

Report by the
Benefit Fraud Inspectorate

***Bath & North East Somerset
Council***

July 2006

Highlighted parts of this report are omitted from the published version as they may assist fraudsters or may contain confidential commercial information.

Copies of BFI reports are available from:

DWP Information Centre
Room 114
The Adelphi
1 – 11 John Adam Street
London
WC2N 6HT

Tel: 020 7962 8176
Fax: 020 7962 8491

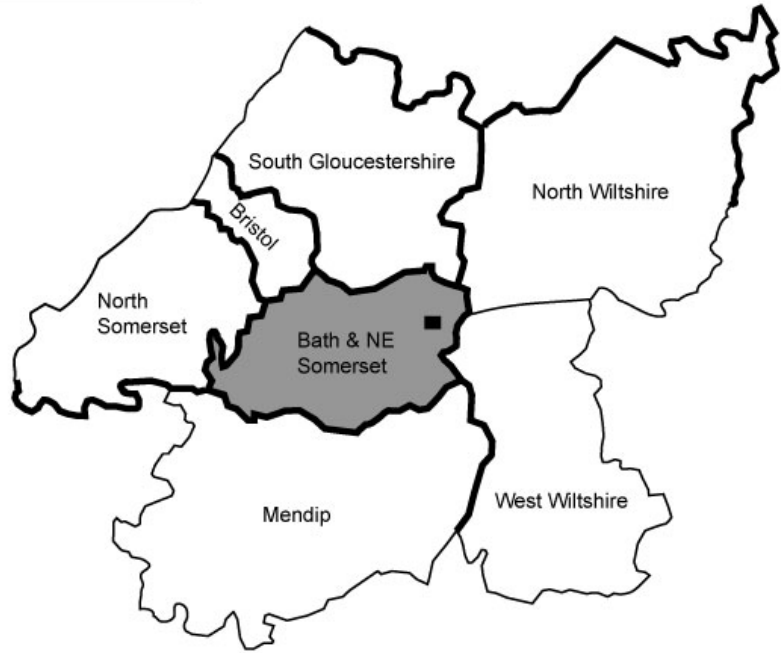
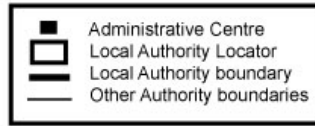
You can also e-mail requests to
bfi-distribution@dwpgsi.gov.uk

BFI reports are also available from the internet at
<http://www.bfi.gov.uk>

Contents

<i>Executive summary</i>	1
Background	2
Overall performance	4
Summary of recommendations	8
<i>BFI findings</i>	11
<i>Claims administration</i>	13
Claims processing	13
Quality and reducing error	20
Overpayments	22
<i>Security</i>	27
Security of administration	27
Counter-fraud activities	29
Sanctions	35
<i>User focus</i>	39
Take-up	39
Customer service	40
Appeals and complaints	43
<i>Resource management</i>	47
Strategic management	47
Value for money	49
Assurance	51

The maps on this page show the area covered by Bath & North East Somerset Council in relation to neighbouring authorities, and its geographical location in the country.



Executive summary

1.1 This report assesses Bath & North East Somerset Council's administration of Housing Benefit (HB) and Council Tax Benefit (CTB) against the Performance Standards. This report 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 The Performance Standards underpin the effective and secure delivery of HB and CTB, and provide a framework for a modern, efficient, effective, secure and customer-focused service.

1.3 The Performance Standards are divided into 4 themes:

- Claims administration
- Security
- User focus
- Resource management.

1.4 Each theme is made up of:

- performance measures that set out the Department's expected levels of performance and outcomes
- enablers that reflect the strategies, policies, practices and processes that should be in place to ensure good performance and conformity with legislation.

1.5 A scoring methodology is used to give:

- increased weighting to those parts of the Performance Standards that underpin delivery of the Department's Public Service Agreement targets for improving the speed of processing new HB and CTB claims and reducing the level of fraud and error
- recognition for partial achievement against the Standards set for the performance measures.

1.6 Where a Standard has been set for a performance measure, it represents the level of performance the Department expects all councils to deliver.

Background

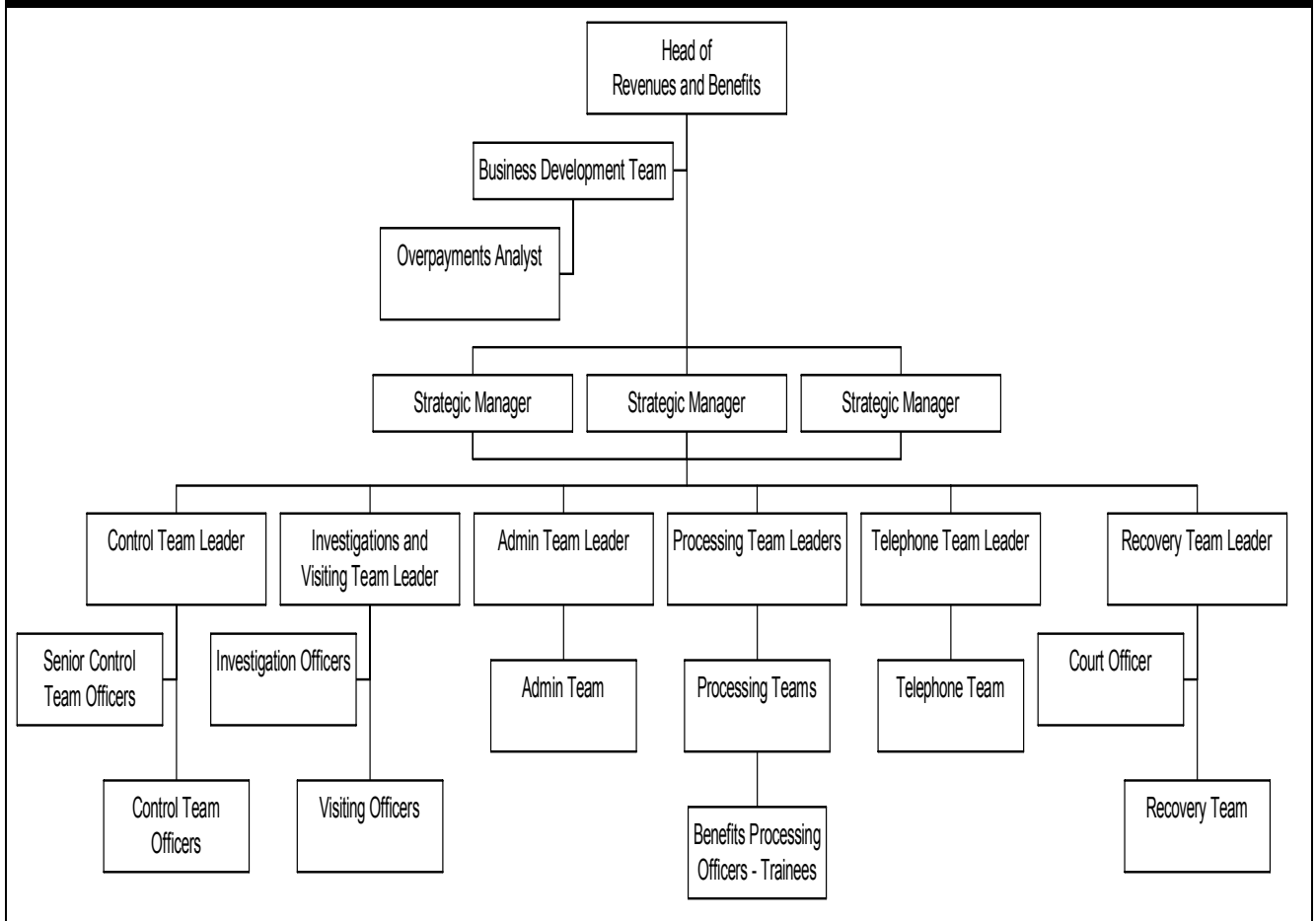
1.7 Bath & North East Somerset Council was originally selected for a Security focused inspection because in 2004/05, it had applied very few sanctions against fraudsters. During the initial on-site phase of the inspection in January 2006, BFI was asked by the Chief Executive to extend the scope of the inspection to cover all aspects of the Benefits service. We subsequently returned to the council in March and April 2006 to complete a full inspection.

1.8 In 2004/05, the council's HB and CTB expenditure was £34.7 million paid to 11,400 customers. This represented 10% of the council's gross revenue expenditure of £355 million.

1.9 The Revenues and Benefits Service is part of the Resources Directorate. The Head of Revenues and Benefits is responsible for the day-to-day management of the Benefits service and reports to the Director of Resources.

1.10 Figure 1.1 shows the organisational structure within the Revenues and Benefits Service.

Fig. 1.1: Revenues and Benefits Service



Source: Bath & North East Somerset Council

1.11 The Benefits service is located in the council's office in Bath city centre. In addition it has 3 customer service outlets to deal with all face-to-face enquiries located in:

- The Guildhall, Bath
- The Town Hall, Keynsham
- The Hollies, Midsomer Norton.

1.12 Bath & North East Somerset Council told us that it had been in a backlog situation from 1999 to March 2006. The situation became worse in 2002/03 following the introduction of a document management system, the merger of Revenues and Benefits Services, long-term staff absences and the gradual loss of experienced Benefits staff to front line services. In addition, during 2003/04 a new Benefits IT system was introduced and the council implemented the Verification Framework.

