

Blackpool Borough Council

***Report by the Benefit
Fraud Inspectorate***

March 1998

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Section 1: Introduction

1.1 This report by the Benefit Fraud Inspectorate records the results of an inspection of Blackpool Borough Council's administration of Housing Benefit (HB) and Council Tax Benefit (CTB). The inspection took place in late 1997 and followed the methodology shown at Appendix A.

Blackpool Borough Council Background

1.2 Blackpool Borough Council has a population of 153,626. Its rate of unemployment, social and economic levels of deprivation (according to Department of the Environment, Transport and Regions deprivation figures) are higher than the average for local authorities in Great Britain.

1.3 The Borough has a high proportion of people living in non self-contained or non permanent accommodation.

1.4 In 1996/97 Blackpool employed 67 full time equivalent staff to administer benefits at a cost of £529,000. In 1996/97 Blackpool paid over £48m in HB and CTB. This represents 56 percent of Blackpool's gross revenue expenditure of over £86m. The £33 million paid in rent allowance reflected the higher number of claims for rent allowance and the higher average level of claim. The actual benefit payments are shown in the table below.

Fig. 1.1: Benefits paid, 1996-97

Benefit	Amount (£)	Percentage
Rent rebate	8,368,934	17
Rent allowance	33,402,208	69
Council Tax Benefit	6,472,598	14
Total	48,243,740	100

Source: Blackpool Borough Council

1.5 More detail about Blackpool and benefits is given at Appendix B.

Section 2: Management summary

Summary findings and conclusions

Administration

2.1 Blackpool Borough Council seeks to provide an efficient service to eligible HB and CTB claimants, and has good administrative practices. For example –

- Blackpool has developed good customer services. They use mailshots to inform landlords of recent changes to benefit legislation. The staff will make welfare visits to help claimants fill in their application forms. There is a dedicated Customer Services Manager who logs, directs and controls complaints
- staff have a lot of experience, a strong commitment to an efficient and quality service, and plenty of good ideas about benefits administration
- Blackpool have no significant problems relating to backlogs in processing new and repeat claims or in dealing with notifications of changes of circumstances provided by the Benefits Agency (BA) because of effective management of incoming claims
- there are secure post opening procedures
- benefit periods are matched to claimants' particular circumstances
- there are controls on high value cheques to minimise incorrect benefit payments of high value
- staff have good working relationships with the Rent Officer
- Blackpool gives appropriate priority to claims for extended payments
- there are excellent procedures for administering exceptional hardship payments. The procedures are a model of good practice, except for the treatment of reviews.

2.2 Blackpool has opportunities to build on these established good practices by introducing others. For example –

- there is scope to improve Blackpool's HB and CTB claim form to make it harder for claimants to withhold information. This would also help to verify claims more fully, particularly in terms of proving a claimant's identity and liability to pay rent. At present the emphasis is on proving a claimant's income
- more checks on the claimant's liability to pay the landlord and greater control over benefit paid to landlords generally would be beneficial. This is important because officers estimate that some 70% of HB (over £23 million in rent allowance) is paid direct to landlords
- Blackpool should seriously consider implementing the Department of Social Security's Verification Framework to enhance their ability to pay the right amount to the right person
- Benefit staff need more training. Blackpool has diverted trainers to deal with exceptional hardship cases. This means that training for experienced staff has necessarily been limited since January 1996
- Staff need more written guidance on benefits administration, including the widespread distribution of a procedures manual. This would underpin staff competencies and bring greater efficiency and consistency to the administration of benefits. Complementary training on the procedures and in current legislation and regulations would further reinforce benefits administration
- increased management checks on the quality and accuracy of the assessment of claims would increase the standard of benefits processing, while helping to prevent fraud entering the system
- there are opportunities to improve the current administration of overpayment recovery. This could be done by introducing a central focal point within Blackpool to monitor and manage the recovery process, and by generating more management information to quantify the problem.

“In common with other authorities dealing with a large population of people taking up short-term tenancies, Blackpool faces problems of landlord fraud. This BFI report seeks to help Blackpool address these problems.”

Ian J. Stewart
Director General, BFI.

Counter-fraud work

2.3 Blackpool's approach to securing the benefit system incorporates the following good practices:

- an increased level of resources devoted to detecting fraud over the past 5 years. This has led to a steady increase in the amount of weekly benefit savings (WBS) claimed
- publicising its counter-fraud stance and successes in individual fraud cases, and developing a counter-fraud strategy
- seeking to verify the income of a claimant and establish whether payment should be made to a claimant or a landlord
- undertaking residency checks.

2.4 There is scope to build on these achievements by introducing further good practices such as:

- underpinning the publicised counter-fraud stance and the developing fraud strategy by issuing clear, detailed guidance to staff on counter-fraud objectives and approach
- providing regular fraud awareness training to benefits assessors, so that they are equipped to refer cases for investigation as necessary
- undertaking a risk analysis to better focus counter-fraud efforts. This could be done by examining the patterns and incidence of previous false claims in relation to particular addresses and landlords
- making more, and more effective, prepayment visits to claimants. This, in conjunction with an improved claim form, would help Blackpool prevent fraud, and better utilise Challenge Funding received from the Department of Social Security (DSS)
- implementing controls to enhance internal security. In particular, these controls should address the possibility of employee collusion with landlords. Internal audit and external audit could help by carrying out a detailed risk assessment to advise Blackpool on how to reduce this risk
- greater emphasis on deterring fraud. Blackpool should consider pursuing:
 - a more rigorous prosecution policy, backed up by greater emphasis on generating sufficient reliable and relevant evidence to take cases to prosecution
 - greater recovery of overpayments, to deter fraudsters by hitting them in the pocket
 - setting up confidential benefit hotlines, to increase the number of cases which may be referred for investigation
- improved internal guidance to fraud investigators on when it is permissible for them, under the DSS's regulations, to classify a claim as fraudulent and thereby generate WBS. There is no doubt Blackpool is trying to detect fraud, but their documentation in substantiation contained weaknesses, putting doubt on the validity of claims. As a result, the 1996/97 claim for WBS subsidiary has been revised downwards.

Liaison with other parties

2.5 HB is closely linked to Income Support (IS), which is administered by the Benefits Agency (BA), and to the income based component of Job Seeker's Allowance (JSA), where claimants initially contact Employment Services (ES). Eligibility for IS and JSA usually has significant implications for the award of HB, which local authorities (LAs) administer. The provision of timely key information between the 3 parties is vital to administering the benefits correctly and securely. Working relationships between the parties are not always effective, however, and while the difficulties are not within Blackpool's power to solve independently, they might seek to promote:

- improved liaison with the BA's fraud investigators to exchange information about suspect claims. For example, to identify if a claimant has changed address
- more joint working between themselves, the BA and ES, governed by binding service level agreements (SLAs), and reinforced by secondments.
This would:
 - improve mutual understanding of roles, responsibilities, constraints and working practices; and
 - reduce opportunities for fraud and error arising from failures by all parties to exchange important information about claims and to pool counter-fraud knowledge and expertise.

Recommendations

2.6 We make major recommendations to Blackpool in Section 5 addressing the findings above. The recommendations are designed to help Blackpool improve the security of benefit delivery and administrative efficiency by:

- securing improvements to the claim form and verification processes
- improving the number of payments made correctly first time
- enhancing internal controls
- controlling and reducing the level of outstanding overpayments
- increasing the emphasis in counter-fraud work on landlords
- making fraud investigation work better targeted and more rigorous
- improving working practices with the BA and ES
- improving internal guidance to fraud investigators on claiming WBS.

2.7 We have made minor recommendations in Section 6 on other areas where there are opportunities to improve current working procedures and practices.

“Blackpool will take forward an action plan to address positively the issues raised in this report and in particular to take a lead in combating landlord fraud.”

**Graham Essex-Crosby
Chief Executive, Blackpool Borough
Council.**

Blackpool’s response

2.8 Blackpool acknowledges the value of these findings and recommendations and intends to address them. Blackpool has devised a thorough action plan in response to this BFI inspection and we consider that if management follow this, Blackpool will greatly improve the standard and security of its benefit delivery system.

Section 3: Blackpool's response

3.1 In response to BFI's findings and recommendations, Blackpool has devised a thorough action plan which we reproduce to highlight the positive approach taken by Blackpool to this inspection.

Fig. 3.1: Draft Action Plan

Recommendation	Priority	Responsibility	Agreed	Comments	Date for Completion
Secure improvements to claim form	***	Director of Finance	Yes	Areas to be improved: <ul style="list-style-type: none"> • proof of identity • proof of liability • layout • guidance 	30.6.98
Improve the verification process	***	Director of Finance	Yes	Appraisal of implementing DSS verification framework to be undertaken	30.9.98 for possible implementation of framework w.e.f. 1.4.99
Implement management controls	***	Director of Finance	Yes	Introduction of performance accuracy targets and monitoring system across benefits including management responsibility levels. Enhance system controls.	Phased implementation to be completed by 1.1.99
Control the level of overpayments	**	Director of Finance	Yes	Undertake feasibility study into system replacement to report to Committee	30.6.98
	***			Implement new system	1.9.98
	***			Introduce new working procedures. Phased in w.e.f.	1.1.99
	***			Audit risk analysis	Completion 30.6.98
Working with landlords	****	Director of Finance	Yes	Introduce new verification procedures	1.9.98
	****			Undertake a local review on landlords in partnership with the DSS	1 year programme

Recommendation	Priority	Responsibility	Agreed	Comments	Date for Completion
Increasing fraud investigative efficiency	***	Director of Finance	Yes	Implement FIMS	31.3.98
	***			Audit risk analysis to be undertaken	31.3.98
	***			Fraud guidance to be issued to staff	30.6.98
	***			Prepayment visits to be introduced for 50% of new claimants	1.4.98
	***			Six monthly rotation of staff	1.4.98
Improving liaison with Benefits Agency	***	Director of Finance	Yes	Direct line to be negotiated	Subject to agreement
	***			RATS to be negotiated	
	**			Regular liaison meetings to be increased and widened in scope	
Extending the staff training program	**	Director of Finance	Yes	Regular training of all staff in: <ul style="list-style-type: none"> • customer care • fraud awareness • welfare benefits 	30.6.98
Revising procedure manuals	**	Director of Finance	Yes	Revised and updated manuals to be produced	1.10.98
Increasing customer awareness	**	Director of Finance	Yes	Mailshot	31.3.98
				Leaflets	
				Posters	
				Training	

Key: **** Top priority
*** High priority
** Medium priority

Section 4: Findings and conclusions

Background

4.1 In this section we set out our findings and conclusions about Blackpool Borough Council's benefits administration and counter-fraud work. These are set out under 8 headings, each covering a key component of effective and secure benefit delivery. These components are defined in detail in Appendix A. The first 4 relate to benefit administration:

- Claim Initiation
- Assessment and Determination
- Payment and Accounting
- Change and Repeat Claims

4.2 The next 4 deal with counter-fraud work:

- Deterrence
- Prevention
- Detection
- Investigation

Administration:

Initiation

4.3 Initiation is the planned programme of activities used to determine entitlement to benefits.

Take up strategy

4.4 Blackpool makes efforts to provide good services to claimants and to encourage the legitimate take up of benefit. In particular, Blackpool has experienced and committed interviewing staff who are available to deal with claimants' enquiries and to offer advice generally. Staff give their extension numbers on correspondence to claimants.

4.5 In terms of advisory material about benefits, Blackpool has a limited stock of DSS benefits leaflets in the Revenues Hall. There are no up to date posters about housing benefits in the Revenues Hall or the BA or ES.

4.6 Blackpool offers claimants limited advice on welfare benefits other than HB and CTB. Blackpool can, however, offer quick advice on a claimant's individual case at the interview cubicles as staff have access to the benefit information system.

4.7 Blackpool has not established formal and regular liaison with other welfare organisations such as the National Association of Citizen's Advice Bureau. Currently, there is no open access information service to other benefits in the Revenues Hall, the BA or the ES.

Customer services

4.8 Blackpool delivers the service through one main office in the Town Hall. The 4 outlying Estate Offices offer a limited enquiries only service. The Revenues Hall is an open plan area where claimants queue to be interviewed. Interviews can take place at the reception counter or in private interview cubicles. Blackpool has no response time targets for seeing customers.

4.9 Counter staff have been given some customer care training, but none specifically in the welfare benefit area. However, the staff are experienced in dealing with customer enquiries and Blackpool carried out a customer satisfaction survey which revealed that only 2% of its customers were dissatisfied with the service they received.

4.10 Blackpool has a customer complaints procedure and a dedicated customer services manager. A poster in the Revenues Hall advertises the complaints procedure. Senior staff deal with enquiries from members and MPs. Individual cases are recorded but the system cannot provide data on the type and the average clearance time of the complaints and enquiries received.

4.11 Blackpool's claim form is used to claim both HB and CTB. While some effort has gone into making the form conform to plain English standards, some of the language used may still confuse the reader. The form is likely to be inefficient because it does not follow the principles of information design.

4.12 There are some important omissions in terms of the verification process.

4.13 The claim form includes an Income Certificate for claimants to prove evidence of income. We are concerned that blank forms are sent in bulk to landlords.

4.14 Similarly the section on page 9 of the form encourages landlords to certify the rent level and tenancy start date.

4.15 The form does not have clear guidance on its completion or on the evidence that the claimant needs to provide. *A detailed analysis of the claim form is given at Appendix C1.*

Liaison with the BA

4.16 Blackpool has links with the BA and the ES. We interviewed Blackpool's assessing staff who reported that they get on well with their counterparts at the BA. There are no direct line facilities to the BA, however, and this causes significant delays in dealing with questions or answering enquiries.

4.17 There is currently no signed SLA on benefit processing between Blackpool and the BA. This problem is compounded by the fact the BA do not have a liaison officer. These shortcomings are likely to affect the efficiency and consistency of working practices and may, by leaving loopholes, encourage abuse of the benefits system.

4.18 We conclude that Blackpool, as far as its resources and facilities allow, provides a good service to its customers. They have made efforts to make the claim form clear to claimants but there is scope for improvement. Blackpool has tried to promote liaison and communication with the BA.

Assessment and determination

4.19 This includes claim form processing and the quality of verification obtained prior to determining a claim for benefits.

Verification of claims

4.20 Blackpool has established procedures for the verification of income and savings. However, the verification processes do not extend to obtaining evidence of identity in non IS claims, or to verifying residence of the claimant.

4.21 We examined a sample of 30 cases from current live claims. We concluded that in 28 cases (93%) details were verified in line with Blackpool's guidance. We confirmed that claimants provided evidence that was acceptable to Blackpool for

- earnings (last five payslips)
- income (benefits), and
- savings and capital.

4.22 Blackpool makes welfare visits to claimants who ask for them. These visits can help Blackpool staff to verify claims.

