

The Benefit Fraud Inspectorate

Director's Report 2005



Improving benefit delivery



Contents

	Ministerial foreword	2
	Director's overview	4
	Director's foreword	5
	Our impact on benefit delivery	8
	The drive for measurement	9
	Independent impact analysis	9
	Views from those we inspect	11
	Case studies	14
	CPA results	16
	Supporting improvement	18
	Working together to improve services	19
	Measuring the effects	19
	Case studies	21
	Rising demand	24
	Extending our support	25
	The Government's Policy on the Inspection of Public Services: our response	26
	Inspection principles	27
	Future inspections	30
	Our approach	31
	About the BFI	32
	Who we are	33
	Our Mission	33
	Our role	33
	Our resources	33
	Our work	34

Ministerial foreword



Modernisation of Housing Benefit is well under way. This Government has simplified the rules by removing the need for customers to reclaim benefit each year, and has extended the introduction of the Local Housing Allowance. Clear progress is being made towards the reform goals to reduce barriers to work, to ensure that people on low incomes can afford a decent home, to extend choice and responsibility and to provide a quicker, better service based on simpler, clearer rules.

The benefits service provided by councils has improved significantly. Since 2001/02 local authorities have reduced the time taken to process new benefit claims by almost two weeks. This report shows the important contribution that the Benefit Fraud Inspectorate is making to these improvements through its inspection and support work.

However, more improvement is needed. Some councils still provide a poor service and remain prone to fraud and error. BFI is vital to our efforts to tackle these issues. Earlier this year, I launched its Performance Development Team consultancy service. This team is proof that BFI can use its expertise not only to judge performance, but to provide councils with practical help to improve. BFI's inspection work also provides essential assurance. Its reports continue to help secure the system and drive improvements in benefit delivery. BFI therefore has a central role to play in the ongoing challenge to raise performance and, importantly, to cut benefit fraud. This work must continue as BFI joins forces with other inspectorates and moves to become part of a single Local Services inspectorate in the future.

Chris Pond

Parliamentary Under Secretary, with responsibility for Fraud, Housing and Council Tax Benefit.



Director's overview





Director's foreword

I am pleased that this report presents improvements in councils' delivery of Housing Benefit and details our contribution to that improvement. It also explains how we are striving to further increase our impact by moving towards shorter, quicker inspections. Further, it highlights how we measure up to the Government's 10 principles for inspection and its requirement to reduce the burden of inspection on those we inspect.

Improved performance in benefits administration

Housing benefits are big business. They help around 4 million people, or one in 6 households, to meet the cost of their housing, at an annual expenditure of around £15.7 billion a year. And managing these benefits is a difficult business.

It is not easy to administer Housing Benefit speedily, accurately and securely. Benefit rules and regulations are complex and subject to change. There are also historic problems around funding and the status of the service within councils. Delivery of a national service by 408 different councils inevitably brings a range of performance. And there are some critical dependencies. What councils achieve increasingly depends on how well central government agencies such as Jobcentre Plus, The Pension Service and Inland Revenue perform. Our work in Jobcentre Plus shows that there is some way to go here.

Improvement in some councils hasn't always been quick enough and the performance of others still gives cause for concern. But there has certainly been improvement. For example:

- claims processing: the average time taken to process new claims has fallen from 55 days in 2002/03 to 49 days in 2004/05 so far, a fall of 11%
- countering fraud: the number of council-recorded prosecutions of benefit fraudsters has risen from 3,187 in the full year 2002/03 to 2,311 in the first quarters of 2004/05, a comparative rise of 45%
- customer service: the Local Government Ombudsman's annual report for 2003/04 records that, while complaints about councils on all matters have risen by just over 8%, Housing Benefit complaints have continued to fall.

This is all very encouraging and it has promoted joint (and innovative) working from all involved in Housing Benefit delivery. The Department for Work and Pensions (the Department) has worked hard to create the right conditions for improvement, including financing good practices and innovation in benefits administration through initiatives such as the Performance Standards Fund. And the Housing Benefit Reform Programme promises the simpler and clearer rules that help good administration. I believe that we have played a full role in improvement also, and part of this report shows how we have contributed through our inspection and support services.

But it is the councils themselves that have done most to bring about significant improvements in performance. My inspection staff see first hand the level of commitment needed to make real, lasting improvements, and the best-performing councils deserve much credit for the progress made.

