

Report by the
Benefit Fraud Inspectorate

Allerdale Borough Council

September 2005

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Contents

<i>Executive summary</i>	1
Context	1
Overall performance	2
Summary of recommendations	7
<i>BFI findings</i>	11
<i>Claims administration</i>	13
Score	13
Claims processing	13
Quality and reducing error	19
Overpayments	21
<i>Security</i>	31
Score	31
Security of administration	31
Counter-fraud activities	33
Sanctions	39
<i>User focus</i>	43
Score	43
Take-up	43
Customer service	44
Appeals and complaints	46
<i>Resource management</i>	49
Score	49
Strategic management	49
Value for money	52
Assurance	53

The maps on this page show the area covered by Allerdale Borough Council in relation to neighbouring authorities, and its geographical location in the country.

■	Administrative Centre
□	Local Authority Locator
—	Local Authority boundary
—	Other Authority boundaries



Executive summary

1.1 This report assesses Allerdale Borough Council's administration of Housing Benefit (HB) and Council Tax Benefit (CTB) against the Performance Standards. It should be read in conjunction with the Performance Standards pack, which can be downloaded from the Department for Work and Pensions' (the Department) website:

<http://www.dwp.gov.uk/housingbenefit/publications/perf-stands/index.asp>

1.2 We are grateful to Allerdale Borough Council for its help and cooperation throughout this inspection.

Context

1.3 Allerdale Borough Council was selected for inspection in response to the result of its Comprehensive Performance Assessment in 2003/04, which identified its Benefits administration performance as Fair.

1.4 During 2004/05, Allerdale Borough Council sought to improve the Benefits service through 3 improvement initiatives:

- the Staffing Group
- the Benefits Improvement Group
- implementing a replacement Benefits IT system.

1.5 The Staffing Group consulted with staff to identify human resource issues that were affecting performance, for example high staff turnover, limited career opportunities, training and a high dependence on supervisors. This resulted in a number of improvements, including a restructure of the Benefits service to focus on performance targets and increase ownership, strengthening the recruitment process and creating opportunities for staff to take on extra responsibility and free up supervisors' time. Proposals to recruit a Training Officer had, however, been unsuccessful as no suitable candidate could be found.

1.6 The Benefits Improvement Group coordinated action to implement recommendations from previous BFI reports, and address issues highlighted in the Comprehensive Performance Assessment and the council's Best Value review of the Benefits service. The Group analysed delays in claims processing and amended incorrect statistics to bring about an improvement in reported performance. The Group also initiated process improvements including revised procedures for obtaining information and evidence from customers, Rent Officer referrals, the *Fit and proper* person test, and fraud referrals. The Group's activities had contributed to an improvement in performance levels during 2004/05, although the time taken to process new claims was still 46 days.

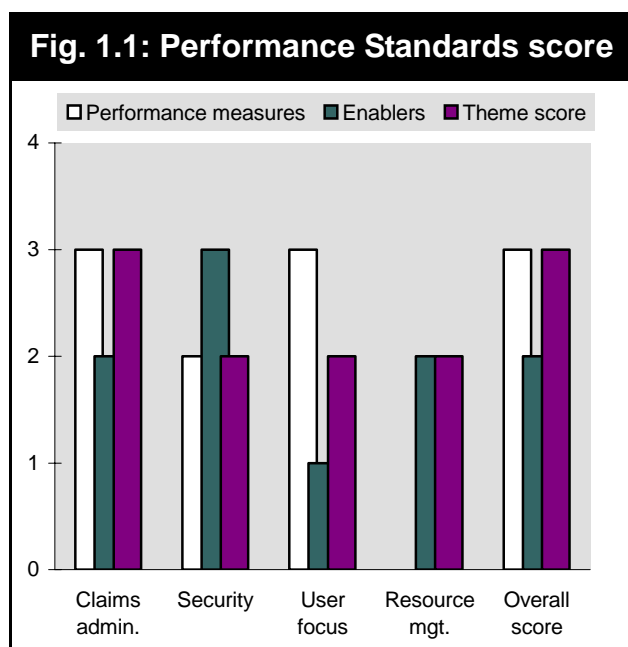
1.7 The IT implementation project had been subject to serious delays. Implementation was planned for August 2003, but at the time of the on-site phase of our inspection in April 2005, the system was providing only Council Tax and Business Rates functionality. The council had recognised that the project was unacceptably delayed and had commissioned external consultancy support to assess the project risks. This ongoing delay had contributed to the Benefits service's inability to bring about performance improvements quickly.

1.8 This inspection was undertaken in the transitional period following the introduction of revised Performance Standards from April 2005. Because the council had undertaken its own self-assessment against the previous version of Performance Standards, we were unable to make a direct comparison of its self-assessment against the requirements of the new Performance Standards.

1.9 Certain statistics that inform the new Performance Measures were not previously required to be reported to the Department. However, the council analysed its available data for the period 1 October 2004 to 31 March 2005 to provide an indication of its performance against these new Performance Measures.

Overall performance

1.10 Overall, we found that Allerdale Borough Council was performing to a Good standard. The improved Performance Measure scores in Claims administration had a positive impact on our overall assessment. However, we were concerned about other significant areas of weakness in Claims administration, Overpayments and Resource management. Figure 1.1 shows the score (out of 4) for each of the 4 Themes, plus an overall score.



Source: BFI analysis

1.11 Although there had been an improvement in the time taken to process new claims, from 50 days in 2003/04 to 46 days in 2004/05, this performance was still below the Standard of 36 days and the national average of 42 days. We found that inefficient practices were creating unnecessary delays at each stage of the claims process. The council had failed to ensure that some of the evidence provided by its customers met the requirements of the Verification Framework. The percentage of claims decided within 14 days of receiving all information, and the time taken to process changes of circumstances, had both deteriorated during 2004/05.

1.12 Since 2002/03 there had been a significant increase in the volume of

overpayments identified, which had not been analysed to identify the reasons, and a decline in overpayment recovery performance. We concluded that a lack of strategic direction and accountability, inconsistent practices and inadequate levels of assurance had led to major failings within overpayments.

1.13 An anti-fraud policy and strategy document was in place, supported by a business plan, and realistic operational targets had been set for the Fraud Investigation Unit. Our analysis of selected fraud files showed that the standard of investigation work was good in most cases.

1.14 The Benefits manager had been seconded to the IT implementation project, but retained responsibility for the Benefits service. We found that the manager's duties had not been devolved effectively and that the management team was under-resourced. The day-to-day workload was effectively and flexibly managed, and there was a clear commitment to improve performance within the Benefits service. However, some management responsibilities, for example, communicating performance targets and achievements to Benefits staff, planning and monitoring the progress of improvement activity, risk management and contingency planning, lacked a strategic overview and direction.

Performance against Standards

Claims administration

1.15 There are 3 Components within the Claims administration Theme: Claims processing; Quality and reducing error; and Overpayments. There are 9 Performance Measures and 16 Enablers. The council's overall performance in this Theme was Good.

1.16 The time taken to process new claims had improved from 50 days in 2003/04, to 46 days in 2004/05. However, inefficiencies were creating unnecessary delays at all stages of the claims process. For example, our sample identified some claims that had been held by the Benefits service for up to 28 days before any action had been taken.

1.17 The percentage of claims determined within 14 days of receiving all information had deteriorated from 78% in 2003/04 to 71% in 2004/05. Again, this performance had been affected by unnecessary delays. Some claims had not been decided for 28 days after the customer had provided all of the required information.

1.18 The average time taken to process changes of circumstances had also deteriorated from 11 days in 2003/04 to 14 days in 2004/05. This performance was well short of the 9-day Performance Measure. Claims that required cancellation were given priority, and were routinely suspended where the council identified a potential overpayment. However, managers had failed to review suspended claims regularly to ensure that action on changes of circumstances was given priority.

1.19 The council is not required to report its achievement against certain new Performance Measures until July 2005. However, it provided an analysis of its data for the period 1 October 2004 to 31 March 2005 to give an indication of its potential achievement against them. Its performance against the measure of the percentage of new claims outstanding over 50 days was 14%, against the Standard of 10%. Its performance against the measure of the percentage of Rent Allowance claims paid on time, or within 7 days of a decision being made, was 69% against the Standard of 90%.

1.20 An effective working relationship with Jobcentre Plus that prompted extended payments of benefit to customers who gained employment, was being let down by a failure to fast-track claims. The council had maintained effective working relationships with landlords that included the direct payment of Benefit to them, clear communications and practical advice.