4.23 While Blackpool verifies a claimant's income and savings it does not verify the claimant's identity, or that the claimant lives at the address the claim is being made for. Identity and residency are key conditions of entitlement to HB and CTB. We conclude that Blackpool, at present does insufficient to verify a claimant's identity.

Referrals to the Rent Officer Service

4.24 Referrals are made as appropriate to the Rent Officer Service. The Rent Officer confirmed that there is a good working relationship with Blackpool and that the standard of referrals is good. Blackpool reports delays in the turnaround of re-determinations but these are sent to other neighbouring rent officers. The problem may be resolved with the introduction of the “RoConn” system which will enable Blackpool to monitor turnaround times. *A detailed analysis of Blackpool’s dealings with the Rent Officer Service is given at Appendix C2.*

Fig. 4.1: Referrals to the Rent Officer Service	
Type	Number
Total	10,122
Pre-tenancy determinations	829
Re-determinations	188

Source: Blackpool Borough Council

4.25 The numbers of pre-tenancy determinations and re-determinations are low and reflect the limited emphasis Blackpool places on seeking them. Blackpool did not advertise the pre-tenancy determination service, although recently produced leaflets include details of the service, and landlords are told about the service at meetings.

4.26 We conclude that Blackpool has a good relationship with the Rent Officer Service and, at the time of the inspection, was putting in place computerised monitoring of work throughput and turnaround times.

Claims cleared within target

4.27 Apart from 1995/96 Blackpool’s performance closely follows the national trend and in virtually all categories Blackpool is a better than average performing authority.

Blackpool

Fig. 4.2: New claims – % processed within 14 days of receipt of all information				
Benefit Cases	1993/94 (%)	1994/95 (%)	1995/96 (%)	1996/97 (%)
Rent rebate	94	87	82	89
Rent allowance	82	81	60	81
HB/IS	91	82	63	86
HB/non IS	69	81	63	78
HB	84	72	63	82
CTB	74	51	57	77

Source: Department of Social Security

GB

Fig. 4.3: New claims - % processed within 14 days of receipt of all information

Benefit Cases	1993/94 (%)	1994/95 (%)	1995/96 (%)	1996/97 (%)
Rent rebate	75	82	83	84
Rent allowance	72	80	81	75
HB/IS	75	81	82	80
HB/non IS	71	80	81	74
HB	74	81	81	78
CTB	74	76	78	70

Source: Department of Social Security

4.28 As with new claims Blackpool's performance on repeat claims, for most categories of benefit, is better than the national average.

Blackpool

Fig. 4.4: Repeat claims - % processed within 14 days of receipt of all information

Benefit Cases	1993/94 (%)	1994/95 (%)	1995/96 (%)	1996/97 (%)
Rent rebate	100	96	94	99
Rent allowance	98	92	79	95
HB/IS	99	92	81	97
HB/non IS	99	96	88	98
HB	99	93	83	97
CTB	90	87	88	94

Source: Department of Social Security

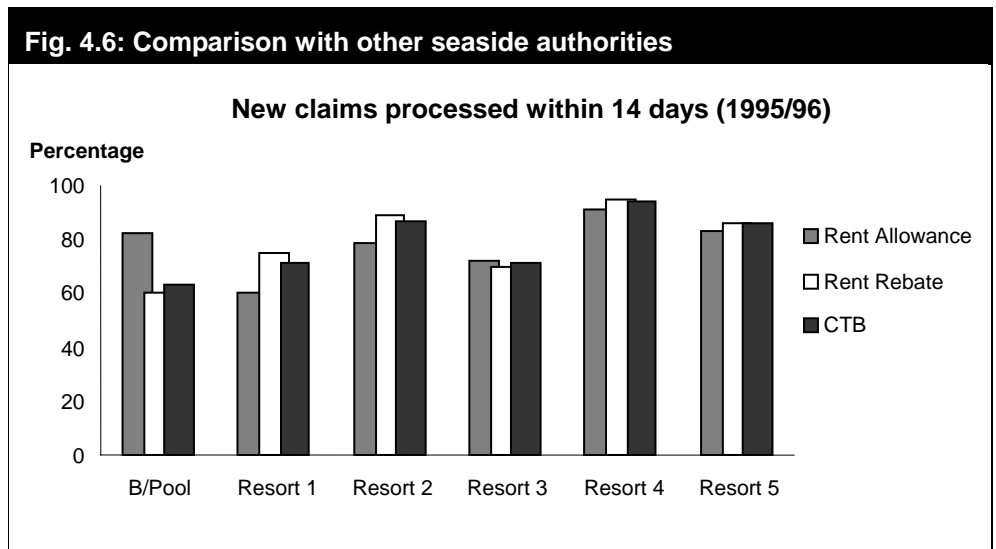
GB

Fig. 4.5: Repeat claims - % processed within 14 days of receipt of all information

Benefit Cases	1993/94 (%)	1994/95 (%)	1995/96 (%)	1996/97 (%)
Rent rebate	82	86	86	85
Rent allowance	78	83	86	81
HB/IS	81	86	87	84
HB/non IS	81	85	86	83
HB	81	85	86	83
CTB	77	83	84	82

Source: Department of Social Security

4.29 Comparison of Blackpool's performance with other seaside resort authorities shows that Blackpool's performance was significantly behind that of the best.



Source: BFI analysis

4.30 Blackpool's performance improved in 1996/97. Even allowing for the complexities of processing new rent allowance claims for HB, there is scope for Blackpool to further improve its performance. Blackpool does, however, make good use of the payment on account provision for those rent allowance claims where it cannot make a final determination within 14 days.

4.31 We examined a sample of 30 cases where payments on account had been made. Of the 30 cases, 25 were processed correctly.

Fig. 4.7: Analysis of payment on account claims

Average period in payment	Weeks
Awaiting IS proof	9.2
Awaiting proof of income or rent	5

Source: Blackpool Borough Council

4.32 Some payments continued for longer than necessary as there is no regular review of these cases to ensure payment is still being made correctly. Blackpool's internal audit have recognised this problem and management are tightening procedures to review these cases more regularly. *A detailed analysis of payments on account is given at Appendix C3.*

4.33 There is scope for improvement in Blackpool's achievement against the 14 day target. However, because use is made of the payment on account provision, this is not having a detrimental effect on rent allowance claimants.

4.34 Blackpool does not monitor the length of time payments are in place which is resulting in avoidable overpayments of benefit.

Ensure the quality and accuracy of decisions

4.35 Blackpool has a process for monitoring the quality of determinations but this check is not carried out on a regular basis. Blackpool has not set an accuracy target for staff. Blackpool recognises the problem, but has difficulty monitoring as its proprietary software cannot produce the statistics needed. Blackpool anticipates that introducing a data imaging process will help managers to control workflow.

4.36 We tested the quality of assessments by examining a sample of 45 claims selected at random from the current live caseload.

Fig. 4.8: Quality sample

Item checked	Percentage
Rent Officer decision	94
Proof of rent obtained	100
Proof of income obtained	85
Proof of capital/savings obtained	40
Repeat claims checked for timeous action and correct benefit periods	100
Non dependants	100

Source: BFI analysis

4.37 Types of errors found included 4 files that did not have proof of income for the current claim, and files that lacked appropriate documentation for capital and savings input on the system. We found the assessment of the claims to be of a reasonable quality.

4.38 *In Appendix C4 we have detailed the management checks we would expect to find.* Of the 12 checks listed Blackpool had 4 in place.

4.39 We concluded that, despite an absence of management checks to ensure accuracy, consistency of performance and the identification of trends in the workload, the assessment of claims in Blackpool is of reasonable quality.

Right to review

4.40 Blackpool's notices of determination do not meet all the statutory requirements. In particular, claimants are not told that they can ask for a written statement of reasons for the determination. Notices of determination for payments on account wrongly state that the claimants do not have a right to review. *A detailed analysis of notices of determination is given at Appendix C5.*

4.41 Blackpool has excellent processes in place for considering requests for exceptional hardship payments and for gathering the relevant financial information. However, Blackpool incorrectly designates these requests as first stage appeals. This has the effect of inflating the numbers of such appeals and cuts the time that Appeals and Training Officers can spend on training, which is their primary responsibility. Blackpool's policy of filtering all requests for a Review Board is contrary to regulations. *A detailed analysis of appeal cases is given at Appendix C6.*

Training strategy

4.42 Blackpool provides benefit training for new staff and some refresher training for other staff. Blackpool has a procedures manual but not all the staff have an up to date copy. There is no systematic process for staff to receive updates to the manual or to receive notices of changes in the legislation. We conclude that although Blackpool provides training for the staff and tries to keep staff updated on changes that affect their work, their approach is not sufficiently comprehensive and does not ensure that all the right information is available to staff as soon as possible.

Payment and accounting

4.43 These processes should deliver automatic or manual payments correctly, should identify incorrect payments and maximise overpayment recovery.

Paying benefit promptly and correctly

4.44 Blackpool uses ICL's HBIS computer system to administer HB and CTB claims. The system calculates and generates the actual payment of HB. Rent allowance payments are made either by cheque or through the BACS payment system.

4.45 Blackpool has made commendable efforts to control requests for BACS payments and has a stated policy to visit all BACS cases within a month. All cheques over £700 are checked and hand delivered by the Fraud Section.

4.46 There are, however, major weaknesses in IT security which increase the risk of internal fraud. *A detailed analysis of internal systems and administrative checks is given in Appendix C7.* Some of the weaknesses reflect the software Blackpool uses, such as an inability to delete old user names from the records. Blackpool prevents old users getting access by restricting their access to the benefit programmes. The remaining weaknesses are summed up as

- no definitive list of current users
- no time out facility
- non compliance with the stated policy on the visiting of BACS cases
- no routine management or security checks, apart from a check on unauthorised attempts to access information.

Identification and classification of overpayments

4.47 Overpayments are classified by assessors and, in cases of fraudulent overpayment, they are advised by Fraud Investigation officers. Blackpool has a dedicated overpayments team which then checks the classification of overpayments. The overpayments team also determines the recoverability of overpayments and instigates recovery action where appropriate. We tested the accuracy of the classification of overpayments on a sample of 20 cases and found them all correct.

4.48 Blackpool does not have robust procedures for the classification and pursuit of overpayments. Overall the trend is for the identification of increasing levels of overpayments from £338,000 in 1993/94 to £1.740 million in 1995/96. However the level of overpayments reduced to £926,000 in 1996/97. Overpayments represented 5.35% of rent allowance expenditure in 1995/96. Fraudulent overpayments rose from £82,574 in 1993/94 to £227,564 in 1995/96. *A more detailed analysis of the overpayments is given at Appendix C8.*

Processes to recognise and learn from trends

4.49 Blackpool supplied data on overpaid benefits by numbers and age but could not supply separate data for rent allowance, rent rebate and CTB on

- the numbers of overpayments raised
- an aged debt analysis
- the number of cases on which recovery is underway and the amount recovered
- the number of cases in the backlog on which recovery is outstanding.

4.50 Blackpool does not undertake a formal analysis of overpayment trends or impact. We consider that there is valuable information to be gathered in this respect. Such information could be used to measure the extent and impact of overpayments as well as providing an insight into potential weaknesses in the current processes. This could inform remedial plans and action.

Recovering overpayments

4.51 At the time of the inspection we found a backlog of 3 to 4 weeks recovery work outstanding. Blackpool gives priority to the recovery of overpayments on current live claims with recovery work on outstanding overpayments taking a low priority. They do not give priority to the recovery of fraudulent overpayments. Blackpool does not recover overpayments from further benefit either through other authorities or the BA. We found that Blackpool has informal criteria in place against which write-off action is considered but does not have a formal write-off policy. Blackpool has a stated policy to maximise the recovery of overpayments but the standard is not being achieved.

Receiving and despatching post

4.52 Blackpool has a dedicated team responsible for post opening and despatch. The post opening room is temporarily sited in the basement due to current renovation work. We found that while Blackpool has made significant efforts to establish a secure post opening operation supported by written procedures, a few minor improvements could be made. *A detailed analysis of post opening procedures is given at Appendix C9.* Bearing in mind the current use of temporary facilities we consider that the handling of post in Blackpool is secure.

Extended payments

4.53 Blackpool is keen to prioritise claims for extended payments and ensures that experienced staff deal with them. There is scope to improve publicity and awareness of the scheme. Some difficulties have been experienced in liaison with the BA. Also, a fifth of cases examined were wrongly classified as extended payments.

4.54 Blackpool’s staff had only recently been made aware of the compensation scheme where extended payment was appropriate and had not been made. Blackpool’s staff now understand the matter is for other Agencies to consider and will refer claimants to the relevant agency.

4.55 There have been difficulties in liaison arrangements with the BA relating to the administration of extended payments. The scheme is complex and Blackpool’s officers report that BA staff have not always completed their forms accurately or date stamped the forms on receipt. This means that claim forms may arrive after the 8 day deadline and LAs have no discretion to backdate extended payment claims. There is scope, however, for compensation payments to be paid to claimants if delays are caused by incorrect advice or action by BA or ES staff.

4.56 A sample of 30 cases where an extended payment was reported to have been made was examined. The results are summarised in the following table.

Appendix C10 gives further details on extended payments.

Fig. 4.9: Blackpool’s statement of extended (EP) cases

Item checked	Number	Percentage
BFI sample	30	100
EP cases processed correctly	23	77
No EP made although file records it was	6	20
EP made without evidence of claims	1	1
Totals	30	100

Source: BFI analysis

4.57 There were no cases in the sample where payment had been made after the 8 day cut-off point.

Change and repeat claims

4.58 This covers the receipt and processing of changes in circumstances reported directly by the claimant or via the BA.

4.59 Blackpool is committed to handling change and repeat claims effectively. At the time of the inspection there was a backlog of one week’s work on changes of circumstances reported. Blackpool provides performance statistics on workloads and throughputs to the DSS. At present Blackpool does not monitor levels of correspondence detailing changes in circumstances.

4.60 Blackpool has a policy to tailor benefit entitlement periods to specific types of cases. This is good practice as it aims to make claimants prove eligibility more than once a year. The absence of checks on the accuracy of benefit processing work prevents Blackpool from monitoring the levels of compliance.

4.61 The requirement for the claimant to notify Blackpool of changes of circumstances is noted on the claim form and the notice of determination. However, no documentation is sent to claimants or landlords reminding them of their duty to tell Blackpool of relevant changes. This is an important weakness, given that the DSS's Housing Benefit Review indicates that some 70 percent of frauds involve failure by claimants to report changes of circumstances.

Exchange of information with Benefits Agency

4.62 Our analysis of information flows between Blackpool and the BA noted an average time lapse between issue and receipt of relevant benefit forms of 7.4 days based on a sample of 10 cases. However, Blackpool sends these forms to the wrong BA office. We also note that the BA are not date stamping all notification of benefit forms received.

4.63 The BA return queries within 3.4 days on average. This compares with the requirement in the national SLA for a 90% response rate within 5 working days. In the context of change and repeat claims, this means that there are only limited delays in transmission of information about changes between Blackpool and the Agency.

