

Report by the
Benefit Fraud Inspectorate

***Blyth Valley Borough Council
Inspection of Claims processing***

October 2007

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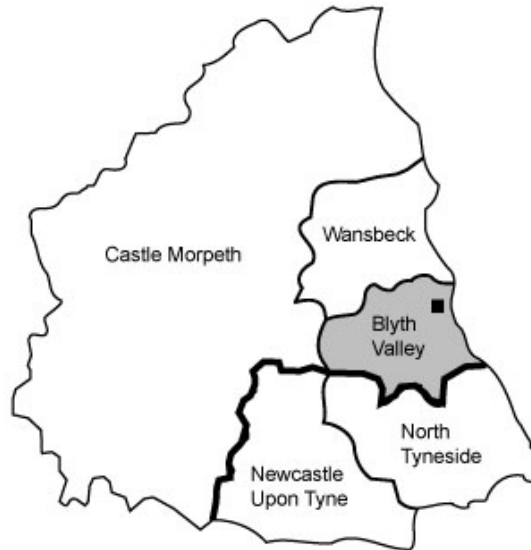
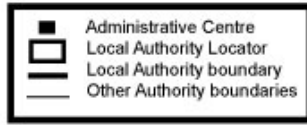
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The maps on this page show the area covered by Blyth Valley Borough Council in relation to neighbouring authorities, and its geographical location in the country.



Executive summary

Background

1.1 This report assesses Blyth Valley Borough Council's performance in dealing with claims processing. We have limited the scope of this inspection to those Performance Standards' components that have a direct impact on Blyth Valley Borough Council's reported claims processing performance.

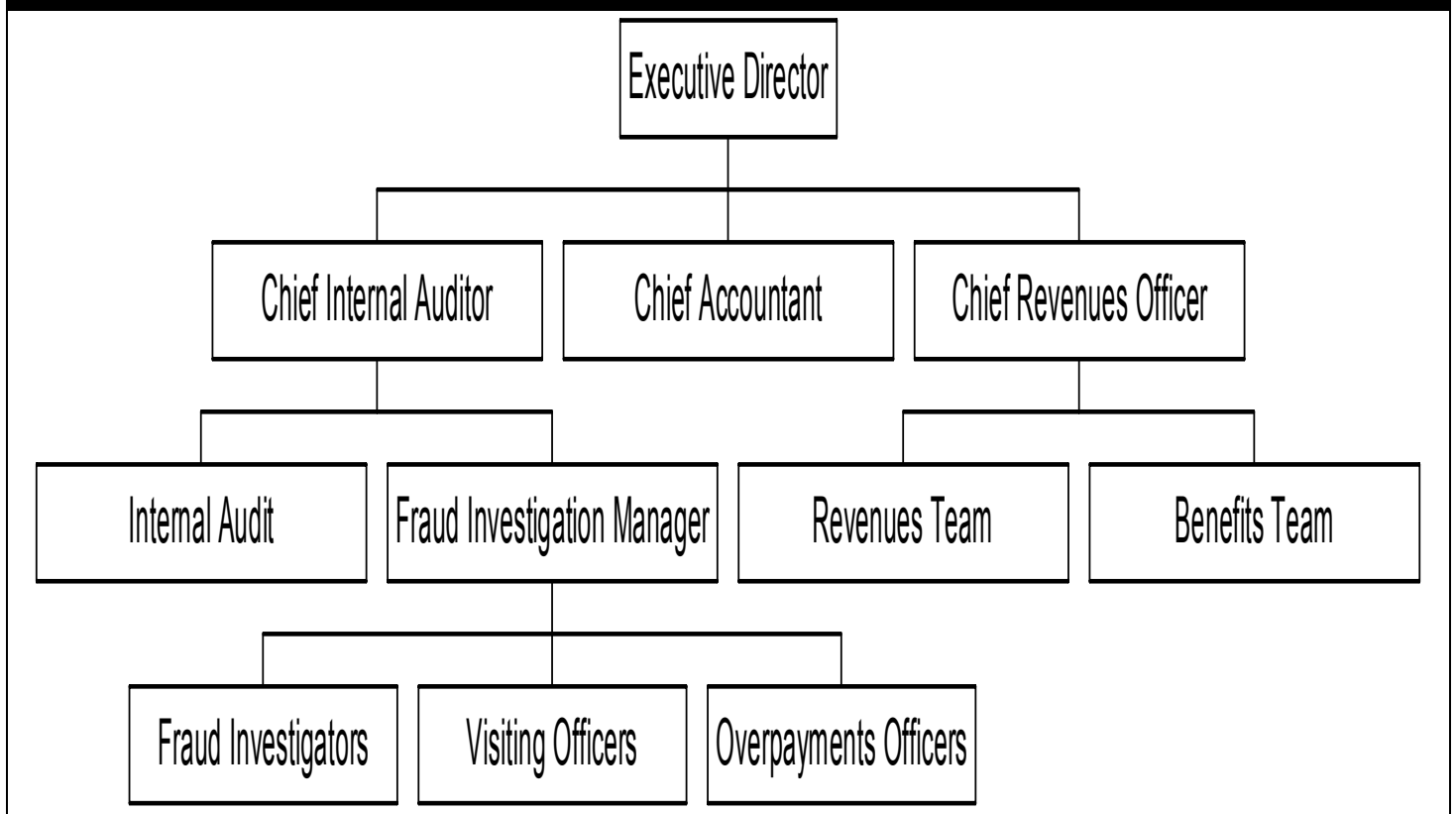
1.2 This report should be read in conjunction with the Performance Standards pack, which can be downloaded from the Department for Work and Pensions' (the Department) website at:

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

1.3 Blyth Valley Borough Council was selected for inspection because it did not meet Performance Measures for dealing with changes of circumstances or interventions during 2006/07.

1.4 Figure 1.1 sets out the organisation of the council's Financial Services.

Fig. 1.1: The Benefits service organisational structure



Source: Blyth Valley Borough Council

1.5 The Benefits service is located in the Civic Centre in Blyth, and there are 3 front-line customer contact centres in:

- Blyth town centre
- Cramlington
- Seaton Delaval.

1.6 Our work to establish the effectiveness of Blyth Valley Borough Council's performance included:

- sampling 10 new claims and 10 changes of circumstances processed in the period January to March 2007, to obtain information on the standard of verification and speed of processing
- sampling 15 case interventions carried out at various points from January to March 2007, to obtain information on the interventions process, clearance times and follow-up action
- interviews and workshops with relevant staff across the council, including:
 - benefits processing staff
 - visiting officers
 - managers
 - Internal Auditors
- analysis of management information, procedural guidance, policy documents, business and strategic plans, reports and minutes of meetings.

1.7 We are grateful to Blyth Valley Borough Council for its help and cooperation throughout this inspection, the on-site phase of which took place during May 2007.

Overall performance

1.8 We conclude that Blyth Valley Borough Council is making progress in its efforts to recover from a difficult period for the Benefits service.

1.9 Performance had deteriorated due to a combination of events:

- the introduction of the replacement Benefits IT system and Document Image Processing system
- the reorganisation of the delivery of HB and CTB following the introduction of the 'Your Link' customer-facing service
- long-term sick absence amongst the Benefits processing staff.

1.10 It could be argued that more robust planning may have reduced the impact of these changes, but the council is now making progress in reducing the backlog of work that arose. By May 2007, it was estimated that the backlog was the equivalent of 3 weeks' work.

1.11 There are several areas that require priority attention to ensure that improvements made are consolidated and further progress is made:

- performance in processing new claims and changes of circumstances remains weak, and attention is needed to remove the backlog so that overall performance improves
- the interventions process is limited to carrying out visits. Although visits are the most effective way of carrying out interventions in some cases, they are also the most resource intensive. Postal checks and telephone interventions should be introduced as soon as possible to deal with lower risk interventions
- management and accuracy checking was only reintroduced in April 2007, but there is no analysis of outcomes from the checks to inform training needs or identify processing weaknesses that may be allowing fraud or error to enter the system
- the council's reported performance for processing new claims in particular may be incorrect due to errors in the new claims process. The council does not have a documented process for carrying out a sample check of data before it is submitted to the Department
- the council does not have a unified source of procedural guidance, a situation that has existed since the introduction of the replacement Benefits IT system in 2004
- there are weaknesses in obtaining and verifying evidence in support of claims, which may be related to the lack of documented procedural guidance. **See recommendation 3.**

1.12 There is a comprehensive performance reporting model in place, which ensures that senior managers and Members are kept informed of the progress being made against detailed targets and improvement plans. Internal Audit also ensures that the Benefits service is regarded as a core business of the council, and is given sufficient priority in the audit work programme.

1.13 It is testament to the Benefits service staff that improvements are beginning to manifest despite the recent difficulties. It is important that the council provides robust support for the service by ensuring that the recommendations in this report are fully implemented.

