxy” for the overall performance of the service. Prior to this date the performance indicator for the systems was the percentage of new claims processed within 14 days of receipt. There is therefore a disparity between the data sets for the period between April 1993 and March 1999 and those beyond October 1999 (data for the 6 months from April 1999 to September 1999 is not available). In addition to this gap there is also a gap in the publically available data between April 2008 and March 2009.

The raw data for these indicators existed, and has been collected nationally, since April 1993 and the PM1 data still forms part of the current Right Time Indicator published on the DWP website. Although the definition has changed at various times and the raw data has, at times, been combined with other performance information (such as in the Right Time indicator at the current time), it is possible to disaggregate the information and therefore to compare performance between October 1999 and December 2010.

The Audit Commission started regular collection and annual publication of national indicators in 1993/94 (Audit Commission, 1995). Their reports have always included data on the payment of HB and CTB although a various times they have been called Audit Commission National Indicators, Best Value Performance Indicators, the National Indicator Set, the HB and CTB Quarterly Performance Data and currently The Right Time Indicator. As noted above, in addition to the changes in descriptors, we have

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1 The DWP website refers to changes to definitions and the collection regime making comparisons of results incomparable but accepts that the figure are suitable for investigating long term high level trends which is the objective of this paper.
also had to use a different data set for the period between April 1993 and March 1999 and therefore the statistics drawn for the two data sets are not directly comparable. However, we do believe the historical evidence is sufficiently strong for us to make long-term, high-level comparisons and draw some general conclusions relating the performance of the system nationally.

In our previous paper we traced the antecedents of performance indicator PM1 and discussed issues of its reliability and validity for our research. The data, which is collected by individual local authorities and aggregated by the DWP, has always been regarded as relatively robust as both the process involved and the data capture in the systems used are internally and externally audited. It has been widely used in both official evaluations and in academic research since its introduction. This is ordinal data, so medians have been used to demonstrate long term trends rather than mean average as the latter is impossible to calculate. The variability within the data sets is demonstrated using the maximum and minimum values rather than standard deviations. Over time, a series of government initiatives have further “quality assured” the system, including the introduction of the Benefits Fraud Inspectorate in 1997, the Benefits Verification Framework in 2002, new integrated computer systems in all authorities between 2001 and 2003 and most recently the introduction of direct digital scanning from application forms directly into the DWP systems in 2009/10.

The performance of HB and CTB under Compulsory Competitive Tendering

The graphs, below, (Figures 2-6) depict the national and three regions performance measures of HB and CTB for the period 1993/94 until 1998/99 under the CCT regime. These were the three regions examined in the authors’ previous research (XXXXX et al, forthcoming). The performance measure used during this period was the percentage of new claims processed within 14 days of receipt of all relevant information. The HB and CTB data were provided separately at this time so each of the graphs detail the maximum, median and minimum percentages for both HB and CTB.

The National graphs demonstrate that the median values for both HB and CTB hovered around the 87% level for the last 4 years of CCT. Within the three regions the performance in the East Midlands is in line with the National performance while the London graph demonstrates that its highest achievements was in 95/96 and the region was unable to re-attain this level by the end of the CCT period. In contrast, Yorkshire and Humberside, for which the authors only have data from 96/97 due local government re-organisation and the establishment of the unitary authorities, shows a steadily declining performance.

The maximum values in these graphs reveal that the best achievement both nationally and within the East Midlands and London regions were either at, or just below, 100% of claims processed within 14 days. Yorkshire and Humberside were slightly less than this but again show a declining performance.

The variability of performance nationally and in the East Midlands and Yorkshire and Humberside regions decreased, bringing the percentages of claims processed within these areas closer together. However within the London Region the variability widened.
In 1998 Loughborough University were commissioned by the then Departments of Social Security (DSS) and the Department of the Environment, Transport and the Regions (DETR) to undertake research which sought to:

- establish a baseline of current practice on Housing Benefit and Council Tax Benefit administration;
- define the key barriers to improving local authorities’ performance; and
- set out a ‘best practice’ approach to administering Housing Benefit and Council Tax Benefit.

Their report (Stafford et al, 1999) summarised existing research and in particular drew on earlier unpublished literature commissioned by the DSS. It also highlighted the wide variation in local authorities’ performance in administering the benefit and drew attention to a wide range of other issues and concerns relating to:

- The design and issuing of forms;
- The use of computer systems and other information technology
- The variation in costs
- The procedures of verifying claims and ensuring accuracy
- The collaboration with the third parties involved in the process, such as the Benefits Agency, The Rent Officer Service and the Employment Service.
The operation of their anti-fraud systems\(^2\).