1.13 Following a request to the Overview and Scrutiny Panel, additional external contract staff were hired and deployed in July 2004, by which time the backlog of work had been ring-fenced for clearance. Although the work was cleared within a 3-month period, the number of permanent staff was insufficient to deal with the volume of incoming work, and a new backlog quickly developed.

1.14 At its peak in February 2005, over 13,500 items of work were outstanding. The council had experimented with a pre-assessment section in an attempt to gather information from incomplete claims promptly. However, it had decided to disband the section because claims were being double-handled.

1.15 The council recognised in September 2005, that a more permanent solution was needed, and used the results from a Chartered Institute of Public Finance and Accounting benchmarking exercise to identify the necessary staffing levels.

1.16 Following recommendations from the Overview and Scrutiny Panel, the council recruited 7 additional permanent staff. This represented a 50% increase on the existing staffing level of 14 Benefits processors. This had a positive effect on the volumes of outstanding work and reported performance.

1.17 Our work to establish the effectiveness of Bath & North East Somerset Council's performance included:

- analysing management information
- examining policies and procedures
- observing customer services at all 3 customer service outlets
- discussions with:
 - staff and managers
 - internal and external auditors
 - external stakeholders
- selecting and analysing a random sample of:
 - 30 new claims
 - 15 changes of circumstances
 - 20 cases where an overpayment had occurred
 - 10 cases where an overpayment had been written-off

- 10 cases where an overpayment had been referred to the sundry debt team for recovery
- 30 fraud cases accepted for investigation.

1.18 Bath & North East Somerset Council agreed that the findings from our examination of these cases were representative of its caseload for the periods of the samples and that no further sampling was necessary.

1.19 We are grateful to Bath & North East Somerset Council for its help and cooperation throughout this inspection.

Overall performance

1.20 Bath and North East Somerset Council had struggled in the 6 years before our inspection to clear significant backlogs of work. Following the appointment of 7(50%) additional processing staff, the processing of new claims had improved from an average of 56 days in the first quarter of 2005/06 to 36 days in the fourth quarter of that year. This improvement was also reflected in processing changes of circumstances where performance had improved from 42 days to 19 days in the same period.

1.21 The council acknowledged that it had focused most of its efforts on clearing the backlog of new claims but this had been to the detriment of other aspects of the Benefits service where poor performance had gone unchecked.

1.22 Efforts to counter fraud were ineffective. Cases referred for investigation were not being sifted and prioritised to ensure that only those with the best chances of success were pursued. This together with poor investigation techniques and a lack of management intervention and control had resulted in few successful investigations or sanctions being applied.

1.23 Very limited Internal Audit activity and a lack of effective strategic management and control of aspects of the Benefits service meant that Members and senior managers had only limited assurance on the performance of the Benefits service. We were particularly concerned that a number of significant internal security risks had not been identified or dealt with.

1.24 However, the council reacted positively to our findings and took immediate steps to address a number of the issues that we raised.

Claims administration

1.25 Performance for the average speed of processing new claims had shown an improvement from 56 days in the first quarter of 2005/06 to 36 days by the fourth quarter.

1.26 Our sampling clearly showed that, whilst the council had been in a backlog situation, there were delays at key stages of processing claims. The impact was made worse because the council had not prioritised the most urgent cases. For example, delays in referring cases to the Rent Officer meant that the council was failing to meet its statutory obligations. Failure to prioritise changes of circumstances that would lead to a reduction or cessation of benefits resulted in an increase in the number and amount of overpayments. However, as the performance for the fourth quarter of 2005/06 demonstrated overall processing

times were improving, which could only have been achieved if delays at key stages were also decreasing.

1.27 There were a number of weaknesses in the overpayments process. Our sample of 23 overpayment cases showed 13 (57%) had errors in either the calculation or classification of the overpayments. We were therefore concerned that this level of error may impact on the accuracy of the council's subsidy claim.

1.28 [REDACTED]

Security

1.29 There were significant weaknesses in the council's counter-fraud activities. The lack of an effective referral form for staff to use and no dedicated fraud hotline staffed during office hours, for the public to report suspected fraud, had resulted in a lack of good quality referrals.

1.30 The council was also failing to action referrals effectively. It was not using its risk profiling system to sift out poor quality referrals. This resulted in most referrals being accepted for investigation even if the risk profile indicated that they should not be investigated. Only 40% of the cases we examined should have been accepted for investigation. This is a poor use of investigative resources. In addition, there were long delays in beginning investigative work on referrals and the progress of investigation was not monitored.

1.31 There was a number of instances where the council had failed to comply with legislation or its own prosecution policy in the way it had undertaken investigations and sanction activity.

1.32 Interviews under caution complied with the Police and Criminal Evidence Act 1984 Code of Practice. However, we found 3 cases where an interview under caution would have been appropriate but was not undertaken.

1.33 [REDACTED]

1.34 The use of Authorised Officers powers was not monitored or controlled. Letters to employers requesting information did not identify the authorised officer making the request or the legislation under which the request was being made. Investigators were also able to make and authorise their own enquiries to the National Anti-Fraud Network, providing them with uncontrolled access to potentially intrusive avenues of investigation.

1.35 The council's prosecution policy did not provide clear guidance on a number of issues. These included how the public interest test or other mitigating factors should be taken into account, or the circumstances in which

1.43 We concluded that reasonable steps had not been taken to assure the quality and security of the Benefits service.

Summary of recommendations

1.44 The following tables list the recommendations we have made in this report in priority order.

Recommendations		
High priority		
We recommend that Bath & North East Somerset Council:		Paragraph
1	<ul style="list-style-type: none"> • carries out a comprehensive risk assessment of its IT security arrangements to ensure that: <ul style="list-style-type: none"> ○ XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX ○ there is adequate segregation of duties ○ debt is written off in accordance with procedures. 	2.87, 5.43
2	<ul style="list-style-type: none"> • improves performance in key areas of claims administration by: <ul style="list-style-type: none"> ○ making a decision on new claims within 14 days of receiving all information ○ actioning changes of circumstances within 9 days of receipt ○ requesting any additional information promptly and concurrently from the customer and any third parties ○ prioritising changes of circumstances that may result in a reduction or cessation of benefit ○ prioritising extended payments and claims from people moving into work ○ ensuring referrals are made to The Rent Service in accordance with legislation ○ ensuring its staff fully comply with the requirements of the Verification Framework. 	2.12, 2.13 2.20, 2.39 2.43, 2.71 3.15
3	<ul style="list-style-type: none"> • develops and ensures staff comply with, procedural guidance for administering sanctions and reviews its prosecution policy to ensure it describes: <ul style="list-style-type: none"> ○ key roles and responsibilities ○ legislation under which prosecutions will be pursued ○ how public interest or other mitigating factors will be taken into account ○ the circumstances in which a formal caution or an administrative penalty might be appropriate ○ the need to check for previous convictions before issuing sanctions. 	3.53, 3.67 3.68, 3.70

High priority		
We recommend that Bath & North East Somerset Council:		Paragraph
4	<ul style="list-style-type: none"> • maximises and improves the quality of fraud referrals from key sources by: <ul style="list-style-type: none"> ○ introducing a referral form that requires as a minimum details of the suspect and type of alleged fraud ○ developing a programme of fraud awareness training for all staff ○ developing a dedicated fraud hotline which is staffed during working hours ○ XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX. 	3.25, 3.59
5	<ul style="list-style-type: none"> • reviews the management, control and security of its counter-fraud function by: <ul style="list-style-type: none"> ○ monitoring the use of Authorised Officer powers ○ introducing safeguards to ensure compliance with the Regulation of Investigatory Powers Act 2000 Code of Practice ○ ensuring a comprehensive audit trail for investigations, correct recording of informal interviews and retention of evidence ○ providing a discrete and secure operating environment for its counter-fraud team ○ reviewing the procedures for interviewing suspects under caution and transcribing taped interviews. 	3.42, 3.43 3.44, 3.45 3.46, 3.47 3.48, 3.51 3.56, 3.57
6	<ul style="list-style-type: none"> • sets and monitors targets to reduce the level and age of debt. 	2.96, 5.7
7	<ul style="list-style-type: none"> • enhances its management checking arrangements to include regular checks on: <ul style="list-style-type: none"> ○ current and closed investigations ○ QB50 notebooks ○ overpayment debt written off. 	2.67, 2.87 3.37, 3.55
8	<ul style="list-style-type: none"> • ensures that the best use is made of trained counter-fraud resources by: <ul style="list-style-type: none"> ○ improving its scoring and sift criteria ○ setting stretching targets for sifting referrals and commencing investigations. 	3.30, 3.36

High priority		
We recommend that Bath & North East Somerset Council:		Paragraph
9	<ul style="list-style-type: none"> • ensures that management information, performance and subsidy claims are reported accurately by: <ul style="list-style-type: none"> ○ validating the Performance Standards self-assessment ○ undertaking a sample check on quarterly performance measure data ○ calculating and classifying overpayments correctly. 	2.78, 5.16 5.17, 5.52
10	<ul style="list-style-type: none"> • ensures that recommendations from both Internal and External Audit are regularly monitored and addressed within agreed timescales. 	5.58

Medium priority		
We recommend that Bath & North East Somerset Council:		Paragraph
11	<ul style="list-style-type: none"> • monitors and analyses cases where further information is required to identify and act on any weaknesses. 	2.11
12	<ul style="list-style-type: none"> • develops a structured training programme which: <ul style="list-style-type: none"> ○ recognises different skill bases for all areas of Benefits administration ○ is informed by information from management checks. 	2.66, 5.22
13	<ul style="list-style-type: none"> • ensures that any request for reconsideration, review or appeal are dealt with in a timely way. 	4.38
14	<ul style="list-style-type: none"> • enhances its written notifications, where appropriate, to inform the customer why an overpayment is recoverable. 	2.80

BFI findings

Claims administration

2.1 HB and CTB payments help people on low incomes. As these groups of people are vulnerable, their claims should be dealt with quickly and accurately. Additionally, when overpayments occur councils should operate effective procedures for the management and recovery of HB and CTB debt.

