

Report by the
Benefit Fraud Inspectorate

Bromsgrove District Council

January 2006

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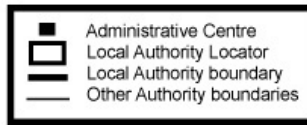
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The maps on this page show the area covered by Bromsgrove District Council in relation to neighbouring authorities, and its geographical location in the country.



Executive summary

Background

1.1 This report assesses Bromsgrove District 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's) website:

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

1.2 Bromsgrove District Council is located in the County of Worcestershire and shares its boundaries with Birmingham, Dudley, Solihull, Redditch, Wyre Forest, Wychaven and Stratford-upon-Avon. It serves 87,800 residents, with ethnic minority groups making up 2.2% of the population.

1.3 Historically, the Benefits service had been a poor service within a poor council. Concerns about its corporate governance led to the council entering into voluntary engagement with the Office of the Deputy Prime Minister from October 2004. A government monitoring board, led by the Office of the Deputy Prime Minister and supported by regulators and government departments, was set up and was still in place at the time of our inspection.

1.4 The council was selected for inspection because of its poor performance. The timing and scope of the inspection was agreed with the council and the monitoring board.

1.5 A new Chief Executive and Corporate Director of Resources were appointed in the spring of 2004. Stabilising the council's accounts was identified as top priority and we noted that the accounts for 2001/02, 2002/03, 2003/04 and 2004/05 were finally agreed in July 2005. We acknowledge that the new management team had started from a low base position in an organisation that was facing significant challenges. An updated Recovery Plan was produced in July 2005. The plan showed improving the Benefits service was one of the council's highest priority areas.

1.6 The council and its auditors had previously identified many of the weaknesses we found but only limited remedial action had been taken to address them.

1.7 Bromsgrove District Council responded very positively to our inspection. It introduced a number of changes aimed at improvement following our feedback. In addition, since we conducted our inspection:

- £230,000 of additional funding was invested in the Benefits service

Executive summary

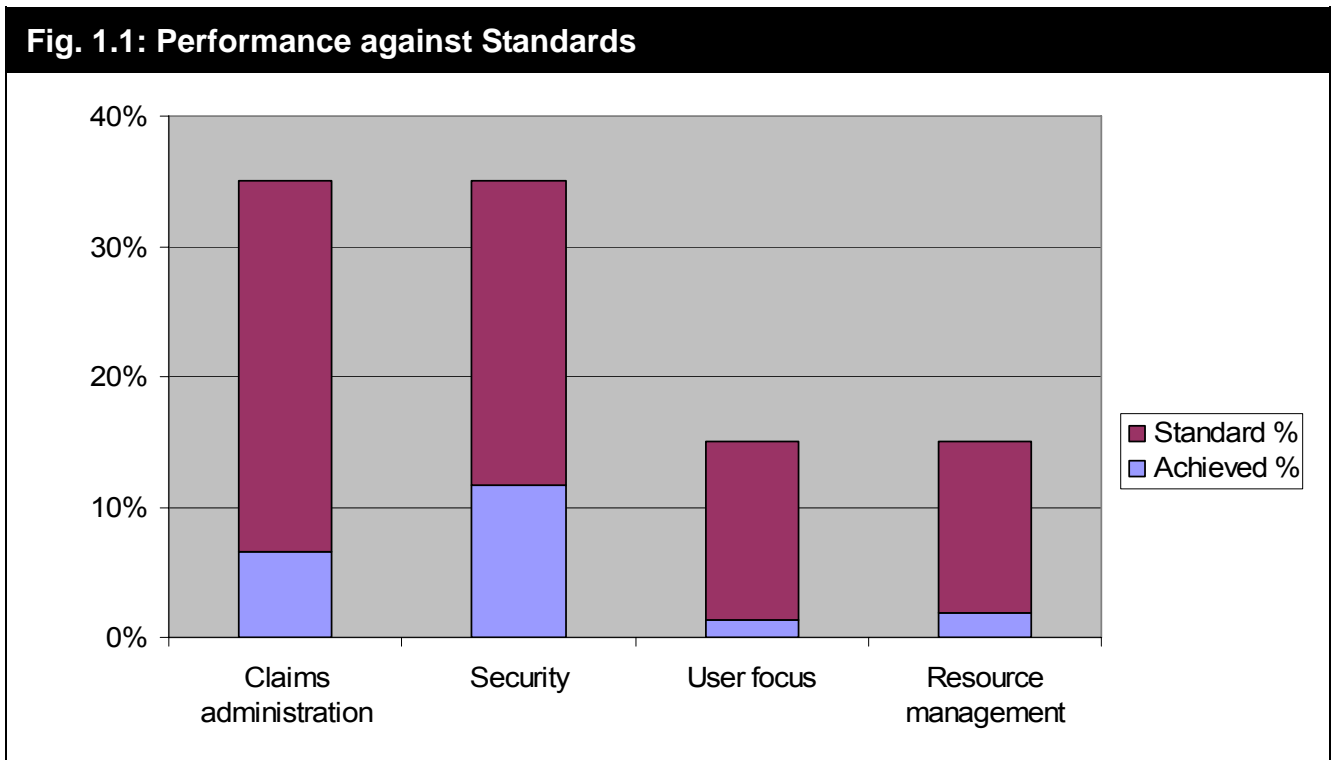
- 7 key projects that aimed to build an effective infrastructure for the Benefits service were identified
- a Head of Financial Services and a Principal Benefits Officer were appointed
- a *Benefits Improvement Plan* was developed and endorsed by Members.

1.8 We are grateful to Bromsgrove District Council for its help and cooperation throughout this inspection.

Overall performance

1.9 Overall, we found that Bromsgrove District Council was performing to a **Poor Standard**.

Fig. 1.1: Performance against Standards



Source: BFI inspection assessment.

This chart shows the levels of performance for each of the themes. The Standard score is the number of levels of performance that need to be achieved for the local authority to be at Standard. The Achieved score is the BFI assessment of performance.

1.10 Bromsgrove District Council did not meet Standard in any of the 4 themes of Performance Standards.

1.11 There had been sustained improvement in the reported time taken to process new claims, from an average of 50 days in 2003/04 to 44 days in 2004/05, and 42 days for the first quarter of 2005/06. However, this performance was still below the Standard of 36 days.

1.12 The situation was similar for the time taken to process changes of circumstances, which had improved from an average of 19 days in 2003/04, to 14 days in 2004/05, and 13 days for the first quarter of 2005/06. Again this performance was below the Standard of 9 days.

Resource management

1.42 There are 3 components within the Resource management theme: strategic management, value for money and assurance. There are 16 enablers.

1.43 The council operated without specific targets or objectives for service areas or individual staff.

1.44 The council failed to support its strategic objective to provide 'an excellent Benefits service by 2008' with policies, plans or resources. It received little assurance from managers or its auditors that it provided an effective or secure Benefits service. Management information provided to Members, senior officers and the Department was often inaccurate with performance being overstated in some cases.

1.45 Staff told us they did not feel valued. In part because they were not provided with objectives and managers did not carry out annual appraisals. When training needs were identified, the necessary funds to provide the training were often not available, with a corporate training budget for 2004/05 of just £7,000 for the council's 450 staff. This was increased to £200,000 for 2005/06.

1.46 The Benefits service was undermined by ineffective internal relationships with essential supporting services such as IT, legal and audit. These services often failed to provide the basic functions required.

1.47 Auditors told us they had used just 9 (0.5%) out of a possible 1,950 audit days on HB and CTB administration between April 2002 and March 2005. Auditors planned to dedicate 30 (3%) of the available 1,040 audit days to the Benefits service during 2005/06.

1.48 A total of 59 recommendations were made in the *Best Value Review of Benefits 2002/03* although this had not been reported to Members. We were told that by July 2005, 11 (19%) had been implemented. We have repeated many of the recommendations in this report.

Summary of recommendations

1.49 In this section we set out, in priority order, the main recommendations we have made that are designed to make Bromsgrove District Council's HB and CTB service more efficient and secure.