4.64 There are no Remote Access Terminals (RATs) in use in Blackpool. These provide direct access to BA data and significantly improve the quality and timeliness of information flow between the two organisations.

Monitoring performance

4.65 Blackpool does not monitor times taken to deal with correspondence from claimants about reported changes in circumstances and repeat claims. This makes it difficult to assess Blackpool's performance in this process. Time taken to handle repeat claims once all the required information is provided is reported to DSS.

4.66 Blackpool has reduced the benefit period below the statutory maximum for all claimants except pensioners. Shorter benefit periods may be set to coincide with DSS benefit periods where appropriate. For example, the HB benefit period might match that of the claimant's Family Credit benefit period. An automatic notification to claimants to submit repeat claims is sent out 6 weeks before the claim expires.

4.67 Blackpool does not follow up cases where entitlement ceases, so is missing out on the opportunity to identify fraudulent or irregular claims. As a consequence, the LA is not only paying benefit incorrectly but is also failing to maximise its income in relation to recovering fraudulent overpayments.

Counter-fraud:

Deterrence

4.68 Deterrence covers activities designed to discourage potential claimants from submitting fraudulent claims for HB and CTB.

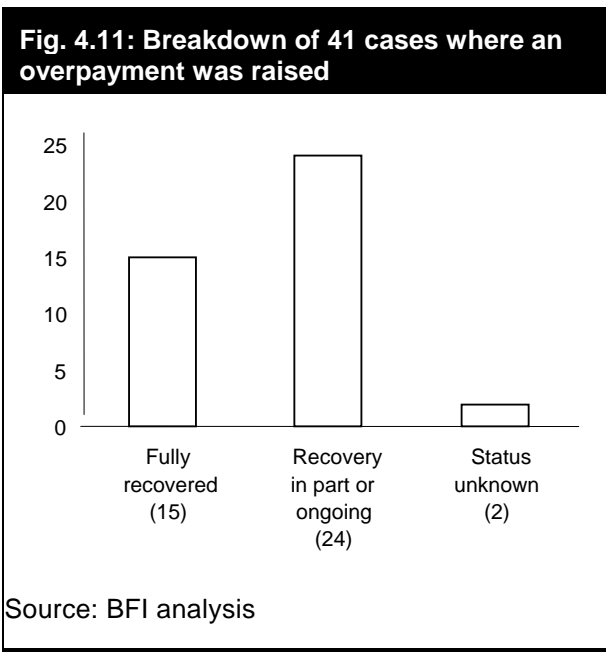
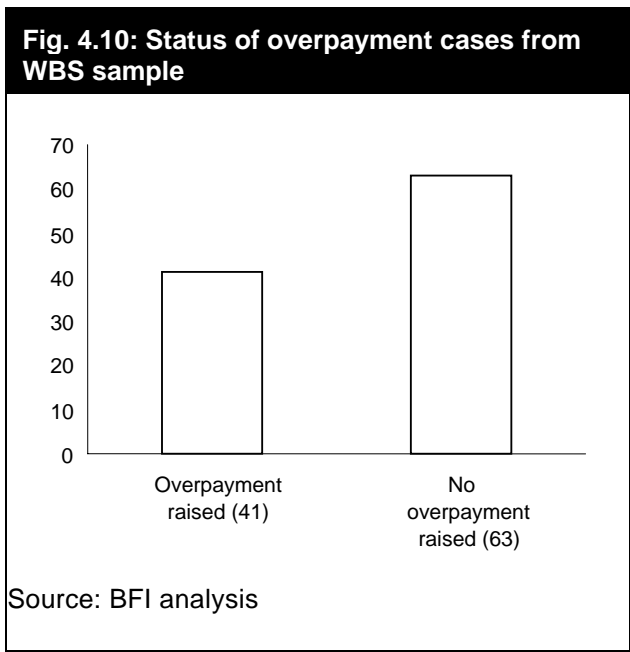
Deterrence strategy

4.69 During the course of the inspection, Blackpool began to develop a formal counter-fraud strategy and there has been some publicity in the local press with the Council Leader going on record stating that Blackpool would look 'to reduce the cost of dishonest claims'.

4.70 Blackpool have also taken certain measures to deter fraud. For example, they have achieved 17 successful prosecutions in the last two years. Blackpool's prosecution performance put it in the top 10% of LAs in 1995/96. Although Blackpool does not have a formal prosecution policy agreed by members, they are supportive of current practice. There are no set criteria for taking cases to prosecution. The decision on whether to prosecute is taken in consultation with the local police and will depend upon the seriousness of the offence and the amount of money involved.

Overpayment recovery

4.71 The active pursuit of overpayments is an important element in fraud deterrence. We checked what action Blackpool took to pursue overpayments arising from fraud on a sample of 104 cases where weekly benefit savings (WBS) had been claimed in the 1996/97 financial year. Elsewhere in testing WBS 100 cases were supplied. This reflects the unavailability of 4 benefit files. We identified the status of overpayment recovery as shown in Figures 4.10 and 4.11:



4.72 These results show that Blackpool established overpayments in 41 cases and pursued 39 cases. *These results are also summarised at Appendix C11.* In the other 63 cases recovery action was not pursued because benefit had not been paid or there was insufficient evidence to determine the amount of overpaid benefit.

4.73 We found low levels of overpayment recovery in the cases reviewed and consider that there is scope for improvement.

Landlords

4.74 Our inspection shows that controls to deter landlords submitting fraudulent claims to benefit should be materially strengthened. *Appendix C12 gives some anonymised information held by Blackpool on landlords.* Blackpool has a variety of ways to provide information to landlords. Blackpool holds an annual forum on rent allowances and quarterly housing forums. There are also special one-off meetings to explain new regulations, like the one in October 1997 to explain the new regulations under the 1997 Fraud Act. Under standing orders, Council members who are also landlords are required to declare an interest.

4.75 Blackpool makes benefit payments to landlords who provide accommodation in multiple occupancy houses. Some claimants do not stay at such accommodation for long and move without reporting it.

4.76 We were able to identify the landlord in 71 of the sample of 100 WBS cases checked. Four cases involved the same landlord (who was receiving payments of HB direct). If this pattern is repeated throughout the total of approximately 1200 cases where WBS was claimed in 1996/97, there could be over 40 cases where WBS had been claimed against one individual landlord.

4.77 There is a large overpayment outstanding for one landlord (£9,528). Recovery action is now underway.

4.78 We conclude that Blackpool can materially strengthen controls and prevent landlords from submitting fraudulent claims. This is particularly important as officers estimate that 70% of rent allowance is paid direct to landlords. There is scope to improve liaison with landlords and work with the BA to counter landlord fraud. Such an approach would fit in with a local fraud review that Blackpool is currently working on with the DSS.

Fraudwatch

4.79 Blackpool started subscribing to the Fraudwatch initiative in October 1997. To date they have had one referral. Blackpool do not see any gains to be had from a local hotline, believing subscription to Fraudwatch to be sufficient.

4.80 Blackpool advertises the Fraudwatch initiative through posters, for example in the lobby of the Civic Offices. Blackpool also plans to issue a civic newspaper to 70,000 households which will include an article and publicity on Fraudwatch.

Publicity for counter-fraud work

4.81 Blackpool generated some good publicity for counter-fraud work in recent years. Local newspapers have carried the following headlines:

- 'Team swoop on cheats' – Article on the crackdown on benefit crime – Operation Brightlights, September 1997
- 'Hit squad to target house aid fraudsters' – Report on challenge funding for fraud investigators and for the new computer system, July 1997.
- 'Hotline to shop benefit cheats' – Article on Fraudwatch, August 1995
- 'The dawn raiders' – Article on benefit abuse in Blackpool hotels in August 1993

Prevention

4.82 Prevention is minimising the opportunity for someone to commit internal or external fraud.

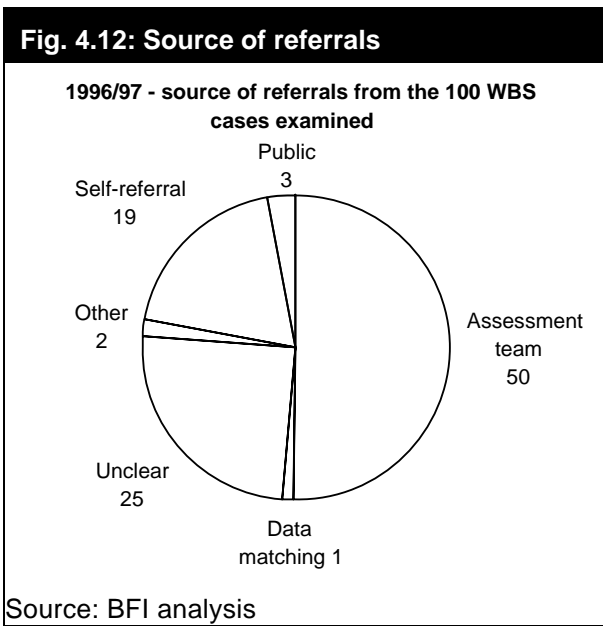
Verification and risk assessment

4.83 Blackpool does not seek to confirm the identity of the claimant even where claims for HB are made direct. This means they fall short of fully verifying the claim, in the manner advised by, for example, the DSS's Verification Framework.

4.84 By making use of the Challenge Funding Blackpool's staff visit 90% of claimants, including new claims, during the course of their claim to confirm residency, but do not visit new claimants as a rule. Such visits can be an effective means of preventing fraudulent claims, as the BA's new claim visits programme testifies. *Blackpool's use of Challenge Funding is summarised at Appendix C13.*

4.85 There has been no risk assessment work either in the fraud investigation department or by Internal Audit. Blackpool staff believe that they know where their 'bread and butter' is (i.e. rent allowance) and focus mainly on these cases although, as noted earlier, they could do more to combat landlord fraud. Relatively little attention is paid to rent rebate fraud, even though the DSS's 1996 Housing Benefit Review found that some

31 percent of Housing Benefit fraud was committed by council tenants. Blackpool acknowledges that more risk assessment could be done and Internal Audit plan to do some in 1998/99.



Referral of suspect cases for investigation

4.86 Although there has been no specific fraud awareness training for benefit assessors in the last 5 years, Blackpool emphasises fraud aspects in all benefits training. The basic training material includes a module specifically on fraud awareness to cover general fraud issues.

4.87 Many referrals are made by the assessors. Figure 4.12 provides a breakdown of referrals by source, based on the sample of 100 WBS cases tested. The chart shows that benefit assessors are the main source of referrals for investigation. This puts a premium on training assessors properly to ensure that all possible referrals are made and that they are of good quality.

Internal controls

4.88 As mentioned previously, the HB computer system is not completely secure, particularly with regard to passwords and lack of management checks. Blackpool's external auditor recently reported that a review of overall systems security did not highlight major weaknesses, but expressed concerns over system access controls and identified a need for enhanced password security. *System security is discussed further at Appendix C7.*

4.89 Blackpool has not yet taken any steps to close the loopholes identified in 1995 by internal investigation into a suspected fraud, in particular weak management checks.

External and internal audit

4.90 Blackpool's external auditor reviewed all HB system controls during the 1996/97 financial year, and did some testing of WBS claims. External Audit concluded that the system was generally satisfactory, and made no report on the grant claim to the DSS.

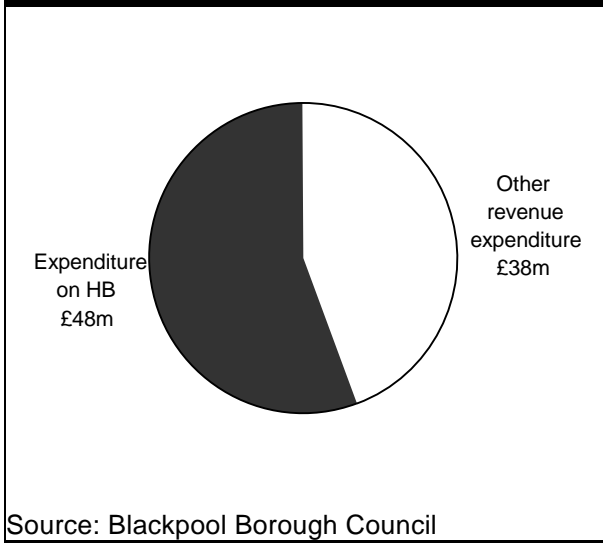
4.91 We recognise that there is no standard for the allocation of internal audit days to the amount of money spent by Blackpool on different services. External Audit places extensive reliance on Internal Audit, although Internal Audit coverage is disproportionately low given the amount of money involved in HB. The following table provides a schedule of Internal Audit input on benefits.

Fig. 4.13: Internal Audit work

Year	Total days	Housing Benefit	Percentage
1997/98 plan	1560	85	5
1996/97	1600	87.5	5
1995/96	1550	99	5
1994/95	1540	72	5

Source: Blackpool Borough Council

Fig. 4.14: 1996/97 Revenue Expenditure for Blackpool Borough Council



4.92 Figure 4.14 shows the relevant revenue expenditure for Blackpool for 1996/97.

4.93 Internal Audit undertook only limited testing of the HB system in 1996/97 and plan little in the current financial year. Testing of WBS claims did not identify any problems. They have not audited overpayments. In 1993 the external auditor reported that Blackpool followed the Audit Commission advice on overpayments in most respects. Our inspection confirmed that Internal Audit do not seem to have followed up the recommendations on overpayment recovery to ensure that they are recovered as quickly as possible.

4.94 Although Internal Audit have not as yet undertaken any formal risk analysis of the risks involved in the delivery of HB, we understand that they are currently preparing a programme for this.

Staffing fraud investigation

4.95 Blackpool employ 9 staff on counter-fraud work, at a cost of £136,000. Currently there is little rotation of fraud investigation staff between geographical areas of Blackpool. Three investigators have been on the same patch for 2 to 3 years. However, Challenge Funded visiting staff cover the whole Blackpool area, so there is a natural rotation of coverage. We consider that the absence of rotation of fraud investigation staff represents a potential control weakness.

4.96 Fraud staff have access to the DSS's Fraud Investigation Manual and to a handbook called 'Fraud in Focus' that was produced by BA Training some years ago.

4.97 Blackpool's application form for employment asks for details of criminal convictions. There are no special security checks on benefit administration or fraud investigation staff. All council staff are required to provide 2 referees, both of which are followed through. Fraud staff are recruited from different backgrounds. Some have benefits experience and others were recruited from the police.

Cheque Shops

4.105 There are 6 cheque shops in the Blackpool area offering to cash HB cheques. The shops take 6% commission on cheques cashed, and the fact that claimants are prepared to pay this casts suspicion on whether the person

presenting the cheque is the legitimate payee and whether the claim to which the cheque relates is genuine.