1.21 Quality checks exceeding the minimum 4% target were being undertaken before decision letters were issued. In addition, sufficient accuracy checks were being made to enable the council to report against the relevant Best Value Performance Indicator. However, these checks were undertaken by staff who were not fully trained in all aspects of Benefits work and the findings from the checks were not being used to inform training plans or the staff appraisal process.

1.22 In the 3 years before our inspection, there had been a significant increase in the volume of overpayments identified. These had increased by 30% from 2002/03 to 2004/05, with a corresponding increase of only 5% in total HB spend. The council told us that this increase was in part due to the introduction of risk-based reviews, but no analysis had been carried out to validate this view, or identify where improvements could be made.

1.23 The council's overpayment recovery performance was bottom quartile, with outstanding debt increasing year on year. This was due to a lack of focus on preventing and effectively recovering overpayments. During 2004/05 the council's overpayment debt increased by £123,925 to £516,163.

1.24 A target to enable the council to report against the Department's Best Value Performance Indicator 79b, which measures the percentage of overpayment recovery against the total overpayment debt, had been set. However, the council had failed to set specific targets for the recovery of old and new debt. There was insufficient monitoring of the overall overpayment debt, and the amount of overpayment debt had not been reported to senior officers and Members.

1.25 There were no procedures to prioritise or monitor the recovery of fraud overpayments or administrative penalties.

1.26 The council needs to introduce a specific HB overpayments policy that reflects up-to-date legislation and corporate expectations, supported by staff training and detailed written guidance, so that staff can make informed decisions at all stages of the overpayments process.

1.27 We concluded that a lack of strategic direction and accountability, inconsistent practices and inadequate levels of assurance had led to major failings within overpayments.

Summary of recommendations

1.45 The following tables show all the recommendations we have made under the 4 Themes of Performance Standards.

Recommendations		
High priority		
We recommend that Allerdale District Council		Paragraph
1	<ul style="list-style-type: none"> • ensures that changes of circumstances are correctly identified and recorded, and introduces a sample case check to ensure that the statistical information that it declares to the Department is accurate 	<p>2.4 2.44</p>
2	<ul style="list-style-type: none"> • ensures that management checks are carried out by staff who are fully trained, inform process improvement, staff appraisal and training plans, and include: <ul style="list-style-type: none"> – monitoring and taking appropriate action on all outstanding new claims approaching 50 days – monitoring procedures to track performance in paying rent allowance claims and informing how improvements can be achieved – reviewing suspended claims and incomplete changes of circumstances regularly to ensure that those cases are given priority – all aspects of overpayment cases – ensuring that the correct investigation closure outcome is recorded on the fraud case management system 	<p>2.42, 2.46</p> <p>2.13</p> <p>2.19</p> <p>2.31, 2.32</p> <p>3.33</p> <p>2.66, 2.72</p> <p>3.25</p>
3	<ul style="list-style-type: none"> • issues a request for any additional information within 7 days of receipt of a claim or notified change of circumstances and ensures that all complete claims are decided promptly 	<p>2.9 2.10, 2.31</p>
4	<ul style="list-style-type: none"> • makes payments on account in all appropriate cases 	2.45
5	<ul style="list-style-type: none"> • develops training and detailed written guidance that: <ul style="list-style-type: none"> – enables staff to make informed decisions at all stages of the overpayments process – ensures that all staff involved in overpayments recovery work understand the methods of recovery that are acceptable to the council – ensures that staff apply checks in accordance with the Verification Framework and recognise and investigate any anomalies – informs staff about what constitutes a complaint and puts measures in place to record all complaints – covers its post opening, cheque receipt and cheque printing procedures 	<p>2.57 2.77</p> <p>3.9</p> <p>4.37 5.38</p>

Medium priority		
We recommend that Allerdale District Council		Paragraph
10	<ul style="list-style-type: none"> • ensures that fraud overpayments are: <ul style="list-style-type: none"> – classified correctly – rigorously recovered and monitored together with any associated administrative penalty – clearly identified and prioritised 	2.60
		2.88
		2.93
11	<ul style="list-style-type: none"> • monitors and reports regularly to senior officers, and at least annually to Members, the: <ul style="list-style-type: none"> – total level and age of HB overpayments debt – amount of HB debt recovered – effectiveness of each of the recovery methods used 	2.77
12	<ul style="list-style-type: none"> • embarks on a sustained publicity campaign to raise the public profile of the council's counter-fraud efforts and encourage more referrals through its dedicated fraud telephone line 	3.21
13	<ul style="list-style-type: none"> • signs up to the Department's Fraud Partnership Agreement with the Counter-Fraud Investigation Service and develops local service standards that support it 	3.54
14	<ul style="list-style-type: none"> • improves customer access by providing text-phone facilities, reviewing the Benefits service's Wednesday morning closure, implementing a Race Equality Scheme, and undertaking a full review of the accessibility of all its HB offices 	4.10
		4.13
		4.14
15	<ul style="list-style-type: none"> • ensures that it implements service level agreements with both the Department's Debt Management and the Appeals Service, and also formalises its working relationship with Citizens Advice 	4.24
		4.25
		4.26

Low priority		
We recommend that Allerdale District Council		Paragraph
16	<ul style="list-style-type: none"> develops management information to monitor the time taken to sift referrals and the first action taken on them and to follow up progress through management checks 	3.29, 3.32
17	<ul style="list-style-type: none"> reviews its decision letters to ensure that they comply with legislative requirements and are user-friendly 	4.15
18	<ul style="list-style-type: none"> ensures that there are nominated, trained officers to deal with all aspects of disputes, requests for reconsideration, and appeals 	4.33, 4.34
19	<ul style="list-style-type: none"> develops a comprehensive continuity plan, fully implements its Risk management process in the Benefits service, and ensures that risk plans are reviewed and updated regularly. 	5.9 5.41

BFI findings

Claims administration

Score

2.1 Allerdale Borough Council was performing to a Good standard for its Claims administration.

Claims processing

2.2 HB and CTB are vital payments made to help people on low incomes. As these groups of people are at risk, their claims should be dealt with quickly and accurately. The Best Value regime requires local authorities to measure and report the average time for processing new claims and changes of circumstances.

2.3 To enable us to comment on Allerdale Borough Council's effectiveness in claims processing, we looked at its management information, interviewed Benefits staff and managers, and obtained data from the council's Benefits IT system for all claims processed during the period 1 April 2004 to 28 February 2005. We used this information to identify trends in claims processing performance and selected a random sample of 30 new claims and 15 changes of circumstances to establish the speed and quality of processing those claims.

2.4 We found that 4 (13%) of 30 new claims were changes of circumstances that had been incorrectly recorded as new claims. If this is indicative of the overall caseload, then the statistical returns already made to the Department in respect of Performance Measures (1) and (5) will be inaccurate. We excluded the 4 changes of circumstances from our new claims sample and selected a further 4 cases. **See recommendation 1.**

Performance Measures

2.5 Figure 2.1 shows Allerdale Borough Council's reported performance for the years 2003/04 and 2004/05, except for the asterisked figures, which show un-audited achievement against Performance Measures (2) and (4) for the period 1 October 2004 to 31 March 2005.

Fig. 2.1: Allerdale Borough Council's Performance Measures – Claims processing

Performance Measure	Description	Standard	Performance 2003/04	Performance 2004/05
PM 1	Average time for processing new claims	36 days	50 days	46 days
PM 2	% of new claims outstanding over 50 days	10%	No data available	* 14%
PM 3	% new claims decided within 14 days of receiving all information	90%	78%	71%
PM 4	% of rent allowance claims paid on time or within 7 days of a decision being made	90%	No data available	* 69%
PM 5	Average time for processing changes of circumstances	9 days	11 days	14 days

Source: Allerdale Borough Council and the Department

Average speed for processing new claims

2.6 Performance for processing new claims improved by 4 days between 2003/04 and 2004/05, but failed to meet the Standard of 36 days. However, we were told that for the period 1 October 2004 to 31 March 2005, performance had deteriorated by 1 day to 47 days.

2.7 From our sample of 30 new claims we identified the time taken for each stage in the new claims process. Our findings are shown in Figure 2.2.

Fig. 2.2: New claims processing – days taken for each stage in the process

Work step	Average days	Range days
Date of receipt at designated office to date of first action	10	1 – 28
Date of first action to all information or evidence available	18	2 – 80
Date of all information or evidence available to date of decision	14	1 – 85
Total days from date of receipt to date of decision	42	1 – 105

Source: Allerdale Borough Council

2.8 Significant delays were being incurred at each stage and across the process as a whole. Performance was being compromised from the outset with the average time taken from receipt of a claim to first action being 10 days. Six (20%) cases in our sample were over 14 days old before any action was taken.