Recommendations		
High Priority		
We recommend that Bromsgrove District Council:		Paragraph
1	<ul style="list-style-type: none"> • sets service-specific performance targets that: <ul style="list-style-type: none"> ○ support its strategic objective to provide 'an excellent Benefits service by 2008' ○ cover the whole range of HB and CTB activities ○ are stretching and provide a baseline of current performance ○ ensure managers and staff understand what is expected of them ○ are reflected in individual work objectives and an effective appraisal process which should be specific, measurable, achievable, relevant and time-bound ○ are monitored and where appropriate corrective action is taken to address areas of weakness. 	2.53, 2.81 3.79, 4.33 5.10
2	<ul style="list-style-type: none"> • develops policies and plans covering all aspects of service delivery, and individual project plans for key projects, with all plans under the control of a nominated project manager who: <ul style="list-style-type: none"> ○ ensures that individual responsibilities for tasks are specified and monitors progress against plans ○ assesses its plans for risks and contingencies, particularly where there are critical interdependencies in key areas ○ develops a business continuity plan that considers and mitigates all known risks of disruption in the Benefits service. 	2.64, 4.12 5.15, 5.27 5.36
3	<ul style="list-style-type: none"> • ensures that there is sufficient evidence available within the Benefits service to objectively inform Members, senior officers and the Department of progress against: <ul style="list-style-type: none"> ○ performance across all areas ○ the implementation of its policy objectives ○ the Benefits service's delivery plans ○ implementing BFI and other audit recommendations ○ its commitment to meet the Standards contained within the Performance Standards. 	2.81, 4.33 4.56, 5.22

High Priority		
We recommend that Bromsgrove District Council:		Paragraph
7	<ul style="list-style-type: none"> • develops an effective prosecution process for investigations where it intends to prosecute. This should incorporate: <ul style="list-style-type: none"> ○ a service level agreement signed by all affected parties ○ contingency plans in the event that commitments under the service level agreement are not met. 	3.103
8	<ul style="list-style-type: none"> • develops and implements a system for managing the workload that allows claims to be analysed, prioritised, with resources allocated and increases staff accountability. 	2.16, 2.29
9	<ul style="list-style-type: none"> • improves its verification arrangements, in particular by: <ul style="list-style-type: none"> ○ providing verification training to all appropriate staff ○ confirming receipt of Income Support (IS) or Jobseeker's Allowance (JSA) in all appropriate claims. 	3.11, 3.14
10	<ul style="list-style-type: none"> • improves management checking arrangements by introducing comprehensive checks across all areas of the Benefits service, in particular: <ul style="list-style-type: none"> ○ analyses the outcomes from checking, identifies and addresses training needs ○ ensures management information is subject to rigorous internal testing. 	2.50, 2.53 2.67
11	<ul style="list-style-type: none"> • introduces and communicates to staff procedures to identify and prioritise reported changes of circumstances, and monitors action taken to ensure overpayments are minimised. 	2.79
12	<ul style="list-style-type: none"> • ensures effective service standards are agreed, achieved and monitored between the Benefits service and all stakeholders involved with HB and CTB administration including: <ul style="list-style-type: none"> ○ landlords ○ the Rent Service ○ other benefit paying authorities such as Jobcentre Plus and The Pension Service ○ internal service providers, such as the IT department, Legal Services Department and Internal Audit. 	2.43, 4.39
13	<ul style="list-style-type: none"> • prioritises the recovery of fraud overpayments and administrative penalties. 	2.96

High Priority		
We recommend that Bromsgrove District Council:		Paragraph
14	<ul style="list-style-type: none"> • introduces management checks at key stages of investigations including: <ul style="list-style-type: none"> ○ the quality of the audit trail and the proper recording of all activities ○ any delays during the investigation process ○ whether all avenues of investigation were pursued and concluded satisfactorily. 	3.61
15	<ul style="list-style-type: none"> • develops management reports that assist the analysis of fraud referrals by identifying the: <ul style="list-style-type: none"> ○ common reasons for the rejection of referrals ○ number and age of all referrals not yet sifted ○ number of investigation files held by individual investigators awaiting initial investigative action along with an associated age profile ○ number of investigation files held by individual investigators currently under investigation along with an associated age profile • improves its risk-based sift criteria informed by regular analysis of referrals. 	3.40, 3.49
16	<ul style="list-style-type: none"> • uses the authorised individuals powers consistently and in accordance with legislation to assist in enquiries about suspected benefit fraud • maintains central records to show when, where and why authorised individuals have used their powers. 	3.86
17	<ul style="list-style-type: none"> • develops comprehensive and secure post opening processes and procedures and reviews them annually. 	5.54

Low priority		
We recommend that Bromsgrove District Council:		Paragraph
1	<ul style="list-style-type: none"> • develops a comprehensive costing model to determine the true cost of providing the Benefits service and to identify savings and economies. 	5.39

BFI findings

Claims administration

Resources

2.1 The Benefits assessment team consisted of a team leader, 2 full-time and 2 part-time staff. We were told there was a shortage of staff and the team leader also processed benefit claims. This left the team leader with limited time to carry out supervisory duties, such as prioritising and monitoring the intake of work, monitoring the quality of output and day-to-day communications with the team.

2.2 A Principal Benefits Officer was appointed in July 2005 after this post had been vacant for 4 years.

2.3 The Customer Service Centre gathered information from customers at the reception area, checking that the evidence received complied with the Verification Framework and answered telephone calls from customers.

Claims processing

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

2.5 Bromsgrove District Council was performing to a **Fair** Standard in its Claims administration activities and met 3 out of the 16 enablers.

Performance Measures

2.6 Figure 2.1 shows the reported performance for the years 2002/03, 2003/04 and 2004/05.

Fig. 2.1: Bromsgrove District Council's performance measures – claims processing

Performance Measure	Description	Standard	2002/03	2003/04	2004/05
PM 1	Average time for processing new claims	36 days	68 days	50 days	44 days
PM 3	Percentage of new claims decided within 14 days of receiving all information	90%	63%	57%	65%
PM 4	Percentage of rent allowance claims paid on time or within 7 days of a decision being made	90%	79%	78%	85%
PM 5	Average time for processing changes of circumstances	9 days	24 days	19 days	14 days

Source: Bromsgrove District Council and the Department

2.7 Figure 2.1 shows that performance in processing new claims, although not at Standard, had steadily improved. In the first quarter of 2005/06 the reported performance further improved to an average of 42 days. Performance for PM3 and PM4 dipped during 2003/04 but has improved for the year 2004/05.

2.8 The figure also shows performance in processing changes of circumstances had improved from an average of 19 days in 2003/04, to 14 days in 2004/05 and 13 days for the first quarter of 2005/06.

2.9 To test performance in processing claims we selected, at random, 20 new claims and 20 changes of circumstances that were processed between April 2004 and March 2005.

Average time for processing new claims

2.10 Figure 2.2 shows performance for processing claims found in our sample.

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

Work step	Average days	Range days
Date of receipt at designated office to date of first action	11	1 – 33
Date of first action to all information or evidence available	11	1 – 31
Date of all information or evidence available to date of decision	11	1 – 30
Total days from date claim received to date of decision	36	4 – 64

Source: BFI analysis

2.11 We found that the average speed for processing new claims in our sample met Standard. However, we identified some avoidable delays at each stage of the process. We also found that 15 (75%) cases in our sample required further information before the claim could be processed. This was because the customer did not provide the required information at the outset and in some cases customer service staff did not identify and request the information when the customer visited the office.

2.12 In addition, analysis of all new claims processed during 2004/05 showed that 75% of claims required further information before they could be processed. This caused significant delays in processing claims and could be avoided.

2.13 By carrying out an analysis of the claims process, the reasons for delays could be identified and reduced by:

- publicising the evidence required to process a benefit claim
- providing training for staff on evidence gathering
- managing its workload more effectively.

Percentage of new claims outstanding over 50 days

2.14 The Department introduced a performance measure to minimise the number of new claims outstanding over 50 days in April 2005.

2.15 We were told that 30% of new claims were over 50 days old for the period April to June 2005 and that this was because of:

- ongoing staff shortages
- the closure of the MG Rover factory and the subsequent redundancies, which resulted in a significant increase in the number of claims received.

2.16 There were no targets in place to reduce the number of claims over 50 days and correspondence was not monitored to prevent claims being delayed to this level. **High priority recommendation 8**

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

2.17 Figure 2.3 shows the percentage of claims decided within 14 days of receiving all information from our sample of new claims.

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

Days	Number	%
0 – 14	12	60
15 – 28	7	35
Over 28	1	5
Total	20	100

Source: BFI analysis

2.18 Figure 2.3 shows the performance was well below the Standard of 90% and was consistent with that reported for 2004/05.

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

2.19 Although cheques were issued weekly, the Standard was not met. This placed undue pressure on landlords who were awaiting payment and increased the risk of hardship and potential eviction.

Average speed of processing changes of circumstances

2.20 Figure 2.4 shows performance for processing changes of circumstances from our sample of changes of circumstances.

Fig. 2.4: Speed of processing changes of circumstances

Days	Number	%
0 – 9	8	40
10 – 15	5	25
16 – 23	1	5
Over 23	6	30
Total	20	100

Source: BFI analysis

2.21 Although the average speed of processing changes of circumstances has improved over the past 3 years, our sample showed that 12 (60%) took more than the Standard of 9 days to process. Further analysis showed that 6 (30%) took more than 23 days, and ranged from 30 to 99 days.

2.22 Benefit was overpaid in these 6 claims and the delay in processing the changes of circumstances resulted in an increase in the overpayment in 5 (83%) of them.