Summary of recommendations

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

Recommendations		
High priority		
We recommend that Blyth Valley Borough Council:		Paragraph
1	<ul style="list-style-type: none"> takes action to ensure that the backlog of work is cleared as soon as possible. 	2.14
2	<ul style="list-style-type: none"> takes action to ensure that the need for further information in support of new claims or changes of circumstances is identified and that the information is requested within 7 days of receipt of the claim or notification of the change. 	2.16
3	<ul style="list-style-type: none"> takes action to develop and maintain a unified source of procedural guidance for the Benefits IT system and Document Image Processing system. 	1.11
4	<ul style="list-style-type: none"> takes action to develop a comprehensive system of management and accuracy checks, encompassing the work of Benefits processing staff, visiting staff, overpayments staff and fraud staff. This system of checks should include percentage checks of all work processed by staff, and a check of performance data before it is submitted to the Department. There should be analysis of the outcomes of checks to identify common errors and trends that may inform training needs, or present a risk of fraud or error entering the system. 	2.31, 2.33 3.12, 4.15
5	<ul style="list-style-type: none"> introduces risk-based postal and telephone claim interventions to supplement the current visiting scheme. 	3.6
6	<ul style="list-style-type: none"> takes action to ensure that staff obtain and verify sufficient evidence in respect of all new claims and changes of circumstances. 	3.19

Medium priority		
We recommend that Blyth Valley Borough Council:		Paragraph
7	<ul style="list-style-type: none"> sends reminders to customers who have failed to provide additional information in response to council requests, and gives customers the opportunity to respond before the claim is decided and the 'nil entitlement' notification sent. 	2.20
8	<ul style="list-style-type: none"> takes action to minimise delays in the interventions process, in particular between identifying the case for intervention from the 'high risk' disk, and in carrying out the intervention after being selected. 	3.10

Low priority		
We recommend that Blyth Valley Borough Council:		Paragraph
9	<ul style="list-style-type: none">• takes action to ensure that the schedules recieved from landlords is clearly stamped with the date of receipt.	2.10
10	<ul style="list-style-type: none">• identifies whether the Benefits IT system can operate a system of diary dates, and if so issues procedural guidance to staff.	2.24
11	<ul style="list-style-type: none">• takes action to ensure that copies of documentation are stamped as 'original seen'.	3.14

BFI findings

Claims administration

Claims processing

2.1 HB and CTB help people on low incomes. As these groups of people are vulnerable, 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.

Performance measures

2.2 Figure 2.1 shows Blyth Valley Borough Council's reported performance for dealing with new claims and changes of circumstances during 2005/06 and 2006/07.

Fig. 2.1: Performance measures – Claims processing

Performance Measure	Description	Performance [2005/06]	Score	Performance [2006/07]	Score
PM 1	Average speed of processing new claims (days)	43	Meeting minimum requirements	65	Not meeting minimum requirements
PM 5	Average speed of processing changes of circumstances (days)	8	Excellent	19	Not meeting minimum requirements

Source: Blyth Valley Borough Council

2.3 The council told us that its speed of processing had deteriorated in 2006/07 due to a number of factors. These included:

- a major reorganisation with the introduction of the 'Your Link' customer-facing service. Resources in 'back office' benefits processing section reduced from 15 to 10 staff, but there was not a proportionate reduction in work for the remaining Benefits processing staff
- a high level of sick absence exacerbated the lack of resources
- a backlog of work arose following the reorganisation, a situation that increased the level of contact from the public and pressure on the resources available
- benefits processing staff were still coming to terms with the replacement Benefits IT system and the new Document Image Processing system

- the introduction of a replacement Benefits IT system meant that front-office staff were unable to help with the backlog because they had not been trained in the new system, and they were also unfamiliar with the new Document Image Processing system.

2.4 In order to establish the council's effectiveness at processing new claims and changes of circumstances, we selected a sample of 27 new claims and 10 changes of circumstances processed during the period January and March 2007.

2.5 Of the 27 cases selected to provide a sample of new claims, 11 (41%) were found not to be new claims and were excluded from the sample. These cases were a combination of user errors in the use of the Benefits IT system, and workarounds in the Benefits IT system. The cases should also have been excluded from the council's reported performance for dealing with new claims. We discuss this issue further under *Internal control mechanisms*.

2.6 The average speed of processing for the sample of new claims was 68 days, with a range of 1 to 260 days. There was on average a delay of 15 days between the claim being processed and the date of payment. This was due to 2 cases being legitimately suspended to gather further evidence before payment was made.