Much remains to be done however. There is still too much fraud and error in Housing Benefit (roughly £600 million in the 12 months up to March 2004, according to the Department's Information and Analysis Division). This leaves me with some impatience and dissatisfaction. I believe that the pace of improvement in countering fraud and administering benefits needs to be quickened, and I am particularly concerned about the range in performance I see. For example, best reported performance in the average time taken to process new claims in the second quarter of 2004/05 was 14 days against a target of 36, but the worst performance was 152 days. Taking 5 months to process a claim is poor by any standards and the gap between best and worst performance is far too wide. I want to see that gap narrowed and will concentrate our inspection and support services on those delivering poor services to customers.

Our successes and achievements

Some of our highlights of the past year:

- we achieved the Charter Mark, the first national inspectorate to do so, in recognition of our strong business processes and customer focus
- independent customer surveys indicate high levels of satisfaction with our services
- more inspections were focused on particular aspects of service delivery reducing the burden of inspection on councils and producing quicker results
- an update report on 15 councils' compliance with the requirements of the Race Relations Act
- 2 good practice reviews
- an inspection that identified the first 'Excellent' council
- central government inspections of Jobcentre Plus, The Pensions Service and the Department's Debt Management operations

- the conclusion of a review, with the Department, of inspection, monitoring and support. Leading to, among other things:
 - quicker inspections
 - shorter, more user-friendly reports
 - refinement of our risk-based approach to who we inspect
 - a shorter, prioritised, less burdensome Performance Standards package against which authorities can be assessed and assess themselves
 - the launch of the Performance Development Team, which combined the best practices of our Performance Improvement Action Team and the Department's Help Team to create a new service which helps councils fix as well as identify problems.

The changing requirements of inspection

Like other inspectorates we have to respond to changing times. The Government has developed 10 principles for inspection. I believe we measure up well against these, as shown later in this report. We must also co-ordinate inspection better to reduce the burden it places on councils and to cut the overall costs of inspection. We are playing a full part in taking these important developments forward and responding positively to the challenges they pose. However, this will not distract us from our determination to drive up standards in benefit delivery and reduce public losses through fraud and error.

Finally, as in all areas of central and local government, we face some tough financial challenges and are striving to become more efficient. I am committed to improving our services and as part of that I would very much welcome your views on this report. Please send your comments to: chris.bull@dwp.gsi.gov.uk.

I look forward to hearing from you.

A handwritten signature in black ink, appearing to read 'Chris Bull'.

Chris Bull
Director

Our impact on benefit delivery



The drive for measurement

The success of our inspections is ultimately judged by the performance improvements made by those we inspect. In July 2003 the Office of Public Services Reform (OPSR) published a report *Inspecting for improvement: developing a customer focused approach*, which set out the Government's view of best practice in inspection. One of the key findings was that little was known about the impact of inspection. In view of this, the report made clear the importance of inspection delivering benefits commensurate with its cost.

Only a few inspectorates have developed clear measures against which to assess their own impact. The OPSR report concluded that inspectorates should operate within the strategic policy framework established across Government and within Government departments. This would achieve greater consistency, effectiveness and value for money by, among other things, finding an appropriate and effective means for inspectorates to assess their contribution, however indirect, to improvement in service delivery.

We have taken a lead in developing clear measures against which to assess the impact of our inspections. Working in partnership with an Operational Research branch of the Department's Information and Analysis Division, we commissioned independent analysis of the effects of our work.

Independent impact analysis

Analysis of the impact of our inspection activity is based on the performance of councils inspected under the same methodology (Performance Standards). It uses performance data reported quarterly to the Department and is measured 12 months after inspection, allowing time for councils to act upon the inspection recommendations. The analysis is based on the performance level of councils before and after inspection and identifies individual performance trends.

The impact on inspected councils is measured relative to the average performance of all other councils, to identify improvements over and above those occurring across councils' Benefits services as a whole.





GOVERNMENT OPERATIONAL RESEARCH SERVICE

BFI Impact Analysis

In November 2003 BFI commissioned Information and Analysis Division Operational Research (part of the Government Operational Research Service) to undertake analysis investigating the effect of BFI inspections. We have since completed analysis on the performance of inspected councils against national trends, to identify the impact of inspection.

Our analysis shows that inspected councils improve in a wide range of measures, including increasing staff numbers, increasing the number of fraud investigations undertaken, and improving the speed of processing new claims.

The Department has a Public Service Agreement target to reduce fraud and error by 25% in Housing Benefit by 2006. Although it has not been possible to identify any changes in the level of fraud and error at individual council level, there are a number of areas where BFI inspections can contribute.