2.2 The council achieved Standard in 2 of the 6 performance measures, for which a Standard had been set, and met 6 of the 16 enablers for Claims administration.

Claims processing

2.3 This section reports on the council's performance in processing new claims and changes of circumstances.

Performance measures

2.4 Figure 2.1 shows Bath & North East Somerset Council's reported performance for 2004/05 and 2005/06.

Fig. 2.1: Performance measures – claims processing

Performance Measure	Description	Standard	Performance 2004/05	Performance 2005/06
PM 1	Average time for processing new claims	36 days	51 days	48 days
PM 2	% of new claims outstanding over 50 days	10 %	No data available	13%
PM 3	% new claims decided within 14 days of receiving all information	90%	71%	74%
PM 4	% of rent allowance claims paid on time or within 7 days of a decision being made	90%	No data available	95%
PM 5	Average time for processing changes of circumstances	9 days	20 days	55 days

Source: Bath & North East Somerset Council

Average time for processing new claims

2.5 This Performance measure (PM1) requires a council to measure and report the average time for processing new claims and sets a target of 36 calendar days. This target measures the time taken to process a claim from the date the claim is received at a designated office to the date a decision is made by the council.

2.6 The council's reported average time to process new claims at the end of 2004/05 was 51 days. Although we were concerned to find that performance had deteriorated during the first 2 quarters of 2005/06, Figure 2.2 shows performance had improved significantly and was at Standard by quarter 4.

Fig. 2.2: Speed of processing new claims				
Performance Measure	Quarter 1 2005/06	Quarter 2 2005/06	Quarter 3 2005/06	Quarter 4 2005/06
Average time for processing new claims	56	57	47	36

Source: Bath & North East Somerset Council

2.7 These figures were taken directly from the council's Benefits IT system before any clerical adjustments had been made. We discuss the validation of reported performance under *Data validation*, in the Resource management section of this report.

2.8 We analysed a sample of 30 new claims decided between 1 April and 30 November 2005, and found that 2 (7%) should not have been recorded as new claims as they were changes of circumstances. To complete our sample we selected an additional 2 cases.

2.9 To validate reported performance and identify where delays were occurring, we analysed our sample of 30 new claims and identified the time taken for each stage in the new claims process. Our findings are shown in Figure 2.3.

Fig. 2.3: New claims processing – number of days taken for each stage in the process		
Work step	Average days	Range of days
Date of receipt at designated office to date of first action	22	1 – 60
Date of first action to date all information or evidence available	13	1 – 85
Date of all information or evidence available to date of decision	22	1 – 63
Total days from date claim received to date of decision	49	15 – 101
Date of decision to date of payment	4	1 – 8

Source: BFI analysis

2.10 Only 9 (30%) of the 30 new claims were decided within 36 days and on average, new claims in the sample were decided within 49 days, which was in line with the council's 2005/06 performance of 48 days. We found that there were significant delays at each stage of the new claims process.

2.11 In 19 (63%) of the 30 new claims the customer had failed to provide all the supporting evidence to enable the claim to be assessed at the point of first contact. The council needs to monitor and analyse cases where further information is requested to establish why customers do not provide the required information and evidence with their claim. **(See Recommendation 11).**

2.12 The council accepted an Initial Claim Form as an indication of a customer's intention to claim benefit. On completion the customer was issued with a claim form and advised to return it within 28 days, along with any supporting evidence. We found 4 (13%) cases where this approach had been used but were concerned that, on average, it was 28 days before a fully completed claim form was returned. **(See Recommendation 2).**

2.13 Long delays occurred when cases were referred to the Rent Officer. Our sample showed an average delay of 38 days to make the referral. This meant that the council was not meeting its statutory obligations to make a Rent Officer referral within 3 days of receipt of a claim, or as soon as practicable thereafter. However, we noted that decisions returned from the Rent Officer were implemented promptly. **(See Recommendation 2).**

2.14 We also found that the council had made a payment on account in each of the 9 appropriate cases within, on average, 10 days of all information being received.

2.15 It is important to note that our sample of new claims was taken from claims decided whilst the council was in a backlog situation. As overall claims processing times had improved to 36 days by the fourth quarter of 2005/06, it is reasonable to assume that corresponding reductions would have been achieved in the delays at each stage of the process.

Percentage of new claims outstanding over 50 days

2.16 This Performance measure (PM2) was introduced in April 2005 and councils were not required to report performance against this measure before that date. The council told us that 13% of its new claims were outstanding for over 50 days on 31 March 2006.

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

2.17 A council has a statutory duty to make a decision on claims within 14 days of receiving all of the necessary information, or as soon as practicable thereafter. Performance Standards require a council to meet this requirement in 90% of new claims decided.

2.18 In 2004/05 the council reported that 71% of claims had been decided within 14 days of receiving all information. The council's performance of 74% for 2005/06 meant that performance was still significantly below Standard and firmly rooted in the bottom quartile.

2.19 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 2.4.

Fig. 2.4: Percentage of new claims decided within 14 days of receiving all information

Days	Number	%
0 – 14	13	44
15 – 28	10	33
Over 28	7	23
Total	30	100

Source: BFI analysis

2.20 We were very concerned that 17 (57%) cases in our sample took longer than 14 days to decide. The average processing time for these cases was 28 days, including one case that had taken 63 days. This is poor performance and meant that the council was failing to meet its statutory obligations. **(See Recommendation 2).**

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

2.21 This Performance measure (PM4) was introduced in April 2005 and councils were not required to report performance against this measure before that date. The council's told us that its performance for 2005/06 against this measure was 95%.

2.22 Although we found that rent allowance claims in our sample had been paid, on average, within 4 days of the decision being made, the long delays in processing claims seriously undermined the positive effects of this action.

Average speed of processing changes of circumstances

2.23 This Performance measure (PM5) requires a council to measure and report the average time for processing changes of circumstances, and sets a target of 9 calendar days. This measures the time taken to process changes of circumstances from the date a notification of change is received at a designated office to the date a decision is made by the council.

2.24 The council's reported average time to process changes of circumstances at the end of 2004/05 was 20 days. Although performance had deteriorated during the first 3 quarters of 2005/06 it had significantly improved by the 4th quarter. However, performance was still significantly below the Standard of 9 days. Figure 2.5 provides the details of quarterly performance.

Fig. 2.5: Speed of processing changes of circumstances

Performance Measure	Quarter 1 2005/06	Quarter 2 2005/06	Quarter 3 2005/06	Quarter 4 2005/06
Average time for processing changes of circumstances	42	86	38	19

Source: Bath & North East Somerset Council

2.25 These figures were taken directly from the council's Benefits IT system before any clerical adjustments had been made. We discuss the validation of reported performance under *data validation* in the Resource management section of this report.

2.26 We noted that performance in quarter 2 was adversely affected by the inclusion of approximately 1,000 Pension Credit uprating cases, which should not have been included in reported performance. Whilst it is not possible to report the accurate performance figure for that quarter, had the uprating cases not been included average processing time would have been more in line with performance for the first and third quarters.

2.27 We selected a sample of 23 changes of circumstances decided between 1 April and 30 November 2005 and found that 8 (35%) should not have been included as changes of circumstances in the council's reported performance against this measure. This raised serious doubts about the accuracy of its reported Best Value Performance Indicator for changes of circumstances.

2.28 Analysis of our sample of 15 changes of circumstances showed that only 6 (40%) were processed within 9 days of receipt. Details are shown in Figure 2.6.

Fig. 2.6: Speed of processing changes of circumstances

Days	Number	%
0 – 9	6	40
10 – 20	0	0
21 – 28	1	7
Over 28	8	53
Total	15	100

Source: BFI analysis

2.29 The average time taken to process changes of circumstances was 45 days, with the longest delay being 123 days. This is poor performance and can result in customers receiving incorrect benefit. In particular, failure to action changes of circumstances promptly often leads to increased amounts of local authority error overpayments, which affect a council's potential to claim subsidy.

2.30 Further analysis of our overpayments sample of 20 cases showed that it had taken, on average, 105 days to process the associated changes of circumstances. This highlights the need to prioritise work more effectively.

2.31 We recognise that performance had inevitably deteriorated significantly while the council was clearing its backlog. By April 2006 the backlog of work had been cleared. Staff had been set challenging targets for the clearance of incoming post, for example, a target had been set for all changes of circumstances to be cleared within 7 days by 1 June 2006.

Performance enablers

Workload management

2.32 Bath & North East Somerset Council met one (E1) of the 2 enablers.

2.33 Although the council had been in a backlog situation since 1999, it had continued to monitor its workload. As we reported earlier, it had been unable to clear the backlog, until March 2006, due to insufficient resources.