2.7 In all 10 changes of circumstances, the correct effective date was recorded on the Benefits IT system.

2.8 However, of the 10 change of circumstances cases, 2 (20%) had incorrect data recorded for Performance Indicator purposes. While both had been recorded as having taken one day to process:

- one case took 63 days
- the other took 15 days.

2.9 The time taken to process these 2 cases at least was inaccurately recorded and the cases were clearly not processed within the council's reported average time of 19 days.

2.10 We also found that 5 changes of circumstances related to an annual rent increase. The council was notified of the change on a schedule from the landlord, but the date of receipt was not stamped on the schedule and there was no covering letter from the landlord. Therefore, the council was unable to identify when it was notified of the change. However, all 5 cases were dealt with before the effective date of change of 2 April 2007.

See recommendation 9.

2.11 The average speed of processing for the remaining 5 cases was 23 days, with a range of 6 to 63 days. Although the sample size is small this average of 23 days and the inaccuracy in recording processing times noted in paragraphs 2.8 and 2.9 raises some questions about the reliability of data sent to the Department.

Enablers

Workload management

2.12 Blyth Valley Borough Council did not meet the enabler.

2.13 We were told that the council had been having difficulty meeting the Performance measures for claims processing for around 18 months. A backlog of work had arisen following:

- the introduction of a replacement Benefits IT system
- the introduction of a Document Image Processing System
- a reorganisation of work with the introduction of the 'Your Link' customer-facing service. A reduction in the number of benefits processing staff had not been matched by a proportionate reduction in work.

2.14 The council did not meet enabler E1 because it had not yet succeeded in preventing or managing down the significant backlog of work that arose. At the time of the on-site visit, it was estimated that there was a 3-week backlog of work. Performance in the speed of processing new claims and changes of circumstances remains below minimum requirements. **See recommendation 1.**

Gathering information

2.15 Blyth Valley Borough Council met none of the 3 enablers.

2.16 There is no process in place to ensure that information needed from the customer or third parties such as landlords is identified within 7 days of receipt of the claim or notification of change of circumstances with action taken to obtain it. We were told that there were written procedures for the previous Benefits IT system, but nothing was yet in place for the replacement. We cover this issue in more detail under *Resource management*.

See recommendation 2.

2.17 Of the 10 new claims fully sampled, 3 required further information. All 3 requests were made outside the 7-day target for identifying the need for the information and taking action to obtain it. The average time taken for the 3 claims was 99 days, and this was attributed to the backlog of work.

2.18 Of the 10 changes of circumstances sampled, 2 required further evidence:

- one to verify receipt of Incapacity B
- one to verify the start date of an increase in earning.

2.19 In neither case was the 7-day target met.

2.20 The council does not pursue cases where there is no response to requests for further information. If no reply is received, the claim is closed and a letter sent to the customer telling them that they have no entitlement to HB or CTB. **See recommendation 7.**

2.21 We found that the council has systems in place to prioritise action on changes of circumstances that lead to a reduction in, or a cessation of, benefit to minimise the occurrence of overpayments.

2.22 We were told that Team Leaders were responsible for identifying and prioritising changes of circumstances, and that any changes that may result in an end of entitlement to HB or CTB result in the claims being suspended until all the evidence is received. There are 2 officers who deal with the priority items.

2.23 However, we found a lack of understanding amongst benefits processing staff about the use of Benefits IT system diary dates to record anticipated changes of circumstances. In our sample of change of circumstances we found 2 cases where a diary date should have been set:

- in one case, a foreseeable change in income resulted in an overpayment
- in another case, an age change was missed.

2.24 Some staff told us that they did not know if the system could accept a diary date. Other staff used a personal diary reminder, but this meant that if they were not subsequently dealing with that case, the diary date would be missed. **See recommendation 10.**

Quality and reducing error

2.25 Members and senior managers, 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. Councils need to ensure that they make full use of management information and checking data across the full range of their benefit activities.

Performance measures

2.26 Figure 2.2 shows the council's reported performance in 2005/06 and 2006/07.

Fig. 2.2: Performance measure – Quality and reducing error					
Performance Measure	Description	2005/06	Score	2006/07	Score
PM 6	% of cases for which the calculation of the amount of benefit due is correct	98	Good	97	Meeting minimum requirements

Source: Blyth Valley Borough Council

2.27 Figure 2.2 shows that the council met the Performance Measure for 2005/06, but not for 2006/07.

Enablers

Quality checks

2.28 Blyth Valley Borough Council did not meet the enabler.

2.29 Quality checking was only reinstated during April 2007. A 4% check is carried out on daily output with a higher percentage of checks applied to less experienced staff. Team Leaders are responsible for carrying out the checks. No additional training has been provided, because it is considered by the council that the Team Leaders have sufficient knowledge and experience to fulfil the task.