Councils with BFI inspections have been shown to increase the number of fraud investigators, visits to claimants and the number of prosecutions and administrative penalties issued proportionately higher than national trends. These changes are expected to result in a reduction of the amounts of fraud and error in the councils inspected, thereby contributing to meeting this target.

The Department also has a Service Delivery Agreement target to improve the speed of processing new claims by 10% by 2006, and the speed of processing new claims in the worst 60 performing councils by 33% by 2006. Our analysis has revealed that councils with BFI inspections demonstrate the ability to improve the speed of processing new claims significantly more than the national average in uninspected councils, again contributing to target achievement. Some councils with BFI inspections have also improved to the extent that they are no longer in the worst 60 performing councils. The number of new and renewal claims outstanding in councils with BFI inspections also fell by many times the national average.

Councils with BFI inspections have been shown to massively increase the amount of benefit overpayments detected. However, there is greater difficulty in establishing the impact of inspection on benefit expenditure in an environment of fast reducing backlogs and increasing speed of processing.

In discussions with Benefits Managers of inspected councils, we have discovered that inspections can increase the profile of the Benefits service in councils, leading to increases in much needed resources. For example, the number of benefits staff employed in councils with BFI inspections increased at around twice the national average. In some instances Benefit Managers have also connected improvements in performance with specific groups of BFI inspection recommendations.

We have assumed in the analysis that BFI inspections will have a positive effect on a council's performance, and that any declines in performance are either councils failing to act on inspection recommendations, or that the inspection impact has been to arrest an otherwise worse decline. In some councils inspection has been followed up by support through the BFI's Performance Improvement Action Team*, which has also helped the council improve performance.

Andrew Friedman
Information and Analysis Division
Operational Research – LA Administration

* The BFI's Performance Improvement Action Team and the Department's Help Team merged to form the BFI's Performance Development Team (PDT). The new team was launched in January 2005. See pages 18 to 25 for more information.

The findings from this independent analysis are very encouraging. There is increasingly clear evidence that our inspections are contributing towards meeting the Department's targets for improving Housing Benefit delivery. And there is evidence of progress across a wide range of measures that shows that our inspections and consultancy services are bringing significant improvements for benefit customers and helping to safeguard public money.

Views from those we inspect

Inspection undoubtedly has a key role to play in the reform and improvement of public services. Comments from those we inspect are invaluable in helping to understand the contribution we are making towards those improvements. Here we offer a selection of views from councils that have benefited from our inspections.

"I believe that the BFI inspection, together with the support provided by DWP, has played a significant part in driving us to achieve this better performance. Without the BFI inspection, and its report and recommendations, it would have taken us much longer to turn the service around. Without it, the improvements we have made already and will continue to make during 2005, would have come at a much slower pace. The Council, its Members, its staff, and, crucially, its benefits customers, have a noticeably better and improving service as a result of the BFI inspection."

Bruce Bird, Assistant Director Financial Services, Eastbourne Borough Council

"The inspection was invaluable in helping to raise the profile of the service, both corporately and with Members – we increased our staffing levels and the Fraud Service was brought back into Benefits.

In general terms, the inspection gave us focus and confidence that the things we were doing or wanting to do were along the right lines. We treated it as 'free consultancy' and it worked!"

Gail Yates, Revenue Services Business Manager, Crawley Borough Council

"Both management and staff were devastated to learn that we were not as good as we thought we were. Previously we had focused much of our attention on claim processing speeds and the report clearly indicated that this had been achieved at the cost of having an insecure benefit gateway. The BFI report therefore proved to be the catalyst for great change."

"Our response was to embrace the findings of the BFI and learn from them. Management decided to take a radical approach to improvement, in order to turn round the poorer parts of the service, and improve on what was already working well. This positive approach to working with BFI and then with the Performance Standards framework worked well. We have since received a 4 star CPA rating for our Benefits service for the third successive year – and been awarded a Charter Mark and Beacon status for excellence in the provision of public services."

Martin Vickers, Head of Customer Services, Salford City Council

"I found the pre-inspection exchange of information and the on-site visit to have been conducted in a totally professional manner, but at the same time the inspection was very thorough and rigorous. May I take this opportunity of thanking the BFI for recognising the improvements made in Bedford Borough Council's Benefits Service and through their detailed inspection report, enabling others to learn from our approach."

Philip Simpkins, Head of Financial Services, Bedford Borough Council

"Bury faced its inspection by BFI with some trepidation, but this proved to be unfounded. From start to finish the inspection was undertaken in a professional, constructive and positive manner. The team made every effort to bring our staff on board and the end result was a helpful, informative and balanced report."