2.34 Benefits Team Leaders actively monitored the volume of post received and work outstanding on an ongoing basis by accessing the document management system and filtering work through to processing staff. Straightforward assessments and work which could be cleared quickly such as diary reports, were passed to the 7 newly recruited staff to alleviate pressure on more experienced processors. This approach had proved instrumental in clearing the backlog of all outstanding processing work by March 2006.

2.35 Benefits Team Leaders worked closely with processing staff, including those working from home, to ensure that individual targets were achievable and being met. Processing staff received work from a number of additional sources, such as pending, urgent cases and telephone enquiries. Team leaders monitored both the volume and complexity of work in each processor's tray and if appropriate, redistributed work to minimise delays in processing.

2.36 The Control Team also monitored the throughput and clearance of work and at the time we were on site in April 2006, the figures were being reported to the Head of Revenues and Benefits on a daily basis. This information was also used to measure the effectiveness of processing staff and to inform their quarterly and annual staff appraisals.

2.37 From January 2006, the level of staff resources used to answer telephone calls was being monitored and adjusted as necessary to improve customer service. Team Leaders were responsible for achieving the correct balance between the staff deployed to answer telephone calls and process claims. This was being actively monitored and staff told us they were taken off telephone duty if their returned pending and outstanding post needed attention.

2.38 Following the clearance of its backlog, the council was developing a process to monitor the clearance of work by using exception reports to show work nearing target dates. In April 2006, staff were using the incomplete claims report to reduce processing times and Team Leaders were actively checking cases, which were pending and awaiting further information.

2.39 Although there were procedures in place to make extended payments of benefit in appropriate cases, we found that Electronic Data Transfers were not prioritised when they were received from the Department. System reports were not being used to monitor how many extended payments were made or how quickly they were being processed. In addition, the council did not prioritise claims from people moving into work. **(See Recommendation 2).**

Gathering information

2.40 Bath & North East Somerset Council met 2 (E4 and E6) of the 6 enablers.

2.41 To ensure that claims are paid accurately and on time, it is important that a council identifies the need for additional information from the customer and third parties and takes prompt action to request it.

2.42 We were told that most new claims and changes of circumstances were received through the post, rather than customer service outlets and that less than 10% of claims were ready to process on receipt. Customer service staff issued receipts for evidence collected at the counter and provided customers with a written copy of outstanding evidence required to process their application.

2.43 Despite the prompt action taken by customer service staff, the results of our new claims sampling showed that it took, on average, 22 days from the receipt of a claim at the designated office to the date the council took the first action. This illustrated the long delays in requesting additional information when the claim had been received through the post. Failure to request additional information promptly was directly affecting the council's speed of processing claims. **(See Recommendation 2).**

2.44 The council had not undertaken any analysis to identify commonly missing items of evidence or educate customers about the need to supply all supporting documentation. We also identified that staff were requesting income and capital details in qualifying benefit cases where there was no requirement to do so, which was creating additional and unnecessary follow-up work.

2.45 Benefits staff were instructed to set diary prompts at 14 days in order to ensure that follow-up action to obtain additional information was taken within prescribed time limits. The results of our sampling showed that where appropriate a reminder was issued promptly. We were told, and our sampling confirmed, that the telephone was used to request information and to follow up those requests.

2.46 Following clearance of the backlog, Benefits Team Leaders were actively monitoring the collection of additional evidence and information on a daily basis in order to speed up processing times.

2.47 We were told that during the backlog, Benefits Team Leaders had overridden the system controls on the document management system to ensure urgent post and cancellations were prioritised and dealt with quickly. However, the results of our sampling of 20 overpayments showed that massive delays resulting in large local authority error overpayments had still occurred.

2.48 We were also told, and sampling confirmed, that changes of circumstances resulting from interventions work had been neglected. It is important that all changes of circumstances that may result in a reduction or cessation of benefit are dealt with promptly to prevent overpayments occurring or continuing.

2.49 Since clearing the backlog, the council had established a working group to determine the correct priority levels for scanned and indexed post. In addition, it had set a target to action all changes of circumstances within 7 days of receipt by 1 June 2006.

2.50 We found staff were clear about the safeguards to prevent the fraudulent completion of a certificate of earnings form when details of income had been requested from an employer.

Working effectively with landlords to minimise repossessions

2.51 Bath & North East Somerset Council met one (E7) of the 2 enablers.

2.52 The claim form included a comprehensive consent statement that was specific about what a landlord could be told about a customer's claim. The council also provided information to landlords or the customer's representative, if the customer had provided written authorisation for it to do so.

2.53 The council had developed a landlords' leaflet that provided information on the landlord's responsibilities and the operation of HB and CTB. It also attended an annual *Landlords Expo*, sharing an information point with other councils in the area.

2.54 As there was no direct point of contact for landlords to access the service, they were not encouraged to contact the council before taking enforcement action to collect arrears of rent. Difficulty in contacting the Benefits service either by telephone or in person proved a barrier to landlords. We were told that as a result customers frequently had to contact the Benefits service when eviction was imminent, to progress their claim for HB and CTB.

2.55 A Benefits processor was unable to pay a new claim until details of the landlord were recorded on the Benefits IT system. This function was undertaken by a Benefits Team Leader once they had checked that the landlord was not already on its '*Not Fit & Proper*' *Landlord List* or that the landlord had not:

- been engaged in fraudulent activity
- failed to report changes in tenants circumstances
- failed to repay overpayments.

Quality and reducing error

2.56 Senior officers and Members, who are accountable for the delivery of effective and secure HB and CTB administration, need assurance that the council and counter-fraud efforts are working as planned. Councils should therefore ensure that arrangements are in place to make full use of management information and check data across the full range of benefits activities.

Performance measures

2.57 Figure 2.7 shows the council's reported performance on the accuracy of benefit calculations for 2004/05 and from April to December 2005.

Fig. 2.7: Performance measure (PM6) – quality and reducing error

Description	Standard	Performance 2004/05	Performance April to December 2005
% of cases for which the calculation of the amount of benefit due is correct	98%	96%	98%

Source: Bath & North East Somerset Council

Performance enablers

Quality checks

2.58 Bath & North East Somerset Council met the enabler.

2.59 The council undertook accuracy checks in accordance with HB/CTB circulars S1/2000 and S5/2000 and reported its performance to the Department.

2.60 Performance Standards require a council to perform a minimum 4% sample check across a range of decisions on new claims, changes of circumstances and overpayments calculations.

2.61 The Control Team carried out management checking and a check sheet was used to record the name of the Benefits processor responsible for processing the case, the type of check and the outcome. Although the check sheet needed to be enhanced to include details of the evidence obtained to verify the customer's residency, our sampling confirmed that this had been verified appropriately in all cases.

2.62 The council had introduced a database in November 2005 to record the results of its risk based management checks. Cases for checking were selected from a Benefits IT system report, produced overnight that included all transactions from the previous day.

2.63 A system was in place to prevent the notification and payment from being issued in those cases selected for checking. Suitably trained staff from the Control Team were responsible for undertaking the check. Results of the check were recorded on the database and where appropriate cases were returned to the processor to correct.

2.64 We also established that an additional 10% post notification check and a 100% check of work completed by external processors and new staff were undertaken.

Using quality checks to improve performance and reduce error

2.65 Bath & North East Somerset Council did not meet the enabler.

2.66 The council told us that the results of its management checks were discussed with staff and used to inform the staff appraisal process. However, it did not use the findings from its management checks to inform future training and development activity. **(See Recommendation 12).**

2.67 In addition, the council did not perform any management checking on fraud investigations and was therefore unable to provide senior managers with the necessary assurance regarding the effectiveness of its counter-fraud activity. **(See Recommendation 7).**

Overpayments

2.68 To minimise loss to public funds, councils must effectively process HB and CTB to prevent overpayments occurring. Councils should have clear policies and procedures to manage overpayments and should pursue recovery by the speediest, most cost-effective and efficient methods available, in line with legislation.

Performance measures

2.69 Performance Standards include performance measures for overpayment recovery. Although the Department had not set targets against these measures, it is important that a council reduces the amount and age of its HB overpayment debt.

2.70 We were told that before an upgrade to its Benefits IT system, in January 2006, the council's reported overpayments performance had been unreliable. However, this situation had been resolved and performance revised and accurately reported for the third quarter of 2005/06.

2.71 The long delays in processing reported changes of circumstances meant that the council's overpayment debt had continued to rise in the third quarter of 2005/06. In this period, the council had only recovered £228,770 (74%) of HB overpayment debts against £309,989 identified. **(See Recommendation 2).**

2.72 Figure 2.8 details the council's performance against the overpayments performance measures for the third quarter of 2005/06.

Fig. 2.8: Performance measures – overpayments		
Performance measure	Description	Performance 3rd Quarter 2005/06
PM 7	The amount of HB overpayments recovered during the period as a % of total amount of HB overpayments identified	73.8%
PM 8	The amount of HB overpayments recovered during the period as a % of total amount of HB overpayment debt outstanding at the start of the period plus amount of HB overpayments identified	7.63%
PM 9	The amount of HB overpayments written off during the period as a % of total amounts of HB overpayment debt outstanding at the start of the period plus amount of HB overpayments identified	0.01%

Source: Bath & North East Somerset Council

2.73 Bath & North East Somerset Council had already identified the need to improve its overpayment performance and had appointed an Overpayments Analyst in May 2005. This officer had been supported by the BFI's Performance Development Team in the development of a documented overpayments policy and procedures, introducing audit trails and providing training and advice to processing staff. In addition, the Overpayments Analyst had identified other areas for improvement and developed an action plan to address these.