2.9 An average of 18 days was taken from first action to obtaining all of the information needed to decide a claim. This included 6 cases which averaged 56 days and from the 6, one claim that took 80 days. Allerdale Borough Council needs to monitor and analyse cases where further information is requested to establish why its customers do not provide sufficient information when making a claim. **See recommendation 3.**

2.10 Decisions were being made in an average of 14 days after all of the required information had been received, and an average of 42 days from the date a claim was received. By excluding one claim from our sample where the overall time was 105 days, the average improved to 37 days.

See recommendation 3.

2.11 We were told that the Benefits service had re-organised its claims section in November 2004 to streamline its procedures and reduce delays in processing times. We discuss this further in *Workload management*.

Percentage of new claims outstanding over 50 days

2.12 Allerdale Borough Council was not required to report performance against this Performance Measure until the end of June 2005. However, to provide an indication of its potential achievement against this new Performance Measure, the council analysed new claims that had been outstanding for over 50 days for the period 1 October 2004 to 31 March 2005. This showed that on average, 14% of its outstanding new claims were over 50 days old.

2.13 To monitor performance against the 50-day target, the council had revised its procedures to specifically identify outstanding claims that were over 50 days old. However, we consider ongoing monitoring of all claims, including identification of those over 50 days old, provides the best opportunity to deal with delays so as to achieve the Performance Standard of 10%.

See recommendation 2.

Percentage of new claims decided within 14 days of receiving all information

2.14 A local authority has a statutory duty to make a decision on all claims within 14 days of receiving all the necessary information, or as soon as practicable thereafter.

2.15 Between 2003/04 and 2004/05 there was a 9% deterioration in achievement against this Performance Measure with the council only deciding 71% of claims within 14 days of receiving all information. This fell well short of the Standard of 90%. We used our sample to determine how long it took the council to decide a claim after it had received all of the relevant information. Our findings are shown in Figure 2.3

Fig. 2.3: Percentage of new claims decided within 14 days of receiving all information

Days	Number	%
1 – 14	20	67
15 – 28	7	23
Over 28	3	10
Total	30	100

Source: Allerdale Borough Council

2.16 We found that 67% of the new claims in our sample had been determined within 14 days of all information being received. This validates the 71% declared by the council for the period 2004/05.

2.17 Three (10%) cases in our sample took longer than 28 days to decide with an average processing time of 52 days. This is unacceptable. These unnecessary delays may have caused hardship for claimants who had provided all of the necessary information to support their claim. The cases also had a significant, negative impact on the council's overall performance.

Percentage of rent allowance claims paid on time or within 7 days of decision being made

2.18 Allerdale Borough Council was not required to report its performance against this Performance Measure until the end of June 2005. However, it provided an analysis of all new rent allowance claims paid in the period 1 October 2004 to 31 March 2005 to provide a view of its potential achievement against this new Performance Measure. Its achievement of 69% fell well short of the Performance Standard of 90%.

2.19 No procedures were in place to identify delays in paying rent allowance cases. Monitoring procedures need to be introduced to track performance and inform how improvements can be achieved to meet this Performance Measure.

See recommendation 2.

Average speed of processing changes of circumstances

2.20 The council failed to meet the Standard of 9 days in 2003/04 and 2004/05. Its performance had deteriorated from 11 days in 2003/04 to 14 days in 2004/05, and continued to deteriorate in the period 1 October 2004 to 31 March 2005, when it took an average of 17 days to process changes of circumstances.

2.21 Figure 2.4 shows our analysis of the 15 changes of circumstances in our sample.

Fig. 2.4: Speed of processing changes of circumstances

Days	Number	%
1 – 9	7	47
10 – 20	3	20
21 – 28	1	6
Over 28	4	27
Total	15	100

Source: Allerdale Borough Council

2.22 We found that 47% of changes of circumstances were processed within 9 days. Our sample also showed that the average time taken to process changes was 27 days, in a range of 1 to 122 days. When we excluded one claim that took 122 days to process, the average processing time reduced to 20 days. This validates the council's reported performance of 17 days in the period 1 October 2004 to 31 March 2005.

Performance Standards Enablers

Workload management

2.23 Allerdale Borough Council met Enabler (1) of the 2 Enablers.

2.24 In November 2004, the Benefits service abandoned its alphabetical split of cases and re-organised its workload into 3 work areas that were supported by a Visiting Officer. The three work areas were:

- new claims
- claims maintenance
- interventions.

2.25 Benefits staff worked flexibly between each work area to address peaks and troughs in workflow and ensure that new claims were given priority. We found that on average, the Benefits service operated with one week's work in hand. This equated to approximately 486 pieces of work. Workload statistics were updated weekly. These were examined by the Senior Benefits Officers in conjunction with Benefits IT system exception reports, to ensure that priorities were addressed. We were told that seasonal backlogs only occurred when the Benefits office closed for public holidays, and they were usually cleared within a week.

2.26 Our claims sample included cases where staff had acted on information received from Jobcentre Plus to make extended payments to customers who had found work. However, fast-tracking procedures for these claims had lapsed, and need to be re-introduced to meet Enabler (2).

Gathering information

2.27 Allerdale Borough Council met Enablers (4) and (6) of the 4 Enablers.

2.28 The council had 2 claim forms, a standard version, and a specialised version which was provided for non-working age customers. Both versions met the relevant requirements set out in the Department's series of HCTB1 claim forms.

2.29 We examined procedures for gathering information from customers and issuing reminders where further information or evidence remained outstanding. We found that new claims and changes of circumstances were scrutinised on receipt to identify cases where further evidence or information was required. Requests for further information were supported by a reminder system at 14 and 21 days, with a nil decision being made after 28 days where the customer had failed to produce the required information.

2.30 Our new claims sample contained 9 cases where a need for further information was identified, but it took an average of 15 days to issue a request for further information, in a range of 8 to 27 days.

2.31 There were 6 cases in our changes of circumstances sample where further information had been requested. It took an average of 17 days to make those requests. By disregarding one case, which took 55 days, the average reduced to 9 days. We found that the council had failed to request further information within 7 days of receipt of new claims and changes of circumstances. **See recommendations 2 and 3.**

2.32 Benefits staff told us that cancellations were given priority and that claims were routinely suspended where a potential overpayment was identified. However, even though the Benefits service had a diary system, we found that

...the council failed to prioritise follow-up action on those changes of circumstances where a reduction in benefit may occur.

when cases were suspended they were not reviewed regularly. This is unacceptable because it may cause hardship for those customers who rely on payments of HB and CTB. We discuss suspended claims further in Security. We found that the council failed to prioritise follow-up action on those changes of circumstances where a reduction in benefit may occur. **See recommendation 2.**

Working effectively with landlords to minimise repossessions

2.33 Allerdale Borough Council met both Enablers (7) and (8).

2.34 Both claim forms had detachable forms of consent that enabled a customer to give permission to divulge specific information about their claim to their landlord.

2.35 The form advised the customer that information about their personal, household or financial circumstances would not be discussed with the landlord, and made clear that the customer could withdraw their permission at any time.

2.36 Housing associations told us that communications from the Benefits service were effective and provided clear practical advice on the operation of HB and CTB. Landlord liaison meetings were held every 3 to 4 months, and information was provided in leaflets and through monthly e-mail bulletins.

2.37 The council promoted the payment of HB and CTB direct to landlords to minimise the need for enforcement action or eviction. This was confirmed during our discussions with housing associations and other landlords who told us that there had been no instances of enforcement action being taken to recover arrears.

Quality and reducing error

2.38 Members and senior officers, who are accountable for the delivery of effective and secure HB and CTB administration, need assurance that the Benefits service and counter-fraud efforts are working as planned. Local authorities should therefore ensure that arrangements are in place to make full use of management information and checking data across the full range of their benefits activities.

Performance Measures

2.39 Figure 2.5 shows the council's reported performance for the years 2003/04 and 2004/05. The accuracy of benefit calculations improved by 1% in 2004/05 but the council still failed to meet the Standard.