"Following the inspection we arranged for a Performance Improvement Action Team to work with us to help implement some of the recommendations that came out of the inspection. This experience was also extremely valuable and helped us approach issues, such as backlogs, in innovative ways. As a result, and with a positive response from our staff, we eliminated a backlog ahead of schedule and made significant improvements to processing times."

Mike Owen, Director of Finance, Bury Metropolitan Borough Council

The qualitative feedback from councils that we have inspected, coupled with the results from quantitative statistical analysis, offer compelling evidence that our inspections are contributing to improving services to some of the most vulnerable members of society. We are committed to ensuring that our inspections continue to deliver these benefits and we will work to maximise the positive impact we have on benefit delivery performance.



Case Studies

The following case studies highlight just 2 examples of how our inspections are providing assurance and driving improvements in benefit delivery.

Jobcentre Plus

In November 2003 we published our follow-up report on Jobcentre Plus' relationship with local authorities. The report contained 45 recommendations on how this relationship could be improved. Sadly, many were duplicated from our September 2001 report of the Benefits Agency's relationship with local authorities. We found that less than a quarter of the original recommendations had been implemented.

Ministers and Jobcentre Plus are determined that the recommendations from our follow-up inspection will be addressed more positively. A Steering Group chaired jointly by Jobcentre Plus and BFI has been created to oversee progress against the findings in the report. This group now reports progress to Ministers on a quarterly basis.

One of the outcomes of our November 2003 report has been the amalgamation of benefits administration and counter-fraud within each of the 11 Joint Regional Boards. These Boards exist to develop a strategy for closer working between local Jobcentre Plus offices and local authorities. We are represented on all 11 Boards.

Evidence of progress against our recommendations is expected to be clearer when the results of monitoring against the new service level agreements and fraud partnership agreements developed in response to our work are known later this year. However, the standard of verification of claimants' identities and National Insurance numbers in Jobcentre Plus was of particular concern to Ministers and the Steering Group. Consequently, Ministers have asked us to inspect how well Jobcentre Plus and



The Pension Service comply with the law in this area. This inspection will examine how effective each of these agencies is in securing the gateway to the benefits system. Our report will be published early in 2005/06.

Harrow

In 2003/04 London Borough of Harrow paid approximately £73 million in housing benefits and had a caseload of over 23,700 claims. Harrow had been the subject of highly critical BFI reports about its Benefits service in 2002 and 2003 but welcomed our return in 2004.

We found that all recommendations from our previous report had been fully implemented and this, together with other actions taken by the authority, including the involvement of our Performance Action Improvement Team, had produced major improvements in performance.

Indeed, Harrow's performance had improved to such an extent that its Performance Standards self-assessment showed it to be meeting 100% of Standards. This level of performance was validated through our inspection activity and Comprehensive Process Assessment work.

In the words of the Harrow Chief Executive Joyce Markham, "the BFI report provides a concise history of the problems solutions and eventual success of Harrow's Housing and Council Tax Benefits Service".

We believe that our reports have contributed to the major improvements in performance and show how these can be achieved in spite of historically poor performance and the inherent difficulties often associated with a large London borough.



CPA results

Comprehensive Performance Assessment (CPA) was introduced in 2002 to provide judgements of how well English councils deliver their services and how well they are run. As part of the CPA process, we work with the Audit Commission and assess the Housing Benefit and Council Tax Benefit services provided by councils. The first programme of District Council assessments was completed in 2004, with scores published in December. Single-tier councils have been assessed



annually since 2002. Scores for 2004 indicate that fewer councils are getting low scores and they are generally processing benefit claims more quickly and more accurately than they have before.

During 2004, we looked at how the assessments for the Single-tier authorities had changed over time. We found:

- 22 authorities had improved their score compared to 2003
- 75 authorities had stayed the same
- 19 authorities scored less well than they did in 2003.

While the results are mixed, there was an underlying trend of improvement. Although 75 councils scored the same as they did previously, they are generally processing benefit claims more quickly and more accurately than they have before. Perhaps most significantly, there are fewer poor performers than previously, as shown opposite.

Overall, the improvements in 2004 were not as marked as they had been between 2002 and 2003. However, with fewer authorities getting low scores, there is an encouraging underlying trend of improvement. Our CPA work is undoubtedly focusing attention on the need for better benefit services and contributing to the improvements we have seen. It is also raising the profile and status of benefit work with council managers and Members.