Performance enablers

Managing debt

2.74 Bath & North East Somerset Council met none of the 3 enablers.

2.75 The council had a documented *Overpayments Policy* that was available to all staff. This set out its approach for ensuring that all overpayments were identified, calculated and classified correctly and that accurate financial records were maintained. A locally produced *Overpayment Pro Forma* captured details of the overpayment, including an audit trail on classification. This had been completed on all the cases we sampled.

2.76 However, the results from our sample demonstrated a number of weaknesses in its overpayment process including:

- the use of incorrect effective dates
- incorrect calculation and classification
- a failure to adhere to procedures
- a lack of management checking.

Security

3.1 It is important that councils have effective measures and processes to prevent, deter and detect fraud from entering the system. Councils should verify information supplied by customers and ensure that conflicts identified through data matching are reconciled. Sufficient resources must also be employed to investigate suspected fraud thoroughly and professionally, and appropriate sanctions should be applied.

3.2 The council achieved Standard in all of the 3 performance measures, for which a Standard had been set and met 4 of the 21 enablers for Security.

Security of administration

3.3 This section reports on the arrangements for interventions and the verification of claims. The performance measures are designed to measure the impact of the council's performance in detecting fraud and error.

Performance measures

3.4 Figure 3.1 shows Bath & North East Somerset Council's reported performance against the Standards set for the first 9 months of 2005/06. The council was not required to report against these performance measures until the end of June 2005.

Fig. 3.1: Performance measures – security of administration

Performance Measure	Description	Standard for 2005/06	Target April to December 2005	Performance April to December 2005
PM 10	Number of interventions	5,810	3,220	4,426
PM 11	% of data matches resolved within 2 months	100%	100%	100%
PM 12	Number of customers visited	2,320	1,299	2,005

Source: Bath & North East Somerset Council

3.5 The council had exceeded its targets for interventions and visits, for the first 3 quarters of 2005/06, and was on schedule to meet its annual targets. Although the council was achieving its target, procedures for prioritising changes of circumstances resulting from interventions, which affected entitlement to benefit needed to be improved.

3.6 All data matches received from the Housing Benefit Matching Service were referred to the Fraud Investigations and Visiting team. All data matches in the first 3 quarters of 2005/06 had been resolved within 2 months.

Compliance with the Verification Framework or to equivalent standard

3.7 Bath & North East Somerset Council met neither of the enablers.

3.8 The council adopted the Verification Framework in October 2004. All Benefits and Customer Service staff had received Verification Framework training when the scheme was introduced. New staff received Verification Framework training as part of their induction, including how to use ultraviolet scanners to identify false documents and follow up on discrepancies.

3.9 However, the results of our sampling showed that there was some inconsistency in the level of verification obtained with the failure to adequately verify the:

- customer's income in 2 (14%) out of 14 cases
- customer's capital in 2 (14%) out of 14 cases.

3.10 Our sample of 15 changes of circumstances confirmed that all evidence had been obtained.

3.11 We also found from our sample of new claims:

- 4 cases where the HB and CTB claim form had not been date stamped by the council with the date it was received
- XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
- 2 cases where further evidence provided by a customer had been scanned onto another customer's claim
- 2 cases where some pages of the claim form were not on the document management system.

3.12 From our sample of new claims, we found 7 cases where Benefits processors had set pending dates on the Benefits IT system for foreseeable changes of circumstances.

3.13 The council's claim form included a reminder to customers to provide original documents in support of a claim with a checklist detailing examples of what was acceptable. We confirmed that a Verification Framework checklist was used by staff, to record the evidence provided by customers to support their HB and CTB claims.

3.14 From our sample of new claims and changes of circumstances, we found that where original documents had been received the name of the officer who had seen the original document was recorded on the document management

system. However, it would be good practice to also record the date of receipt on the document management system.

3.15 The council needs to ensure that staff comply with the Verification Framework to secure the gateway and reduce the risk of fraud and error entering the benefits system. **(See Recommendation 2).**

Compliance with data integrity

3.16 Bath & North-East Somerset Council met the enabler.

3.17 We confirmed with the Department that the council had been submitting data in accordance with the schedule and it had loaded successfully. In 2004/05, the council did not have any grade 1 or 2 data incidents to resolve. National Insurance number accuracy scans showed a high percentage match of 99.7% against the Departmental Central Index.

Counter-fraud activities

3.18 This section reports on the council's efforts to detect and deal with fraud.

Performance measures

3.19 Figure 3.2 shows the council's reported performance for 2004/05.

Fig. 3.2: Performance measures – counter-fraud activities		
Performance measures	Description	Performance 2004/05
PM 13	Number of fraud referrals per 1,000 caseload	29.28
PM 14	Number of fraud investigators employed per 1,000 caseload	0.19
PM 15	Number of fraud investigations per 1,000 caseload	24.75

Source: Bath & North East Somerset Council

Performance enablers

Fraud referrals

3.20 Bath & North East Somerset Council met neither of the enablers.

3.21 We identified significant weaknesses with the quality of fraud referrals received and accepted for investigation by the Investigations Team.

3.22 Referrals from Benefits staff were made directly onto the Fraud Management System using a blank input sheet lacking any structure, prompts or guidance. Staff were unaware of the essential information they were required to provide to enable a successful investigation to take place. Analysis of the 30 closed fraud files we sampled, confirmed that the quality of referrals received from Benefits staff was poor. We found that the majority of referrals were mostly

doubts and queries identified by staff processing benefit claims and did not represent a firm suspicion or allegation of potential fraud.

3.23 The council had arranged fraud awareness training for all staff involved in benefits administration during 2005. Performance Standards funding had been used to provide external training in conjunction with 2 other councils in the area. However, we were told that although Benefits staff had more awareness of how fraud might be identified, the quality of referrals received by the investigators had not improved. Although Benefits staff were provided with feedback on the outcome of each referral, this did not include guidance, which would be important to improve the quality of future referrals.

3.24 Members of the public could report allegations of fraud on the council's automated telephone information line which was advertised on claim forms, leaflets and the council's website. However, it was not possible to speak to an investigator during working hours and the process for reporting an allegation was not straightforward. Whilst we were on-site in January 2006, we made 3 calls to this service but only managed to reach the relevant recorded message to enable an allegation to be reported at the third attempt. Investigators told us they were unaware of any recent referrals received from its information line.

3.25 The council did not monitor the outcome of referrals from its information line, or any other source on a regular basis. We concluded that the council did not maximise referrals from key sources and had failed to fully engage both staff and members of the public in its attempts to counter fraud.

(See Recommendation 4).

Risk profiling referrals

3.26 Bath & North East Somerset Council met neither of the enablers.

3.27 Our sampling and interviews with staff revealed that the failure to sift out poor quality and low risk referrals was having an adverse impact on the standard of cases investigated. Despite the recent introduction of a revised scoring system based upon the council's analysis of closed investigations, more than 80% of referrals received were still scoring over the threshold. We were told the vast majority of cases were accepted for investigation, regardless of the score.

3.28 Our sample of 30 closed cases included 23 referrals, which should have been sifted and scored before any investigative action took place. Only 7 of these cases showed any evidence of basic risk profiling and sifting. Our analysis also showed that in 3 of these cases, the resulting score had been ignored or sifting had eventually taken place after the investigation had already commenced.

3.29 We found very limited use was made of routine intelligence and information sources to help inform the risk profiling process. This was compounded by a lack of clerical support, which meant that the 2 trained investigators had to prepare paper files and perform basic background checks on referrals.

3.30 Only 2 cases in our sample revealed evidence of preliminary checks having been made with the National Anti-Fraud Network, and in none of the cases we examined had checks been made with the Department's Operational Intelligence Unit. **(See Recommendation 8).**

3.31 We considered that only 12 (40%) of the 30 closed cases we examined should have been accepted for investigation. This represented a poor use of investigative resources and was having an adverse impact on the number of successful cases where fraud was eventually proven. Our sample showed fraud was eventually proven in only 2 (8%) cases. It is important that the council takes urgent action to refine its risk profiling system to ensure that its trained investigators are given only the best quality referrals to investigate.

Action on referrals

3.32 Bath & North East Somerset Council met neither of the 2 enablers.

3.33 The Investigations and Visiting Team Leader initially sifted referrals generated by the Housing Benefit Matching Service before passing them to the Benefits section or an investigator for further action. The 2 investigators were responsible for accepting, sifting and prioritising referrals from all other sources.

3.34 We identified long delays in this process and our analysis showed that it took an average of 33 working days to score the 7 cases, which had been sifted in our sample. No targets had been set to help with the monitoring or control of the referral process.

3.35 Our analysis also showed that it took an average of 42 working days from receipt of the referral to the first investigative action. We were told that delays had occurred because of a period of long-term sickness in the Investigations Team which had meant only one investigator had been available to take on new cases. However, there had been no attempt to prioritise cases or lift the scoring threshold to take account of this situation. As an interim measure, an additional temporary investigator had been recruited from an external provider in October 2005.