Fig. 2.5: Allerdale Borough Council's Performance Measures – Quality and reducing error

Performance Measure	Description	Standard	2003/04	2004/05
PM 6	% of cases for which the calculation of the amount of benefit due is correct	98	95	96

Source: Allerdale Borough Council

Performance Standards Enablers

Quality checks

2.40 Allerdale Borough Council failed to meet this Enabler.

2.41 The council operated a checking regime that included:

- maintaining an audit trail of all checks undertaken
- undertaking sufficient accuracy checks to report against the relevant Best Value Performance Indicator
- carrying out a minimum 4% sample of quality checks of assessments before decision letters were sent, to ensure that:
 - the assessment was lawful
 - the benefit calculation was correct
 - all information had been verified in accordance with the Verification Framework.

2.42 To meet this Enabler Allerdale Borough Council needs to provide full training to the officer undertaking the management checks commensurate with the needs of their role. **See recommendation 2.**

Using quality checks to improve performance and reduce error

2.43 Allerdale Borough Council failed to meet this Enabler.

2.44 It had failed to use checking and intervention information across the full range of its benefit activities to calculate overall levels of error and deliver continuous improvement. Our sample contained 6 new claims and 2 changes of circumstances for which incorrect receipt dates had been entered on the Benefits IT system. This meant processing times for those cases had been calculated incorrectly. We were told that this issue had been resolved, but our sample findings showed that this was not the case. **See recommendation 1.**

2.45 Quality checks were carried out where payments on account had been made but we found no evidence of quality checks on incomplete rent allowance claims where a payment on account was appropriate. This was reinforced in 6 cases in our sample of new claims where a payment on account was appropriate, but only made in 4 of those cases. By failing to make a payment on account in appropriate cases the council had failed to meet its statutory obligation under Regulation 91(1) of the Housing Benefit (General) Regulations 1987. **See recommendation 4.**

2.46 Weaknesses identified through quality checking of benefit decisions and fraud management checks were fed back to, and addressed individually by, the Team Leaders and managers. However, the results of quality checking of benefit decisions were not being used to formally identify training requirements or inform training plans and the staff appraisal process. **See recommendation 2.**

2.47 The Senior Benefits Officers carried out a regular analysis of the statistical information provided by the Benefits IT system to identify and remove anomalous statistics, for example, those created by duplicate and cancelled-back claims. Management checks had been revised from scrutinising claims over 100 days old, to include any claim over 50 days old. Management action included manual adjustments made to the statistical returns made by the council to the Department. We looked at a selection of the manual adjustments made between June 2004 and December 2004 and confirmed that these adjustments were appropriate and supported by an audit trail.

Overpayments

2.48 To reduce the loss to public funds, local authorities must effectively administer the processing of HB and CTB to prevent overpayments occurring in the first place. When they do occur local authorities should have clear overpayments policies and procedures that will allow them to:

- identify overpayments promptly
- classify overpayments correctly
- prevent overpayments from continuing
- decide if overpayments are recoverable, and if so, who from
- pursue recovery by the speediest, most cost effective and efficient methods available in line with current legislation.

2.49 To enable us to comment on Allerdale Borough Council's effectiveness in this area we:

- examined management information supplied by the council
- randomly selected and sampled 25 HB overpayments identified between 1 March 2004 and 28 February 2005. In addition we sampled a further:
 - 6 cases that had overpayments written off on the sundry debtors system
 - 7 cases that had overpayments written off on the Benefits IT system
 - 12 cases that had been passed to the Department's Debt Management
 - 8 cases that were classified as fraud, to check recovery action.

Performance Measures

2.50 Figure 2.6 shows the council's achievement against Performance Measures (7), (8) and (9) for 2003/04 and 2004/05.

Fig. 2.6: Allerdale Borough Council's Performance Measures – Overpayments

Performance Measure	Description	2003/04 %	2004/05 %
PM7	The amount of HB overpayments recovered during the period as a percentage of total amount of HB overpayments identified	98	69
PM8	The amount of HB overpayments recovered during the period as a percentage of total amount of HB overpayment debt outstanding at the start of the period plus amount of HB overpayments identified	39	30
PM9	The amount of HB overpayments written off during the period as a percentage of total amounts of HB overpayment debt outstanding at the start of the period plus amount of HB overpayments identified.	8	7

Source: Allerdale Borough Council

2.51 There had been a significant deterioration in overall overpayment recovery performance between 2003/04 and 2004/05. During 2004/05, only 69% of the total amount of overpayments (£399,758) identified in that period, was recovered. This equated to a recovered total of £275,833, which meant that the council's overall overpayment debt had increased by £123,925 during 2004/05. In order to reduce the level of outstanding debt the council needs to achieve a performance of over 100% against this Measure.

See recommendation 9.

2.52 The recovery rate of 30% declared by the council in Performance Measure (8) is a bottom quartile performance, based on the 2003/04 returns for the equivalent Best Value Performance Indicator.

2.53 Figure 2.7 shows that while there had been an increase of 5% in HB expenditure between 2002/03 and 2004/05, the value of overpayments identified in the same period had increased by 30%.

Fig. 2.7: Overpayments identified (excluding technical overpayments)

	2002/03 (£)	2003/04 (£)	2004/05 (£)
Total HB Benefit spend	16,205,317	16,430,044	17,056,328
Overpayments identified	307,701	347,333	399,758
Overpayments identified as % of HB Benefit spend	1.9%	2.1%	2.3%

Source: Allerdale Borough Council

2.54 Allerdale Borough Council told us that this increase was due in part to the introduction of risk-based reviews, but at the time of the on-site phase of our inspection the council had undertaken no analysis to validate or quantify this view. The council has therefore missed the opportunity to analyse this overpayment information, which would help it to address the verification and overpayment recovery issues, which we discuss later in this report.

Performance Standards Enablers

Managing debt

2.55 Allerdale Borough Council met Enabler (13) of the 3 Enablers.

2.56 Benefits staff had received overpayments training. However, refresher training was required as staff told us that they were unsure about how overpayments should be classified, and were unaware of the financial implications that incorrect classifications had for the council.

2.57 There was a copy of the Department's *HB/CTB Overpayments Guide* held on the Benefits section but staff were unaware of this. There was no other written guidance to inform them about the classification of overpayments.

See recommendations 5 and 6.

2.58 Figure 2.8 shows that there had been considerable fluctuations in overpayments classifications over the last 3 years. Senior officers were unaware of these, which indicated a lack of management attention to overpayments work.

Fig. 2.8: Classification of HB overpayments

Category	2002/03 (£)	2003/04 (£)	2004/05 (£)
Claimant error	149,825	156,190	356,435
Local authority error	34,372	39,753	36,652
Fraud	122,673	81,785	2,010
Departmental error	0	14,033	2,581
Other	831	55,571	2,080
Total	307,701	347,332	399,758

Source: Allerdale Borough Council

2.59 While there was a decrease of 98% in the amount of overpayments classified as *Fraud* between 2003/04 to 2004/05, there was a corresponding increase of 128% in the amount of *Claimant error* overpayments. The increase in *Claimant error* classifications was due to the Benefits IT system treating *Q-Fraud not proven* classifications as *Claimant error* for subsidy purposes. The Fraud Investigation Unit's data shows that the *G-Fraud proven* classification total should have been approximately £149,000 in 2004/05.

2.60 When the Benefits service referred potential overpayment cases to the Fraud Investigation Unit they were classified as *Q-Fraud not proven*. There were no procedures in place to ensure that, on completion of the fraud investigation, the Q classification was reviewed and reclassified as *G-Fraud proven*, or the appropriate error classification if fraud was not proven. This procedure added to the confusion and uncertainty expressed by the Benefits staff. **See recommendation 10.**

2.61 The procedure could be simplified by classifying the overpayment as, for example, *Claimant error* and then referring it to the Fraud Investigation Unit and updating the diary or notes function on the Benefits IT system. Only those cases where fraud was proven would then need to be reclassified.

2.62 We were told that the significant amount of *Other* classifications during 2003/04 was due to software problems with the Benefits IT system.

2.63 No management information was collected on the number and amount of *Local authority error* overpayments. These are caused by error or processing delays. It is essential that the council minimises this type of overpayment if it is to benefit from the overpayment subsidy paid under the new guidelines that became effective from April 2004.

2.64 Figure 2.9 shows that 12% of the overpayment cases in our sample of 25 cases were incorrectly classified.

Fig. 2.9: Classification of HB overpayments in BFI sample of 25 cases

	Number	%
Classification correct	22	88
Classification incorrect	3	12
Total	25	100

Source: BFI analysis

2.65 Our sample also showed that the:

- overpayment period and amount was correct in all 25 cases
- average time taken to calculate the overpayment, once all information was received, was 10 days.