Performance Standards Enablers

2.23 The council did not meet the 2 enablers.

Workload management

Analysis of intake

2.24 The Benefits IT system was used to provide quarterly statistical reports to the Department on:

- work received and processed
- the number of new claims received that had been decided as successful, unsuccessful or withdrawn, and the time taken to process each claim
- the number and types of claims awaiting a decision.

2.25 The intake of new claims, changes of circumstances and other correspondence was not being effectively managed. This was the main issue affecting performance of claims processing. New claims and changes of circumstances were not being prioritised, resulting in delayed payments to customers and increased overpaid benefit.

2.26 Although we were told that the Benefits service was under resourced, there was no analysis of the intake of work to establish the level of resources required. For example, the closure of the MG Rover factory resulted in the redundancy of 600 Bromsgrove residents, and limited arrangements were put in place to cope with the additional claims received.

2.27 Effective use of management information is key to workload management. Analysis can identify the number and types of correspondence received. Over a period of time trends can be identified, for example, speed and accuracy of output, customer complaints and staff performance. This type of intelligence is fundamental to determining the right level of resources required.

2.28 Workload management is essential, especially where resources are limited, as it ensures that urgent work is given priority. In turn this should:

- improve performance in speed of processing
- reduce the potential for customer hardship
- reduce customer complaints
- reduce overpayments.

2.29 By properly managing workflow, staff will be more aware of what is required of them on a day-to-day basis, making them more accountable and allowing them to concentrate on specific areas of work rather than working in a reactive and uncoordinated manner. **High priority recommendation 8**

Dealing with claims for extended payments

2.30 Staff told us that there were no up-to-date procedures for prioritising and fast-tracking information received from Jobcentre Plus when it involved an application for an extended payment.

Gathering information

2.31 The council met one (E6) of the 4 enablers.

Claim form

2.32 The claim form was based on the Department's HCTB1 form and included a standard form that allowed the sharing of information on the progress of the claim with the landlord in direct payment cases.

Information required from third parties

2.33 We were told correspondence that required further information from third parties was not identified or prioritised.

2.34 Ineffective monitoring of claims also meant that letters requesting additional supporting information from third parties were not always sent. For example, there were 2 (10%) cases in our sample of new claims where information was required from Jobcentre Plus and the Rent Service but had not been requested. This caused further delays in gathering evidence to support claims and increased processing times.

Prioritising changes of circumstances

2.35 Changes of circumstances were not routinely prioritised. We found delays in processing correspondence where benefit entitlement had reduced or ended in 11 (55%) cases from our sample of changes of circumstances. Delays in processing extended the period of overpayment in 7 (64%) of these cases.

Working effectively with landlords to minimise repossessions

2.36 The council met one (E7) of the 2 enablers.

Third party representation

2.37 The claim form included consent wording for tenants to allow the council to share their information with representatives to make enquiries on the customer's behalf.

Liaison with landlords

2.38 We found liaison with landlords to be ineffective. There was no dedicated point of contact for landlords to make enquiries. Landlords told us they and their tenants had difficulty accessing the service.

2.39 Bromsgrove District Housing Trust, the council's largest Registered Social Landlord, told us that meetings it proposed with the Benefits service had not taken place until our visit to the council in July 2005.

2.40 There was a landlords' forum that met twice a year. This forum covered all aspects of housing regulations including some aspects of Benefits.

2.41 However, there was no other proactive work carried out to ensure landlords understood their responsibilities for tenants receiving HB. This could lead to landlords failing to notify changes of circumstances that affect the customer and subsequent overpayment of benefit.

2.42 Landlords were not encouraged to make contact before taking enforcement action, particularly where delays in processing HB had occurred.

2.43 It is vital that effective working relations are developed with landlords to improve benefits processing, overpayment recovery and customer service.

High priority recommendation 12

Quality and reducing error

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

Performance Measures

2.45 Figure 2.5 shows reported performance on the accuracy of the calculation of the amount of benefit due between 2002/03 and 2004/05.

Fig. 2.5: Bromsgrove District Council's performance measures – quality and reducing error

Performance Measure	Description	Standard	2002/03	2003/04	2004/05
PM 6	Percentage of cases for which the calculation of the amount of benefit due is correct	98%	98%	99%	98%

Source: The Department

2.46 Reported performance met the Standard for accuracy of payment. However, results from our sample of 20 new claims showed that 4 (20%) were incorrectly paid, and 2 (10%) from our sample of 20 changes of circumstances were also incorrectly paid. The council agreed with these findings.

2.47 We report later under Security that these errors were due to poor evidence gathering and verification.

Performance Standards Enablers

2.48 The council did not meet the 2 enablers.

Quality checks

2.49 Quality checking was introduced in April 2005. We were told that 10% of all claims processed were checked before claims were put into payment each day. For the period April to June 2005 errors were found in 12% of cases checked. We were told the type of error had not been recorded, analysed or fed back to staff.

2.50 Checking was not risk-based and overpayments were not checked at all. Our sample findings showed that there was a higher level of inaccuracy than that reported to the Department. **High priority recommendation 10**

Using quality checks to improve performance and reduce error

2.51 Staff told us they had received some feedback on errors found before the introduction of the checking process in April 2005, as a result of mandatory accuracy checks for the statistical return to the Department. However, this had not been done on a regular basis. In addition, errors found by overpayments, fraud and visiting staff had not been fed back.

2.52 A lack of regular feedback to staff allowed them to repeat their mistakes. It also meant that they did not get the opportunity to offer an explanation or discuss potential training requirements. These errors often resulted in overpayments that would be classified as local authority error and impact on subsidy.

2.53 Staff told us that they had not received an annual appraisal for over 3 years. **High priority recommendations 1 and 10**

Overpayments

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

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

2.55 There were 2 teams involved in the HB overpayment process:

- Benefits assessors who identified, calculated, classified and decided whether overpayments were recoverable

- the Overpayments team who were responsible for recovering and controlling overpayment debt.

Performance Measures

2.56 Reliable information to manage the level and age of HB overpayment debt was not collected. We were provided with reports that gave inconsistent figures for the amount of HB overpayments identified and recovered, as well as the level of debt outstanding. This incorrect information had been reported to the Department since 2001.

2.57 Some of these issues were resolved with the help of another council and we were provided with limited information on the level of overpayment identified and recovered.

2.58 Figure 2.6 shows the amount of debt identified, recovered and outstanding for 2002/03 2003/04 and 2004/05.

Fig. 2.6: Overpayments identified, recovered and outstanding debt

	2002/03 £	2003/04£	2004/05 £
HB overpayments identified during the year	354,000	324,000	330,000
Amount of HB overpayments recovered during the year	226,000	267,000	240,000
HB overpayment debt outstanding at the start of the year	81,000	186,000	219,000

Source: Bromsgrove District Council

2.59 Figures provided showed that the amount of HB overpayment debt outstanding at the end of 2004/05 was £315,000. This is an increase of almost 400% when compared to the level of debt outstanding at the start of 2002/03. We report under *managing debt* that the combination of a failure to manage the overpayments process and poor management information had contributed to the high level of debt outstanding.

2.60 Overpayment debt should only be written off after all avenues of recovery have been pursued. The ability to write-off debt is useful for managing the level of debt, provided there are sufficient safeguards in place.

2.61 Effective procedures were in place for writing off debt. However, we found no HB debt had been written off between September 2004 and our visit in July 2005.

Performance Standards Enablers

Managing debt

2.62 The council met one (E12) of the 3 enablers.

Policies

2.63 An overpayments policy should include the management of debt to ensure that overpayments are brought to account and are kept under appropriate financial control.

2.64 The *Overpayments Policy* was removed from the *Fraud Policy* in 2002. At the time of our visit, there was no overpayment policy and there were no plans to introduce one. **High priority recommendation 2**

Management of overpayments

2.65 We found that the overpayments process was not being effectively managed, and sufficient information to monitor performance was not gathered. For example, management checks were introduced from April 2005 for new claims and claims where there had been a change of circumstances, but these checks did not include any aspect of the overpayment process.

2.66 To consider performance, we looked at 20 cases where an overpayment had been calculated between April 2004 and March 2005. We found errors that could reasonably have been identified by management checks, including:

- 9 (45%) cases where the classification of the overpayment was incorrect
- 3 (15%) cases where the overpayment amount was incorrect
- 3 (15%) cases where the effective date was incorrect.

2.67 It is essential that management checks include overpayment calculations, as this will detect errors, provide assurance on the subsidy claim and identify areas for improvement within the process.

High priority recommendations 4 and 10

2.68 Overpayments staff had other responsibilities within the council, including producing HB cheques, dealing with missing and returned payments and assessing Disabled Facilities Grants.

2.69 We were told that because of other duties, overpayments staff did not have sufficient time to deal with the recovery process. For example, while invoices, reminder invoices and final invoices were issued to customers, the following tasks were not completed:

- legal referrals had not been issued since November 2004
- debtors had not been traced since September 2004
- no HB debt had been written off since September 2004
- recovery of administrative penalties had not been monitored since September 2004.

There were no monitoring arrangements in place to identify these failings.