3.36 It is important that investigations commence promptly once a case has been accepted for investigation to ensure that any subsequent action is based on up-to-date information and to help safeguard the customer's human rights. **(See Recommendation 8).**

3.37 Reviews were not undertaken at key stages of the process to monitor the progress of investigations and it was left to the investigators to decide whether to continue with an investigation or to end it. The Fraud Management System was not used to control follow up action on current cases. **(See Recommendation 7).**

3.38 We were told that there was no system in place for Benefits staff to notify changes, which might affect the progress of an investigation. Therefore, the investigators had to check all of their current cases against the Benefits IT system on a fortnightly basis to confirm that the investigation was still appropriate. Again, this represented a poor use of investigative resources.

Fraud investigators' code of conduct

3.39 Bath & North East Somerset Council met one enabler (E29) of the 4 enablers.

3.40 The council had developed a *Code of Conduct for Fraud Investigators and Visiting officers*. This detailed the investigator's responsibilities regarding:

- compliance with legislation
- disclosure of interests
- visits to customers
- record-keeping.

3.41 Interviews under caution to obtain evidence had been undertaken in 4 cases in our sample of 30 closed investigations. We concluded that when interviews took place, the conduct of the investigators was compliant with the Police and Criminal Evidence Act 1984 Code of Practice.

3.42 However, our sample showed that an interview under caution was appropriate in 3 other cases but had not been undertaken. We were told that the location of interview rooms and the problems in transporting the tape machine often dictated whether or not an interview took place. Funds had been made available for the purchase of portable equipment but in February 2006, this had still to be arranged. **(See Recommendation 5).**

3.43 No discussion took place with the Investigations and Visiting Team Leader, when a taped interview was being considered. We were concerned that 2 interviews under caution had been arranged before potentially important evidence from employers or pension companies had been obtained. In another case, the interview was conducted in a customer's home without prior notice. This meant that the customer did not have time to consider if they required legal representation before the interview took place. It is important that customers being interviewed fully understand their rights regarding legal advice and their power to terminate the interview if they choose to do so. **(See Recommendation 5).**

3.44 In all of the interviews in our sampled cases, there had been some discussion with the customer regarding the likelihood of prosecution at the end of the interview. This is poor practice and should be discontinued. **(See Recommendation 5).**

3.45 The investigators were responsible for transcribing their own taped interviews because of the lack of administrative support. This practice could create doubts about the accuracy and impartiality of the finished transcript and represented a poor use of investigators' time. We were told that the Investigations and Visiting Team Leader listened to all taped interviews when a sanction was being considered. **(See Recommendation 5).**

3.46 There was no comprehensive audit trail on any of the sampled cases. Hard copy fraud files were maintained for the duration of the live investigation. However, when an investigation was closed the council failed to ensure that all evidence and original notes were scanned onto the document management system before they were destroyed. Entries in the Benefits IT system notepad

facility were insufficient and did not always correspond with the closure sheet or the investigator's entries in the QB50 notebook. **(See Recommendation 5).**

3.47 We examined a QB50 notebook and discovered that entries were not sufficiently detailed, were not cross-referenced with the fraud file and had not been subject to a management check. We were also concerned that there was no record kept of informal interviews. Several cases in our sample had been accepted for investigation but then no further contact was made with the customer or where contact was made, no statement was obtained. **(See Recommendation 5).**

3.48 We examined one case in our sample where surveillance had been undertaken as part of the investigation. This case raised serious doubts about the control and authorisation of surveillance including:

- no explanation why surveillance was necessary or proportionate
- poor completion of the RIP1 form, which failed to describe the subject, method and location of surveillance
- inadequate consideration of the risks of collateral intrusion
- a significant delay of 3 weeks before surveillance commenced following authorisation
- failure to review or cancel the authorisation. **(See Recommendation 5).**

3.49 Following our feedback the council agreed to suspend any further requests for surveillance until a full review of the authorisation procedure had been undertaken and appropriate training provided to the authorising officer.

3.50 Access to the Fraud Management System was restricted to appropriate staff and hard copy fraud files, QB50 notebooks and interview tapes were securely maintained in a locked cupboard.

3.51 However, the Investigations Team was located in the main Benefits office and therefore lacked a discrete environment to work on files or discuss cases in private. Confidential information from agencies such as the National Anti-Fraud Network or the Department was also received on the general office fax machine. It is important that the fraud team is located in a secure environment to ensure the integrity of intelligence used to support ongoing investigations and to protect the identities of those subject to investigation.

(See Recommendation 5).

The local authority fraud policy

3.52 Bath & North East Somerset Council met 2 enablers (E33 and E34) of the 5 enablers.

3.53 The council had developed an *Anti-fraud and Corruption Policy* and a *Counter-fraud Policy*, both endorsed by Members. These documents described the council's commitment to prevent, detect and investigate benefit fraud whilst encouraging those who were genuinely entitled to claim. These documents were supported by an annual business plan, but this failed to describe how the progress, outcome and quality of investigations were to be monitored.

(See Recommendation 3).

sanctions. Particularly as the relationship could be adversely affected by the relocation of Counter Fraud Investigation Service to Bristol in April 2006.

Sanctions

3.63 This section reports on the arrangements for applying sanctions against benefit fraudsters.

Performance measures

3.64 Figure 3.3 shows the council's reported performance for 2005.

Fig. 3.3: Performance measures – sanctions		
Performance measure	Description	Performance 2004/05
PM 16	Number of successful sanctions per 1,000 caseload	0.71

Source: Bath & North East Somerset Council

Performance enablers

A balanced sanctions policy

3.65 Bath & North East Somerset Council met none of the 3 enablers.

3.66 A prosecution policy based upon financial limits suggested by the Department had been developed. However, the policy failed to document:

- key roles and responsibilities
- its intended audience
- legislation under which prosecutions would be pursued
- how public interest or other mitigating factors would be taken into account
- the circumstances in which a formal caution or an administrative penalty might be appropriate
- the need to check for previous convictions before issuing sanctions.

3.67 Although the policy had been reviewed in January 2006, we were concerned that the revised policy did not address any of the weaknesses identified above. It also failed to describe how the council would respond if the customer refused a formal caution or administrative penalty.

(See Recommendation 3).

3.68 Two of the 4 sanction cases in our sample showed a lack of adherence to the financial guidelines set out in the existing prosecution policy. In both cases, the overpayment exceeded £2,000, the evidential test was satisfied and a prosecution would have been the appropriate sanction. In addition the cases were referred to the council's solicitor who advised a course of action which was not followed. The following case studies provide more detail.
(See Recommendation 3).

Case study 1

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.

BFI comments

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX.
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX.
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX.
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX.

Case study 2

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
 XXXXXXXXXXXXXXX.

BFI comments

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
 XXXXXXXXXXXXXXX.

3.69 We were told that the council had considered the personal circumstances of the customers, and taken mitigating circumstances into account, to arrive at the decision to administer formal cautions. However, this had been a lengthy and protracted process, which had delayed the issue of the sanctions by several months and illustrated deficiencies with both the prosecution policy and the lack of clear guidance to staff.

3.70 We noted from our sample that checks for previous sanctions were made with the Department’s Professional Standards Unit before administrative penalties and formal cautions were issued. However, no checks were made at any stage to identify whether previous criminal convictions had been recorded. This could have an important bearing on whether a sanction is applicable or which sanction should be imposed. **(See Recommendation 3).**

User focus

4.1 Councils should aim to:

- reduce barriers to work, particularly in relation to benefits and rent policy
- deliver modern, efficient and secure customer-focused public services, and empower individuals to influence them
- 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 needs
- make sure that relationships with stakeholders support good customer service while reducing administrative costs and fraud and error
- deal with appeals and complaints quickly and effectively.

4.2 The council did not achieve Standard in the 3 performance measures. It met 4 of the 12 enablers for User focus.

Take-up

4.3 Councils have a responsibility to actively encourage the take up of benefits and associated initiatives should be part of a wider anti-poverty strategy.

Performance enablers

4.4 Bath & North East Somerset Council met neither of the enablers.

4.5 The council had updated its *Benefit Maximisation in Bath & North East Somerset* strategy in 2005. Its aims were to:

- *increase general awareness of the Benefit system to all, especially the elderly, disabled and those from ethnic groups*
- *aim to improve accessibility to the services offered in a co-ordinated way along with other related stakeholders*
- *encourage greater take-up of the benefits and related services (e.g. energy grants, mobility schemes)*
- *review the outcomes to ensure future actions are meeting the needs of the community.*

4.6 The council's take-up activities did not go beyond the raising of basic awareness of benefits. The council had not carried out any targeted take-up campaigns either on its own or in partnership with other stakeholders. It only undertook take-up activity during the annual Council Tax billing exercise when

leaflets were issued with bills and advertisements were run on local radio stations.

4.7 The council needs to develop its strategy so that it covers all aspects of take-up including:

- ensuring that customers who may be eligible for benefit are encouraged to make claims
- measuring its success in encouraging claims to benefit
- targeting those customers in the community that require further assistance.

Customer service

4.8 This section reports on the council's performance in delivering accessible services to all its customers.

Performance enablers

Accessibility

4.9 Bath & North East Somerset Council met one enabler (E41) of the 2 enablers.

4.10 Access for personal callers with benefit enquiries was provided for more than 40 hours a week at all 3 of the council's customer service outlets. This included Saturday morning opening at the Guildhall in Bath and the office in Midsomer Norton.