2.66 We were concerned to find that there were no management checks on overpayments. Management checks are important as they:

- detect errors in overpayments classification and calculation
- provide management assurance on the accuracy of the council's subsidy claim, and prevent subsidy losses
- identify areas within the process where improvements are possible
- identify training issues, both at team and individual level, which can be fed into subsequent training plans. **See recommendation 2.**

2.67 Overpayments were written off either through the sundry debtor system by Exchequer staff or through the Benefits IT system. There was no corporate write-off policy or guidance for Exchequer staff. Additionally, the only guidance available for Benefits staff was that write-off requests, on either *ROP1* or *ROP2* forms, should be submitted to the Benefits manager for authority to write off the debt. **See recommendation 6.**

2.68 We sampled 6 sundry debtor cases that had been written off by Exchequer staff. Two cases that had write-offs requested by Benefits staff had *ROP2* forms correctly signed and authorised. The other 4 cases had been written off by signed memo requests from the legal section. There was a clear audit trail and management checks were undertaken at a senior level. Quarterly spreadsheets were produced providing details of all sundry debts written off during the period. These were checked and countersigned by the section manager, then further checked and authorised by the Director of Finance. This is good practice.

2.69 We sampled 7 cases that had been written off by the Benefits service. Only one case had the specified *ROP1* form completed and authorised. The other 6 cases failed to comply with the council's guidance as there were no *ROP1* forms or authorisation from the Benefits manager on file. Details of the write-off were limited to notes written on the back of case documents, initialled or signed by the individual writing off the debt.

2.70 We found that the authority to write off debts on the Benefits IT system was not restricted to the Benefits manager, and, contrary to the council's own guidance, less senior officers within the Benefits service had authorised write-offs. There were 3 cases where amounts of £2,789, £576 and £585 had been written off by Senior Benefits Officers. We do not consider it is good practice that officers at this level have the authority to write off debts of these amounts. **See recommendation 6.**

...no management checks were being carried out to identify the amount of overpayment debt being written off, and by whom.

2.71 Senior officers accepted that the council's guidance needs to be reviewed, and told us that operational requirements to get the job done had led to non-compliance.

2.72 We were concerned that within the Benefits service no management checks were being carried out to identify the amount of overpayment debt being written off, and by whom. This should be urgently rectified. **See recommendation 2.**

2.73 Figure 2.10 shows the level of overpayments written off over the last 3 years.

Fig. 2.10: HB debt written off			
	2002/03	2003/04	2004/05
	(£)	(£)	(£)
Sundry debtors	22,677	32,627	17,401
Benefits system	14,963	39,012	50,701
Total	37,640	71,639	68,102

Source: Allerdale Borough Council

2.74 The increase in write off from 2002/03 to 2003/04, and continued higher level of total debt written off during 2004/05, was due to a data cleansing exercise that had identified errors leading to overpayments and previously inactive debt.

Recovery

2.75 Allerdale Borough Council met Enabler (15) of the 3 Enablers.

2.76 The efficient and effective recovery of overpayments is important as it:

- deters fraud and error
- reduces losses to public funds
- is a visible demonstration of the council's commitment to accuracy and propriety
- is a source of revenue for the council.

2.77 Allerdale Borough Council had set a target to enable it to report against the Department's Best Value Performance Indicator 79b, which measures the percentage of overpayment recovery against the total overpayment debt. However, it had failed to set specific targets for the recovery of old and new debt. We were told that management had decided in 2003 against the use of debt collection agencies. This decision had not been formalised and was symptomatic of a lack of policies detailing which recovery methods should be used. This meant that there were no procedures or guidance to inform staff, and there was insufficient monitoring and reporting of performance to senior officers and Members. **See recommendations 5, 6, 9 and 11.**

2.78 We requested data from the council showing the level and age of all debt outstanding on both the Benefits IT system and the sundry debtors system.

2.79 Figure 2.11 shows the level of outstanding debt at 31 March 2005.

Fig. 2.11: Outstanding HB overpayments debt at 31 March 2005	
Source	Amount (£)
Sundry debtors	228,930
Benefits IT system	287,233
Total	516,163

Source: Allerdale Borough Council

2.80 The sundry debtors system showed that the amount of outstanding overpayments dating back to 1995 was £228,930. Although £17,680 of this was over 5 years old, we found that recovery action was being taken on all outstanding debts. Exchequer staff used a range of recovery methods, including court orders. In 2004/05 the council successfully applied for 160 court orders that were specific to HB overpayments.

2.81 The total debt outstanding on the Benefits IT system was £287,233 and a monthly report was generated for the Overpayments officer, detailing all cases where there was no active recovery action. However, the council was unable to extract information about the level and age of debt from the Benefits IT system without significant clerical intervention.

2.82 The Overpayments officer also used a range of recovery methods, including the Department's Debt Management. We looked at all of the 12 cases that had been passed to the Department, and found that there had been:

- no recovery in 7 cases
- partial recovery in 3 cases
- full recovery in 2 cases.

2.83 We analysed the 7 cases where there had been no recovery, and found that there had been significant delays by Debt Management taking initial action in 4 of them.

2.84 In one case, all necessary information had been provided to Debt Management in January 2004. However, in June 2004, the council was asked to provide the information again to The Pension Service. The council telephoned Debt Management monthly to check progress. In February 2005, Debt Management informed the council that there were delays because authority was required by the local Pension Service office to make third party deductions. Recovery action had still not commenced by 1 May 2005.

2.85 We were told that there were communication failures by the Department in a number of other cases which meant that the council had to telephone Debt Management monthly to check progress.

2.86 Figure 2.12 shows the recovery status in our sample of 25 cases.

Fig. 2.12: Overpayment recovery status in sample of 25 cases

Status	Number of cases	%
Fully recovered	7	28
Recovery ongoing	11	44
Written off	2	8
No ongoing recovery action	5	20
Total	25	100

Source: BFI analysis

2.87 In the 5 cases where there was no ongoing recovery, we found:

- one case that had been submitted for prosecution
- one case where the customer had appealed against the decision
- one case where there had been a 6 month delay in raising the invoice
- 2 cases where recovery was being made in respect of previous overpayments.

2.88 There were no procedures to prioritise or monitor the recovery of fraud overpayments and administrative penalties. **See recommendation 10.**

2.89 We looked at 8 cases in the period 2004/05 that had been classified as either *G-Fraud proven* or *Q-Fraud not proven* to check recovery.

2.90 Of these 8 cases, 3 had been incorrectly classified as *Q-Fraud not proven* which prevented the council from using the higher recovery rate. In each of those cases an administrative penalty had been accepted. In one of these, the overpayment and administrative penalty had been recovered in full. In the other 2, the overpayments had been recovered and there was ongoing recovery of the administrative penalties.

2.91 The Department had investigated one case involving undeclared capital, where an overpayment of £7,340 had been raised. The council had failed to determine the outcome of the investigation and had left the classification as *Q-Fraud not proven*, and had commenced recovery at the lower rate of £8.40 per week. This meant that it would take over 16 years to recover the overpayment. As the case involved undeclared capital the council should have considered invoicing for the overpayment amount.

2.92 In the remaining 4 cases, we found:

- one case that had been recovered in full
- one case that was being recovered at the higher recovery rate because fraud had been proven and the overpayment had been correctly classified as fraud
- one case where the claimant had moved and the council had made no effort to trace the customer's whereabouts
- one case where the overpayment invoice had not been paid and the council had applied for a court order.

2.93 When overpayments were passed to the sundry debtors system, there was no system facility to record the overpayment classification. This meant that Exchequer staff were unable to prioritise or monitor the recovery of fraud overpayments. **See recommendation 10.**

...a lack of strategic direction and accountability, inconsistent practices and inadequate levels of assurance had led to major failings within overpayments.

2.94 We concluded that a lack of strategic direction and accountability, inconsistent practices and inadequate levels of assurance had led to major failings within overpayments. **See recommendation 7.**

Security

Score

3.1 Allerdale Borough Council's performance met minimum requirements in its Security activities.

Security of administration

3.2 It is important that effective measures and processes are in place to deter and prevent fraud entering the system. Information supplied by claimants in support of claims to benefit must be verified and local authorities should carry out interventions to ensure that risks identified through data matching are reconciled.

Performance Measures

3.3 Figure 3.1 shows that the council exceeded its target for the number of interventions started in 2004/05. However, it failed to resolve 100% of the data matches received within 2 months of receipt and the number of intervention visits undertaken by the council had fallen well short of the Department's annual target.

