

Local government

Summary

November 2005

The efficiency challenge

The administration costs of revenues and benefits

Summary

- 1 The Audit Commission promotes value for money in public services. We have undertaken this study because administration of revenues and benefits is costly. English councils spend £1 billion each year on collecting council tax and business rates and on processing housing and council tax benefit claims. The government's Efficiency Review (Sir Peter Gershon's report *Releasing Resources to the Front Line*) expects councils to make efficiency savings of 2.5 per cent per annum. Transactional services are one area where councils can make savings and this study examines the potential for savings in the administration of revenues (council tax and business rates) and benefits (housing and council tax benefit).
- 2 This study has examined:
 - the national context of revenues and benefits – including changes in legislation and guidance;
 - the costs of providing the services;
 - the approach councils take to changing how they deliver these services;
 - the successes and difficulties for partnerships in delivering transactional services;
 - the additional cost issues facing London boroughs; and
 - how direct debit can contribute to improved efficiency.

Key findings

- 3 The study found that those councils prepared to be more innovative in delivering revenues and benefits services can make considerable savings, without lowering service quality. Improving direct debit take-up rates alone could generate savings in transactional and administration costs totalling £15 million per annum within five years.
- 4 Partnership working, either within the public sector or with the private sector, offers councils the greatest potential for efficiency savings if they are prepared to overcome the perceived barriers. Partnership working between two district councils is already releasing over £100,000 per annum to each partner. If this approach were extended across the country it could generate substantial savings.

- 5 The case studies in this report show that other initiatives, such as home working and modern IT systems, offer further scope for efficiency improvements. And for London councils, where costs are higher, the relocation of back office functions outside London presents a considerable opportunity for cost reduction.
- 6 The Efficiency Review target of 2.5 per cent equates to £75 million per annum by 2007/08 for revenues and benefits. The study has demonstrated that there is scope for achieving efficiency savings of much more than this amount. Savings of this order are particularly important to help councils minimise pressure on high profile frontline services such as education and social care.
- 7 Major reductions in cost may take some time to achieve because existing arrangements are complex. However, councils that approach this task with enthusiasm should secure savings that will allow them to protect or invest further in frontline services to the public.
- 8 From 2005/06, the Audit Commission will deliver an annual value for money judgement for all councils. This will assess how councils manage, promote and improve the value for money of their services, including how well they take advantage of the opportunity to make savings in the administration of revenues and benefits.

Recommendations

Councils should:

- consider the benefits of sharing services, with other councils, other public service providers, or through the private sector;
- ensure that, when new initiatives are undertaken, there is a clear cost-benefit analysis;
- set clear goals and objectives for benchmarking activity to ensure that good practices are shared, with improved outcomes for customers;
- maximise opportunities to improve collection by direct debit; and
- London councils should actively work together in order to maximise efficiency for the revenues and benefit services and relocate transaction processing out of London.

The government should:

- commit to stability in the housing benefit regime so that councils can plan and fundamentally improve the development of their services; and
- actively promote examples of successful innovation in service delivery and use the Regional Centres of Excellence (RCEs) and capacity building funds to promote sharing of services.

The Audit Commission will:

- when reviewing its value for money arrangements expect councils to demonstrate that they have seriously addressed the potential for reducing costs through shared service delivery;
- work with the Chartered Institute of Public Finance and Accountancy (CIPFA) to obtain greater consistency in allocation of central support service costs across council services so that cost comparisons are more meaningful; and
- carry out more research on direct debit payments, in order to provide councils with a good practice guide.

i Copies of the full report are available at: www.audit-commission.gov.uk
or to order a printed copy telephone: **0800 502030** quoting stock code: **LAR3284**

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