More pertinently, for this paper, there were major criticisms concerning the time some local authorities took to process benefit claims and the reliability of the data collected. Concerns were expressed about the reliability of cost data, the staffing figures, the 14 day determination and payment targets, the accuracy checks and overpayment figures and the data on Reviews.

In addition, the report also reflected Kemp’s (1992) earlier work on a nationally representative survey of local authorities in England, Scotland and Wales which found wide variations, by type of authority, in the proportion of new claims determined within the 14 day statutory requirement, although Kemp did not give reasons for the variations in these processing times. Taylor et al summarised their findings stating that: ‘It is difficult to establish the precise costs of benefit administration’, which they believed to be “inconsistent and not comparable between authorities” (Taylor et al, 1995, p. 33).

The significant levels of errors and delays in payment were evident as early as 1993 when the Audit Commission (AC) reported that around only one-third of local authorities were administering housing benefits properly. In addition, the AC noted that other authorities only achieved efficiency at the expense of non-adherence to the, admittedly complicated, regulations’ (1993a). There were also a significant number of authorities that caused concerns due to the large backlogs of unopened mail, unprocessed claims and unanswered queries (Audit Commission, 2001). These concerns manifested themselves in 2001 when the local Government Ombudsman reported receiving over 4,000 complaints regarding HB administration, representing approximately 21 per cent of all complaints received (Audit Commission, 2001). The data was unreliable but the performance of the system was clearly inadequate (Friedman & Clohesy, 1999; House of Commons Social Security Committee, 2000) and therefore needed radical overhaul.

The performance of HB and CTB under Best Value, CPA and CAA

The Best Value Act was passed in 1999, with commencement date of 1st April 2000, and was intended to replace CCT and to respond to the criticisms levied at the performance of local authorities and the services they delivered to local communities. The best value regime was based upon three key pillars; a suite of National Performance Indicators; the publication of annual performance plans documenting previous performance and priorities for improvement, and a programme of best value reviews with inspections for all authorities to be carried out by a newly established Best Value Inspectorate.

As part of this new regime in 2000 a new set of national performance indicators was introduced which, amongst other things, was used to assess the performance of the HB and CTB delivery system. The key indicator that emerged for the service from this data set was PM1, the average number of days to process new claims. From this date, the data for the two benefits were amalgamated and therefore only one data set is depicted within the following graphs.

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\(^2\) The Second National Housing Benefit Accuracy Review (DSS, 1998) revealed that approximately two per cent of Housing Benefit cases were fraudulent; a further four per cent had fraud strongly suspected, and another one per cent where it was mildly suspected. At that time, the Audit Commission and the National Audit Office estimated that HB fraud and error varied from £900 million to over £2 billion a year (Audit Commission, 1997; 1999).
This period saw the introduction of the National Verification Framework and a new generation of computer systems and software that were quality assured by the Department of Work and Pensions (DWP) which had, by this time, succeeded the DSS. Local authorities now had little discretion as to who would receive housing benefits nor how much they would receive. Best Value therefore concentrated upon the way the system is administered and the performance of individual authorities. Figures 7-11, below depict the performance of authorities administering the system from 2000/01 through, not only the Best Value period but that of CPA and CAA.
The level of performance of the system was poor in 2000/01 and showed no significant improvement by the end of the BV period in 2001/02. In fact the median value was 48 days at the beginning of the BV period and remained at 48 days at the end of the BV period. The regional graphs show that the service quality continued to vary widely, a fact that was reflected by the AC report in October 2001 which stated that “both processing times and administrative expenditure per claim… vary significantly between authorities – even authorities of the same type. Although some can process new claims in as little as 20 days, clearly those taking 100 days or more on average are open to challenge” (Audit Commission, 2001, p.7).

In fact the figures show a slight narrowing of the range of performance nationally but the authors would concur with the commission’s view that “questions must be raised where some authorities’ costs are over four times the average of others” and there is an “almost ten-fold range” in administrative performance (Audit Commission, 2001, p.7). In their report the AC noted that under the BV regime relatively few councils had reviewed their HB service, and many of those that did, did so as part of wider reviews of financial administration. The first 14 inspection reports, depicted in the diagram below (figure 12), which did not contain a single “excellent” service nor one the inspector were convinced would improve, reinforced the view that “some authorities are struggling to provide a Best Value service and that some of these will find it difficult to improve in the future” (Audit Commission, 2001 p.8).