Fig. 3.1: Allerdale Borough Council's Performance Measures – Security of administration

Performance Measures	Description	Standard	Performance 2004/05
PM 10	Number of interventions	2,800	3,426
PM 11	Percentage of data-matches resolved within 2 months	100%	72%
PM 12	Number of claimants visited	1,400	214

Source: Allerdale Borough Council and BFI analysis

3.15 Figure 3.3 shows that the number of investigators was constant during 2003/04 and 2004/05. However, we were told that performance had been adversely affected in 2004/05 by in-house training for 3 new staff who subsequently left.

Performance Standards Enablers

Fraud referrals

3.16 Allerdale Borough Council met Enabler (20) of the 2 Enablers.

3.17 The council provided guidance on its intranet system about what action should be taken in cases where benefit fraud was suspected. This included details of how to make a referral and the supporting information required.

3.18 The Fraud Investigation Unit had developed 2 presentations to help raise fraud awareness, one for annual refresher training and the other tailored specifically for the induction of new Benefits staff. We examined the material and found that it was effective and up-to-date.

3.19 The Fraud Investigation Unit procedures said that fraud awareness training should be delivered to Benefits staff annually and to new Benefits staff within 2 weeks of appointment. Induction training had been provided, and annual refresher training, last delivered in February 2005, had been systematically delivered over the previous 3 years.

3.20 Also, in response to an issue raised by a Member over the council's efforts to tackle fraud, a presentation had been delivered to Members in December 2004. We were told that this had helped to raise the profile of the Fraud Investigation Unit and its efforts to combat fraud.

3.21 During 2004/05, only one investigation had resulted from a telephone call to the council's fraud hotline. This points to a lack of public awareness consistent with the last publicity for the hotline having been carried out in 2002. Renewed efforts are needed to raise public awareness about the Fraud Investigation Unit and the means available to report instances of suspected benefit fraud. **See recommendation 12.**

Risk profiling referrals

3.22 Allerdale Borough Council met both Enablers (22) and (23).

3.23 In June 2004, the Fraud Investigation Unit introduced a risk-based scoring mechanism to sift fraud referrals. The referral matrix was based on a points system, which was weighted to consider different aspects of the referral. There was also provision to consider operational constraints, such as resources available, and to take account of local knowledge that could have a bearing on an investigation.

3.24 The system was reviewed in April 2005, using the outcome of investigations in 2004/05 compared with those of 2003/04. The review showed that in 2004/05, the business plan target to investigate 70% of referrals received had been exceeded, by investigating 75%. It also showed that since the introduction of the scoring matrix, those investigations closed as fraud proven had increased from 43% in 2003/04 to 47% in 2004/05.

3.25 However, in our sample of 20 closed fraud investigations, we identified 7 (35%) cases where the outcome of the investigation had been incorrectly recorded as fraud proven. If this trend were consistent across all investigations carried out, the level of successful outcomes recorded would not be as high as the fraud case management system indicated. This could have an impact on the risk assessment of referrals. **See recommendation 2.**

3.26 In addition to our sample of 20 closed fraud investigations, we looked at the clerical record of referrals that had been rejected between 1 January and 13 April 2005. Out of 28 referrals rejected, all had been scored and rejected appropriately by the Senior Fraud Officer.

3.27 The council had not appointed an Authorised Officer with extended powers under the Social Security Fraud Act 2001, but instead used the services of the National Anti-fraud Network. The *Fraud Unit Guidance and Procedures* set out the process for gathering intelligence and the requirement that all requests for information in support of an investigation were appropriately authorised.

Action on referrals

3.28 Allerdale Borough Council did not meet either of the Enablers.

3.29 The fraud case management system did not have the functionality to generate management information on the time taken to sift referrals received or the time taken to start an investigation. Nor did the Fraud Investigation Unit capture this information in any other format. This meant that it was unable to determine how quickly referrals were dealt with. However, following the on-site phase of our inspection, a spreadsheet was developed to capture this information. **See recommendation 16.**

3.30 In our sample of 20 cases, the average time taken from the receipt of a referral to sifting was 10 working days, in a range of 1 to 47 days. This excluded those referrals generated by the Department's Housing Benefit Matching Service.

3.31 The same sample showed that the average time taken to start an investigation after sifting was 13 working days in a range of 4 to 34 days.

3.32 The fraud case management system could track the progress of referrals allocated for investigation, but this had not been used. We looked at the status of the 146 investigations which were ongoing, and found that 73 (50%) were over 3 months old and included investigations dating back to June 2004. **See recommendation 16.**

3.33 When we checked the suspended claims record against the fraud database, we found that out of the 35 oldest claims where benefit payments had been suspended, 9 (25%) were ongoing fraud investigations. A lack of management checks on suspended claims compounded the failure to monitor ongoing investigations. **See recommendation 2.**

3.34 We were told that, although the Fraud Investigation Unit was complemented to operate with 2.5 full time equivalent investigators and 1.5 support staff, with the exception of February and March 2005, the unit had not been fully staffed since October 2003.

3.35 In December 2003 the Fraud Investigation Unit seconded a member of staff from the Benefits service to help out, and in 2004/05, recruited 2 new investigators. However, they both left after a short period and the seconded officer returned to the Benefits service in September 2004. The absence of clerical support had also brought increased pressure on the unit. These factors had a significant impact on the progression of investigations.

3.36 While the referral management system had streamlined the process of scoring and prioritising referrals, more consideration needs to be given to the resources available and the volume of investigations that can be undertaken. Although the target to investigate 70% of referrals had been exceeded in 2004/05, this had clearly compromised the ability of the Fraud Investigation Unit to deal with some investigations effectively.

3.37 Following our feedback, additional management checks were introduced to monitor the progress of ongoing investigations every 4 weeks.

Fraud investigators' code of conduct

3.38 Allerdale Borough Council met Enablers (26), (27), (28) and (29).

3.39 A code of conduct set out the personal responsibilities of the fraud investigators and the legal framework within which investigations must be undertaken. This was reinforced by the *Fraud Unit Guidance and Procedures*. The guidance also provided clear instructions on how to construct a fraud file under the heading *Standard Fraud File Maintenance and Evidence Handling*. The Fraud Investigation Unit constructed separate fraud files to support counter-fraud activity and the files in our sample were well set out and easy to follow.

3.40 The fraud case management system provided the facility to record case notes and these were logged in chronological order. Our sample showed that there was a clear audit trail in all but 2 cases. In one case, a note in relation to an interview was missing, but this had been identified by a management check, and in the other, the decision to prosecute the claimant had not been recorded.

...the standard of investigation work was good in most cases.

3.41 Our sample of cases showed that the standard of investigation work was good in most cases. In particular, those cases progressed to a sanction outcome demonstrated a clear understanding of legislative requirements and investigation techniques.

3.42 We identified 5 cases in our sample where better planning and preparation at the start of the investigation would have given better direction and could have opened up alternative avenues of enquiry. In one of the 5 cases, a failure to carry out background checks resulted in an investigation that was not necessary. This was symptomatic of the resource problems and the high volume of referrals accepted for investigation.

3.43 The investigators kept a record of activity and evidence gathered by maintaining individual QB50 notebooks. These records are an important part of the investigation gathering process and can be used when giving evidence in court. As part of a routine management check at the closure stage of an investigation, a full reconciliation of the fraud management case notes against the investigator's QB50 notebook was carried out.

3.52 The Department's records showed that the Senior Fraud Officer had been registered as the council's Authorised Officer for the purposes of Section 109(B) of the Social Security Administration Act 1992. All requests for information under these powers were controlled and authorised accordingly and a spreadsheet had been developed to support this. Where it was necessary to use extended powers, introduced by the Social Security Fraud Act 2001, cases were authorised by either the Senior Fraud Officer or the Benefits manager and submitted to the National Anti-fraud Network to request the information.

3.53 [REDACTED]

3.54 The Senior Fraud Officer attended the joint operational board meetings with the Department's Counter-Fraud Investigation Service. However, the council had not signed the Fraud Partnership Agreement with the Department. **See recommendation 13.**

3.55 There had been joint working at a local level. In the 2003/04 operational year, there had been 10 cases investigated jointly with the Counter-Fraud Investigation Service, which had resulted in 2 prosecutions and 3 cautions. In 2004/05, those cases conducted jointly increased to 15, resulting in one administrative penalty, with 10 of those cases ongoing at the time of our inspection and 2 cases awaiting a court hearing.

3.56 However, there was a need to develop closer working initiatives, in particular the need for the council to participate in proactive initiatives from the outset and therefore provide the opportunity to share information more readily.