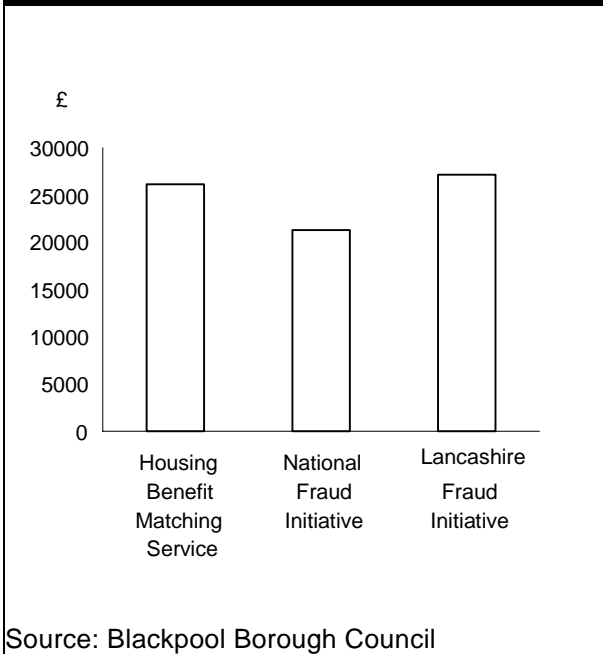
4.1 Blackpool has tried to introduce some control at the front end of the process, asking that the cheque shop contact them before cashing any Housing Benefit cheque, but these arrangements have broken down. Our experience is, however, that as cheque shops derive profits from such encashments they are, of course, reluctant and frequently refuse point blank to co-operate in such arrangements.

Data matching

4.107 Blackpool makes extensive use of data matching in order to detect potentially fraudulent claims to benefit. They have been involved in 3 major data matching exercises in 1996/97. Figure 4.16 indicates the results of these exercises.

4.108 Blackpool achieved its highest success rate from data matching material provided by the DSS's HB matching system project.

Fig. 4.16: Total Benefit Savings



Source: Blackpool Borough Council

Fig. 4.17: Successful matches

Exercise	No. of matches	Successful matches	Success rate (%)
Housing Benefit Matching Service	113	23	20
National Fraud Initiative	129	12	9
Lancashire Fraud Initiative	390	24	6
Totals	632	59	9

Source: Blackpool Borough Council

Investigation

4.109 Investigation is the working methods used by Blackpool to establish whether a fraud or irregularity exists in cases referred for investigation by designated fraud officers.

Resourcing and management of investigations

4.110 Like other authorities, Blackpool responded positively to the DSS's anti-fraud initiatives. As a result, Blackpool committed more staff to fraud investigation. They currently have 4 officers dealing with general fraud referrals and another 4, paid for by Challenge Funding, to carry out residency checks. Blackpool's staff are driven by targets, such as WBS. These resources need to be used effectively, and they need to be accountable. But at present there is:

- little forward planning of the work of the fraud team
- no defined procedure for investigations or administration support
- limited management checking of investigation work
- no formal monitoring of the performance of the unit
- no set code of conduct for undertaking investigation work.

4.111 Investigation staff told us that the transient nature of Blackpool's population and the generally high levels of fraudulent activity mean that even a referral that looks unpromising may result in a positive outcome, sometimes unrelated to the original suspicion. The effect of this is that the majority of referrals are pursued, regardless of quality. And the quality differs, depending on the skill and experience of the assessor making the referral. *We discuss the investigation process further at Appendix C14.* A particular concern is the form Blackpool use to claim WBS. This erroneously gives the impression that WBS can also be claimed as a result of the detection of error rather than establishing fraud.

4.112 Blackpool is in the process of installing a new computerised case management system called the Fraud Investigation Management System (FIMs) to replace the current clerical system. FIMs should allow Blackpool to improve the organisation and focus of their counter-fraud work by

- measuring outputs and the achievement of targets
- producing management reports and system letters
- analysing data effectively, identifying trends, associations and repeat offenders.

Training

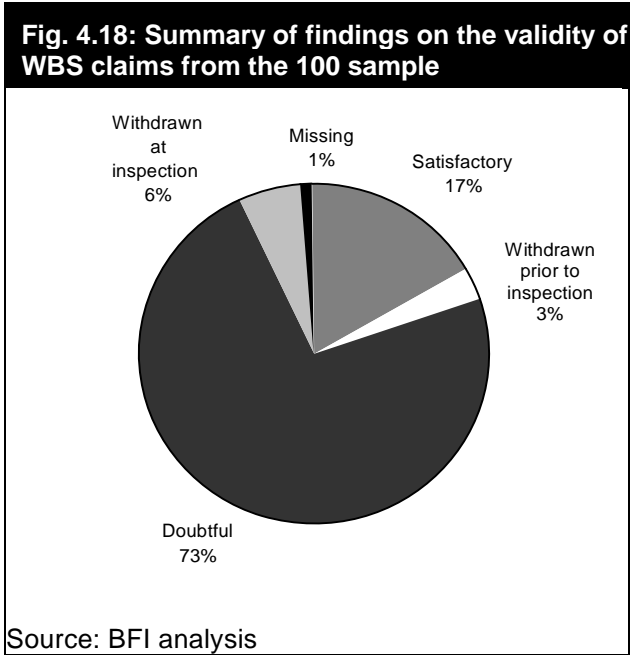
4.113 Blackpool provided training for staff, either at DSS or Local Authority Investigation Officers Group (LAIOG) courses, on LTAHAW (living together as husband and wife) frauds. LAIOG have also arranged seminars for Blackpool fraud staff. These were well attended and well received.

4.114 Training for Challenge Funded staff was limited to one or two days training in the use of the HB IT system, HBIS, and "at desk" training. There is no formal fraud

awareness training for the assessors, a principal source of referrals of suspicious cases for investigation.

WBS

4.115 We looked at 100 cases where WBS was claimed in 1996/97. In each case we considered the depth of investigation undertaken and the strength of the evidence gathered to support the WBS claim. The DSS requires that claims for WBS can only be made on the balance of probabilities that there was a fraud, supported by evidence retained on file.



4.116 Following discussions with Blackpool, we arrived at the conclusion that over 70 percent of the claims are doubtful; see Figure 4.18.

4.117 External Audit spent 10 days testing the 1996/97 grant claim. Their work on a smaller sample of 14 cases relevant to the grant claim has not suggested any problems with Blackpool's approach to claiming WBS. External Audit's work was based on a sample consisting mainly of IS WBS and claims for HB where IS was also in payment. These types of cases are more likely to be well evidenced, because to claim IS WBS Blackpool needs to obtain written adjudication from the BA.

4.118 Overall we accepted 17 WBS claims but queried 83, notably on the ground of the evidence available to support the claim. Blackpool responded by re-examining their claim and revised it downwards. *Further information appears at Appendix C15.*

Working practices

4.119 The Challenge Funded staff work closely together when out visiting, so there is the feel of 'safety in numbers'. Permanent investigation staff mostly work alone and, although they do not leave visiting lists in the office before going out, they have mobile phones.

Liaison with the BA on counter-fraud work

4.120 A liaison meeting between Blackpool and BA fraud staff in August 1997 was the first for 12 months. Quality of liaison was generally rated as only fair, and is mostly seen to be deteriorating. There are plans to hold future liaison meetings on a quarterly basis. There is some recent evidence of local joint working by Blackpool and BFI.

Section 5: Major recommendations

5.1 This section provides the major recommendations designed to help Blackpool address the areas of concern we identified during this inspection and follow the order set out in Sections 2 and 4. Our key recommendation concerns landlord fraud and is highlighted below. The recommendations are designed to help Blackpool improve the security of benefit delivery and administrative delivery by:

- securing improvements to the claim form and verification processes (see 5.2)
- improving the number of payments made correctly first time (see 5.5)
- enhancing internal controls (see 5.12)
- controlling and reducing the level of outstanding overpayments (see 5.19)
- **increasing the emphasis in counter-fraud work on landlords (see 5.24)**
- making fraud investigation work better targeted and more rigorous (see 5.28)
- improving working practices with the BA and ES (see 5.35)
- improving internal guidance to fraud investigators on claiming WBS (see 5.39)

Initiation

Design of the claim form and the verification process

5.1 Appendix C1 identifies deficiencies in Blackpool's current HB/CTB claim form. Blackpool should redesign its HB/CTB claim form paying particular attention to:

- general layout
- confirming identity of claimants
- obtaining relevant NINOs
- nationality of claimants
- claimant's income
- liability to pay rent.

5.2 Improvements in the claim form, together with the adoption of best verification practice from the DSS's Verification Framework, including a programme of prepayment residency checks could significantly benefit Blackpool by:

- making it harder for claimants to withhold relevant information
- exercising greater control over benefit paid direct to landlords
- reducing the number of requests made to claimants for evidence.

5.3 The cost of these changes would be:

- between £2000 and £5000 for the redesign and print of the claim form (this is necessary anyway as it still refers to Unemployment Benefit)
- between £2000 and £3000 for training for all benefit staff on the use of the Verification Framework and revised claim form.

Assessment and determination

Management of benefits administration

5.5 Blackpool should implement a comprehensive set of management checks detailed in Appendix C4, most notably in the areas of:

- accuracy of assessments (the Audit Commission advise authorities check at least 10% of determinations – Source: *Countering Housing Benefit Fraud*)
- initial action on new claims
- workload distribution between members of staff
- overpayment classification and recovery
- reconciliation of HB and other records, such as Blackpool's financial records.

5.6 We recommend Blackpool does this, as their present level of checking falls below that advised by the Audit Commission in *Countering Housing Benefit Fraud*

–

“Poorly managed benefits administration can create delays and backlogs, increase the numbers of errors and create confusion and uncertainty for claimants and landlords. It can therefore damage the quality of service and make it more difficult to identify frauds and attempted fraud.”

5.7 The following benefits would accrue from implementing the recommendation:

- a validation of the integrity of claims, so reducing the risk of internal and external fraud
- an effective measure of the accuracy of determinations and individual staff performance which could be used to assess training needs
- a better service to claimants through an improvement in the 14 day target
- an equitable distribution and consistency of work between staff, so improving the overall level of benefit administration
- more control over the overpayment decision making and recovering process, leading to an increased level of recovery.

5.8 The costs of implementing these measures would be:

- the opportunity cost of redistributing the time Team Leaders devote to management checks and the time spent on other duties
- some additional training for assessment staff as a result of the identification of areas of procedural weakness.

Documentation

5.9 Blackpool should ensure all benefit processing staff have easy access to a procedures manual to address the problem of available standard of documentation held on file. This would bring the following benefits:

- staff would understand the standards of work expected
- the opportunity for variable practices that can lead to non-compliance with legislation would be reduced
- the process of defending determinations when claimants appeal against decisions would be easier.

5.10 We recommend Blackpool adopts this approach, as evidence from previous inspections of authorities where good levels of accuracy and timeliness were found indicates that management recognise the close link between good performance levels and the documentation of policies, processes and procedures. In our sample of 55 appeals (see Appendix C6), 35% of the cases stemmed from significant procedural or legislative error. If these were eliminated, then using Blackpool's 1996/97 recorded figures of 1580 first stage appeals, this could mean a reduction in the number of appeals by up to 553.

5.11 We estimate the cost of preparing a suitable manual to be between £3000-£4000 (for a manual costing £50 a copy). We consider that the limited cost of producing a manual would generate a high return in notional savings by reducing the number of appeals.

Internal controls

5.12 Blackpool should increase its level of internal controls by:

- instigating management control checks, as detailed in Appendix C4
- securing its information technology system to address weaknesses highlighted in Appendix C7
- increasing Internal Audit's efforts on the HB and CTB Systems, above the 5% of their time currently spent on a financial area involving over 50% of Blackpool's gross revenue expenditure.

5.13 This would:

- greatly reduce the risk of collusive or internal fraud
- reduce the risk of incorrect payment and the associated cost of Blackpool's own money, spent from general resources, to supplement benefit administration
- increase the integrity of the subsidy claim
- increase levels of accuracy thereby reducing the necessity for reworking and reducing the level of appeals
- improve the security of the information technology system
- create an environment where the culture is focused on quality and security, providing an increasingly effective service within legislative requirements.

5.14 Increasing the level of internal control would represent a highly effective and professional response to:

- the Audit Commission's assertion in *Protecting the Public Purse – Probity in the Public Sector* that abuse of the benefits system is the major probity issue facing local authorities
- Deloitte and Touche's finding in *Fraud Without Frontiers* that a proactive approach to systems security including "an Internal Audit function which makes fraud reduction a priority" is key to effectively combating fraud.

5.15 Blackpool would also meet:

- the Auditing Practices Board 1995 Statement of Auditing Standards (section 110) that defines the need for organisations to establish and operate appropriate systems of internal control designed to deter fraudulent conduct and to detect any fraud that occurs; and
- help discharge its responsibilities under the Local Government Act 1972, Section 151, to safeguard the financial affairs of an authority.

5.16 Given a total programme spend on benefits of some £48m, a 5% reduction in benefit payments resulting from increased internal controls could provide savings in associated administration costs. The amount of saving to Blackpool's General Fund could be over £100,000. This could be used to support the changes and give Blackpool greater confidence in the integrity of its financial systems.

5.17 Even if the above degree of programme savings were not realised, had tighter controls been in place, Blackpool could have saved nearly £10,000, plus associated recovery costs, on an overpayment to one landlord.

5.18 The cost to Blackpool would be:

- the opportunity cost of an increase in Internal Audit days devoted to benefits or an additional auditor (at up to £25,000 per annum)
- the opportunity cost of an increase in managerial time spent on checking up to 10% of the workload.

Deterrence

Overpayments

5.19 Blackpool should improve the identification, calculation and recovery of overpayments, as identified in Appendix C8, by:

- establishing a dedicated overpayment section with a single focal point for recovery
- maintaining and monitoring individual records of the debts
- implementing recovery from landlords under the power of Section 16 of the Social Security Administration (Fraud) Act 1997
- giving priority to the identification and recovery of all fraud overpayments
- considering the use of commercial debt recovery agents
- controlling the use of write-offs.

5.20 Blackpool's current backlog of recoverable debt is £750,000 (Source: Appendix C8). Blackpool is not recovering enough of this and is therefore losing out on revenue as well as foregoing the significant deterrent effect of hitting fraudsters in the pocket. Audit Commission analysis indicates that the lowest performing authorities recover 40% of their recoverable debt, and the highest recover 75% (Source: *Countering Housing Benefit Fraud* – Audit Commission, October 1997).

5.21 Blackpool should consider, in particular, adopting good practices used by others, such as Stroud District Council, which has a central point for overpayment recovery; and Liverpool City Council which uses commercial debt recovery agents, where the agent receives a fee based on the amounts recovered. (Source: *Countering Housing Benefit Fraud*).