2.70 The recovery of overpayments is only effective if all parts of the process are managed. For example, final invoices were issued that stated court action would be taken if the customer failed to make contact. However, no cases had been referred to the Legal Services Department. Our sample of 20 overpayment cases included 4 (20%) where the customer had received the final invoice but recovery action had not started. None of these cases had been referred to the Legal Services Department. **High priority recommendation 4**

Procedures

2.71 Staff we spoke to said they did not have any written guidance for dealing with overpayments and had not received training in the classification of overpayments. The impact of this is reflected in the high level of failings that we found. **High priority recommendation 4**

2.72 From our sample we found that 9 (45%) of the 20 overpayments had been incorrectly classified. Further analysis showed that in 3 (33%) of the 9 cases, Benefits assessors had recorded the correct information but the Benefits IT system had incorrectly calculated the overpayment classification dates. The remaining 6 overpayments were incorrectly classified as follows:

- 3 (50%) overpayments had been classified as claimant error, instead of part local authority error
- one (17%) overpayment was classified as local authority error, instead of part claimant error
- one (17%) overpayment was classified as fraud, instead of part claimant error
- in one (17%) overpayment, the incorrect effective date of the change was used and an overpayment should not have been calculated.

2.73 Our findings on the accuracy of overpayment classifications showed that subsidy had been over claimed totalling £166.45, in 6 (67%) of the 9 cases.

2.74 The council needs to ensure that overpayments are classified correctly so that it can establish actual levels of fraud and error, and the underlying causes. To do this staff must be trained, documented procedures need to be developed and management checks on overpayments introduced to ensure overpayments are classified and calculated correctly and managed effectively.

Write-off

2.75 The *Financial Regulations* defined limits for writing off debt, and we found that these limits were adhered to. We examined 6 overpayment cases that were written off and found all avenues of recovery had been considered before the debt was written off. Each case was authorised correctly and the reasons that informed the decision to write off the debt were fully documented.

2.76 We have already reported that no overpayments were written-off between September 2004 and July 2005.

2.77 In addition, no management checks were carried out to ensure the amount of overpayment debt written off had been properly authorised and actioned by an appropriate officer.

Speed of processing cases with overpayments

2.78 There were no targets and the average time to calculate the overpayment following receipt of sufficient information to make a decision was not measured. Our sample of 20 overpayment cases showed the average number of days to calculate an overpayment was 49, with 9 (45%) cases taking more than the Standard of 14 days. The length of time ranged from one day to 638 days.

2.79 We report under *claims processing* that changes of circumstances should be prioritised where there is a reduction in HB. Failure to prioritise these cases contributed to the increase in the level of debt outstanding, from £81,000 in March 2002 to £315,000 in March 2005. Introducing better controls in this area will reduce the amount of overpayments identified and the level of overpayment debt. **High priority recommendation 11**

Recovery

2.80 The council did not meet any of the 3 enablers.

Targets

2.81 There were no targets set for the status of HB debt, other than the Best Value Performance Indicator 79B, which we found to be unreliable. This measure recorded the percentage of overpayment debt recovered against the amount identified and was reported to Members and senior officers.

High priority recommendations 1 and 3

2.82 Members and senior officers were not aware of the:

- number and value of overpayments raised
- total amount of overpayment debt
- effectiveness of overpayment recovery methods.

2.83 Managers should be able to clearly identify the number, value and total amount of overpayments. This will enable them to maximise the effectiveness of its recovery methods and increase the amount of overpayment debt recovered.

2.84 Our sample of 20 overpayment cases showed:

- 11 (55%) cases where the overpayment had been fully recovered
- 4 (20%) cases where the overpayment was being recovered
- 5 (25%) cases where there was no recovery being made.

2.85 Of the 5 cases where there was no recovery being made, we found:

- 4 (80%) cases where the customer had received an invoice for the overpayment but no further recovery action had been taken
- one (20%) case where the customer had moved property and no attempt to trace them had been made.

2.86 The Department's Debt Management Service, which can recover HB overpayment debt when the customer is in receipt of other social security benefits, had not been used.

2.87 We found that overpayments to landlords were not effectively recovered. At the time of our visit, the sum owed by the 10 landlords with the highest overpayment debt was £66,900, with individual debts ranging from £680 to £41,800.

2.88 Setting targets to reduce the level and age of debt, as well as monitoring its recovery, will minimise financial loss and increase revenue. Regular reporting to, and monitoring by, Members and senior officers will ensure adequate assurance is in place to recover public funds.

Maintaining records of overpaid amounts

2.89 The Benefits IT system kept a record of all outstanding overpayments when HB was no longer in payment. If a new claim for HB was made, the Benefits IT system automatically alerted the Benefits assessor that an overpayment was outstanding.

2.90 However, deductions from ongoing benefit were not always set up when the claim was assessed. A report from the Benefits IT system showed there were 85 cases where HB was in payment but no deductions from ongoing benefit were being made. The value of these overpayments totalled £83,600.

2.91 Had routine system administration and management checks been carried out on overpayments, these cases would have been identified and an appropriate deduction applied. **High priority recommendation 4**

2.92 Recovery of overpayment debt using this method should always be considered first as it is effective in collecting outstanding amounts and, as deductions are taken automatically, the administration time to process and monitor the recovery is minimal.

Recovery of administrative penalties

2.93 There was no collection and monitoring policy, or any systems in place, for the recovery of administrative penalties and their respective overpayments. We were told that no monitoring of administrative penalties had been done since September 2004.

2.94 We examined 17 cases where the customer had accepted an administrative penalty. In 15 of these cases the overpayment was still outstanding and the other 2 cases the administrative penalty had been fully recovered. We found:

- 9 (53%) cases where payments were being made towards the administrative penalty
- 6 (35%) cases where the customer had not kept to the agreement and no further action had been taken
- one (6%) case where payment was being made towards the overpayment but the administrative penalty had been recovered first
- one (6%) case where the administrative penalty and overpayment had been fully recovered.

2.95 When an administrative penalty has been accepted, payments made by the customer should be allocated to the associated overpayment before the administrative penalty is cleared. We found one (6%) of the cases we examined had the customer's payments incorrectly allocated.

2.96 The recovery of fraud overpayments and administrative penalties should be prioritised and every effort made to obtain a full recovery to deter fraudsters. **High priority recommendation 13**

Security

Security of administration

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

3.2 We found that Bromsgrove District Council was performing to a **Poor** Standard in its Security activities, meeting 7 of the 21 enablers.

Performance Measures

3.3 Figure 3.1 shows the Standard for PM10 and PM12 was not achieved, and sufficient information to calculate its performance in PM11 was not available.

Fig. 3.1: Bromsgrove District Council's performance measures – security of administration

Performance Measures	Description	Standard	Performance 2004/05
PM 10	Number of interventions where review action commenced in the last quarter	1,540	1,205
PM 11	Percentage of data-matches resolved within 2 months	100%	No data available
PM 12	Number of claimants visited	770	754

Source: Bromsgrove District Council

3.4 We were told that the target for the number of interventions (PM10) was not met because of IT software problems, which meant that the start date for performing the interventions was delayed. While we acknowledge that there were known IT issues surrounding the software for interventions, we were concerned that other methods for selecting the cases for review were not developed.

3.5 Performance for 2004/05 for number of claimants visited (PM12) was just below the target of 770. Again, we were told that the target had not been met because of problems with the Benefits IT system. This meant visiting staff had to sift and extract duplicate visit requests. However, we consider these problems should not prevent the target being met.

Performance Standards Enablers

Compliance with the Verification Framework or to an equivalent standard

3.6 Bromsgrove District Council did not meet the 2 enablers.

Verification of claims

3.7 The Verification Framework sets out the standard of evidence required from customers that councils should use to help secure HB and CTB. The Verification Framework was implemented in December 1999.

3.8 Benefits assessors and staff at the Customer Service Centre were responsible for verifying evidence in support of new HB and CTB claims. Staff at the Customer Service Centre used a checklist that gave examples of acceptable documents that could be provided as evidence. A copy of this checklist was given to customers to confirm what evidence had been provided and what was still required.

3.9 However, in our sample of 20 new claims we found 3 (15%) cases where insufficient information to fully verify the claim was collected. In these cases the council failed to:

- confirm the customer's residency and their liability to pay rent
- verify the customer's income and capital
- verify the customer's bank details.

3.10 In addition, Benefits assessors told us claims were received from the Customer Service Centre with insufficient evidence to support them.

3.11 Further analysis of the sample showed that staff failed to routinely check claims against the remote access terminal to confirm receipt of IS or JSA, or that the HB indicator box was correctly set. **High priority recommendation 9**

Training to verify claims

3.12 We found that that all relevant staff were not properly trained in the latest evidence requirements.

3.13 We were told that Benefits assessors last received Verification Framework training in December 2003 and staff in the Customer Service Centre received training in February 2005. However, new customer service staff had not received any verification training and had to refer Benefits enquiries to more experienced staff. None of the staff we spoke to had received refresher training and there were no plans to provide this training.