Number of Single-tier authorities by Benefits service CPA results

Score	2002/03	2003/04	2004/05
4 (Highest)	12	58	48
3	48	41	61
2	48	12	3
1 (Lowest)	7	5	4

Supporting improvement



Working together to improve services

Recognising a need to work with councils to improve benefit services following inspection, we made a bid to HM Treasury in 2002 for Invest to Save Budget funding to create a free consultancy service. The Invest to Save Budget is a joint Treasury and Cabinet Office initiative, providing funding for innovative ideas to improve public service delivery. A key principle of Invest to Save Budget funding is that the initiative must produce a financial return in response to the investment made.

Our bid was successful and in spring 2003 we introduced our Performance Improvement Action Team (PIAT). The PIAT builds on the relationships that we have already developed with councils through our inspection and CPA work by forming a partnership to help raise performance and achieve savings. The PIAT gives advice on how to improve administrative effectiveness, realise efficiencies and achieve sustainable improvements in benefit delivery performance. We provide expertise in all aspects of the Performance Standards and our experienced inspectors provide practical consultancy support to deliver real service improvements. These improvements are then measured and evaluated to ensure the project's success.

Measuring the effects

A condition of the Invest to Save Budget funding we received was that the PIAT project would produce a financial return of £9 million, made up of £2.8m for 2003/04 and £6.2m for 2004/05. Measuring the impact of PIAT work is not easy as improvements in performance can often take months to materialise following changes to working practices. Additionally, turning these improvements into financially quantifiable benefits presents further challenges. However, we have closely monitored the effects of our work and measured our financial impact by:

- monitoring the activity and improvements in councils' performance as part of the support we provide following a period of consultancy
- commissioning financial and statistical analysis by an Operational Research branch of the Department's Information and Analysis Directorate, who analysed the effects of a number of our early partnerships.

Due to the time between ending a period of consultancy and implementation of solutions, we currently have financial impact information for just over a third of councils that have received our support. However, even with only a fraction of partnerships analysed, the financial monitoring information has revealed impressive results. So far, through our analysis, we have been able to demonstrate a return of around £10 million against the overall Invest to Save Budget target of £9 million. This is equivalent to average savings of more than £95,000 from each PIAT partnership. Once the full financial impact of the project is known, we expect to further exceed the Invest to Save Budget target. HM Treasury have confirmed that the success of the project compares very well with returns from other Invest to Save Budget initiatives.

Independent statistical analysis has also shown some very positive results. A study of 15 councils that had received our consultancy support revealed that there had been significant reductions in public expenditure. This amounted to around £170,000 per council each quarter, over 4 successive quarters. Clearly, levels of benefit expenditure can be influenced by a variety of factors. However, such was the extent of the reductions, that statisticians concluded PIAT partnerships had been a key influence in reducing benefit spend.

In addition to the financial impact of our work, a number of other important benefits have been identified through statistical analysis. For example, in councils that have received our support:

- work backlogs have reduced by an average of 35% (22% more than the national average)
- major improvements have been achieved in benefit processing performance, with the average time taken to process benefit claims reducing by 31 days (again, significantly above the national average rate of improvement).

Statisticians have further concluded that our consultancy service is playing a significant part in contributing to the Department's Public Service and Service Delivery Agreement targets in this important area of public administration.

The end result of our support work is that many thousands of people who depend on benefits are now receiving a greatly improved service, helping them find accommodation and easing any transition into work.

Case Studies

The following case studies provide a flavour of the nature of the work we have undertaken through the PIAT service and the results we have helped councils to achieve.

Castle Morpeth

A BFI inspection identified that the council was performing poorly in the area of counter-fraud, having failed to meet expected targets in prosecutions or other sanctions. Castle Morpeth asked for help from the PIAT.

Following a period of diagnosis, the PIAT identified that the interviewing skills and techniques of the council's fraud investigators were a key factor. We provided intensive one-to-one advice and guidance for the investigators to improve their knowledge of counter-fraud planning, preparation, evidence gathering and interviewing techniques.

The council has since successfully carried out a number of prosecutions and a range of other sanctions, helping to deter and prevent benefit fraud.



Kirklees

Through a BFI inspection and its own self-assessment, Kirklees identified the need for our help with clearing a backlog of work and introducing sustainable improvements in claims processing times, which were among the worst in the country.