3.57 Our analysis of the QB64 register highlighted 9 cases in 2004/05 where sanctions undertaken by the Counter-Fraud Investigation Service had not involved the council's Fraud Investigation Unit. We also found 9 other potential cases where an invitation for the council to attend a joint interview under caution could not be taken up because of other operational commitments.

3.58 The *Fraud Unit Guidance and Procedures* set out instructions for making requests for information held by the Inland Revenue, through the Counter-Fraud Investigation Service. However, we were told that there were no cases where this action had been required.

Sanctions

3.59 This section reports on the arrangements for the application of sanctions against benefit fraudsters.

Performance Measures

3.60 Figure 3.4 shows that the Fraud Investigation Unit had maintained its performance over the last 2 operational years, achieving 20 sanction cases in 2003/04 and 21 in 2004/2005.

Fig. 3.4: Allerdale Borough Council's Performance Measures – Sanctions

Performance Measure	Description	Performance 2003/04	Performance 2004/05
PM 16	Number of successful sanctions per 1,000 caseload	2.38	2.38

Source: Allerdale Borough Council

3.61 Figure 3.5 shows the type of sanction applied over the last 2 operational years and the caseload used to report this Performance Measure.

Fig. 3.5: Allerdale Borough Council – Sanction by type

	2003/04	2004/05
HB/CTB caseload	8,400	8,800
Cautions offered and accepted	1	4
Administrative penalties offered and accepted	8	13
Successful prosecutions	11	4
Total	20	21

Source: Allerdale Borough Council

3.62 In 2004/05 there was a marked drop in the number of successful prosecutions achieved, set against an increase in the number of cautions and administrative penalties offered and accepted.

Performance Standards Enablers

A balanced sanctions policy

3.63 Allerdale Borough Council met Enablers (36) and (37) of the 3 Enablers.

3.64 The council had a *Housing and Council Tax Benefit Prosecution Policy*. The policy said that, where there was sufficient evidence to sustain a prosecution, the council would consider whether or not it was in the public interest to prosecute.

3.65 The policy incorporated a 10-point guide outlining public interest factors that should always be considered. It also said where a person refused an administrative penalty or a caution then they should be prosecuted.

3.66 The council's prosecution policy did not specify the level of overpayment to be taken into account when considering a prosecution or the offer an administrative penalty or caution. However, it said that due consideration should be given to the overall loss to public funds. In cases that had been conducted jointly with the Counter-Fraud Investigation Service, the council adopted the thresholds applied by the Department.

3.67 The *Fraud Unit Guidance and Procedures* said that those cases considered for caution or administrative penalty should be agreed by the Benefits manager and cases recommended for prosecution should be authorised by the Borough Solicitor.

3.68 Our sample contained one case that resulted in a successful prosecution, 2 cases where a caution was offered and accepted and 2 cases where an administrative penalty was offered and accepted.

3.69 The council's prosecution policy had not been applied consistently. In the prosecution case, where there were no aggravating factors, a conviction was obtained where the overpayment was £2,475, but in those cases where an administrative penalty was accepted, the overpayment was £12,813 in one case, and £2,275 in the other. **See recommendation 6.**

3.70 In one case where the administrative penalty was accepted, the interviewing officer had failed to establish any fraudulent intent by the claimant during the interview under caution, which brought into question the offer of a sanction in the first place.

3.71 We analysed a separate sample of 10 overpayment cases identified from the fraud management system and found another example where an administrative penalty had been offered and accepted, but the level of the overpayment was greater than 2 other cases that were prosecuted. Had this case been appropriate for joint working with the Counter-Fraud Investigation Service, then the outcome, by adopting the Department's prosecution policy, would have been a prosecution.

3.72 While there had been no instances where a caution or administrative penalty had been refused and the case was referred for prosecution, there were clear instructions that said that where this occurred, the first consideration should be prosecution. We also found 3 cases where the council had instigated proceedings where there was sufficient evidence to sustain a conviction, even though in each case the claimant had refused to be interviewed.

3.73 The *Fraud Unit Guidance and Procedures* clearly said that a check on previous sanctions and convictions must be carried out when considering the offer of an administrative penalty or caution. Our sample showed that this was carried out in all but one case. In this isolated case, the decision to prosecute was taken because the claimant had failed to attend any interviews but the decision to offer a caution was later taken by the council's legal representative when the case was in court.

User focus

Score

4.1 Allerdale Borough Council's performance met minimum requirements in its User focus activities.

Take-up

4.2 Local authorities have a role in encouraging take-up of benefits. This work may be most effective as part of a wider anti-poverty strategy.

Performance Standards Enablers

4.3 Allerdale Borough Council did not meet either of the 2 Enablers.

4.4 The council did not have a specific strategy for benefit take-up, although it did have a *Benefits Section Service Plan 2004/2005* and a *Service Development Plan - Revenues Service 2004/5* which said that the council had helped people to claim the benefits that they were entitled to. However, neither plan contained details of how the council intended to target people on low income, or the measures that it intended to put in place to encourage the take-up of HB/CTB. **See recommendation 6.**

4.5 Although there was no benefit take-up strategy, the council had worked informally with The Pension Service since April 2002 to identify customers who may be eligible for benefit, and undertaken a joint benefit take-up campaign with the Department.

4.6 The council had also submitted a joint bid to the Department, in partnership with several neighbouring local authorities, for funding to recruit and train a benefit take-up officer and clerical support. On 11 April 2005 the bid was partially and conditionally accepted.

4.7 By not having a specific strategy or plan that covered all issues of customer service, including access to and the availability of advice, the council had missed the opportunity to:

- ensure that customers who may be eligible for benefit were encouraged to make claims
- measure how successful it had been in encouraging claims to benefit
- target those customers in the community that require further assistance.

Customer service

4.8 Customer service is important. Local authorities should aim to:

- deliver modern, efficient and secure customer-focused public services, and empower individuals to influence them
- reduce barriers to work, particularly in relation to benefit and rent policy
- support vulnerable people and tackle all forms of social exclusion, including bad housing, homelessness, poverty, crime and poor health
- ensure that customers are not deterred from claiming because the Benefits service does not address their particular need
- make sure that relationships with stakeholders support good customer service while reducing administrative costs and fraud and error.

Performance Standards Enablers

Accessibility

4.9 Allerdale Borough Council did not meet either of the 2 Enablers.

4.10 The Benefits service was accessible to customers for 37.75 hours a week by telephone, e-mail or by visiting the council's office at Allerdale House. It also provided a range of facilities such as Language Line, sign language interviews and area offices to enhance customer access. However, it did not have a textphone, and housing associations told us that they were unable to contact the Benefits service on Wednesday mornings when it was closed to the public. This was reflected in one of the council's surveys when a third of respondents stated that its opening hours were inconvenient.

See recommendation 14.

4.11 Since March 2004, the council had conducted several customer surveys to review the service it provided. None of the surveys specifically asked about the availability of public transport to council offices, and how it affected customer service. However, the *Best Value Performance Indicators Benefit Claimants Satisfaction Survey* identified that only 54% of respondents found that it was easy for them to get to their local Benefits office. This is not acceptable, and the council should review the accessibility of the service it provides.

4.12 Allerdale Borough Council had not met its obligations under either the Race Relations Act 1976, as amended by the Race Relations (Amendment) Act 2000, or the Disability Discrimination Act 1995 and Disability Discrimination Act 1999, because when reviewing the service it provided, it failed to:

- monitor its existing policies for impact on race equality
- assess and consult on the impact of proposed policies on race equality
- publish the results of its assessments, consultation and monitoring of policies
- undertake a full building access survey.

Partnership working

4.22 Allerdale Borough Council met Enabler (45) of the 3 Enablers.

4.23 The council had service level agreements that met the requirements of the relevant national models with most of the organisations connected with its Benefits service, and kept comprehensive records of meetings with these organisations.

4.24 Although the council worked with the Department's Debt Management to recover benefit overpayments, there was no service level agreement with this organisation. We were told that the council had made efforts to develop this relationship, but there had been limited progress.

See recommendation 15.

4.25 We also found that the council did not have a service level agreement with the Appeals Service, and that there had been no provision for user group meetings since the Service moved location in April 2003. The council had made no effort to rectify this, nor to ensure that regular contact was maintained. For example, it had not sent a representative to a local council liaison meeting held on 19 September 2004. **See recommendation 15.**

4.26 Housing associations told us that they had good working relationships with the council, and that there were formalised working arrangements, with regular meetings held every 3 to 4 months. Although the council held quarterly liaison meetings with Citizens Advice, there were no formalised working arrangements with this organisation. **See recommendation 15.**

Appeals and complaints

4.27 Local authorities need to ensure that they:

- deal with complaints promptly and that the complainant is given an informative explanation, and if appropriate, an apology and rectification
- resolve disputes as quickly as possible
- use management information to inform the effectiveness of their handling of disputes and appeals
- undertake analysis to identify trends and address common failures.