3.14 The lack of adequate training meant that customer's details were not verified in all cases and we could not be assured that the correct benefit is being paid to the right person. **High priority recommendation 9**

Compliance with data integrity

3.15 Bromsgrove District Council met the enabler (E19) for this section.

3.16 To comply with requests for HB data by the Department's Housing Benefit Matching Service, we confirmed that the data had been promptly provided in

accordance with an agreed schedule. For the 12-month period ending May 2005, the Department confirmed that no major incidents had been reported regarding the data quality and that the target to match 98% of National Insurance numbers had been exceeded.

Counter-fraud activities

3.17 This section reports on efforts to prevent and deter benefit fraud.

3.18 Benefit fraud investigation was the responsibility of the Fraud and Visiting Team. The team operated within the Benefits service where the Principal Investigation Officer was responsible for the counter-fraud operation.

3.19 There were 2 vacancies for investigators. These posts had been vacant for 3 and 4 years respectively. We were told that a temporary investigator was appointed in April 2005 to target referrals from the National Fraud Initiative and referrals that had not been actioned.

3.20 Figure 3.2 shows performance against the Department's performance measures since 2002/03.

Fig. 3.2: Bromsgrove District Council's performance measures – counter-fraud activities

Performance Measures	Description	Performance		
		2002/03	2003/04	2004/05
PM 13	Number of fraud referrals per 1,000 caseload	27.42	23.78	14.35
PM 14	Number of fraud investigators employed per 1,000 caseload	0.65	0.44	0.26
PM 15	Number of fraud investigations per 1,000 caseload	13.65	14.35	4.73

Source: Bromsgrove District Council and the Department

3.21 Figure 3.2 shows that the number of fraud referrals had dropped between 2002/03 and 2003/04, with a more noticeable decline during 2004/05. This trend is apparent over all the performance areas and was due to number of factors including:

- the lack of resources on the section to investigate the referrals. This was evident by the number of cases that had been overloaded, awaiting investigation
- fraud awareness sessions had not been delivered to council or Benefits staff since November 2003.

3.22 An Investigation Officer from the Department's Counter-Fraud Investigation Service was seconded for 9 months during 2003/04. This enabled more referrals generated through joint-working initiatives to be investigated. This was supported by improved performance against PM15 during this period.

3.23 For the first quarter of 2005/06, reported performance measures were as follows:

- number of fraud referrals per 1,000 caseload as 13.07
- number of fraud investigators employed per 1,000 caseload as 0.44
- number of fraud investigations per 1,000 caseload as 10.48.

3.24 A temporary investigator was employed in April 2005, which immediately increased the number of investigations carried out from 4.73 in 2004/05 to 10.48 in the first quarter of 2005/06.

Performance Standards Enablers

Fraud referrals

3.25 The council met one (E21) of the 2 enablers.

Fraud awareness

3.26 Fraud awareness sessions were last provided to Benefits staff in November 2003. The sessions provided staff with important information and explained:

- verification processes for identifying fraud and error
- the type of fraud which may be prevalent in the area
- how to complete a referral form and ensure that all the required information was captured
- the methods of investigation and the legislative powers
- the process for recovering overpayments.

3.27 It is important that staff are regularly reminded on how to identify and report suspected fraud and that these are promptly investigated. For this reason refresher sessions are essential to maintain awareness and encourage good quality referrals.

3.28 Customer service staff were given fraud awareness training during January 2005, before taking up their posts in March 2005.

3.29 There was no provision to target new recruits by introducing fraud awareness as part of their induction or for awareness sessions to be provided to other departments.

3.30 A standard referral form was available to all Benefits staff in an electronic format. However, the Fraud and Visiting Team did not acknowledge referrals and, while we were given assurance that feedback was given to staff on all closed cases, Benefits assessors told us that feedback on referrals was not routinely provided. We could not find any examples where feedback had been provided in our sample of 20 investigation files.

3.31 Bromsgrove District Council needs to ensure that appropriate levels of up-to-date training are provided to all staff in the council that have contact with customers or who are involved in the benefits process. In addition feedback should be provided to staff making referrals where appropriate.

Fraud hotline

3.32 A telephone hotline was introduced for staff and the public to report suspicions of benefit fraud in January 2000. The 24-hour hotline was answered during the day by staff from the Fraud and Visiting Team and by an automated answering service at night. The telephone number was publicised widely in council publications, on its website, in reception areas, by press releases and in other public buildings.

Risk profiling referrals

3.33 The council met one (E23) of the 2 enablers.

Gathering intelligence

3.34 Our sample showed that effective use was made of the National Anti-Fraud Network for enquiries under the Social Security Administration (Fraud) Act 2001. The Fraud and Visiting team also used the Department's Operational Intelligence Unit to obtain information from the Inland Revenue where appropriate.

3.35 During 2004/05, it made 4 requests for information from the Inland Revenue and reported delays of over 3 months in receiving responses from the Operational Intelligence Unit. We were told in July 2005 that response times had improved to between 2 and 3 weeks.

3.36 With the exception of referrals passed by the Counter-Fraud Investigation Service, all referrals were evaluated and sifted using a standard scoring system. Depending on the score attained the referral was assigned as low or high priority.

3.37 No monitoring of the quality of referrals was carried out to ensure they met a standard sufficient to inform the risk-based sifting process. There were 3 cases in our sample where referrals from the Counter-Fraud Investigation Service were investigated without any regard to its own priorities or objectives. We found that better quality referrals had been overloaded.

3.38 A module of the Benefits IT system was used to record details of investigations. We found that the system did not contain sufficient information to assist the analysis and targeting of counter-fraud activity because it was not capable of recording and reporting the end-to-end process of an investigation. For example it was unable to record:

- the progress of cases awaiting:
 - legal proceedings
 - the issue of a formal caution or administrative penalty
- the key action dates to avoid delays
- cases sent to adjudication officers for overpayment decisions.

Management information

3.39 The system was not interrogated to obtain the necessary management information to identify areas of risk or to monitor caseloads. Examples of reports it could produce included the:

- number and age of all referrals not yet sifted
- type of fraud where the case had been proven
- results from joint working with the Counter-Fraud Investigation Service.

3.40 Without considering essential management information that was readily available, Members and senior officers could not be assured that resources were being used most effectively to tackle fraudsters.

High priority recommendation 15

Action on referrals

3.41 The council did not meet the 2 enablers.

3.42 We sampled 20 investigations that were closed between April 2004 and March 2005. Of these, 5 (25%) had been referred, sifted and risk-assessed by the Counter-Fraud Investigation Service. The remaining 15 (75%) cases had taken between one and 91 days to be sifted with an average of 24 days.

3.43 We analysed the time taken to start an investigation after the referral had been sifted. Figure 3.3 shows performance in this area.

Fig. 3.3: Time taken to start investigative action after the referral had been sifted

Number of days	Number of investigations	%
1 – 10	2	10
11 – 20	1	5
20 and over	17	85
Total	20	100

Source: BFI analysis

3.44 Figure 3.3 shows that in 90% of the sampled cases, investigative action did not start within the Standard of 10 days of the case being sifted. The time taken from sifting referrals to the first action ranged between 4 and 255 days, with an average of 74 days. This is poor performance.

3.45 Failure to promptly allocate and investigate cases following sifting meant that the customer was still being paid benefit and there was potential for any subsequent overpayment to increase accordingly.

3.46 We conclude that investigations were not being properly prioritised and progressed because some referrals were bypassing the risk scoring process. The lack of effective processing compounded the lack of resources and resulted in backlogs of investigations.

3.47 We were concerned to find that 95 cases were overloaded, in April 2005. This process increased the risk of fraud remaining undetected and the possibility of fraudsters escaping appropriate punishment.

3.48 The temporary investigator had targeted the overloaded cases but the age of some referrals had reduced the prospect of obtaining sanctions. This resulted in 37 cases being closed without any action being taken. At the time of our inspection 26 cases were still awaiting action.

3.49 Managers may have avoided overloading cases by adjusting the risk-scoring benchmark, enabling it to select better quality referrals and reduce the number accepted for investigation. We reported earlier that referrals from the Counter-Fraud Investigation Service should also be evaluated using the council's risk-scoring process, thereby ensuring consistency in its selection methods. **High priority recommendation 15**

Fraud investigators' code of conduct

3.50 The council met 2 (E27 and E28) of the 4 enablers.

Compliance with legislation

3.51 The files we examined were constructed in a consistent format and documents were clearly labelled and filed in chronological order.

3.52 Activity logs were maintained on the fraud module of the Benefits IT system and Investigation Officers recorded actions taken during the course of the investigation.

3.53 However, we found that records did not always explain the reasons for:

- not pursuing all avenues of investigation, for example surveillance
- delays between actions.