4.11 We were concerned that the availability of home visits for customers who might face difficulties contacting the Benefits service was poorly advertised and details of this facility were not included on the claim form.

4.12 A review of service provision against the requirements of the Disability Discrimination Act (1995 and 1999) had been undertaken and improvements identified, costed and authorised for the main customer service outlet at the Guildhall. For example, in February 2006 the council had installed a low height counter for wheelchair users.

4.13 The office in Midsomer Norton also provided good access for customers with disabilities but we were concerned that the office in Keynsham still had significant failings including:

- poor access for wheelchair users
- inadequate information and directional signs
- no hearing enhancement system fitted at reception.

4.14 We were told there were plans to relocate to a new office in the centre of Keynsham, which would address these deficiencies XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX

4.15 The level of customer satisfaction with the Benefits service was measured every 6 months and included canvassing the views of personal and telephone callers and customers with written enquiries. The results were reported to senior

managers and analysed to identify where improvements to the service could be made. However, landlords and organisations representing customers were not canvassed so opportunities to react to their views about the quality of the service were missed.

4.16 The council had developed a *Race Equality Scheme* and a *Race Equality Action Plan* and all Benefits staff had received diversity awareness training in 2005. However, the Benefits service had not conducted a review of service provision for ethnic minority groups in the area.

4.17 Decision letters, including overpayment decisions were issued promptly to customers and third parties. These were automated letters produced by the Benefits IT system and details were presented clearly without jargon. Their prompt issue was undermined by the length of time the council was taking to make decisions.

Dealing with enquiries

4.18 Bath & North East Somerset Council met neither of the 2 enablers.

4.19 The council was developing a Customer Service Charter, which explained its commitment to provide 'easy access to quality services, delivered fairly, courteously and responsively'. This included a corporate target to resolve 80% of enquiries at the first point of contact or deal with customers within 6 minutes of them entering a council office.

4.20 We found that managers and staff were unclear about targets for waiting times for benefits customers and these varied between the 3 sites from 3 to 5 minutes. In addition, staff had not been given individual targets for seeing customers and waiting times were only monitored at 2 of the sites. No information was provided to customers about the level of service they might expect or how long they might wait to be seen.

4.21 Customers wanting to contact the Benefits service by telephone faced particular difficulties. The council had established from its customer surveys that 78% of its customers preferred to use the telephone to contact the Benefits service. To meet this demand it had invested in an automated information line for handling simple enquiries in March 2005. This number was advertised on information leaflets and was charged at local call rates. However, it was not possible to speak to a member of the Benefits service when using this line so customers who needed individual advice or guidance were required to ring back on a different number.

4.22 We were told that the staff resource deployed to deal with these calls was insufficient and that significant but unknown numbers of customers had been unable to contact the Benefits service by telephone. Customer complaints and low levels of customer satisfaction with the telephone service had forced the council to react and in January 2006, a new system for handling calls was being piloted. This new method of working, with increased advertising of the direct dial number, and more staff being made available to handle calls, had led to a dramatic increase in the number of calls answered by Revenues and Benefits staff. The results are shown in Figure 4.1.

Fig. 4.1: Performance for handling telephone calls

Date	Total calls (excluding abandoned calls)	Calls to information line	Calls answered by Revenues and Benefits
November 2005	10,018	6,363	3,655
December 2005	7,156	4,358	2,798
January 2006	12,738	5,034	7,704

Source: Bath & North East Somerset Council

4.23 Problems contacting the service by telephone can deter vulnerable customers from claiming benefit and existing customers from reporting changes in their circumstances. It is essential that customers are not prevented from contacting the service by their preferred method.

4.24 The council provided an over-the-counter service for customers presenting completed claim forms and evidence at all 3 customer service outlets. This service was advertised on leaflets and claim forms and customers were encouraged to bring documents into the office rather than sending them in through the post. Receipts were issued for documents and evidence received over the counter and customers were provided with a list of additional evidence required to support their application, if required. Customers could also make an appointment to see a Benefits processor at the Guildhall if they needed help with their application.

4.25 However, our sampling identified weaknesses with the standard of verification checking which are covered in more detail in *Compliance with the Verification Framework or to equivalent standard*. We also concluded that the service at the Guildhall in particular, could be improved by increased access to document image scanners and by increasing levels of privacy for customers at the counter so they are not deterred from discussing the details of their claim.

Partnership working

4.26 Bath & North East Somerset Council met one enabler (E44) of the 3 enablers.

4.27 The council had service level agreements that met the requirements of the relevant national models with Jobcentre Plus and The Rent Service. Although the council met quarterly and had nominated contact points with these organisations, there were no formal procedures in place to review or monitor performance against the agreements. These agreements were informally monitored through quarterly liaison meetings and nominated contact points.

4.28 Although the council had not signed a service level agreement with The Pension Service, liaison on a local level was effective with day-to-day issues dealt with through contact points and quarterly meetings. We were told that the council did not agree with some of the requirements of the national agreement but the local Pension Service had no scope to amend it.

4.29 Although, the council's housing stock was transferred to a Registered Social Landlord in 1998, a service level agreement had not been finalised by the time of our on-site visit in February 2006.

4.30 The council attended an annual *Landlords Expo* and had quarterly meetings with Citizen Advice. There were no formalised or documented working arrangements with any other organisations.

Appeals and complaints

4.31 When notified of the decisions on their claims to benefit, customers may ask councils to:

- explain the reasons for the decision
- reconsider the decision or revise it
- submit an appeal against the decision to The Appeals Service.

4.32 Councils should ensure that such requests are dealt with promptly by appropriately skilled members of staff, that appeals are submitted to the Appeals Service within the prescribed time limits and that the decisions of tribunals are implemented quickly.

4.33 When they receive complaints councils need to:

- deal with complaints promptly and ensure 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 and improve the effectiveness of the handling of disputes and appeals
- undertake analysis to identify trends and address common failures.

Performance measures

4.34 Figure 4.2 shows the council's poor performance against performance measures for requests for reconsiderations and appeals.

Fig. 4.2: Performance measures – reconsiderations and appeals			
Performance measure	Description	Standard	Performance 3rd Quarter 2005/06
PM 17	% of applications for reconsideration/revision actioned and notified within 4 weeks	65%	12%
PM 18	% of appeals submitted to the Appeals Service in 4 weeks	65%	0%
PM 19	% of appeals submitted to the Appeals Service (including those in PM18) in 3 months	95%	0%

Source: Bath & North East Somerset Council

4.35 For the quarter ending December 2005, the council cleared 25 requests for reconsideration or review. Only 3 of these (12%) had been actioned and notified within 4 weeks of receipt. This is poor performance and significantly below the Standard of 65%.

4.36 We were told that the number of requests for reconsideration or review had continued to increase. For example in January 2006 although the council had received 34 new requests it had only actioned 18. In February 2006, the council had 186 requests for reconsideration or review outstanding. The oldest of these had been received in July 2005.

4.37 For the quarter ending December 2005, the council cleared only one appeal. In February 2006, it had 18 outstanding appeals, the oldest of which was received in February 2005.

4.38 We were concerned about this poor performance and the impact of such long delays on the customer. **(See Recommendation 13).**

4.39 Whilst we were on-site in February 2006, the council acknowledged its poor performance in this area and assigned 2 additional staff to clear the backlog. Targets had been set to clear all outstanding reconsiderations and reviews by the end of March 2006 and all appeals by the end of April 2006.

Performance enablers

Appeals

4.40 Bath & North East Somerset Council met both enablers.

4.41 The council had designated officers for handling disputes, applications for reconsideration and appeals. The Appeals Officer had 2 years experience in preparing and presenting appeals and used appropriate guidance to ensure they were correct in law and complied with the requirements of The Appeals Service.

4.42 The Appeals Officer had provided training to another council on the preparation and submission of appeals and that this had resulted in positive feedback from The Appeals Service.

4.43 The council implemented decisions from The Appeals Service on the next working day following the decision of the Appeal Tribunal. However, the positive effect of this action was seriously undermined by long delays in submitting appeals to The Appeals Service.

Complaints

4.44 Bath & North East Somerset Council did not meet the enabler.

4.45 The council had a dedicated complaints leaflet and form. It had corporate targets to acknowledge the receipt of complaints within 5 days and respond within 20 days. However, we were unable to establish accurate performance in this area, as records of complaints were not comprehensive.

4.46 The Customer Services Manager dealt with the majority of complaints about the Benefits service. An electronic record of progress was maintained and

a response issued. We were told that as the majority of complaints were responded to within 5 days an acknowledgement was not issued.

4.47 However, the council was unable to fully substantiate this, or provide details of performance as it failed to collect all the relevant information. We examined a weekly summary of 11 complaints actioned by the Customer Services Manager and found that in one the date of response was missing. In another case although records showed the complaint was partially upheld, the outcome of a meeting with the customer was not recorded.

4.48 Complaints entering the Benefits service from MPs, or the Chief Executive's Office were dealt with by a Strategic Manager. However, no records were kept and details of these cases were not passed to the Customer Services Manager.

4.49 Although the weekly summary of complaints was circulated to Team Leaders, there was no formal process to analyse the reasons for complaints to inform improvements to the service.

Resource management

5.1 Benefits administration has to be set within the broader context of a council'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.