5.22 Blackpool could benefit by:

- recovering more overpaid benefit. If Blackpool recovered 40 percent of debt, in line with authorities classified as the lowest performing by the Audit Commission, it would collect £300,000 of the current backlog, or £563,000 if it achieved a 75 percent recovery rate
- reducing the level of outstanding debt
- extending the range of deterrence measures
- working with the BA to recover debts
- identifying the amount owed and reasons for the debt.

5.23 The cost of implementing this system would be:

- the opportunity cost of using 4 full time staff to work exclusively on the overpayment section. The suggested staffing level is based on our experience elsewhere. However, if these staff were responsible for calculation, determination and recovery action then the cost would be offset by savings in benefit processing
- the purchase and implementation of a suitable IT package.

Working with landlords

5.24 The Social Security Select Committee (1996) estimate that between 10% and 20% of benefit paid to landlords involves fraud. Blackpool paid out nearly £33.4m rent allowance in 1996/97 of which they estimate 70% went direct to landlords (some £23.4m). BFI examined 100 WBS cases. In 87 of the 100 cases the HB recipient could be identified as either landlord or claimant. In 62 of the 87 cases (71%) the payment was made direct to the landlord. We calculate, using the Social Security Select Committee estimate, that the stock of fraud in rent paid to landlords in Blackpool during 1996/97 is between £2.3m and £4.7m. Blackpool should target resources to reduce landlord fraud by:

- compiling a register of landlords and making clear to them their responsibilities as a result of receiving direct payments of rent allowance and the legislative changes brought into effect by The Social Security Administration (Fraud) Act 1997
- establishing a recognised contact point for landlords to raise concerns about HB and CTB
- compiling and continuously updating a data base of addresses in the rent allowance sector from which there have been known cases of residency related fraud, possibly through the adoption of the Fraud Information Management Systems (FIMS)
- building a profile of 'at risk' addresses and landlords, again possibly using FIMS
- implementing a structured programme of prepayment and postpayment visits to landlords and claimants
- giving priority to the recovery of fraudulent overpayments, in particular those where the landlord is deemed responsible for repayment, using the powers given under Section 16 of The Social Security Administration (Fraud) Act 1997
- discontinuing their practice of sending supplies of blank claim forms to landlords.

5.25 Other authorities have found implementing these measures beneficial. For example, a register of landlords was set up by the London Borough of Brent using Challenge Funding, and an information pack for landlords was produced by the London Borough of Haringey. (Source: *Countering Housing Benefit Fraud*).

5.26 By these means Blackpool could:

- reduce the amount of benefit paid out and the associated costs of administering a claim
- achieve increases in WBS subsidy. From November 1996 to September 1997 Blackpool used Challenge Funding to visit 7100 claimants in 3971 properties with WBS claimed on 510 cases totalling £657,958 (Table 4 at Appendix C15 indicates that 62% of this would have come from benefit paid directly to the landlord, notwithstanding BFI's concern about the validity of WBS claims). This represents a detection rate of 7.2%. By using the measures set out above we expect the detection rate to increase.
- improve its efficiency by the reduction of random residency checks and use the spare capacity (say 2 full time fraud posts) to look into other areas of fraud; e.g. employer based drives and living together allegations
- build more effective liaison with landlords
- demonstrate to landlords and claimants their commitment to reduce fraud.

5.27 The cost of implementing these measures would be:

- additional training from the BA for 2 re-deployed fraud staff, e.g. for living together investigations or investigation of collusive employers, at £65 a person a day
- staff time in compiling the landlord register
- production and distribution costs of landlord packs (cost dependant on format used)
- minimal in terms of establishing a data base, as it could be aligned to the process of sifting referrals and may be possible to implement through FIMS, which Blackpool have already indicated they intend to adopt.

Fraud Investigations

5.28 Blackpool should improve its approach to managing fraud investigators by:

- checking the quality of investigative work
- analysing the results of investigations to determine effective working methods and risk areas
- offering feedback to benefits staff on referrals
- working with other benefit fraud investigators.

5.29 To benefit from the Challenge Funded computer based Case Management System we recommend Blackpool contact other councils operating such a system like Solihull and Middlesbrough.

5.30 Blackpool would benefit in several ways:

- increasing deterrence by providing:
 - quality data to inform Blackpool's managers of the problems faced
 - quality evidence to help make decisions on the size of benefit overpayments and whether to take prosecution action
- increasing preventative efforts by providing:
 - regular fraud awareness training for benefit staff
 - information to managers in Blackpool and other agencies on patterns of fraud
- making detection more effective by:
 - targeting work on known risk areas (currently only 7.2% of visits establish fraud – see Appendix C14)
 - working with the BA and other stakeholders to avoid duplicating investigations and sharing good practices and intelligence
- improving the quality of investigations by:
 - providing relevant training to investigators
 - ensuring investigators work to standards
 - establishing qualitative and quantitative targets for investigators.

5.31 Assuming better targeting of resources led to a 10% increase in detection rates, Blackpool would enjoy a potential subsidy increase of some £64,000 based on current achievement against threshold, paragraph 4.99.

5.32 By adopting this approach Blackpool would also follow the 1997 Audit Commission Management Handbook *Countering Housing Benefit Fraud*. The handbook illustrates that best practice involves a system of management controls to improve the efficiency of investigation work.

5.33 A further impact would be greater assurance that the WBS claim was correct.

5.34 The cost to Blackpool of implementing these recommendations would be:

- a minimal cost of training
- design of forms to complement software (in house or provided by suppliers)
- training for investigators on areas identified for development (BA training run many fraud skills courses, at £50-£100 per delegate per day)
- minimal costs in providing fraud awareness either through a newsletter or short, regular presentations to benefit staff by fraud investigators.

Liaison with the Benefits Agency and the Employment Services

5.35 Many of the facts and findings in this report concern liaison and working relationships between Blackpool and the BA. The majority of the issues reflect a lack of mutual understanding. If Blackpool and the BA can forge an effective partnership in which information and ideas flow freely between the two parties, Blackpool could benefit by:

- increasing the amount of recoverable overpayments
- providing a more effective service to claimants, such as extended payments, based on up to date information
- reducing the potential for fraud and error arising from a failure to exchange information quickly
- streamlining working practices to improve communications
- using all available intelligence, such as that on “at risk” addresses and problem landlords, to develop a fraud profile of the Blackpool area
- providing opportunities for staff in both organisations to improve their understanding of each other’s work through talks and job shadowing.

5.36 We recommend Blackpool adopt this approach to address concerns about liaison raised by the National Audit Office and the Audit Commission. The National Audit Office Report *Measures to Combat Housing Benefit Fraud* (1997) recorded that “there is insufficient exchange of necessary information and generally poor working relations” between LAs and BA, and advocated “more joint working to exploit fully the expertise and specialist knowledge of both parties through, for example, concerted proactive fraud drives”. The Audit Commission (*Countering Housing Benefit Fraud*) stated –

“Two thirds of people receiving Housing Benefit also receive Income Support or Income based Job Seekers allowance. Co-operation between Benefits Agency local offices and councils thus has a key role in combating fraud and in providing a timely and accurate service to millions of honest claimants”.

5.37 Both reports advocate the signing of and adherence to Service Level Agreements, promote the importance of greater understanding of each other’s business, and highlight the need for greater co-operation and co-ordination.

5.38 The initial cost of realising these benefits will be limited to the actual time spent setting up a meeting. Subsequent costs from options arising out of the meeting (such as the implementation of a Remote Access Terminal, at about £20,000) will need to be judged in a full business case.

Compliance with regulations on claiming WBS

5.39 In order to meet the HB and CTB Subsidy Regulations for claiming WBS, Blackpool must provide evidence to show that:

- a fraudulent overpayment of benefit would have continued or, if payment has not yet been made, a fraudulent overpayment would have arisen
- as a result of enquiries, benefit is withdrawn or reduced or, in the case of attempted fraud, is disallowed or awarded at a reduced rate
- a fraud must have occurred or, in the case of attempted fraud, was intended
- a designated fraud officer intervened.

5.40 To ensure compliance with these requirements Blackpool should issue revised guidelines on the procedures for investigations. These guidelines should include:

- instructions on when WBS can and cannot be claimed
- guidelines on the appropriate level of fraud investigation and subsequent evidence needed to confirm fraudulent activity
- advice on liaison with other authorities and agencies.

5.41 Blackpool should also amend the wording on the claim form WBS1 to conform with the regulations.

5.42 If Blackpool implements these recommendations, there would be greater assurance that the subsidy claim is accurate, and subsequently fewer queries from the Appointed Auditor regarding the claim. It would also provide assurance on the correct categorisation of fraudulent overpayments, and the subsidy claimed on these. Blackpool would also be able to seek more adjudications from the BA which could result in an increase in WBS and identifiable overpayments. The cost to Blackpool of drawing up the revised guidance, amending the WBS1 and providing some training for fraud staff would be minimal.

Section 6:

Minor recommendations

6.1 In this section we set out minor recommendations Blackpool should consider.

Initiation

6.2 Establishing links with local groups, for example the National Association of Citizens Advice Bureaux, and offering forums for the giving and receiving of information. Such an approach would be an effective way of ensuring claimants are aware of their rights and entitlements as well as their duties and responsibilities when they make claims for benefit.

6.3 Improving the facilities in the Revenues Hall. Blackpool have provided system terminals in the cubicles, but should, for example, consider installing chairs at counter positions and a ticketing system to control queues. These and other improvements would encourage claimants to make personal visits. Personal visits would greatly improve Blackpool's ability to verify identity and to help claimants provide accurate and relevant information. Programme savings could result, because opportunities for incorrect payment of benefit would be reduced.

Assessment and determination

6.4 Requesting proof of IS payments from claimants, for example letters of entitlement. Authorities using this approach are able to speed up the benefit assessment process.

6.5 Reminding claimants of their duty to report changes of circumstances on documents relating to benefit entitlement.

6.6 Monitoring the speed of turnaround of referrals to the Rent Officer and re-determination.

6.7 Establishing a means of Rent Officers providing Blackpool's Fraud Officers with information on suspected frauds.

6.8 Using a report available from the computer system, the HBD02 report, which lists all payment on account claims, and reviewing these on a regular basis.

6.9 Considering suspending payments on account on those cases where the requested evidence has not been provided.

6.10 Enhancing publicity and staff awareness of the extended payments scheme, particularly by joint working with the BA.

6.11 Addressing the current deficiencies in the notices of determination (set out in Appendix C5). The improvements should ensure compliance with the legislation and reduce the volume of follow up enquiries. We consider that Blackpool could generate savings in administrative time and costs by making the form less confusing for people to understand.

6.12 Ensuring provision of regular refresher and remedial training on benefits administration, benefits procedures and fraud awareness for all staff.

6.13 Reviewing the appeals procedures, as outlined in the flowchart at Appendix C6 and amending procedures as necessary to ensure that they meet legislative requirements.

6.14 Instructing Processing Team Leaders to review the continuing validity of payment on account cases regularly.

6.15 Analysing the data on first stage reviews and appeals to identify areas where benefit administration needs improving.

6.16 Releasing Training Officers from dealing with exceptional hardship requests by training other staff to administer these cases.

6.17 Providing benefit staff with guidance on processing requests for backdating benefit and requesting rent redeterminations from the Rent Officer service.

Payment and accounting

6.18 Tightening supervisory control of post-opening. For example, ensuring supervisors observe all post-opening and that all procedures are applied consistently.

6.19 Analysing extended payment cases to assess whether further staff training is needed.

Deterrence

6.20 Providing staff with criteria to determine the circumstances under which claimants may be prosecuted for making fraudulent benefit claims.

Prevention

6.21 Undertaking an analysis of their referrals for instrument of payment irregularity to determine the extent of risk associated with local cheque cashing shops.

6.22 Balancing fraud investigation work between rent rebate and rent allowance claims, given that the DSS estimate 31% of all fraud is committed by LA tenants. (Source: Housing Benefit Review – Main Stage Report).

Investigation

6.23 Improving the safety of fraud staff by, for example, the use of visiting lists in the office.

6.24 Codifying its procedures for investigations and administrative support and introducing a code of conduct for investigators.

6.25 Considering following up cases where claimants do not apply for a renewal of entitlement.

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Appendix A: BFI methodology

Introduction

In this appendix we summarise the methodology used during the BFI inspection at Blackpool.

The Social Security Administration (Fraud) Act 1997 sets out the legislative framework for the BFI, namely:

“to report on the administration by authorities of housing benefit and council tax benefit, and in particular their performance in the prevention and detection of fraud relating to those benefits...”

To undertake this, BFI analyses processes to identify both best practices and areas where an Authority could work more effectively and efficiently. The two main areas that are considered during the inspection are:

- benefits administration; and
- counter-fraud work.

The inspection process is divided into three stages:

- set-up
- inspection
- reporting.

Set-up

BFI met with Blackpool to outline proposals for the inspection. This meeting included presentations from the Authority regarding their organisation and from the BFI about the inspection process. At this stage, provisional dates were agreed for the capture of data via a questionnaire, for the on-site inspection, inspection dates, the presentation of emerging findings and the drafting and clearance of the report.

Inspection

The inspection process began with an analysis of the data provided by Blackpool and that collected centrally by the DSS. A pen-picture was developed identifying the perceived strengths and weaknesses of Blackpool in both benefits administration and counter-fraud areas of their work. This pen-picture allowed BFI to identify where they needed to concentrate their efforts, in terms of interviewing, data analysis and sampling, when carrying out the field work in Blackpool.

The inspection covered 8 areas essential to administer benefits effectively and securely, grouped under the 2 main headings. The areas were:

Benefit Administration

Initiation

Initiation is the planned programme of activities which include the design of claim forms, the handling of enquiries from claimants and potential claimants, the receipt and timely handling of new claims and the gathering of sufficient information to determine entitlement to benefits.

In order to promote and receive new legitimate claims to benefit a well administered local authority would have the following in place:

- a clearly communicated policy to maximise the legitimate take-up of benefit
- a well designed and effective claim form
- help available for claimants, in particular for completing claim forms and dealing with queries by interview and telephone
- a process in place to respond to customer complaints and deal with enquiries from MPs and Members
- a tightly controlled process for receiving claims and entitlement notices from third parties such as landlords and the Benefits Agency
- processes to ensure that key information about claims is shared within the council and, where appropriate, with third parties
- a process to monitor the cost effectiveness of the service they deliver.

Assessment and Determination

This includes claim form processing, the quality of verification obtained prior to determination, management of workflow, control of backlogs, the level of accuracy and monitoring of performance.

In order to assess and determine claims to benefit, a well administered authority would have the following in place:

- clearly documented processes to ensure sufficient evidence is gathered to verify a claim
- management processes to monitor the speed of throughput and to ensure that claims are cleared within target
- management processes to monitor the quality and accuracy of decisions to inform how and where the Authority may identify, learn from and remedy weaknesses
- processes to ensure claimants' right to review and appeal are recognised, communicated and properly managed and exercised
- a clear training strategy to ensure that staff are equipped to deliver a timeous quality service.