3.54 All Investigation Officers completed official notebooks to record their daily activities. We examined the notebooks and established that regular entries had been made. Appropriate management checks were carried out and recorded each month to ensure that the content and layout of notebooks met legislative requirements. These checks were recorded.

3.55 We were told that access to the Document Image Processing system and the fraud module of the Benefits IT system was restricted to appropriate staff. However, the absence of any records or documentation showing individual access levels prevented us from confirming this process.

3.56 Investigation files were stored securely when not required by the Fraud and Visiting Team.

3.57 A draft *Fraud Strategy* was developed in June 2005. It was a comprehensive document that incorporated policy on prosecuting benefit offences. It also included:

- a code of conduct for investigators and visiting officers
- terms of reference which covered the roles of staff and Members
- procedures for dealing with vulnerable people
- liaison arrangements with external stakeholders.

3.58 This draft document was also being used as procedural guidance for staff in the Fraud and Visiting Team. This was supplemented by:

- the Department's Fraud Procedures and Investigations Manual
- circulars issued by the Department.

3.59 Management checks were not carried out during investigations. However, the Principal Investigation Officer reviewed all closed investigation files where fraud had been proven. The closure sheet was marked to show that a check had been completed but findings were not recorded or fed back to Investigation Officers.

3.60 Checks need to be extended to all referrals, including those where fraud was not proven and those overloaded and awaiting action. This will provide assurance on the quality of work and the extent to which the investigative process complies with legislation.

3.61 There was no assurance that sufficient evidence and information was collected and recorded, and that investigations were being progressed in accordance with its draft *Fraud Strategy* document and in a timely manner.

High priority recommendation 14

3.62 Management checks need to be developed at key stages throughout investigations in order to monitor their progress and outcomes. It was evident from our sample that significant delays were occurring at all stages of the investigations, for example:

- before the fraud referral was sifted
- between the sift and the first investigative action
- following-up requests for information.

3.63 We were concerned that administrative delays had impacted on the performance of the Fraud and Visiting Team, resulting in 3 (15%) of the sampled files being closed without any satisfactory conclusion to the investigations.

Interviewing customers

3.64 In our sample of 20 investigation files, we found 7 (35%) where an interview under caution had been carried out. In 6 (86%) of these cases, records showed that Investigation Officers had followed the Code of Practice for questioning suspects and tape recording interviews in accordance with the Police and Criminal Evidence Act 1984.

3.65 In one case the evidence had not been evaluated to establish whether the case was suitable for a sanction. Evidence from the file showed that the overpayment of HB was negligible and that the decision to interview the customer under caution was not in line with its draft policy.

3.66 Of the remaining 13 cases we found one case where an interview under caution was appropriate but had not been carried out. Records showed that evidence gathered during the investigation supported the original allegation, yet these avenues were not adequately pursued and the investigation was closed without any satisfactory conclusion. This case shows management checks need to be carried out on live investigation files.

3.86 We were concerned that Investigation Officers may continue this practice unless the policy and processes for authorising surveillance are implemented.
High priority recommendation 16

Fraud Partnership Agreement

3.87 The *Fraud Partnership Agreement* for 2004/05 was agreed through the Joint Operational Board and had been tailored to meet local needs. Monitoring of the Agreement was achieved through the Worcestershire Partnership Group, which met every 6 months, and monthly meetings with the Counter-Fraud Investigation Service.

3.88 From our sample of 20 investigation files, 5 (25%) had been jointly investigated and 2 (40%) of these had resulted in successful prosecutions. While we commend the council for its commitment to joint working, we reported earlier that it needs to ensure that all its joint investigations meet its own objectives as set out in its draft *Business Plan* and that all referrals are risk-assessed against its own scoring criteria.

3.89 A case in our sample included an allegation of an undeclared partner. The Counter-Fraud Investigation Service raised the referral and the council were invited to jointly investigate. Records showed the council had previously investigated the same allegation and that fraud had not been established. Had the referral been scored using the council's own risk assessment criteria, it may have been rejected instead of having resources committed to it. It is important that the council balances its obligation to jointly investigate with its own priorities.

3.90 Delays in receiving overpayment decisions from the Department's Adjudication Officers had been reported to Jobcentre Plus. While this issue was discussed at liaison meetings, individual cases were not monitored to establish timescales for the return of decisions.

3.91 Our sample identified 2 (10%) cases where requests for information from the Department's Incapacity Benefit section had been delayed, taking on average 5 weeks. Although the Investigation Officer had followed-up the requests there was no evidence to show that these issues were being raised and discussed during liaison meetings to monitor and review arrangements under the *Fraud Partnership Agreement*.

3.92 Delays at any stage during an investigation may affect the prospect of securing appropriate sanctions.

Sanctions

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

Performance Measures

3.94 Figure 3.4 shows performance against the performance measure for 2002/03, 2003/04 and 2004/05.

Fig. 3.4: Bromsgrove District Council's performance measures – sanctions

Performance Measure	Description	Performance		
		2002/03	2003/04	2004/05
PM 16	Number of successful sanctions per 1,000 caseload	2.68	6.72	6.57

Source: Bromsgrove District Council and the Department

3.95 Figure 3.4 shows performance had improved since 2002/03. It had applied 11 sanctions in 2002/03, rising to 37 in 2004/05. Although it appears that performance had actually deteriorated in 2004/05, an increase in its caseload had caused the variance in performance.

Performance Standards Enablers

A balanced sanctions policy

3.96 The council met 2 (E35 and E36) of the 3 enablers.

3.97 We reported earlier that Members had not approved the draft *Prosecution Policy*. It is important that Members demonstrate to staff and the public their commitment to deterring, preventing and detecting benefit fraud.

3.98 The draft policy sets out the process for applying sanctions in appropriate cases. We examined the process and confirmed that the Principal Investigation Officer checked each case and ensured that checks of the customer's history had been made, to find out if there had been any previous convictions. Our sample of files contained 2 prosecution cases. Both the files examined contained evidence of checks against the:

- database of the Department's Professional Standards Unit
- Police National Computer.

3.99 In both cases the appropriate notification to the Department for recording the outcome of the investigations were issued.

3.100 Before submission to its Legal Services Department, the Principal Investigation Officer prepared a recommendation on the suitability of the case for proceedings. The draft policy also stated that the final decision on whether to prosecute the offender was the responsibility of the Head of Legal Services.

3.101 Records show that since February 2002, 9 potential prosecution cases had been submitted to the Legal Services Department but had not been progressed. Administrative delays within the Legal Services Department had resulted in a potential loss of subsidy, totalling £28,800.

...since February 2002, 9 potential prosecution cases had been submitted to the Legal Services Department but had not been progressed.

3.102 Further analysis of the 9 cases showed that:

- 2 (22%) had fraudulent overpayments of £23,444 and £17,912 respectively and almost certainly would have been suitable for a hearing at Crown Court
- one (11%) case involved charges against a landlord, with an overpayment of £8,170

- 2 (22%) cases had been referred to the agent solicitor following a 13-month delay in the council's Legal Services Department. On the advice of the agent solicitor, summons were withdrawn in both cases due to the time delays in getting the cases to court and the potential for negative publicity against the council.

...as a result, offenders had escaped the appropriate punishment leaving the council open to accusations of inequality of treatment for benefit fraud offences.

3.103 We were told that the Legal Services Department had a shortage of resources and had prioritised other work. However, it had failed to seek alternative arrangements in some cases and, as a result, offenders had escaped the appropriate punishment, leaving the council open to accusations of inequality of treatment for benefit fraud offences.

High priority recommendation 7

3.104 If a caution or administrative penalty was refused, cases were referred for prosecution.

3.105 [REDACTED]

3.106 The Legal Services Department had progressed 15 cases with 10 resulting in successful prosecutions. The council must ensure that it has the capacity to deal promptly with all cases where prosecution is the likely outcome. By not doing this, it risks de-motivating its Investigation Officers and deterring staff from making referrals if cases are not achieving the desired outcome.

3.107 We consider the deterrent effect of publicity to be one of the most valuable outcomes of a prosecution by improving public perceptions and confidence in the Benefits system. We commend the council for publicising its successful prosecutions in the local press and for taking the opportunity to advertise its fraud hotline telephone number in press release

User focus

Introduction

4.1 Councils should aim to:

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

4.2 A new Customer Service Centre was opened in March 2005, as part of the Worcestershire Hub Partnership, to provide customers with access to a wide range of local government services at the first point of contact. The Worcestershire Hub Partnership consisted of organisations responsible for delivering public services. Members included all 7 councils within the County.

4.3 The Customer Service Centre delivered the following services:

- Council Tax
- business rates
- benefit enquiries
- payment facilities
- bus passes and car park permits
- Blue Badge permits
- environmental health enquiries
- depot services.

4.4 We found that Bromsgrove District Council was performing to a **Poor** standard in its User focus activities and met only one of the 12 enablers.