The PIAT partnership provided help with:

- identifying and analysing the age and types of work outstanding, examining working practices and sampling case work to test administrative effectiveness
- discussing and agreeing management information needs with managers
- developing an IT management information tool to help manage the caseload more effectively
- advising staff on the skills needed to enable them to map and review benefit processes.

Our partnership with Kirklees has been a huge success. Between October 2002 and September 2003 the council improved its speed of processing new claims by 76% and processing changes of circumstances by 82%. These improvements have delivered a dramatically improved service for benefit customers in Kirklees.



Wokingham

Wokingham inherited a backlog of work when it brought its Benefits service back in-house in 2002. Following a BFI inspection in 2003, the council asked for our help with improving claims processing times and introducing sustainable improvements so that it could meet its targets.

Our partnership with Wokingham has so far achieved:

- clearing a ring-fenced backlog of work
- a 68% improvement in the time it takes to process new claims
- reducing the time taken to process changes of circumstances by 50%.

Wokingham now starts action on new claims, changes of circumstances and general correspondence within 3 days of receipt. This has resulted in a radically improved service to customers and also means that the council now has the opportunity to meet its targets.



Exeter

Following the introduction of a new Benefits IT system and more rigorous claim checking procedures (the Verification Framework), Exeter found that its claims processing performance was getting worse, affecting staff morale. Consequently, the council decided to undertake a major review of its Benefits service.

The council contacted us for help and we entered a PIAT partnership with Exeter in December 2003. The partnership provided Exeter with an objective viewpoint and it was soon agreed that the existing management arrangements did not support effective team leadership. Exeter took on board our proposals for changing its processes and organisational structure.

The changes that followed had the effect of reducing the time taken to process benefit claims by 17%. The speed of processing changes of circumstances improved by 23%.

Our partnership with Exeter has undoubtedly helped deliver significant improvements in the service provided to the council's benefit customers. Members have also endorsed a new organisational structure and the council is confident that this will provide a sound basis for continuous improvement in the coming years.



Rising demand

By January 2004, only 9 months after the start of our PIAT service, the team had received requests for and started 59 partnerships. Although the PIAT resources remained constant throughout 2004, the demand increased considerably to the extent that by the end of November 2004, we had received 194 requests for PIAT support. By January 2005 we had started 134 partnerships.

The rapidly rising demand for our consultancy service by councils is an indicator of its success. This is further illustrated by the significant number of councils that have requested a second and even third PIAT partnership, as well as the broad range of help now being sought. While we originally offered help on all 7 areas of the Performance Standards, initial take-up was generally confined to clearing backlogs of work, improving claims processing times and improving recovery of benefit overpayments. However, in the past year we have seen an increasing demand for help with other areas, such as strategic management and counter-fraud work.

The increase in demand for consultancy help shows that our service is now recognised by councils as a major source of support in improving benefit delivery.

Extending our support

Although we initially launched the PIAT service to support councils following an inspection or CPA assessment, it became clear that there was an increasing overlap with the Department's Housing Benefit Help Team. With a similar remit, the Help Team worked with councils to address problems with benefits administration and develop plans for change. By the end of November 2004, the PIAT and the Help Team had helped more than 120 different councils to administer benefits more efficiently.

The roles of the PIAT and the Help Team were considered as part of an independent review of the Department's inspection, monitoring and support arrangements during 2004. The review found that there was an opportunity to create a new (and better) support service for councils, rather than just combining the teams. As a result, we launched a new Performance Development Team (PDT) on 5 January 2005. In response to increasing demand, we have increased the team's resources and extended its remit, enabling our new service to focus on providing support where it will have the most positive impact for benefit customers.

On launching the PDT our Minister highlighted that:

"By working in partnership with local authorities to drive up performance, we can create the firm foundation we need to support welfare and Housing Benefit reform... I want the new Performance Development Team to do what it says on the tin – improve performance. I know local authorities share my aspirations and the new team should help them deliver a higher standard of service by sharing best practice. Cutting delays in dealing with Housing Benefit should go hand-in-hand with the fight against fraud and error."

"We created this unified team after listening to your [councils'] views and reviewing our service, and we want you to make use of it. It will be a new service, not just a merger of existing teams. I welcome your support for the improvements made so far and look forward to you taking advantage of this important new service in the future."

The Government's Policy on the Inspection of Public Services: our response



Inspection principles

The Prime Minister's Office of Public Services Reform published *The Government's Policy on the Inspection of Public Services* in July 2003. This report reaffirmed the Government's commitment to inspection, stating that: *"Inspection makes an important contribution to the improvement of delivering public services and provides assurance on the stewardship of public resources."*

The report also set out 10 principles of inspection, which are listed below. Underneath each principle, we describe how our activity supports it.