Performance Measures

4.28 Prior to the introduction of revised Performance Standards in April 2005, there was no requirement to keep data on the processing time for requests for reconsideration. We cannot therefore comment on the council's performance against this new Performance Measure and so have allocated it a score of one.

4.29 Figure 4.1 shows the council's record for processing requests for reconsiderations and appeals during 2003/04 and 2004/05.

Fig. 4.1: Allerdale Borough Council's Performance Measures – Reconsiderations and Appeals

Performance Measure	Description	Standard %	2003/04 %	2004/05 %
PM 17	Percentage of requests for reconsideration actioned and notified within 4 weeks	65	No data available	No data available
PM 18	Percentage of appeals submitted to the Appeals Service in 4 weeks	65	0	67
PM 19	Percentage of appeals submitted to the Appeals Service (including those in PM18) in 3 months	95	33	92

Source: Allerdale Borough Council

4.30 We looked at the 3 appeals received by the council in 2003/04, and found that its performance in processing and submitting them to the Appeals Service was poor. None were submitted within 4 weeks, and only one was submitted within 3 months of the date *duly made*. However, in 2004/05 when the council processed and submitted 12 appeals to the Appeals Service, its performance improved, exceeding Performance Measure (18) and narrowly failing to meet Performance Measure (19).

Performance Standards Enablers

Appeals

4.31 Allerdale Borough Council met Enabler (48) of the 2 Enablers.

4.32 The council had one nominated officer who was responsible for processing appeal submissions.

4.33 Although there was a local practice in place for other officers to process requests for reconsideration, no one had specific responsibility for these tasks recorded in their job descriptions. **See recommendation 18.**

4.34 We found that none of the staff who presented appeals on behalf of the council had had formal training, including the Appeals Officer who had undertaken the role for over 3 years. Formal training should be provided to all staff who are responsible for dealing with disputes, requests for reconsideration and appeals. **See recommendation 18.**

4.35 In 2004/05, the council was notified about 7 appeals tribunal decisions, 3 of which were implemented on the same day. Overall, 6 decisions were implemented within 3 days, which is good practice.

Complaints

4.36 Allerdale Borough Council did not meet the Enabler.

4.37 We found that the council had set targets and had a well-established, corporate process to record, monitor, and ensure the progress of those complaints that were recorded. However, there was no formal process to ensure that remedial action was taken to address the causes of complaints. The guidance available did not provide staff with a definition of what constituted a complaint or what types of complaints should be formally recorded. As a result the council was missing the opportunity to get feedback from the customers' perspective. **See recommendation 5.**

4.38 Advice and guidance on complaints was provided on the council's website and in a booklet. However, the booklet was not on display in the Benefits service's reception area at Allerdale House during the on-site phase of the inspection.

Resource management

Score

5.1 Allerdale Borough Council's performance met minimum requirements in its Resource management activities.

Strategic management

5.2 Benefits administration has to be set within the much broader context of a local authority's overall strategies and responsibilities. Members, managers and staff should therefore have a clear sense of direction, purpose and focus for their work. Members and senior officers should also have assurance that HB and CTB administration is effective and secure.

Performance Standards Enablers

Managing the Benefits service

5.3 Allerdale Borough Council met none of the 3 Enablers.

5.4 The council published targets for performance against the relevant Best Value Performance Indicators in its *Best Value Performance Plan* 2004/05. Targets and objectives were also specified in the Benefits service's *Service Plan* for 2004/05 and some staff had targets set out in their work objectives. However, some of the targets used in these documents differed. The minutes of team meetings did not clearly record performance achievements, and the notice board located in the Benefits service, which was intended to inform staff about performance against targets, had not been kept up-to-date for several months. In our interviews with staff and managers, we found different opinions about what the targets were. Although the need to improve performance in general was well understood within the Benefits service, the targets were not well communicated and there was a lack of awareness about what specific performance levels were required.

5.5 We were concerned that the level at which some of the targets were set did not provide a realistic baseline for performance. For example, in 2003/04 new claims to benefit were cleared in an average of 55 days but a target was set to clear these cases in 35 days during 2004/05. Performance improved to 46 days during 2004/05, but the council was aware that there was a risk of performance dipping following the implementation of the new IT system during 2005/06. Despite this, the target in the draft *Service Plan* for 2005/06 was again set at 35 days. It would have been more realistic and manageable to set a stretching, but achievable target for 2005/06, given the known serious risks to performance during that year.

5.6 Senior officers and Members were informed of performance against the published targets in the *Best Value Performance Plan* through the issue of quarterly *High Level Reports* and half-yearly updates to the Corporate Management Team. The Director of Finance also gave monthly updates on improvement activity. However, these documents were not used within the Benefits service to communicate performance issues to staff. In addition, delivery of the operational objectives in the *Service Plan* were not formally monitored, and there were no action plans in place to define responsibility and delivery dates for these objectives.

5.7 The Senior Fraud Officer had provided the Head of Revenues and Benefits with details of sanctions achieved and the success rate of investigations carried out. However, this ceased in October 2004, when the Head of Revenues and Benefits left. This meant that, at the time of our inspection, the performance of the Fraud Investigation Unit had not been reported to the Corporate Management Team for over 6 months.

5.8 The Benefits Manager was seconded to the replacement Benefits IT system implementation project in April 2003. The council failed to adequately devolve the Benefits manager's responsibilities to other officers, which led to the management of the Benefits service being under-resourced. Although enthusiasm for, and active delivery of improvement was clearly evident, the development of formal plans identifying responsibility, risk, implementation dates and expected outcomes would have provided a more structured approach that was more easily monitored and communicated. In recognition of this, the council appointed a new strategic manager in December 2004 and advertised two additional supervisor posts. It is essential that the roles and responsibilities of all managers in the Benefits service are clearly defined.

5.9 The Audit Commission said in its Annual Audit Letter of 2002/03 that risk management was well developed at the corporate level, but that the risk management approach had not fully permeated to other levels of the organisation. We found that risk management was still not fully implemented at the operational level. Risks had been identified, but mitigation plans were not in place. The council's disaster recovery plan was not comprehensive, for example, it did not cover telephony services, and there was no continuity plan for the Benefits service. We also found that the replacement Benefits IT project risk plan had not been kept up to date. However, at the time of the on-site phase of our inspection, the council was waiting for a report from external consultants to advise on the risks associated with the implementation of the new Benefits IT system. This demonstrated the council's commitment to address the implementation delays and should provide a basis for ongoing risk management in an area of critical importance for the Benefits service.

See recommendation 19.

Monitoring performance

5.10 Allerdale Borough Council met Enabler (54) of the 2 Enablers.

5.11 The Department told us that it received management information from the council on time and that there were no outstanding accuracy issues. The Audit Commission found no errors in the accuracy of Best Value Performance Indicators, apart from the rounding of some numbers. However, in our sample of 30 new claims, we found 5 cases where the wrong date of receipt had been used and 4 cases where changes of circumstances had been incorrectly recorded as new claims. These errors affected the accuracy of the management information.

5.12 Management information was being used to identify those areas where targets were not being achieved. Also, there was commitment within the Benefits service to use the information to identify and implement improvements. Outstanding claims over 50 days old were examined to establish the reasons for delays and management information was used on a daily basis to manage workflow and resource. Three improvement projects, covering Benefits processes, staff issues and Benefits IT replacement, were also ongoing.

Providing for a skilled and competent workforce

5.13 Allerdale Borough Council met Enabler (55) of the 2 Enablers.

5.14 The council had effective corporate policies and procedures covering recruitment, induction, training, code of conduct, declarations of interest, retention and diversity and it had achieved Investors in People status in 2002. We were told that although the Benefits service was late in delivering its performance appraisal reports in 2004/05 due to management resource issues, in general the policies and procedures worked well.

The Benefits service had a well-structured and effectively maintained training programme for new entrants and experienced staff.

5.15 The Benefits service had a well-structured and effectively maintained training programme for both new entrants and experienced staff. Procedural guidance, covering all areas of benefits administration, was also available to staff. However, we found some confusion and lack of awareness among staff dealing with overpayments, where refresher training and a review of guidance to provide step-by-step procedures were needed.