Take-up

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

Performance Standards Enablers

4.6 The council did not meet the 2 enablers.

Take-up strategy and targeted campaigns

4.7 Local authorities should have a strategy to encourage the take-up of benefits. This should include work to identify and target information at particular groups, for example:

- elderly private sector tenants
- ethnic minorities
- groups with a high chance of a successful claim, such as disabled tenants.

4.8 Bromsgrove District Council did not have a documented strategy or plan to encourage take-up of HB and CTB. It carried out limited activities that did not reach out to all eligible customers or target specific vulnerable groups.

4.9 The council raised awareness of CTB by issuing an information leaflet with Council Tax bills that covered:

- an explanation of CTB
- who may be entitled
- how CTB was calculated
- how to apply.

Guidance on how to claim benefit was provided to the 600 MG Rover workers from the area who were made redundant in April 2005...

4.10 Guidance on how to claim benefit was provided to the 600 MG Rover workers from the area who were made redundant in April 2005 by:

- the provision of information packs for benefits, which were distributed through the Customer Service Centre
- a news release in the local newspaper
- posting information on the website
- radio broadcasts by the Corporate Director of Resources.

4.11 Over 500 pensioners in the area were contacted to inform them of benefit services. This was done using information provided by The Pension Service.

4.12 The council needs to do more to identify stakeholders and work alongside relevant organisations to encourage the take-up of benefits.

High priority recommendations 2 and 4

Customer service

4.13 Customer service is important and councils should ensure its Benefits service is accessible, employs suitably trained staff to deliver quick and comprehensive responses to claims and other public enquiries, and makes effective use of partnerships with stakeholders to improve overall service delivery.

Performance Standards Enablers

Accessibility

4.14 The council met one (E41) of the 2 enablers.

Decision letters

4.15 The Benefits IT system produced automated decision letters, which complied with the requirements of Schedule 6 of the Housing Benefit (General) Regulations 1987.

Access to services

4.16 The Customer Service Centre was accessible to customers for 43 hours a week, including Saturdays. Customers could contact the office by telephone, e-mail, letter, or by visiting the Customer Service Centre.

4.17 Registered Social Landlords told us that they and their tenants had difficulty in accessing the Customer Service Centre by telephone. They considered this to be a significant problem that often resulted in delays to benefit payments and unnecessary journeys into the Centre to resolve enquiries.

4.18 A customer satisfaction survey was carried out in April 2004. We were concerned that the issues customers raised had not been addressed. For example, 42% responded that they could not resolve their enquiry over the telephone and so had to visit the Centre. This supported the comments made by Registered Social Landlords. The result was an increase in personal callers and additional work for staff.

Equalities

4.19 A Race Equality Scheme was developed in May 2002 and updated in May 2005.

4.20 The Equality Champions Working Group supported the Scheme and their responsibilities included reviewing and monitoring impact assessments carried out for corporate functions and services.

4.21 An Equalities and Diversity Forum, made up of key internal and external stakeholders held its first meeting in July 2005. The forum planned to evaluate the equalities programme.

4.22 A number of national Best Value Performance Indicators have been developed to address race equality within the corporate framework. Under BVPI 2, there are 5 levels and each local authority is expected to:

- have a racial policy statement
- engage in an impact and needs assessment, a consultation process, and an equality action planning process for employment and service delivery
- complete the equality action planning process, setting objectives and targets and established information and monitoring systems to assess progress
- develop information and monitoring systems that enable it to assess progress towards achieving specific targets
- achieve targets, review them, set new targets and be seen as exemplary for its equality programme.

4.23 Level 2 for BVPI 2 had been achieved by engaging in a consultation process and an equality action planning process for employment and service delivery. The aim to reach level 3 by 2002/03 in its Race Equality Scheme 2002 had not been achieved. However, the updated Race Equality Scheme 2005 stated that the council now aimed to reach level 5 by 2007/08.

4.24 There was a 3-year equalities action plan. This had not been communicated to all staff and was behind schedule, for example, procedures on dealing with race equality and disability issues had not been developed.

4.25 The needs of disabled customers were considered before opening its Customer Service Centre in March 2005 and to fulfil its obligations under the Disability Discrimination Act 1999 various facilities had been provided including:

- wheelchair access
- automatic wide doors
- disabled toilet facilities
- mobile hearing loops
- text phones.

Dealing with enquiries

4.26 The council did not meet the 2 enablers.

Targets

4.27 Limited targets were in place for staff dealing with customer enquiries.

4.28 When it opened in March 2005, the Customer Service Centre introduced a target to resolve 80% of all queries at first point of contact. This included personal and telephone callers. This target had not been achieved in March, May or June 2005.

4.29 To ensure the correct allocation of resources, managers need to be aware of the number of customers calling on the telephone and attending the public counter. This will provide valuable information on the average waiting time and periods of high customer demand. The council did not collect sufficient management information or analyse customer waiting times or abandoned calls.

4.30 Some telephone callers queued for lengthy periods. We analysed the limited data provided to us and found that between March and June 2005, only 58% of all calls to the Customer Service Centre were answered within 30 seconds. Of the remaining 42%, the council was unable to provide a breakdown of calls that were abandoned or those where customers waited to speak to a customer adviser.

4.31 Contingency arrangements had not been planned for periods of high telephone demand. For example:

- the redundancies at MG Rover
- problems with refuse collection
- during Council Tax billing in April 2005.

4.32 All these situations had increased the volume of telephone callers, resulting in more calls being abandoned and the potential for more visitors to the Centre's reception.

4.33 E-mails were not monitored or recorded and performance in dealing with them was not reported to Members or senior officers.

High priority recommendations 1 and 3

Over-the-counter service

4.34 An over-the-counter service was provided through the Customer Service Centre for customers submitting completed claim forms and supporting evidence. We found that not all cases were verified to the minimum standard required by the Verification Framework. We comment further on the Verification Framework under Security.

4.35 Benefits staff told us that they received incomplete claims from the Customer Service Centre. Failing to obtain all evidence at the customer's initial visit led to further requests for information and additional work for benefit assessors. This also impacted on processing delays by increasing the time taken to make a payment of HB. **High priority recommendation 4**

Partnership working

4.36 The council did not meet any of the 3 enablers.

Service level agreements

4.37 Service level agreements were in place with all key external stakeholders, except for the Appeals Service. However, these were not monitored or reviewed and regular contact was not maintained with partner organisations. For example, other agencies of the Department.

...representatives from the Benefits service had attended just one of the last 4 meetings organised by Jobcentre Plus.

4.38 External stakeholders told us that liaison meetings were not held in accordance with service level agreements. For example, representatives from the Benefits service had attended just one of the last 4 meetings organised by Jobcentre Plus.

4.39 With regular monitoring of the service level agreement, any performance issues in sending information by Jobcentre Plus would be identified and could be discussed at the liaison meetings and action taken to improve the process.

High priority recommendation 12

4.40 The first liaison meeting was held with Bromsgrove District Housing Trust in July 2005. We were told by the Trust that the council had previously failed to respond to requests for liaison meetings.

4.41 A number of measures were agreed to improve the relationship with the Trust. For example, by providing a direct contact number and e-mail address for the Benefits service should any problems arise.

Appeals and complaints

4.42 Local authorities need to ensure that they:

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

Performance Measures

4.43 Reliable management information to show its performance against the performance measures for appeals and reconsiderations was not collected. These include:

- PM17, percentage of requests for reconsideration actioned and notified within 4 weeks
- PM18, percentage of appeals submitted to the Appeals Service in 4 weeks
- PM19, percentage of appeals submitted to the Appeals Service (including those in PM18) in 3 months.

4.44 Prior to the introduction of the revised Performance Standards in April 2005, there was no requirement for local authorities to keep data on the processing time for requests for reconsideration. However, to test the council's performance in this area, we examined 30 cases on the Benefits IT system.

4.45 We found that appeals and reconsiderations were recorded incorrectly on the Benefits IT system, resulting in the data reported by the council being unreliable and unsuitable for analysis.

Performance Standards Enablers

Appeals

4.46 The council did not meet the 2 enablers.

4.47 The Team Leader was responsible for dealing with the initial handling of appeals and reconsiderations. Where the customer was dissatisfied with the response, the Head of Revenues and Benefits would deal with the case.

4.48 We examined the end-to-end process and found that:

- appeals and reconsiderations were incorrectly indexed and recorded on the Document Image Processing system and the Benefits IT system
- targets had not been set for dealing with requests for reconsideration or appeal
- prompt action had not been taken for considering all requests for reconsideration.

4.49 Procedural guidance on submitting cases to the Appeals Service was used by the Head of Revenues and Benefits when preparing appeals submissions. This guidance ensured they were correct in law and complied with the requirements of the Appeals Service.

4.50 The Head of Revenues and Benefits was responsible for presenting to appeals tribunals. However, no training had been provided to staff to enable them to identify and deal promptly with the initial stages of reconsiderations or appeals.

We were concerned to find that 3 (10%) letters of appeal received by the council had not been actioned. These appeals were, on average, 10 months old.