![Figure 12 Diagrammatic summary of Best Value Review Scores (AC, 2001)](image)

It is impossible to extrapolate whether the new BV regime would have delivered the improvements that characterised the service under the CPA. BV was not delivering the step change in continuous improvement that the Government had envisaged and there were too many service reviews that were narrow in scale and/or avoided addressing the strategically significant services which needed improvement. It was also clear that the five year programme of BV reviews across all authorities was unachievable. The government’s response was to introduce CPA.

**Comprehensive Performance Assessment (CPA)**

CPA was introduced in 2002 and there were two distinct phases, one covering the period from April 2002 to March 2005 with the second reporting performance up to March 2009. The overall methodology changed significantly for all authorities with the introduction of a new methodological framework in 2005, known as ‘The Harder Test’. However the parts of the systems relating to benefits administration were still assessed in the same way under the new methodology and the results of the benefits assessments
were still given the same weighting in the overall CPA reporting framework. The date for the change in methodology is depicted by a dotted, vertical, line on the graphs.

As the authors’ previous research highlights (XXXXX et al, forthcoming) prior to 2006 an authority’s performance was classified, through the performance indicators, into one of four quartiles which produced a “relative” measure of performance between authorities. In 2006 the quartiles for each of the performance measures were superseded by grade ranges assessed against “absolute” benchmarks and these determined the standard of performance in each of the indicators with a score of 1 to 4 as follows:

<table>
<thead>
<tr>
<th>Number</th>
<th>Descriptor</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Excellent</td>
<td>Less than 30 days</td>
</tr>
<tr>
<td>3</td>
<td>Good</td>
<td>30-36 days</td>
</tr>
<tr>
<td>2</td>
<td>Meeting minimum standards</td>
<td>36-48 days</td>
</tr>
<tr>
<td>1</td>
<td>Not meeting minimum standards</td>
<td>Over 48 days</td>
</tr>
</tbody>
</table>

PM1 was effectively reported as a relational indicator prior to 2006 but was subsequently assessed against the Housing Benefits-Council Tax Performance Standards which translated it into an absolute and standards based indicator. The raw data for the earlier period is however available on the DWP website and it was possible for the authors to retrospectively re-calibrate and compare the performance of authorities between 2002 and 2006 with performance after 2006.

The graphs above, and the authors’ earlier research (XXXXX et al, forthcoming), indicate that there were significant and sustained improvements in benefits administration nationally within England and across all of its regions throughout the period of CPA. Similarly, the earlier paper found that there were no significant variations in the performance of larger or smaller authorities, or between rural and urban authorities or between authorities with different party political control. The research suggested that the implementation of the CPA regime itself appeared to have a catalytic effect upon the performance of the benefit administration services within local authorities throughout the CPA period.

The graphs clearly show that the level of performance of the system improved dramatically throughout the CPA period reflected in the median time taken to process new claims falling from 48 days to 25 days while the range in performance, nationally reduced from 195 days to 47 days. They also reflect a consistent pattern across all regions.

Comprehensive Area Assessments (CAA)

CAA was introduced in the 2007 White Paper (DCLG, 2007) and was implemented from April 2009 (Audit Commission 2011). CAA was intended to provide an integrated assessment of the performance of key, locally delivered, public services, across a local authority’s geographical area, with a focus on the impact or outcomes that Local Authorities, Health and the Criminal Justice system achieved. Benefits administration, however, remained a service that is better measured by output indicators rather than outcome indicators since there is relatively little discretion in the level and eligibility of the benefits at the local level. Whilst the “outcomes” of its distribution are very important, both to the recipients and to wider poverty and income distribution within local communities, they do not significantly reflect the performance of the distributing authority. For this reason, under CAA, the delivery of HB and CT benefits were still assessed in a way similar to the assessment under CPA although the reporting arrangements were changed.
The raw data now forms part of the “Right Time Indicator” of the DWP (DWP, 2011) which combines the average processing time for new claims with administration of changes of circumstances. In 2008 there were changes made to the definition of the “changes in circumstances” which make the statistics non-comparable overall, however the definition applied to that part that was previously PM1 remained exactly the same. Unfortunately the data for the period April 2008 to March 2009 has not been published and the data available for the CAA period only covers seven quarters of data.

As shown by the graphs the level of performance that the new CAA system inherited was relatively good, and the processing times have continued to improve with median processing times reducing from 22 days to 20\(^3\). The variability, nationally, has however increased from 40 to 46 days, which is replicated in the figures for London which have gone from 30 to 35 days. However, the variability within the East Midlands has reduced from 29 to 26 days and in Yorkshire and Humberside from 21 to 13 days. It is, interesting to note that the increased range in the national performance is due to a decline in the performance of the poorest local authority whereas the increase in variability within London is due to a greater improvement rate in the best performing authority compared to the worst performing.