Principle 1: The purpose of improvement

We are focused on improving benefit delivery. We make recommendations in individual inspection reports, publish some reports that are exclusively about good practices, and incorporate good practices in the Performance Standards. The new Performance Standards published in March 2005 include comprehensive details of good practices drawn from our inspection work that are known to facilitate improvement. Our Performance Development Team (and the Performance Improvement Action Team before it) provides solutions to address administrative problems and improve performance.

Principle 2: A focus on outcomes

We inspect and report on the effectiveness and security of benefit services, asking whether they pay the right amount of benefit, at the right time, to the right person. Our analysis concentrates on key performance measures such as the time taken to process claims, the accuracy achieved, the level and results of counter-fraud work. These activities are deliberately designed to ensure that we have a direct impact on the services received by people who claim benefit.

Principle 3: A user perspective

There is a strong customer service focus built into our work. We make full use of any customer surveys undertaken by councils and observe the service as customers receive it. Where the council has not undertaken surveys, we interview customers to gain direct insight into their views. Where appropriate, our inspection reports have also contained a dedicated section on users' experience of the Benefits service.

Principle 4: Proportionate to risk

Our work programmes have traditionally been focused on the poorest performers and the biggest benefit spenders. The risk presented continues to be the main determinant of who we inspect. The results of our assessments of benefit services under the CPA regime and performance reported by councils against Best Value Performance Indicators have further helped target our work where the risk is greatest. The Department's two Public Service Agreement targets for Housing Benefit, to reduce fraud and error and to speed up processing times, also shape our inspection programme.

Principle 5: Encourage self-assessment by managers

The Performance Standards published in 2002 set out for councils what was needed to administer benefits well. The package included checklists and an electronic scoring system so that councils could determine how they performed against the published standards. Survey results and our CPA work show that the vast majority of councils have used these to conduct a self-assessment. The new Performance Standards package for 2005 further encourages councils to undertake objective self-assessment and, through an enhanced scoring methodology, identify weaknesses and target priority areas for improvement.

Principle 6: Use impartial evidence

We cross check our data using a variety of techniques to ensure that our evidence is both sound and impartial. We use interviews, random sampling, surveys and systems-based analysis to underpin the findings in our reports. The validity of our evidence is agreed with the inspected body before we report our emerging findings. Draft reports are sent to councils for comment on their factual accuracy before publication.

Principle 7: Disclose the criteria for judgement

The basis of our inspection judgements is made transparent by assessing councils against the published Performance Standards, copies of which are sent to all councils and are available on our website. The Performance Standards, the scoring systems they incorporate and the methodology we use for inspections and CPA work were developed through consultation with individual local authorities and their representative groups.

Principle 8: Be open about processes

We take steps to ensure that our processes are clear and understood. Details of our inspection and assessment methods and scoring systems are sent in inspection packs to those about to be inspected and are explained before any on-site work begins. We publish details about how we work in various relevant publications and include them on our website.

Principle 9: Have regard to value for money

We have led the inspectorate field in assessing the impact we have on the services we inspect and have encouraged others to do likewise through our chairmanship of the Local Services Inspectorate Forum sub-group on Cost Benefit Analysis. (This group brings together all inspectorates that are involved in inspecting council services, with the aim of sharing good practice and improving value for money.) Through our impact analysis work we are now able to determine our own inspection costs and the contribution our inspection and support work has made to service improvement, as shown elsewhere in this report. We are committed to do more work to better understand the costs of our inspections to those we inspect.

Principle 10: Continually learn from experience

We track the impact of our inspections by monitoring councils' performance before and after inspection. We also undertake post-inspection reviews and customer surveys to determine how those inspected felt about the inspection in terms of conduct and effectiveness. We take the results of these inputs very seriously and use them to shape how we might do better. This in turn leads into individual and group training programmes shaped by the experience of inspection.

We also believe that spreading the good practices we find to other councils makes a significant contribution to service improvement. We have published 2 good practice reviews about how particular councils have improved and have contributed good practices in the new Performance Standards package. We have also worked closely with the Department on a series of events designed to identify and share good practices in countering benefit fraud. These were attended by 644 delegates from 344 councils.



Future inspections



Our approach

As part of our drive for continuous improvement and, in particular, to deliver value to our customers, we have revisited our inspection strategy and reviewed the related products and processes.