5.2 The council met 5 of the 16 enablers for Resource management.

Strategic management

5.3 To ensure the successful delivery of strategic aims and objectives, Members and senior officers should provide managers and staff with a clear sense of direction, purpose and focus for their work.

Performance enablers

Managing the Benefits service

5.4 Bath & North East Somerset Council met one enabler (E51) of the 3 enablers.

5.5 The council had a number of documents setting out the strategic direction that it wished to take. The *Bath & North East Somerset Corporate Plan* set out its priorities for improvement to 2007. *The Community Strategy for Bath & North East Somerset, 2004 and beyond – BE: Better for everyone* included 5 shared and 6 improvement ambitions. The shared ambitions set out how the council would work with other stakeholders and the improvement ambitions outlined the areas to be improved. Neither of these documents contained any direct references to the Benefits service.

5.6 These strategy documents were supported by the *2005-2006 Best Value Performance Plan*. This plan contained a number of targets for the Benefits service that focused mainly around Best Value Performance Indicators. These targets were also included in the operational plan for the Benefits service the *Approved Service & Resource Plan 2005-2006*, which was agreed by Members.

5.7 Neither of these documents contained a comprehensive set of targets that covered all aspects of the Benefits service. For example they did not include targets for the:

- level or quality of fraud referrals that they would expect to receive from Benefits staff
- expected success rate on fraud cases that were investigated
- speed of dealing with appeals or requests for reconsiderations
- recovery of old and new HB overpayment debt. **(See Recommendation 6).**

5.8 Members and senior managers received regular monitoring reports on the high level strategic plans. The Head of Revenues and Benefits had regular meetings with the Director of Resources to discuss performance against targets. In addition, the Director of Resources had fortnightly meetings with the Member who was the portfolio holder for Benefits.

5.9 The focus of these meetings was on progress towards clearing the backlog of claims. The significant deficiencies in other aspects of the performance of the Benefits service were not addressed. For example, although the low number of successful fraud investigations and sanctions applied was reported, no action had been taken to address this. Nor was the underlying issue around the lack of senior management support and direction for the Investigations and Visiting Team identified as a key area to be addressed.

5.10 We also found that the structure of the Benefits service could potentially have led to ineffective management of the service. As the organisational chart in *Executive summary* shows the Benefits Team Leaders reported to all 3 Strategic Managers. However, Strategic Managers did not have individual responsibilities for the day-to-day operational management of key aspects of the Benefits service. For example, none of them had a specific responsibility for the Investigations and Visiting Team or for ensuring that benefits processing work was progressing to meet targets.

5.11 The council did not have arrangements in place to manage all risks. We were told that a corporate disaster recovery plan was in place, but it was the responsibility of individual service heads to develop their own disaster recovery and business continuity plans.

5.12 The Benefits service did not have an up-to-date business continuity or disaster recovery plan. The *Revenue & Benefits service contingency plan* developed in 2001 covered:

- severe staff shortages
- closure of offices
- inoperable computer systems
- data losses due to a virus.

5.13 However, it had not been revised since its development and it did not contain a disaster recovery plan. Most staff we spoke to were unaware of its existence.

Monitoring performance

5.14 Bath & North East Somerset Council met neither of the enablers.

5.15 The council provided timely returns to the Department on management information, Best Value Performance Indicator data and Housing Benefit Matching Service data. It had also submitted self-assessments against Performance Standards as requested.

5.16 The self-assessment submitted at the end of the first quarter of 2005/06 did not match the findings of our inspection. In its self-assessment, the council said that it met 54 (83%) of the 65 enablers. Our assessment of its performance showed that it had only met 19 (29%) of the enablers. We were concerned that

it was providing an inaccurate picture of its performance to the Department, its Members and senior managers. **(See Recommendation 9).**

5.17 We also found there to be inaccuracies and omissions in the data provided to the Department. We report on this further under data validation in this section. **(See Recommendation 9).**

5.18 The council had also failed to provide data for performance measure 2 for the first 3 quarters of 2005/06.

Providing for a skilled and competent workforce

5.19 Bath & North East Somerset Council met one (E55) of the 2 enablers.

5.20 The Benefits service had recently recruited 8 new staff and had provided comprehensive induction and a 13-week training course. This was jointly funded by the Department's Performance Standards Fund and the council.

5.21 There was a detailed recruitment process, including an assessment centre and interview. Pre-appointment checks were undertaken on references provided. New and existing staff were required to make annual declarations of interest which were circulated by e-mail and completion against deadlines monitored.

5.22 There was no structured ongoing training programme in place. A Training and Development Officer, appointed in July 2005, had developed an induction package and also diversity and equality training. This officer had started to develop a number of training packages based on job specifications to cover the whole range of Benefit activities. We were told this would be completed by September 2006. **(See Recommendation 12).**

5.23 The council had an annual appraisal scheme with *quarterly supervision meetings* that were used to discuss the speed and quality of performance and set targets.

Value for money

5.24 Although there is no definitive costing structure for benefits administration, councils should consider Departmental guidance that covers efficiency.

Performance enablers

Achieving value for money

5.25 Bath & North East Somerset Council met both enablers.

5.26 The council was a member of the Chartered Institute of Public Finance Accountants benchmarking group for benefits administration. It had submitted annual comprehensive costing information, which placed the council in the lower quartile for cost per claim.

5.27 The council had placed a great deal of emphasis on achieving this low cost per claim ratio, possibly to the detriment of other aspects of the service. In light of its poor performance in those areas highlighted during our inspection, it

should reconsider the balance between cost and providing a secure and efficient Benefits service.

5.28 The council had established informal links with other councils in the area. This forum had been used to develop a revised claim form, which met the standards of the Department's HCTB1, and a series of leaflets providing information for both customer groups and landlords in the area.

5.29 The council had also recently joined a local forum of volunteer organisations, the Bath Advisers Group, where local issues were discussed and resolutions sought.

IT systems

5.30 Bath & North East Somerset Council met one (E60) of the 2 enablers.

5.31 The Benefits IT system and document management system supported processing of claims and overpayment recovery and was capable of producing management information reports. For example, it was capable of producing reports that highlight cases approaching critical dates such as:

- 36-day target for processing new claims
- 14-day target for deciding claims
- 9-day target for processing changes of circumstances.

5.32 The document management system also allowed for analysis of the workload by case type and at individual Benefits Officer level.

5.33 Although this information was available, it had not been utilised until the backlog had been cleared in March 2006. We were told that as most cases fell outside the targets, the information would not have been useful to enable prioritisation of work.

5.34 The Investigations and Visiting team only used the fraud case management facility incorporated in the document management system to record cases. They did not use the management information reports available on the system.

5.35 The Benefits IT system interfaced effectively with council IT systems including council tax and rent accounts. However, there was no link with the sundry debtor's system.

5.36 Contract arrangements with IT providers were monitored by the council's Corporate IT Resources Group to ensure compliance with agreed standards of service. This took place on a monthly basis and included the monitoring of:

- planned and emergency maintenance
- problem response
- network availability.

Assurance

5.37 Large numbers of HB and CTB payments pass through a council's accounting and payment system. It is, therefore, essential that there are rigorous internal control mechanisms to provide assurance that the benefits system is secure.

Performance enablers

Internal control mechanisms

5.38 Bath & North East Somerset Council met none of the 3 enablers.

IT Security

5.39 The corporate IT team acted on instructions received from the Control Team and were responsible for adding and removing users from the IT systems. The Control Team managed password access to the IT systems. New users were prompted to change the default password when they first logged into the system and there was an automatic prompt to change their password every 60 days.

5.40 [REDACTED]

5.41 [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

5.42 [REDACTED]

5.43 [REDACTED]

(See Recommendation 1).

5.44 Procedures were in place to test new IT system releases before they went on the live user environment. Effective procedures were also in place for reporting system faults.

including checking work practices for compliance with documented procedural guidance and legislative requirements. A further audit was undertaken in 2003. However, this only reviewed progress against the recommendations made in 2001. We were told that due to limited resources within Internal Audit, the audit work undertaken by them in 2005 on the Revenues and Benefits Service, focused only on overpayments. As a result, they were unable to provide assurance on any other aspect of the Benefits service.

5.55 Oversight of the work of Internal Audit in the council was undertaken by the Corporate Audit Committee, which was set up in July 2005. The committee was made up of Members and officials of the council and met quarterly. It received an annual report from Internal Audit that updated them on work undertaken. The committee did not receive copies of individual audit reports. Senior managers told us that it was hoped that this new audit committee would raise the profile of audit activity, which had been quite low with Members in the past.

5.56 Progress on internal and external audit recommendations should have been monitored in two ways. Both internal and external audit would usually follow-up on recommendations not implemented at the next audit, or during the following 12 months. The progress on recommendations should also have been monitored by the Corporate Audit Panel. However, these procedures were not being adhered to.

5.57 Recommendations from the 2001 Audit report on the Revenues and Benefits Service had not been implemented by the 2005 audit. We were told that this was because priority had been given to clearing the backlog of benefits claims. Although Internal Audit had carried forward outstanding recommendations to subsequent audit reports, no action had been taken by them to ensure that the recommendations were implemented.

5.58 Such significant delays in implementing audit recommendations are unacceptable and when combined with the limited amount of audit activity being undertaken meant that the council had little assurance on the quality or the security of its Benefits service. **(See Recommendation 10)**