**Discussion and Conclusions**

Whilst the authors recognise that the performance measures used changed significantly between the CCT and BV periods it was anticipated that some level of comparison could be made. At the end of the CCT period (1998/99) the national median percentage for authorities completing the new claims processed within 14 days was 87%. At the start of the publically available data for the BV period (2000/01) the national median value for processing these claims was 48 days; therefore half of the values obtained nationally from all local authorities were at, or above, 48 days and the minimum value, at this time, was 10 days. Whilst the authors acknowledge the gap in data for the year 1999/00 they would question how it was possible to go from a position of achieving 87% of claims processed within 14 days to 50% taking 48 days, or more. The reliability of the data collected under the CCT regime does, therefore, appear to be challengeable, a reservation strongly reflected within the AC report (1993b) which discovered, _inter alia_, that mail was left unopened and that the resultant delay was not often counted against the 14 day limit. Stafford _et al_, (1999, p.26) similarly noted that, ”as both 14 day indicators catch only part of the process, local authorities can technically meet both the 14 day indicators and yet take several months to process a claim from end-to-end”. The ability to make exact comparisons between the CCT and the BV periods is, therefore, difficult if not impossible.

These findings reflect the results of the Housing Benefit Accuracy Review undertaken by the DSS in 1998 which found that under CCT the data was unreliable, the performance of the service was poor and there were high levels of inadequacies in the system. The 14 day performance measure could not be used as an accurate assessment of the performance of individual authorities or the performance of the system as a whole. It provided no encouragement to achieve quicker processing times and could act as a perverse incentive. It did not, for example, provide details of how long it took to process those claims which were not completed within the 14 day target.

The PM1 indicator, with its ability to determine maximum, minimum and median values, resolved these issues and allowed the authors to compare performance over the three successive periods of BV, CPA and CAA. National reporting of performance was, of course, already in place but it was during the CCT and BV periods that nearly all of the tools, techniques, mechanisms and interventions that were designed

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\(^3\) The data available on the DWP website only covers three of the four quarters for 2010/2011. There is, therefore, no ‘final’ median value for 2010/11. The authors have used the median of the three median values available for 2010/2011 as a proxy for the ‘final’ measure.
to promote or facilitate improvement, and were later deployed under the CPA regime, were developed. For example, the DSS/DWP acquired powers to intervene in individual local authorities and the Benefit Fraud Inspectorate was established in 1997, the New Verification Process was developed and implemented prior to 2002 and new computer systems and software were being procured and installed between 2000 and 2003. However, our research shows that systematic improvement was neither consistent nor sustained until these were all brought together, refined and applied as part of the CPA process.

The graphs above, and the authors’ earlier research (XXXXX et al, forthcoming) indicate that there were significant and sustained improvements in benefits administration nationally within England and across all of its regions throughout the period of CPA. Similarly, that there was no significant variations in the performance of larger or smaller authorities, between rural and urban authorities or between authorities with different party political control. The authors’ earlier research suggested that the implementation of the CPA regime itself appeared to have a catalytic effect upon the performance of the benefit administration services within local authorities throughout the CPA period and the current research supports this conclusion. The graphs clearly show that the level of performance of the system improved dramatically throughout the CPA period reflected in the median time taken to process new claims falling from 48 days to 25 days while the range in performance, nationally reduced from 195 days to 47 days. They also reflect a consistent pattern across all regions. The general improvement in performance appears to have been sustained under CAA although the previous trend towards less varied performance has reversed. There is, however, too little time series data to establish whether this is a new trend or a single year “blip”. Nevertheless the performance of the best authorities continued to improve under CAA and there remained a significant gap between the performance of the best and the performance of the worst indicating that there is still potential within the system for further improvements. This gap also widened over the CAA reporting period as improvement in the poorest performing authorities stalled. It is interesting to note that the part of the CPA process that was specifically designed to address poor performance, the Local Government Intervention and Engagement Programme 2002-2009 was replaced under CAA with the sector lead intervention advocated by the Local Government Association (XXXXX. forthcoming). If performance continues to diverge this could be a potential area for further investigation.

Finally, despite the governments general preference and promotion of “outcome” based performance indicators, under both CPA and CAA, our research suggests that benefits administration remains a service that is better measured by output indicators as there is little discretion over the level and eligibility of the benefits paid or the administration of the system. Whilst the “outcomes” of CTB and HB distribution are clearly vitally important to social welfare and income distribution within society, they do not significantly reflect the performance of the distributing authorities or the system as a whole.
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