

CABINET

Benefits – Additional Administration Subsidy

10 November 2009

Report of Corporate Director (Finance & Performance)

PURPOSE OF REPORT			
This report informs Cabinet of the release of further administration subsidy for 2009/10 from the Department for Work & Pensions and seeks authority for this income and future additional income earmarked for benefit purposes to be used solely for that purpose in the current or future years.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
			Referral from Cabinet Member
Date Included in Forward Plan	September 2009		
This report is public			

RECOMMENDATIONS OF COUNCILLOR ROGER MACE:

- (1) The additional unbudgeted administration subsidy totalling £66,947 notified to the Council under HB/CTB Circular S2 & S4/2009 be utilised in full to meet additional unbudgeted costs of benefits administration in the current and future years.
- (2) That Cabinet reaffirm their decision that future additional specific subsidies earmarked for meeting administrative costs in benefits be utilised in full solely for those purposes.
- (3) That the Head of Financial Services be given delegated authority to update the Revenue Budget accordingly.
- (4) That in principle any underspend of these additional specific subsidies in the financial year in which they are received be held in an earmarked reserve, subject to the outturn on benefits and its performance overall for that particular year, and this be built into the Council's Provisions and Reserves Policy for subsequent approval by Council.

1.0 Introduction

1.1 Housing Benefit/Council Tax Benefit administration is partly funded by a specific administration grant with the remainder falling to be met from Council Tax as part of the Council's revenue budget.

1.2 In 2009/10 it is estimated that administration costs of almost £2.2m will be incurred of which £1.17m will be met by specific administration grant.

1.3 In 2003 following the release of additional administration funding from the Department for Work & Pensions (DWP) to meet the costs of implementing the Housing Benefit/Council Tax Benefit implications of the new system of Tax Credits, Cabinet considered a report that sought authority that future additional income earmarked for benefit purposes should be used solely for that purpose.

1.4 Whilst it was clear and conditional that the DWP funding should be used for these purposes alone it was felt necessary to obtain Cabinet's formal approval to ring-fence this income for the purposes of benefits administration. Cabinet resolved to do so and Minute 302 of 2003 refers.

1.5 This year, the DWP in acknowledging the increased administrative burden on Housing benefit/Council Tax Benefit teams arising from the economic downturn, have released £75m to local authorities to solely assist them in meeting their statutory duties. Lancaster's share of this sum is £152,818. A further small award of £5,712 has also been received.

1.6 However, £91,583 of this sum has already been included as income during the 2009/10 budget setting exercise to offset the costs of benefits administration leaving a total of £66,947 to meet other additional administration costs.

1.7 The Council has seen an increase in caseload of over 10% since April 2008 and the coming 12 months may see this figure rise. Meeting the administrative burden of the recession is likely to last in to the next financial year and beyond.

1.8 During July and August it was necessary for benefits staff to work 163 hours overtime at a cost to date of £2,300 to meet extra demand and to maintain satisfactory levels of performance against Business Plan targets. Further action may need to be taken as the impact of the recession is felt. The position is being regularly monitored as part of the PRT process

2.0 Proposal Details

2.1 The basic administration grant for 2009/10 was £1,078,356 which is the baseline that will be used for next year's grant award.

2.2 Additional specific benefits administration grants as referred to above have been received in 2009/10 that are earmarked for use solely for benefits administration purposes and it is proposed to seek affirmation from Cabinet that these funds, and any future similarly earmarked awards of additional grant, be used solely for these purposes.

2.3 Where such funds are not used in the financial year in which they were received it is further proposed that an earmarked reserve be set up from which future expenditure on Housing Benefit administration that is not part of the normal revenue budget can be financed.

2.4 In the normal way, an estimate of the anticipated expenditure against this income has been prepared so that the revenue budget can accurately record the expenditure against it in accordance with normal accounting principles.

3.0 Details of Consultation

3.1 There has been no consultation on this proposal as it follows existing policy

4.0 Options and Options Analysis (including risk assessment)

4.1 Option 1 is to agree to the recommendations in the report which are in line with the Governments intentions for the use of the additional subsidy. In effect, this would allow the additional subsidy to be used to fund additional expenditure on the benefits service (over and above that already budgeted). For the current year, as an example, this would allow the service greater resources to help deal with the increasing caseload, to help maintain service standards.

4.2 Option 2 is to use the additional subsidy simply to fund existing budgeted expenditure on the benefits service. For the current year, as an example, this would mean that service standards would deteriorate, in order to make some budget savings. This would go against the purpose for which the subsidy was awarded, and may attract adverse comment from the DWP.

5.0 Officer Preferred Option (and comments)

5.1 Option 1 is the officer preferred choice for the reasons stated above

6.0 Conclusion

6.1 To ensure that monies received to meet the costs of benefits administration arising from the economic downturn are used for the purposes for which they were given the recommendations in the report should be followed.

RELATIONSHIP TO POLICY FRAMEWORK

Providing improved responses to the public is consistent with the commitment under Corporate Plan Priority 4:- Supporting Our Local Communities objective 7 "to work in partnerships with others to meet the differing needs of communities within our district."

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

There is no adverse effect on equality, human rights, community safety, sustainability or rural proofing arising from this report

FINANCIAL IMPLICATIONS

The current budget for Benefits Administration Grant income for 2009/10 is £1,176,000 which includes the additional £91,583 announced last year in HB/CTB circular S2 and utilised to fund current costs (almost £2.2 million in 2009/10). Due to the timing of the

announcement of Circular S4, the further £61,235 is not included in the budget. There is also a separate grant of £5,712 which has been received as part of the "in and out of work project" The budget will be updated for the additional income and how the budget will need to be spent to cope with the increased administration burden will be identified and ringfenced specifically for benefits administration. However, if the increase in expenditure is more than £66,947 it will result in an overall increase in the Benefits Administration budget and this will need to be considered separately, as part of the budget process.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no further comments to add.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments to add.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments to add.

BACKGROUND PAPERS

Minute 302 Cabinet 29 April 2003
HB/CTB Circulars S2 & S4 2009

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