2.30 However, the form used by the Team Leaders to record their findings when carrying out the checks does not include aspects covering:

- the partner's identity and National Insurance Number
- rent liability for rent allowance claims.

2.31 We were told that the work of the visiting officers or those staff involved in calculating, classifying and recovering overpayments is not subject to any management or accuracy check. **See recommendation 4.**

Using quality checks to improve performance and reduce error

2.32 Blyth Valley Borough Council did not meet the enabler.

2.33 We were told that feedback is given to staff when errors are identified. Cases in which errors have been identified are returned to the relevant staff for correction. These cases are then checked again to ensure corrective action has been taken. There is no analysis carried out to identify trends, inform training plans and deliver continuous improvement. However, we were told that there were few errors being identified. There is no link with the overpayments or fraud teams to identify front-end errors that may be causing overpayments or generating data matches.

See recommendation 4.

Security

Security of administration

3.1 It is important that councils have effective measures and processes to prevent, deter and detect fraud. Councils should verify information supplied by customers and reconcile conflicts identified through data matching.

Performance measures

3.2 From April 2006, the Department changed performance measure 10 to record the number of interventions for which review action has been completed, rather than just started.

3.3 There is also no longer any requirement to meet a quarterly target for interventions, but the council must achieve 100% of its annual interventions target to achieve the highest score in the Security theme of the Performance Standards.

3.4 Figure 3.1 shows the performance reported by Blyth Borough Council for years 2005/06 and 2006/07.

Fig. 3.1: Performance measures – Security of administration

Performance measures	Description	Standard 2005/06	Standard met?	Standard 2006/07	Standard met?
PM 10	Number of interventions for which review action has been completed since 1 April	4,000	No	3,750	No
PM 11	% of data matches resolved within 2 months	100%	Yes	100%	Yes
PM 12	Number of claimants visited	1,600	No	1,250	No

Source: Blyth Valley Borough Council

3.5 The council did not meet targets for interventions in either 2005/06 or 2006/07. It carried out postal interventions only between April and October 2005. The council obtained funding from the local Joint Operational Board and, working in partnership with the local Jobcentre Plus Fraud Investigation Service, targeted those cases where the postal review form had not been returned. 587 of these cases were completed.

3.6 Because of resource constraints, the council does not now carry out postal or telephone interventions and told us that the interventions visiting team, consisting of a Team Leader and 3 visiting officers, was formed in August 2006. This narrow approach to interventions does not provide security against fraud and error entering the benefits system. **See recommendation 5.**

3.7 We selected 15 interventions visits for sampling, however:

- 1 case was not from the high risk case disk and was excluded from the sample
- in 4 cases, no visit took place as the customers were no longer in receipt of HB or CTB
- in one case benefit had only recently been awarded and a full case check was carried out at that time.

3.8 The average time taken from the date the download was received to case being selected for an intervention was 12 days, ranging from 5 to 54 days. The average time taken from the date of being selected for an intervention to the intervention taking place was 23 days, ranging from 9 to 42 days. These delays would contribute to the increase of an overpayment occurring in these cases if the wrong amount was being paid.

3.9 However, we found that only one change had resulted in an overpayment. The time taken from the intervention taking place to deciding the overpayment was 36 days. No potentially fraudulent cases were identified.

3.10 The council needs to ensure that it minimises delays in the interventions process so that any overpayments are kept to a minimum. **See recommendation 8.**

3.11 Visiting officers use a digital camera to photograph documentary evidence during visits and we found no issues regarding the quality of verification.

3.12 We found that there were no management checks in place on the work of the visiting officers, and this allied to weaknesses in general management and accuracy checking in the Benefits is a significant area for attention by the council. **See recommendation 4.**

Enablers

Compliance with the HB/CTB Security Guidance

3.13 Blyth Valley Borough Council did not meet either of the 2 enablers.

3.14 From our sample of new claims we found:

- 4 cases where capital had not been verified
- 2 cases where income had not been verified
- documentation in one case had not been stamped as 'original seen'. We were also told that all offices should be using the same generic stamp, but we found that different stamps were in use. **See recommendation 11.**

3.15 We also found one case where a new partner's details had not been recorded on the Benefits IT system, resulting in the customer being paid as a single person.