Historically, we have focused on delivering one inspection product – a full inspection of a council's Benefits service. These inspections typically took 17 weeks to deliver and included an on-site period of 3 weeks. This type of inspection produced a very detailed and technical inspection report, often running to about 200 pages. Customers tell us that these reports are very helpful in understanding where improvements are needed. But they also tell us that they can be unwieldy and, certainly initially, rather overwhelming. For smaller councils, attempting to tackle all the issues raised in a full inspection report at the same time can be unmanageable.

Responding to the concerns about our full inspections, in the past year we have introduced focused inspections. These new style inspections concentrate on just one aspect of benefits administration, initially claims processing or counter-fraud work. This is partly because improvements in these areas will help towards achieving the Department's Public Service Agreement targets to improve the speed of processing and to decrease fraud and error. The introduction of focused inspections has already proved fruitful. By helping councils to focus on improvements in a single part of their Benefits service, it is bringing quicker and more significant improvements. Our new approach has also shortened the inspection to 10 weeks, the time on site to 2 weeks and the report to 50 pages.

During 2004/05, we pursued a strategy of moving to an inspection programme with 75% focused inspections and 25% full inspections. We intend to develop this further during 2005/06, aiming for 90% of our programme to be focused inspections by the end of the year. We are also broadening the portfolio to include benefit overpayments focused inspections as significant amounts of public money are at stake in this area.

Changes to the Performance Standards introduced by the Department provide further opportunity for us to develop the principles of focused inspections. For example, the new Performance Standards provide for:

- councils submitting an annual self-assessment of their Benefits service
- quarterly management information returns against the Performance Measures element
- clearer evidence requirements for inspections, linked to the self-assessment.

We are also exploring different ways to present inspection reports, which we hope will reduce the size of our reports even further. One option being considered is to publish just a summary of a council's performance, with its scores against the Performance Standards and fewer, prioritised recommendations. This could then be supported by a set of evidence and judgements that the council could use to develop improvement plans. We hope that such changes would reduce the burden on councils and enable us to conduct and report inspections quicker. Our proposals on these changes will be shared through our BFI Liaison Group, ensuring that our products reflect our customers' needs.

About the BFI



Who we are

The Benefit Fraud Inspectorate was launched in November 1997 as part of Government initiatives to reduce fraud in the social security system. We are part of the Department for Work and Pensions, operating independently of those responsible for administering benefits and reporting directly to the Secretary of State.

Our Mission

Our Mission is to strengthen benefits administration by inspection and support.

Our role

Our role involves:

- inspecting benefits administration and counter-fraud arrangements in councils and central Government organisations
- undertaking Comprehensive Performance Assessments of English councils with other Government inspectorates and the Audit Commission
- promoting good practices by publishing our reports and inspecting against Performance Standards
- providing good practice advice and practical solutions to councils through the Performance Development Team.

Our resources

We have 148 staff (January 2005), located in 4 offices:

- Harrogate (Headquarters)
- Newcastle
- London
- Edinburgh.

We are funded from within the Department's headquarters budget. Our resource consumption for 2004/05 is summarised overleaf.

2004/05 financial summary

	£m
Staff	6.2
Non-staff	1.5
Capital	0
Total	7.7

Our work

Since we were established in 1997, we have undertaken:

- 184 full inspections
- 6 inspections focusing on a specific functional area of the Performance Standards
- 8 inspections of the Department's services
- 245 District CPAs
- 115 Single-tier CPAs in 2002
- 116 Single-tier CPA Improvement Reports in 2003
- 116 Single-tier CPA Improvement Reports in 2004
- 134 partnerships with councils to support improvements in benefit delivery.



Notes

Notes

How to contact us

The Benefit Fraud Inspectorate's main office is in Harrogate, and there are other offices in Edinburgh, Newcastle and London. Inspection teams are based at all 4 locations.

Harrogate

Benefit Fraud Inspectorate
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Edinburgh

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Fax 0131 222 6413

Newcastle

Telephone 0191 226 6039
Fax 0191 226 6040

London

Telephone 020 7707 8827
Fax 020 7707 8811

Copies of BFI inspection reports are available on the internet at:

www.bfi.gov.uk

Or from:

The DWP information Centre
Room 114
The Adelphi
1-11 John Adam Street
London
WC2N 6HT

Telephone 020 7962 8176
Fax 020 7962 8491

You can also e-mail requests for copies from:

BFI-distribution@dpw.gsi.gov.uk

BFI Customer Helpline: Telephone 01423 832910

www.bfi.gov.uk