Payment and Accounting

These processes should deliver automatic or manual payments correctly, should identify incorrect payments and maximise overpayment recovery. To pay and account for benefit, a well administered local authority would have the following in place:

- systems to pay benefit promptly and correctly
- processes to identify and classify overpayments
- processes to recognise and learn from trends
- processes to recover benefit overpaid
- a clear policy for managing overpayment write-offs
- secure arrangements to receive and dispatch post and valuables
- processes to ensure the reconciliation of payments issued and cashed.

Change and Repeat Claims

This covers the receipt and processing of changes in circumstances reported directly by the claimant or via the BA.

To manage changes of circumstances and repeat claims a well administered local authority would have the following in place:

- clear notification to benefit recipients of their obligations to report changes in circumstances
- arrangements for receiving and processing changes of circumstances notified directly by the public or via Benefits Agency
- processes for monitoring the speed of throughput and for treating as a priority changes which will result in cessation of benefit
- a clearly communicated policy on repeat claims
- arrangements to investigate the non-return of repeat claim forms.

Counter-fraud

Deterrence

Deterrence covers activities designed to discourage potential claimants from submitting fraudulent claims for HB and CTB.

A local authority intending to deter claimants from making fraudulent applications would have in place:

- a clearly communicated policy on prosecutions
- effective arrangements to identify and recover fraudulent overpayments in a timely manner
- a benefit fraud hotline
- a publicity programme to raise doubt in the mind of the potential fraudster
- clear guidance to staff on what to refer and what to do if they suspect internal fraud
- a means of identifying high risk groups so that it can develop and implement a programme of visits to these claimants to reinforce its other deterrence related work.

Prevention

Prevention is minimising the opportunity for someone to commit internal or external fraud.

A local authority that intends to maximise efforts to prevent fraud would carry out activities such as:

- increasing fraud awareness in staff administering benefit
- extending the programme of pre-award visits to cover rent rebate claimants, and developing a joint programme of visits with BA
- expanding the work of Internal Audit to provide assurance on the effectiveness of controls to prevent internal and external fraud
- implementing effective recruitment and vetting arrangements for assuring the integrity of new staff within benefit sections.

Detection

Detection covers the Authority's arrangements for detecting benefit related fraud, including the processes in place to identify claims suspected to be fraudulent.

A local authority seeking to maximise the number of suspect benefit claims it detects would have:

- issued clear referral criteria to Authority staff on which claims to refer to Designated Fraud Officers for investigation by them
- arrangements in place to provide feedback to assessment staff on the outcome of referrals
- effective arrangements in place to exploit existing data to assist in the detection of suspect benefit claims
- adopted a programme of data matching; using externally available information to assist in the detection of potentially fraudulent benefit claims
- a close working relationship with BA to share information leading to the detection of potentially fraudulent benefit claims
- management information on WBS available to assess performance against threshold.

Investigation

Investigation is the working methods used by the Authority to establish whether a fraud or irregularity exists in the cases referred for investigation by designated fraud officers.

A local authority trying to maximise the effectiveness of its fraud investigations would have in place:

- effective policies and procedures for prioritising which referrals should be investigated first
- robust case management systems enabling management to monitor the workload of case officers to a successful conclusion
- effective arrangements to maximise value for money from the use of investigative resources
- clear and consistent working methods and standards for investigating and for documenting the results of investigations
- effective liaison arrangements with BFIS
- a regular training programme so that investigators maintain their ability to undertake investigations to the highest standards.

Inspection methodology

The main elements were:

- a walkthrough on the life of a benefit claim given by Blackpool staff
- interviewing staff from Blackpool, the Benefits Agency, and Employment Services, and the Rent Officer's office
- seeking expert advice where necessary from DSS Solicitors Branch and Analytical Services Division
- observing Blackpool working practices
- inspecting individual benefit claims and claims for WBS and cross checking information in these claims across BA and the Authority
- analysing referrals to the Fraud Team
- examining documents relating to reviews, overpayments and missing Instruments of Payment.

Reporting

Emerging findings were presented to Blackpool's benefits and finance staff during the course of the inspection. A further presentation of emerging findings, taking into account feedback from the initial presentation and also further findings from the continuing inspection, was given to the Director of Finance and benefits officers at the end of the on-site phase of the inspection.

The Inspection Report was drafted around the 8 areas outlined above and findings from fieldwork to draw conclusions and recommendations in each of the 8 areas of Benefit Administration and Counter-Fraud activity.

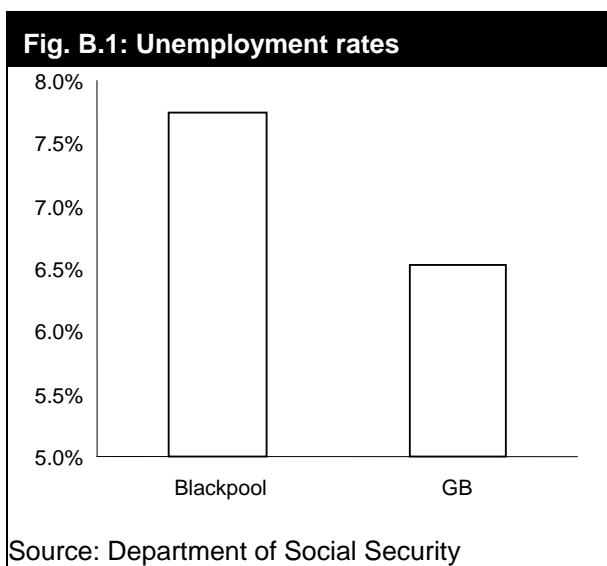
Appendix B: Authority background

Background

Blackpool is one of fourteen local authorities in Lancashire.

Unemployment

Blackpool has a higher rate of unemployment when compared to the country as a whole, see Figure B.1.



Deprivation

Figures supplied by the Department of Environment, Transport and the Regions in their analysis of Local Government grant distribution indicate that Blackpool has a higher level of social and economic deprivation than the average for other GB local authorities. Deprivation figures are based on factors such as:

- unemployment;
- overcrowding;
- type of accommodation;
- mortality ratio;
- number of lone parents; and
- homelessness.

The comparison is shown below:

Fig. B.2: Deprivation Indices

	Social Index	Economic Index
Blackpool	0.04	0.79
GB average	-0.86	-1.41

NB. Higher figures indicate greater level of deprivation.

Source: Department of the Environment, Transport and the Regions

Benefits Caseload

In 1995/96 the Authority paid over £48m in Housing Benefit and Council Tax Benefit. The amount of Rent Allowance represented more than two thirds of all benefit paid. The actual benefit payment details are shown below.

Fig. B.3: Benefits paid, 1996-97		
Benefit	Amount (£)	Percentage
Rent allowance	33,402,208	69
Rent rebate	8,368,934	17
CTB	6,472,598	14
Total	48,243,740	100

Source: Blackpool Borough Council

Trends in Benefit

Overall the HB and CTB stock has increased over the last two years.

Fig. B.4: Change in HB and CTB stock			
	1995/96	1996/97	Change in stock count
Rent rebate	4900	4800	-100
Rent allowance	9500	10000	500
CTB	17500	17500	=
Total	31900	32300	400

Source: Department of Social Security

The Administration of Benefit

Blackpool employs 67 full-time equivalent staff to administer benefits. The average cost of administering benefit per claimant in 1995/96 was £71.50, which is lower than the national average.

Fig. B.5: Unit cost, 1995/96	
	HB/CTB: Unit cost per claimant (£)
Blackpool	71.50
Great Britain	77.54

Source: Audit Commission

Blackpool compared well with other authorities in Great Britain on the percentage of new HB claims processed in 14 days in 1993/94. Their performance dipped after that, but recovered in 1996/97 to be an above average performing authority.

Fig. B.6: Performance against 14 day target				
	1993/94 (%)	1994/95 (%)	1995/96 (%)	1996/97 (%)
Blackpool	84	72	63	82
GB	74	81	81	78

Source: Department of Social Security

Blackpool are keen to provide an efficient benefits system to HB and CTB claimants. To do so they rely on claimants visiting the main benefit office in the town centre or one of the 4 estate offices.

Counter-Fraud Activities

Blackpool employed 5 full time Fraud Officers in 1995/96 who investigated potentially fraudulent claims for both HB and CTB. The number of Fraud Officers was increased to 9 in 1996/97.

The annual level of fraud Blackpool claims to have detected, as calculated by WBS, increased between 1995/96 and 1996/97.

Fig. B.7: WBS 1995/96 and 1996/97		
	1995/96	1996/97
Rent allowance	1,498,942	1,988,425
Rent rebate	17,123	21,051
CTB	33,789	52,769
IS	49,851	89,918
Other	0	1,544
Total	1,599,705	2,153,707

Source: Department of Social Security

Appendix C1: Deficiencies in the Housing Benefit/ Council Tax Benefit claim form

Blackpool's claim form is used to claim HB and CTB.

The form is available from the Benefits Reception (the Revenues Hall). Claimants can also hand their completed forms in at one of 4 Estate Offices. Homeless people who are housed by the local authority are helped to complete a benefit claim form when they are given temporary accommodation. Estate Offices and the Homeless Person's Section are designated offices for the receipt of claim forms.

Claim forms are also sent out in bulk on request, for example to landlords. This sits uneasily with the limited attention Blackpool pays to security against landlord fraud.

Layout

The language used in the form is generally plain English. The size of print used is readable and there is effective use of clearly defined white out boxes for a customer's answers.

However, although the form has been awarded a Clear English Standard by the Plain Language Commission, there are places where the language may confuse the reader. For example, the sections on Second Adult Rebate and backdating on the first page.

The page layout could also be improved. By overfilling every page the form may seem more difficult and daunting for the person who is filling it in. Maximising the amount of empty space on each page could reduce the perceived complexity of the form. While this would have the effect of increasing the size (and the cost) of the form, it would make it easier to fill in. This would reduce the amount of staff time needed to help people complete the form. It would also improve the accuracy of the information gathered which should also lead to a decrease in the volume of follow up requests for clarification or further information.

Appendix C2: Rent Officer matters

The Lancashire Rent Officer Service is based in Preston. Six designated Rent Officers are responsible for the Blackpool area and commute from Preston to carry out visits. Approximately 80% of their time is spent on HB referrals.

At the time of the inspection Blackpool was introducing RoConn. This automates HB referrals to the Rent Officer Service. Previously the local authority had to fax hard copies. If RoConn is successful, Blackpool and the Rent Officer Service hope to implement Phase 2 which will automate the transfer of information in both directions. However the Rent Officer Service have some concerns about the viability of the second phase.

Blackpool and the Rent Officer Service report that they have a good working relationship. There is a Service Level Agreement. This is not currently monitored by the local authority but they say that RoConn will enable them to do this in the future.

There are liaison meetings which the local authority report take place about twice a year. The main problem area is the delay in the return of re-determinations which can take up to 12 weeks. These are outside the control of the Lancashire Rent Officer Service as they are sent to neighbouring Rent Officers. The Rent Officer also reported problems with Blackpool sending referrals only twice weekly. This should be resolved with the implementation of RoConn which will enable referrals to be sent on a daily basis.

Blackpool has relatively few claims from Housing Association tenants and does not normally refer them to the Rent Officer.

Rent Officers will contact senior officers within the Housing Benefits Section (but not the Fraud Section) if they suspect fraud, but there is no formal arrangement for reporting and investigating these cases.

Conclusions

Blackpool's staff and the Rent Officer Service have a good working relationship and report few major problems. Blackpool is implementing RoConn which should resolve the issue of stockpiling referrals and allow them to monitor the Service Level Agreement more efficiently.

Appendix C3: Payments on account

Regulation 91 of the Housing Benefit (General) Regulations 1987 requires LAs to make the first payment of rent allowance within 14 days of receiving the claim unless it is not reasonably practicable to do so.

When it is impracticable for the LA to determine the claim within 14 days the LA must make a payment on account. Payments on account should not be made when the LA determines and pays the claim within 14 days, where it is clear there is no entitlement to benefit or where the claimant has failed to provide information or evidence that the LA requires and has requested.

Blackpool's HBIS system has the facility to provide a weekly report HBD02 which lists all Reg 91 cases in payment. The Revenues Control Section issues the report on a monthly basis and each Processing Team Leader is responsible for ensuring that each case is reviewed.

At the time of our visit 1,219 cases were listed on the HBIS weekly report. This figure is 14.5 percent of the number of rent allowance new claims (8435 cases) in 1996/97. This number of entries renders the report unmanageable and would indicate that the reports are not being regularly reviewed. It also highlights deficiencies in the claim form and advice given because claimants are not providing the required information to determine the claim.

A sample of 30 cases where payments on account were reported to have been made was examined.

Fig. C3.1: Analysis of accuracy of processing for payment on account claims

	Number	Percentage
BFI samples	30	100
Claims processed correctly	25	83
Claims processed incorrectly	5	17

Fig. C3.2: Analysis of Payment on Account cases

Average payment period awaiting IS proof	9.2 weeks
Average payment period awaiting rent proof	5 weeks
Average payment period awaiting income proof	5 weeks

When the final determination is made the local authority increases or decreases the amount of benefit paid. The local authority is obliged to recover overpayments of benefit paid on account and pay out any underpayments of benefit. Failure to review the payment on account cases means delaying the final determination of claims resulting in incorrect payments of benefit being made for longer periods than is necessary.

When claims are determined to be payment on account claims the claimant is sent a notice of determination to this effect. The notice does not state why a payment of account is being made – i.e. what information the authority is waiting for. The notice incorrectly states that there are no appeal rights in relation to payments on account.

Conclusions

Blackpool makes extensive use of the provision of Reg 91 which helps to alleviate distress caused to claimants when the processing of claims is delayed.

However, the local authority has no monitoring procedures in place to ensure that the Reg 91 lists are regularly reviewed thus avoiding incorrect payments of benefit being made for unnecessary periods.

The notice of determination does not meet the requirements of Schedule 6 of the Housing Benefit General Regulations 1987.

Appendix C4: Management checks

The following statistical counts and management checks represent an effective means of controlling HB administration.

Fig. C4.1: Analysis of accuracy of processing for payment on account claims

Type of check	Purpose	Suggested Frequency	Done by Blackpool
Itemised log of all work received by all staff	To ensure even distribution, smooth workflow and avoidance of backlogs	Daily	No
Supervisory scrutiny of incoming post.	To identify any potential problems for special attention	Daily	Yes
Supervisory sample check of new claims both paper file and computer input and calculation	To ensure correct procedures are being followed at the outset of a claim	At least weekly for each member of staff	No
Sample check of computer assessment by supervisor	To check accuracy and security control	At least weekly for each member of staff	No
Check of high value payments	To ensure calculation is correct and monitor security	Each payment	Yes (over £700)
Sample check of overpayment classifications by supervisor	Quality control	Weekly	No
Sample check of overpayment recovery progress against targets by supervisor	Financial control	Weekly	No

Type of check	Purpose	Suggested Frequency	Done by Blackpool
Reconciliation checks between Council Tax, Rent Accounting and HB systems	Computer systems management control	Monthly	Partially
Sample work check carried out by training/control team or supervisor	Independent security and quality control	Monthly	Yes - but not on a regular basis
Detailed notation of management and quality control checks	To show checks have been done and record findings for further reference or action	Each check	No
Senior/Line managers' check of supervisory checks	To monitor quality and security controls	Monthly	No
Internal Audit check of supervisory/ management checks	To monitor effectiveness of management controls	At least annually	No

Conclusions

Blackpool uses 4 of the 12 management checks we would expect to be used for accuracy, consistency of performance and identification of trends.