4.51 We examined 30 cases, selected from management reports detailing appeals or reconsiderations received. We were concerned to find that 3 (10%) letters of appeal received had not been actioned. These appeals were, on average, 10 months old. These delays unreasonable delays and we would expect immediate action to be taken on the outstanding cases.

High priority recommendation 4

Complaints

4.52 The council did not meet the enabler.

4.53 During 2004/05, information about the number of complaints received had not been collected or recorded. As a result, weaknesses in administrative processes could not be identified.

4.54 A new system for recording complaints was introduced in April 2005. New guidance for recording and responding to complaints was also developed and distributed to staff. All staff were required to acknowledge complaints within 2 days of receipt and provide a full response within 10 days.

4.55 The complaints procedure was publicised in a leaflet available at the Customer Service Centre and on the website.

4.56 Bromsgrove District Council needs to ensure that the outcomes of complaints are evaluated to improve the service where areas for improvement are identified. **High priority recommendation 3**

Resource management

Strategic management

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

5.2 We found that Bromsgrove District Council was performing to a **Poor** standard in its Resource management activities, having met just 2 of the 16 enablers.

Performance Standards Enablers

Managing the Benefits service

5.3 The council did not meet the 3 enablers.

Setting comprehensive targets

5.4 Targets had been set against Best Value Performance Indicators for some areas. For example for the year 2004/05 targets had been set to process:

- new benefit claims on average within 40 days
- changes of circumstances on average within 10 days
- 99% of benefit cases accurately.

5.5 However, we found performance was not baselined in each area, and consideration was not given to how the gap between current and desired performance would be bridged. Targets were not set to achieve performance in line with Performance Standards.

5.6 We were told no account had been taken of work throughputs when targets were being developed. In addition, the targets had not been reviewed to reflect changes in workloads.

5.7 Targets were not comprehensive in scope. We identified the absence of targets in important areas. For example, overpayment recovery, dealing with requests for reconsiderations and appeals, implementing audit recommendations and customer enquiries.

Linking targets to objectives

5.8 The targets that were in place did not link to the strategic objective to provide 'an excellent Benefits service by 2008'. Individual targets had not been

set for managers or staff in the Benefits service. Staff told us they were unaware of the strategic objective and could not see how it would be achieved.

5.9 Staff had not been informed about team or individual performance levels until this was communicated to them, for the first time, in July 2005.

5.10 The setting of comprehensive targets across all the functions the Benefits service is critical to support Bromsgrove District Council's strategic objective, which is an essential component of its wider strategic framework. Supporting this with individual targets will improve the accountability of all staff and managers. **High priority recommendation 1**

Planning

5.11 Service delivery plans can only be effective if they are developed, used, monitored and adapted to meet changing circumstances. Managers and staff need to be convinced that the plans are realistic and achievable.

5.12 There was no service delivery plan. Objectives had not been identified and the many tasks and projects required to provide an effective and secure Benefits service had not been prioritised. A lack of focus meant resources were being deployed in areas of relative lower priority while the completion of important activities were delayed or not completed at all.

5.13 For example, managers in the Benefits service deployed resources to deal with e-mails from customers rather than direct them to the Customer Service Centre to be dealt with alongside personal callers and telephone callers. This meant electronic correspondence was dealt with more quickly than other methods of communication. In addition this correspondence was not recorded, leaving the Customer Service Centre reporting fewer transactions than the council had dealt with.

5.14 The impact of resources being diverted in this way was significant. While managers prioritised dealing with day to day enquiries the council's:

- overpayment debt increased almost 400% without being noticed
- Benefits IT server was rapidly reaching capacity
- management checks had not been carried out
- policies plans and targets had not been developed.

5.15 Managers responded positively to our findings in this area and developed a service delivery plan that was due to be sent for approval by Members in July 2005. The draft plan identified gaps in performance and the elements of the Performance Standards that were still to be achieved.

High priority recommendation 2

Monitoring performance

5.16 The council did not meet the 2 enablers.

5.17 Officers reported performance to Members quarterly along with reasons for deviation from targeted performance.

5.18 However, we found the reports were inaccurate in some areas. For example, the report for the period October to December 2004 overstated

performance in the average speed for processing changes of circumstances by 33 days (320%) for the reported year to date performance in that report.

5.19 In addition the reports lacked any indication of how poor performance was being addressed. For example, a target was set to visit 230 claimants per 1,000 caseload. Managers reported in 3 consecutive quarterly reports in 2004/05 that the reason for poor performance against this target was 2 investigator posts were vacant. We were told that solutions had not been discussed and Members did not query the performance.

Information provided to the Department

5.20 The Department requires accurate management information to be provided in support of subsidy claims.

5.21 We found the information provided to the Department was not accurate in all cases. We report under *overpayments* that inaccurate management information had been submitted since 2001.

5.22 Accurate performance should be reported to Members and senior officers regularly. Where desired performance is not achieved managers should provide details of when and how performance will improve.

High priority recommendation 3

Developing and documenting risk management arrangements

5.23 An objective to develop risk management arrangements was in the *Corporate Recovery Plan, November 2004*. However, we found there were no risk management arrangements in place for the Benefits service.

5.24 We found poor planning and contingency arrangements often had a significant impact on service delivery. For example, we were told that the server for the Benefits IT system had reached capacity and would not be able to function from October 2005. There were no contingency arrangements for this eventuality.

5.25 A number of key posts had not been filled. For example, the Head of Financial Services post had been vacant since 2003, the Principal Benefits Officer post had been vacant for 4 years and 2 fraud investigator posts had been vacant for 3 and 4 years respectively.

5.26 The Head of Financial Services and the Principal Benefits Officer were appointed in July 2005. But, we were still concerned about the impact that vacancies were having on the Benefits service.

5.27 The council is undergoing a period of significant change that needs to be properly planned, managed and controlled. A formal approach to risk management needs to be developed as a matter of urgency.

High priority recommendation 2

Providing for a skilled and competent workforce

5.28 The council did not meet the 2 enablers.

Policy

5.29 A range of policies were in place to deal with recruitment and training, but these were not up-to-date and we found the policy intent was not being delivered by the Benefits service. For example its *Training and Development Strategy 2001/02* stated that:

...development needs would be supported through annual appraisal and training needs analysis.

5.30 Staff were not required to declare an interest in Benefit claims, although process and procedures were developed to enable declarations in July 2005.

5.31 References were checked during recruitment. However, checks on agency staff were not carried out to the same standard.

Addressing identified training needs

5.32 We found staff and managers lacked skills in key areas. For example planning, project management and performance management.

5.33 Benefits staff told us that they had not had an appraisal discussion with managers for at least 3 years.

5.34 There was no structured training programme within the Benefits service and we were told the corporate training budget for the financial year 2004/05 was just £7,000. The budget had been increased to £200,000 for the year 2005/06.

5.35 Morale within the Benefits service was generally low. Staff told us that they did not feel valued and felt their development needs were not considered to be a priority.

5.36 We conclude that more needs to be done to develop staff and provide feedback through an effective performance management and appraisal system.

High priority recommendation 2

Value for money

5.37 Although there is no definitive costing structure for benefits administration, local authorities should have regard to Departmental guidance, which covers efficiency.

Performance Standards Enablers

Achieving value for money

5.38 The council met one (E58) of the 2 enablers.

Costing structure

5.39 High-level costs for the provision of the Benefits service were produced. However, the council could not identify what some of the expenditure was for

Assurance

5.48 Large numbers of HB and CTB payments pass through the accounting and payment systems operated by a local authority. It is therefore essential that there are rigorous internal control mechanisms in place to provide assurance on the security of the Benefits system.

Performance Standards Enablers

Internal control mechanisms

5.49 The council did not meet the 3 enablers.

IT Security

5.50 [REDACTED] We were told there were no procedures for testing new releases for the Benefits IT system.

5.51 We were concerned about the security weaknesses that existed. We found there was no specific:

- information about the Benefits IT system in its security policy
- [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - [REDACTED].

5.52 [REDACTED].

5.53 [REDACTED].

High priority recommendation 5

Post opening

5.54 [REDACTED] For example:

- there were no procedures for post opening
- [REDACTED]
- [REDACTED]

A total of 59 recommendations were made in the 2002/03 report and we were told that by July 2005, 11 (19%) had been implemented.

5.66 A total of 59 recommendations were made in the 2002/03 report and we were told that by July 2005, 11 (19%) had been implemented. We have repeated many of the recommendations in this report.

5.67 Bromsgrove District Council agreed that all the recommendations remained relevant.

5.68 Internal Audit failed to carry out timely reviews on progress in implementing recommendations.

5.69 We were told that this report and its recommendations had not been referred to Members. We were very concerned that this breakdown in internal accountability, allied to a lack of internal audit, meant that reasonable levels of public accountability were not being maintained.

5.70 These issues are serious failures that need to be addressed urgently.
High priority recommendation 6