3.16 From our sample of changes of circumstances:

- in one case, receipt of Incapacity Benefit had not been confirmed
- in another case, the start date of an increase in earnings had not been confirmed. The council has not ensured that all employees responsible for receiving and verifying documents apply the latest evidence requirements, including identifying false documents and following up discrepancies.

3.18 We were told that all staff are trained in latest verification requirements. An over-the-counter service is provided, for customers presenting completed claim forms and evidence, at 3 'Your Link' customer contact centres. However, 3 out of 10 Changes of Circumstances received through the 'Your Link' service required additional information.

3.19 This and the lack of evidence accepted in the cases we sampled indicates that the council does not meet either enabler.
See recommendation 6.

Resource management

Strategic management

4.1 Claims administration has to be set within the 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.

Enablers

Managing the Benefits service

4.2 Blyth Valley Borough Council met both enablers.

4.3 The council sets targets, which are comprehensive in scope, include the statutory PIs, are stretching and provide a baseline of current performance. These are set out in various performance and planning documents, including the annual:

- *Financial Services Section Plan*
- *Revenue Services Section Plan*
- *Revenue Services Service Plan.*

4.4 We were told that individual staff have targets for the speed of processing of new claims and changes of circumstances. These targets are set to take account of the various levels of experience amongst staff. Feedback on performance is provided, but one member of staff told us that they could not recall what their specific targets were.

4.5 Performance against published targets are routinely monitored, and quarterly reports produced for Cabinet. There are ongoing arrangements to report progress against the *Blyth Valley Borough Council Improvement Plan*, including quarterly PowerPoint *Quad report* presentations setting out:

- key achievements against plans
- issues
- next steps
- major risks.

Monitoring performance

4.6 The council met one of the 2 enablers.

4.7 As we discuss under *Internal control mechanisms*, the council can have little confidence in the accuracy of the performance data being submitted to the Department. We also note that data in respect of the speed of processing was not submitted in respect of the period October to December 2006.

4.8 This is a significant issue and one that the council should address as a matter of some priority.

4.9 The council takes action to identify where statutory targets and standards for Performance Measures are not being achieved and establishes the reasons so that corrective action can be implemented for the future.

Assurance

4.10 Large numbers of HB and CTB 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 benefit system is secure.

Enablers

Internal control mechanisms

4.11 Blyth Valley Borough Council met one of the 2 enablers.

4.12 In March 2007, The council's Internal Audit unit produced a report that had been commissioned by the Head of Revenue Services, setting out the results of a review of:

- all current registered users of the Benefits IT system to ensure that they were existing members of staff
- the need for other business units to continue to have access to the Benefits IT system
- scope and distributions of access levels and user groups
- current access and user controls
- maintenance of access and user controls.

4.13 A 12-point action plan was agreed and all points were given high priority for resolution. The council therefore met this enabler.

4.14 Prior to quarter 2 of June 2006, there had been no formal management check of performance data before it was submitted to the Department. The council obtained funding from the Performance Standards Fund and employed a previously retired member of staff to carry out a check on the data relating to quarter 2 of 2006/07. However, no data was submitted in respect of quarter 3. For quarter 4, the Chief Revenues Officer carried out a check, and found a number of errors.

4.15 From our new claims sample population, we found that 11 of 27 cases selected (41%) were not new claims and should not have been counted towards the council's reported performance indicators. **See recommendation 4.**

4.16 The council cited difficulties with the Benefits IT system as the cause of many of its management information problems. The Chief Revenues Officer told us that the Benefits IT system supplier has a person permanently located within the council to provide support. However, there were a number of solutions and 'work-arounds' that seemed labour-intensive, reducing the efficiency of the Benefits service.

Secure administration

4.17 The council met both enablers.

4.18 The council's Internal Audit team has a 4-year audit plan, for the period 2006/07 to 2009/2010. The plan is overseen by the Overview and Scrutiny Management Board of the council, and is drafted in conjunction with the council's external auditor.

4.19 The plan is risk based, with regard to:

- the complexity of the issue
- financial transactions
- turnover of staff
- public impact.

4.20 The Benefits service is regarded as a 'core business' and is audited every year. Depending on other pressures, some 20 to 25 days is dedicated to HB/CTB. Follow-up audits take place every 6 months to determine progress against action plans, and all reports are provided to the Overview and Scrutiny Management Board.

4.21 Evidence provided by the council shows that all Internal Audit recommendations are implemented in due course.