Appendix C5: Analysis of Notice of Determination

Matters to be included in the notice of determination are set out in Schedule 6 of the Housing Benefit (General) Regulations and Council Tax Benefit (General) Regulations.

The Schedules detail the minimum amount of information Blackpool should make available in the notice about the determination of the claimant's benefit. On the whole the notices meet the requirements of the Schedules but there are two areas where they do not:

- the detail should be sufficient to allow the claimant to check the basis of the local authority's determination. If the claimant requires more detail, for example how the net earnings have been calculated, they can ask for a written statement of reasons. Blackpool's notices do not include a statement to this effect, as required by these Schedules; and
- the Schedule states the claimant should be told of their rights of appeal and the minimum detail to check the determination. The notices sent to payment on account cases do not meet this requirement.

The layout of the detail and the explanations given in the notices are not always easy to understand. The information given on the restriction of rent for private tenants could be misleading for claimants who have made claims for HB after January 1996 changes. In January 1996 regulation 11, which limits the amount of rent which can be used to determine the maximum amount of HB that can be paid, was amended, bringing in new terminology which is not reflected in the current notices.

The computer system does not appear to give assessors the flexibility to tailor the notices to meet the needs of individual claimants and their circumstances.

Conclusions

Blackpool's notices of determination:

- do not, in all cases, meet the requirements of this legislation
- provide scope for confusing claimants and landlords.

Appendix C6: Ensuring the claimant's right to appeal

Background

Blackpool has a specialist Appeals and Training Team who deal with the majority of applications for review, in Blackpool referred to as "first stage appeals". Processing Team Leaders deal with backdating appeals and the Overpayments Team Leader deals with appeals against recovery of overpayments.

Most cases recorded as first stage appeals relate to exceptional hardship payments and backdating. Claimants who are suffering hardship because the benefit granted is not sufficient to cover the full rent charged can ask for an exceptional hardship payment. Claimants who delay in making a claim for benefit can ask for backdated benefit.

Blackpool record any initial request for exceptional hardship payments or for backdating as a first or officer stage review. For example, if a claimant submits a request for backdating with their claim form this is treated as a request for a first review. This inflates the number of initial appeals recorded by the local authority. It also has the effect of improperly truncating the appeals process by removing a stage in the process. This removes the opportunity for another council officer to review the case and escalates the case through the appeals process. This gives the claimant only one further option – that of taking the case to Review Board.

The Appeals and Training Team deal mainly with requests for exceptional hardship. In all the sample cases examined if "new" Regulation 11 applied and the claimant stated they were dissatisfied with the level of their HB, these cases were treated as first stage exceptional hardship appeals.

Re-determination requests are sent to the Rent Officer but Blackpool does not appear to have a consistent policy on this. However in the sample cases examined if the claimant had requested a Pre-Tenancy determination before moving into the accommodation the local authority did not request a re-determination.

Most claimants requesting an exceptional hardship payment are invited to an office interview and asked to bring information relating to their financial circumstances. However, claimants under 25 and all single men are sent a questionnaire which they are asked to complete and return. This may be subsequently followed up by an interview.

If the claimant does not attend an interview or return the questionnaire Blackpool's policy is to deem the appeal withdrawn. No determination on the request for exceptional hardship is made and the claimants are not advised of their further appeal rights.

Appeals and Training staff report that exceptional hardship interviews can take between 45 minutes and 2 hours. Officers carry out these interviews in pairs. This is a considerable use of officers' time and means that they spend a disproportionate amount of time on appeals compared with training.

There are no written procedures for dealing with appeals. The Appeals and Training Team work closely together and use a common set of standard letters which ensures consistency. However the Processing Team Leaders and the Overpayments Team Leader do not appear to have adopted any similar measures regarding consistency.

Processing Team Leaders deal with the second largest group of "appeals" – backdating. The majority of these are initial requests for backdating which are wrongly treated as first stage appeals. Blackpool has no policy on backdating and no written procedures for Team Leaders or Processors.

Findings

Blackpool do not advise claimants of their appeal rights on all the notices of determination. For example, claimants are not notified of their appeal rights in cases where overpaid CTB is to be recovered. It is Blackpool's policy to recover excess payments (overpayments) of CTB directly from claimants' Council Tax liabilities. In these cases the benefits computer system does not produce a letter to the claimant giving them the statutory information relating to the overpayment (Schedule 6 Part VII of the Council Tax Benefit General Regulations) and notifying them of their appeal rights.

In addition, in its standard notification letters Blackpool does not advise claimants of their right to a statement of reasons (a written explanation of the determination).

Where a payment on account has been made these letters also state (incorrectly) that there are no appeal rights in these cases.

Blackpool do not produce posters or leaflets to explain the appeals process to claimants.

Blackpool care about the quality of service to claimants and try to inform them, when necessary, of their right to a Review Board. In some, but not all, cases, claimants are advised of their right to a further appeal to the Review Board if they are dissatisfied with the initial internal interview.

We had intended to measure Blackpool's adherence to the timescales set on the Regulations. However, there was insufficient data on a significant proportion of files to make this feasible. In addition 3 files could not be found.

Blackpool recorded that it had received 1580 first stage appeals in 1996/97 and, of these, 8 cases were submitted to the Review Board. The disparity between the figures is due to the high number of cases being incorrectly classified as first stage review, and Blackpool's policy of allowing appeals to lapse when claimants do not respond to correspondence.

In 1997/98 there were 6 appeals (one was for both HB and CTB) against the decision that an overpayment was recoverable. These are known as “write-offs” by benefits staff and are dealt with by the Overpayments Team Leader. In each case the decision to recover the overpayment was reversed by officers at the initial or further review stage. These “write-offs” totalled £2,250.

It is standard policy for officers to review all requests for a Review Board. In some cases claimants are sent a letter setting out the local authority's position and asking them to respond if they wish to pursue their appeal.

In other cases Blackpool carried out another further review at this stage and revised their original decision in the claimant's favour. While Blackpool is, in some circumstances, legally entitled to review a determination at this stage in the process, it appears to work against those claimants who accept either the original or the initial review decision.

A sample of appeal cases was examined and an analysis of the findings is provided in the tables below:

Fig. C6.1: Sample of appeals by type

Type	No.
Backdating	16
“Old” Regulation 11	14
Exceptional Hardship	15
Overpayments	5
Other	5
Totals	55

Fig. C6.2: Findings from sample of appeals

Findings	No of appeals	% of appeals examined
Regulations applied accurately, appeals process followed correctly	21	38
Significant procedural or legislative errors	19	35
Incorrectly recorded as appeals	15	27
Total number of appeals examined	55	100

Examination of the appeals cases provided the following additional information:

- once a claimant has requested an exceptional hardship payment, every subsequent returned renewal form is treated as a fresh appeal, which incorrectly inflates the number of first stage reviews recorded
- requests for reviews and further reviews which are signed by a third party rather than the claimant are accepted. It is, however, a requirement of law that the person affected signs such requests. This is an important tool in preventing landlords' exploitation of the system. This report records elsewhere Blackpool's lack of awareness of the issues relating to landlord fraud
- cases where the claimant does not reply to correspondence are not followed up and no further appeal rights are given. Nine such cases were found in the sample, including one for a pensioner couple.

Conclusions

Blackpool's processes for considering request for exceptional hardships and gathering relevant information relating to claimants' financial circumstances are excellent.

There are, however, a number of weaknesses in current practices:

- Appeals and Training Officers spend a disproportionate amount of time on appeals, at the expense of training
- HB regulations are not always followed during the review process
- incorrect recording of cases as first stage appeals
- deterring claimants from pursuing an appeal, rather than encouraging them to exercise their right to an independent review of the determination.

Appendix C7: Internal systems and administrative security

Fig. C7.1: Internal systems and administrative security

Area	Process	Strengths	Weaknesses
IT System (HBIS)	Security Manager	A designated officer for managing password allocation	No manager with overall responsibility for IT Security No risk assessment of the HBIS System
	Access levels		No current definitive list of users, their location or their access levels. Some staff no longer working in Benefits still have full access No facility to restrict access to sensitive records
	Password control	All users have unique passwords which must be changed every 90 days	Staff do not always log out when away from their desk The time-out facility has been removed, to minimise the inconvenience of having to re-access the system

Area	Process	Strengths	Weaknesses
Administrative controls	Segregation of duties		It is possible for the same officer to process a claim from beginning to end
	Security checks	All payments over £700 are subject to checking and are ultimately hand delivered by Fraud There is an audit trail facility for use by Internal Audit	No other routine management or security checks Internal Audit coverage of Housing Benefit is limited
BACS	Risk assessment		No risk assessment of the recently introduced BACS system
	Security procedures	Procedures exist which require all processing staff to complete a proforma to initiate BACS payments, via the Control Section. In 1998 Control Section intend to ensure that all proformas are supported by a written request from the claimant	No automated system report when a method of payment changes from Giro to BACS The security of the procedure is dependent upon the processor submitting the necessary proforma to Control
	Visiting Policy	Random sampling of 20 BACS cases, by BFI, confirms that all had supporting written requests on file	As a fail safe security measure, Blackpool's policy is to visit all cases within a month. BFI's random sample of 20 cases showed that only 9 had been visited. This indicates non-compliance with the already limited security procedures

Conclusions

Blackpool has major weaknesses in IT security which increase the risk of internal fraud.

Appendix C8:

The overpayment process

Fig. C8.1: Analysis of the overpayment process in Blackpool

The overpayment process	BFI comments
<p><u>Identification</u></p> <p>Overpayments are identified by HBIS, a manual proforma is raised and passed to the overpayments team to classify and record</p> <p>No priority is given to fraud overpayments</p> <p><u>Recording</u></p> <p>Current overpayment work is given priority, and arrears are only cleared when resources permit</p> <p>The overpayments team check the HBIS classification against error</p> <p>The overpayments team determine whether an overpayment is recoverable, and from whom</p> <p>Where a previous overpayment exists, this is not automatically identified by HBIS. The details are held on the HBT80 screen, which assessors should check before opening a repeat claim</p> <p>(a) When a previous overpayment is raised as a sundry debtor's account, the HBIS details are transferred to the HBT45 screen, which assessors should also check before opening a repeat claim</p>	<p><u>Identification</u></p> <p>There is potential for overpayments to go unrecognised and not be recovered. No record is kept of the number of overpayments recorded</p> <p>This weakens deterrence against fraudsters, and a valuable opportunity to increase revenue under the subsidy incentive scheme is being missed</p> <p><u>Recording</u></p> <p>A significant backlog of recoverable debt (£0.75m) has accumulated, which will become more costly and harder to recover</p> <p>A sample test of 20 cases confirmed that the classification was correct in all cases</p> <p>There is no second officer check against either determination</p> <p>During the inspection, assessors reported that not all staff understood the requirement to check the HBT80 screen, so potential recoveries could be missed</p> <p>(a) Assessors reported that not all staff are aware of the need to check the HBT45 screen, so potential recoveries could be missed</p>

The overpayment process	BFI comments
<p>(b) For each case actioned, a clerical index card is raised acting as a reference point for subsequent enquiries</p> <p><u>Recovery</u></p> <p>Overpayments are not recovered by deduction from benefits paid by the BA or other LAs, nor are debt collection agencies used</p> <p>(c) Staff apply their own discretion as to the amount of clawback taken from ongoing benefit payment</p> <p><u>Write-off</u></p> <p>There is no formal write-off policy and staff advised that they were unsure as to whether the criteria for write-off had been approved by Members</p> <p><u>Management controls</u></p> <p>Records are not kept of the number of overpayments raised, the number of cases in backlog, the number of cases on which recovery is underway, the age profile of the debt, nor of the amount recovered</p> <p>No record is kept of the causes of the overpayments</p>	<p>(b) The cards are not updated nor weeded, weakening management control over debt recovery</p> <p><u>Recovery</u></p> <p>Blackpool is missing valuable opportunities to recover a substantial amount of debt by these methods especially with the new powers available to Blackpool under the Fraud Act 1997, since July 1997</p> <p>(c) Our inspection found that deductions of £2.50 per week are automatically recovered from Income Support claimants, and £5.00 a week from other cases, well below the Department of Social Security suggested figures</p> <p><u>Write-off</u></p> <p>The absence of formally approved criteria could lay Blackpool open to legal challenge. No record is kept of the number of overpayments written off, weakening management controls</p> <p>Blackpool is exposing itself to the risk of internal fraud and collusion</p> <p><u>Management controls</u></p> <p>These present serious weaknesses in the management controls over the overpayment and recovery process. Opportunities to reduce overpayments and maximise recovery are being missed</p> <p>The opportunity to analyse the causes of overpayments and initiate remedial action or training where necessary, is being missed</p>

Conclusions

Blackpool does not have robust procedures for the classification and pursuit of overpayments.

Appendix C9: Examination of post opening procedures

Introduction

In order to assess the security of the post opening operation at Blackpool, we arranged to observe the procedures on 19 November 1997.

Observations

There is a dedicated team responsible for post opening and despatch. On the day in question, there were 3 people responsible for opening post and a supervisor. Post opening took just over 2 hours.

Post is delivered by Royal Mail in post sacks left at the front desk, together with some post (including recorded delivery) left at the counter. The supervisor picks up the mail up at the front desk first. The recorded delivery post is entered in a control book and signed for from the receptionist. There are no other security controls up to this point. This mail is then delivered to the temporary basement office. The supervisor, accompanied by one post clerk, then go to open the front post box and collect all the contents and then return to the basement. The post is then sorted, and the clerks and supervisor begin opening all HB related and other council mail.

The room is a temporary site in the basement within a secure area of the office. This temporary re-location is due to the current renovation work. There is no specific security within the room itself. During post a number of people entered the room, as the tea and coffee making facilities are located here. The area within the room where post is opened is however generally secure. The tables were well set out to allow the supervisor a good view of proceedings. The supervisor sorted all the post at the start and was actively involved in opening the mail. All staff on post have to sign in on a register.

Private and confidential post is passed to the relevant staff member in person by the supervisor. If absent, then the mail would be left with that person's manager.

Other post is opened and sorted according to the relevant team and distributed by the post opening clerks at the end of the operation. All post is date stamped.

Returned HB cheques are opened, stapled to the envelope (in gone away cases), and passed to the supervisor. The supervisor has a red 'cancelled' stamp, which is stamped across the cheque. They are then recorded in a control book and signed for by the Cashier.

Personal cheques are dealt with in 2 ways, depending on their point of entry to the council. Any cheques received from the front post box and the loose post from

reception, are recorded in a control book and are signed for by the cashier. All other cheques in Royal Mail post are checked for reference numbers and placed in a plastic sort tray, and passed uncontrolled to the cashier.

DSS order books and bank books are not treated as valuables and are passed out in normal post, attached firmly to any related correspondence.

Cash and postal orders are dealt with securely. If a clerk finds cash they get a special unsealed envelope and write the amount on this and sign against it. They draw it to the attention of supervisor who checks the amount, places it in the envelope, countersigns against the amount, seals the envelope and attaches it to any related correspondence. All cash is then recorded in the remittance book, passed to the cashier who signs for each entry. Postal orders are entered in the same book.

Towards the end of post opening, the cashier came down and collected the control book, and removed it without signing the entries. The book was later returned to the section. During its absence, a further postal order was received and the supervisor had to leave their post to go to the cashier's office to record the postal order.

There has been some internal auditing of the post opening procedures.

Conclusion

Blackpool have made significant efforts to establish a secure post opening operation.

Appendix C10: Extended payments

Extended payments were introduced as part of a package of incentives designed to encourage the long term unemployed to return to work. The aim of the scheme is to help with housing costs during the period between the last payment of IS or income based JSA, and receipt of first wages. It is therefore vital that LAs have systems in place to process extended payments promptly.

Claimants must satisfy certain criteria for eligibility, the main two are that:

- for the last 26 weeks the claimant was available for and actively seeking employment, must have received JSA or IS as a lone parent or carer or while on a government training scheme, and that benefit must have stopped because the claimant or partner started work or increased their hours or earnings; and
- the claim for an extended payment must be made to either an appropriate office of BA, ES or the LA within 8 days of the relevant day.

Claims for an extended payment must be made on form NHB1-EP. Claimants may return the completed form to a Jobcentre, BA office or to the LA who should stamp the form with date of receipt. This is vital as the date of receipt counts for the purpose of the claimant satisfying the 8 day rule.

If the claimant returns the completed form to the BA office, BA staff will check and certify that the 26 week qualifying condition has been satisfied. If it is returned to the Jobcentre or the LA, they forward it to BA staff for the necessary checks.

This scheme can be complex for claimants who are also coping with starting work. It has also proved complex for benefits staff at Jobcentres, BA offices and LAs. Processing staff at Blackpool report that there have been problems with BA staff not completing their section of the form and the form not being date stamped on receipt at Jobcentres.

Local authorities have no discretion to backdate extended payment claims.

However, if the delay was caused by incorrect advice or action by BA or ES staff claimants may receive compensation payments from the DSS. LAs were advised of this in DSS circular HB/CTB A4/97 and should inform claimants of the compensation scheme where necessary.

Blackpool's processing staff said that they had only very recently been made aware of the compensation scheme.

Processing staff (incorrectly) thought that there was no right of appeal to the local authority against refusal of an extended payment.

Blackpool prioritises NHB1-EP forms along with other incoming post for BA and has nominated a number of experienced processing staff to deal with extended payments.

The number of extended cases recorded by Blackpool in 1996/97 was 670. In the first quarter of 1997/98, 388 extended payment cases were recorded. Thirty cases were selected at random for examination and our findings are shown in the table.

Fig. C10.1: Blackpool's statement of extended (EP) cases

Item checked	Number	Percentage
BFI sample	30	100
EP cases processed correctly	23	77
No EP made although file records it was	6	20
EP made without evidence of claims	1	1
Totals	30	100

Source: BFI analysis

There were no cases in the sample where payment had been made outside the 8 day time limit.

Conclusions

Blackpool prioritises claims for extended payments and ensures that experienced officers deal with them. We found 7 of the 30 cases we examined were incorrectly classified as extended payments.

Appendix C11: Analysis of deterrence issues

Fig. C11.1: Recovery status in BFI sample of 104 WBS cases

Sample	104
Overpayment raised	41
No overpayment raised	63
Fully recovered	15
Recovery in part or ongoing	24
Status unknown	2

For overpayments only, 104 cases were sampled. Elsewhere in testing WBS, 100 cases were sampled. This reflects the unavailability of 4 benefit files.

Fig. C11.2: Prosecutions over time

	1995/96	1996/97
Number of prosecutions attempted	9	12
Successful prosecutions	8	9

Fig. C11.3: Landlord forums over time

	1997	1996	1995	1994
Number of forums	1	0	0	0

Conclusions

There is scope for improvement in the way Blackpool pursues overpayments, and they do not have a formal prosecution policy.

Appendix C12: Analysis of data on landlords

Fig. C12.1: Summary of data on landlords

Topic	Information obtained																												
Number of landlords	Not known – Blackpool supplied a 153 page print-out which contained about 8700 entries but this included duplicates, and had not been updated regularly.																												
% Direct Payment	Blackpool staff estimate that around 70% of benefit is paid direct to landlords. This was supported in the BFI WBS sample where 71% of the cases examined involved direct payment to the landlord.																												
Landlord overpayment	<p>Blackpool were unable to provide full details of landlord overpayments as the information is not held separately on the Sundry Debtor system. They supplied information for certain landlords, however, as follows:</p> <table border="1"> <thead> <tr> <th>Landlord</th> <th>Overpayment (£)</th> </tr> </thead> <tbody> <tr><td>A</td><td>12000</td></tr> <tr><td>B</td><td>9528</td></tr> <tr><td>C</td><td>9221</td></tr> <tr><td>D</td><td>4715</td></tr> <tr><td>E</td><td>4000</td></tr> <tr><td>F</td><td>3600</td></tr> <tr><td>G</td><td>2600</td></tr> <tr><td>H</td><td>2100</td></tr> <tr><td>I</td><td>2000</td></tr> <tr><td>J</td><td>1529</td></tr> <tr><td>K</td><td>1400</td></tr> <tr><td>L</td><td>716</td></tr> <tr><td>M</td><td>450</td></tr> </tbody> </table>	Landlord	Overpayment (£)	A	12000	B	9528	C	9221	D	4715	E	4000	F	3600	G	2600	H	2100	I	2000	J	1529	K	1400	L	716	M	450
Landlord	Overpayment (£)																												
A	12000																												
B	9528																												
C	9221																												
D	4715																												
E	4000																												
F	3600																												
G	2600																												
H	2100																												
I	2000																												
J	1529																												
K	1400																												
L	716																												
M	450																												
Landlords involved in BFI WBS sample	In the 71 cases where this information was available, BFI identified 6 landlords who were involved in more than one case (one was involved in 4 cases and the rest were involved in 2 cases)																												
Councillor landlords	BFI confirmed that councillors had made entries in the register declaring an interest.																												

Conclusions

Blackpool can materially strengthen controls and prevent landlords from submitting fraudulent claims.

Appendix C13: Analysis of the use of Challenge Funding

Blackpool secured Challenge Funding of £49,300 in 1996/97 to pay for a dedicated team of three investigators and one support officer to conduct a proactive claimant visiting programme. Because of problems with recruiting and training staff, the visiting programme did not begin until November 1996.

The following statistics indicate the achievements of the visiting programme:

Fig. C13.1: Results of pro-active visiting programme

Month	Number of properties visited	Number of claimants visited	Number of cases where WBS claimed	Total WBS (£) claimed	Total Benefit Savings (£) (WBS x 32) claimed
Nov 1996	45	104	1	61	1952
Dec 1996	178	443	7	354	11328
Jan 1997	328	806	36	2264	72448
Feb 1997	260	640	37	2107	67424
Mar 1997	264	646	35	1921	61472
96/97 year end	1075	2639	116	6707	214624
Apr 1997	407	770	38	1803	57696
May 1997	276	527	46	2511	80352
June 1997	383	611	53	2881	92192
July 1997	560	913	61	3179	101728
Aug 1997	606	812	103	5591	178912
Sep 1997	664	828	93	4596	147072
97/98 half yearly figures	2896	4461	188	20561	657952

Conclusions

Blackpool maintains a visiting programme that is designed to achieve results in line with its Challenge Funding bid. Blackpool could well improve returns by visiting more new claimants.

Appendix C14: Blackpool's investigations process

This appendix covers the methods that Blackpool uses to establish whether a fraud or irregularity exists in claims referred to designated fraud officers for investigation. It highlights some scope for improvement on current practices.

Process

It is not readily possible to quantify the numbers of live investigations held by each fraud investigator (although the new fraud investigation system will help this process). There is no apparent regular check of investigation files by the fraud section manager.

Investigators generally work independently on specific cases and, as there is no rotation of duties, investigators tend to concentrate on the same geographical area of Blackpool. Investigation practice appears to consist mainly of interviews with limited evidence gathering to support cessation of benefit and prosecution. This process is somewhat unstructured at present and opportunities exist to document this process more fully. There is no evidence of any fraud awareness training being delivered by the investigators to the benefits assessors who are a key source of referrals.

Observations

These can be time consuming and our testing at inspection uncovered relatively few examples of these being undertaken.

Interviews

These appeared informal and most frequently carried out at the claimant's home or sometimes at their place of work. The decision on the extent and nature of the interviews is primarily left to the investigating officer. In response to advice from the local police, Blackpool make little use of interviews under caution. Few interviews of any kind take place with the landlord concerned. This approach means that the evidence gathered as a result of the investigation is weaker than it should be. This has a knock-on effect on the WBS claims (See Appendix C15).

Information and intelligence gathering

Investigators have a variety of intelligence sources, including informal links with the BA, the Inland Revenue and the police. In addition investigators rely on local knowledge and internal referrals from benefits assessors, often a very effective source of information, particularly when compared with data-matching.

Cessation of benefit

When Blackpool fraud officers investigate a case, this may lead to the cessation of benefit and a WBS claim. In this scenario they then complete a form which is submitted to a benefits assessor so that benefit may be stopped and WBS claimed. There is a fundamental error in the form which incorrectly gives the impression that benefit may be stopped and WBS claimed simply on the grounds that an error has been detected rather than a fraud proven. Once the form is completed by the investigator it is then passed to the assessor who signs to signify that benefit has been stopped. Supervisors make a sample check of these forms for correctness. The form is then returned to the investigator who claims a WBS at this point.

Record keeping

Blackpool's record keeping on fraud investigations was found to be weak. There is no separate fraud investigation file. All information relating to the fraud investigation is held on the main benefit file, usually on a separate form. The form aims to document the reasons suspicion arose on a claim and the progress of the investigation. We found the standard of completion of these forms to be variable, and not all the supporting paperwork was retained. In addition, no evidence was seen of appropriate file checks by management at the end of the investigation to ensure the validity of the WBS claimed and that the investigation complied with proper professional standards. Few records were retained on file of liaison with the BA, notably the SLA1 forms relating to notifying the BA of an investigation by Blackpool.

Conclusion

The quality of Blackpool's fraud investigation falls short of good practice.

Appendix C15: Analysis of fraud referrals and WBS claims

Fig. C15.1: Referrals by source (1996/97)

Source	No. of referrals	% of total referrals
Assessment Team	2868	33
Benefits Agency	25	0
Hot-line	0	0
Post Office	0	0
Public	200	2
Police1	0	0
Data matching	2650	30
Fraud Team	3039	35
Other	20	0
Total	8802	100

This table shows that the vast majority of fraud referrals emanate from the Fraud Team, the Assessment Team and Data Matching.

We examined a random sample of fraud referrals where WBS had been claimed. The sample is analysed in various ways.

Referral source

Fig. C15.2: WBS by referral source

Source	No. of referrals	% of total referrals
Assessment Team	49	49
BA	0	0
Hot-line	0	0
Post Office	0	0
Public	3	3
Police	0	0
Data matching	1	1
Fraud Team	19	19
Other	2	2
Unclear	26	26
Total	100	100

This indicates that referrals from the benefit assessors account for half of Blackpool’s WBS cases. Benefit assessors are the most fruitful source of referrals.

Status of claim

Fig. C15.3: WBS sample by status of claim for HB

Status of claim	Number
New	39
Repeat	23
Renewal	28
Unclear	10

This suggests that more WBS cases are likely to arise with existing HB claimants than new ones. This seems to fit with the findings of the DSS’s 1996 Housing Benefit Review which found that 70% of frauds arise from failure by claimants to report changes in circumstances.

Payments direct to landlord

Fig. C15.4: WBS sample by payments made to the landlord	
Payment made direct to landlord?	Number
Yes	62
No	25
Not Known	13

This shows that most of the 100 cases in the BFI WBS sample involved payment direct to the landlord. This reinforces the need for Blackpool to focus more of their counter-fraud work on landlords, particularly as in many cases there were grave doubts about the validity of the WBS claim. There were grounds for suspecting fraud by the landlord which may have been established by more rigorous investigation.

Blackpool's liaison with the Benefits Agency

The following 3 tables show the very limited extent of liaison on counter-fraud work between Blackpool and the BA.

Fig. C15.5: WBS sample by IS/Non IS	
Income Support in Payment?	Number
Yes	81
No	19

They shows that the vast majority of Blackpool's HB claimants were also getting IS. This points to a need for effective co-operation between Blackpool and the BA.

Fig. C15.6: WBS sample by issue of form SLA 1	
SLA1 sent?	Number
Yes	2
No	89
Unclear	9

This indicates that Blackpool rarely notify the BA that an investigation had begun (send form SLA 1).

Fig. C15.7: WBS sample by issue of form SLA 3

SLA3 sent?	Number
Yes	3
No	90
Unclear	7

This shows that Blackpool notified the BA of the outcome of their investigations (send form SLA 3) on few occasions.

Types of Fraud

Fig. C15.8: WBS sample by type of fraud

Type of fraud	Number
Undeclared joint tenancy	1
Non-resident	39
Contrived tenancy or subletting	11
Cheque	16
Change of Address	7
False declaration of income	13
Other	1
Uncertain or unclear	12

This gives a breakdown of the types of fraud in BFI's sample of Blackpool's WBS cases. It shows that non-residency is the most common type of fraud.

Timing of detection

Fig. C15.9: WBS sample by length of time in payment

Length of time in payment	Number of cases
Benefit not paid	20 cases
Not known or not available	19 cases
Of remaining 61 cases	
Average: 17 weeks	61 cases

This indicates the stage that the claim had reached when fraud was detected.

Validity of WBS Claims

BFI examined the sample of WBS cases to check the validity of the WBS claimed. The following table shows the results of that analysis.

Fig. C15.10: WBS sample by validity of claim

Status	Number of cases
Satisfactory	17
Doubtful	73
Withdrawn at inspection	6
Withdrawn prior to inspection	3
Missing	1

This flags up BFI's concerns that Blackpool have not adduced enough evidence to support the validity of their WBS claims.

