



BENEFIT FRAUD INSPECTORATE

The Benefit Fraud Inspectorate

Closure Report 2007

Improving benefit delivery



Contents

Director's summary	2
Inspecting performance	6
Assessing performance	14
Supporting improvement	20
Meeting customers' needs	24
Making an impact	28
Looking forward	34



Director's summary



Chris Bull – Director

- a** This report covers the history, methods and achievements of the Benefit Fraud Inspectorate (BFI). The BFI closes for business on 31 March 2008 and this report also reflects on what the future may hold for benefits administration after that.
- b** We were set up in 1997 after concerns were raised about the level of fraud in benefits and in Housing Benefit in particular. Our mission was to improve the way the benefits system was managed through inspection and support. Through inspection, we assess the performance of organisations processing benefits (usually councils, and sometimes Jobcentre Plus and The Pension Service) and make recommendations. We provide support through our Performance Development Team (PDT), a free service to councils, which finds solutions to particular problems identified by our inspection. We assess all councils' benefits services under the Government's annual Comprehensive Performance Assessment (CPA) for local government. We also give the Department for Work and Pensions (DWP) policy advice (for example, on managing changes of circumstances better). We also help improve procedures and practices in the 'agencies' (for example, by giving advice on The Pension Service's claim form), and we carry out individual projects given to us by ministers.
- c** I believe we have been successful. When we began work in 1997, councils' performance in processing benefits was erratic and generally poor. The only real standard was to process benefit claims in 14 days and different councils interpreted this in different ways. Information about performance was unreliable, but we did know that some customers reported extraordinarily long delays in getting benefits – nine months at one council. Work to prevent fraud was very limited and if it did take place it concentrated on making money from incentive schemes such as Weekly Benefits Savings. Benefits had a low profile. People used to tell me that benefits administration was not regarded as core council work and staff morale was low. There was no clear description from what was then the Department for Social Security about what they expected councils to do, and we found as many ways of doing the job as there were councils. This meant that the range of performance in doing that job was very wide indeed. The four million vulnerable people getting Housing Benefit got different standards of service depending on where in the country they lived. Losses resulting from fraud and error in Housing Benefit were maybe £1 billion of the £10 billion spent. Understandably, ministers and taxpayers had serious concerns.

d This is the situation we faced in 1997. Since then we've completed around:

- 300 inspections
- 18 specialist inspections
- 700 CPA assessments, and
- 400 consultancy assignments.

We've also worked on Scottish Best Value and the Wales Programme for Improvement.

e Independent research and analysis confirms our work has been effective, particularly in tightening up individual councils' systems to protect them against fraud, and in reducing error and improving processing times. Overall spending has fallen as error has been reduced and overpayments have been recovered. This all helps towards the Department for Work and Pensions' Public Service Agreement targets to cut fraud and error in Housing Benefit and to speed up services to customers. Although it is relatively easy to identify our effect on individual councils, our effect on all councils is more difficult to measure. However, since 2002, estimates of fraud in Housing Benefit has fallen from £230 million a year to £140 million, or 1% of the total amount spent. And processing times have fallen from an average of 62 days to 34 days, with the bottom 15% of authorities now processing new claims in an average of 55 days, compared to 100 days in 2002. The number of complaints to the Local Government Ombudsman relating to Housing Benefit continues to fall.

f We have also played a part in stamping out some local practices that left customers unsure of their rights or disadvantaged in terms of their rights, and we have made people more aware of the benefits available. When we began, benefits work was very under-valued. Now council officers and politicians see benefits as an important service in its own right and as an important part of policies such as reducing poverty and improving neighbourhoods. I believe this higher profile has worked in everyone's favour.

g So overall and in individual councils the situation has improved a lot since we were set up in 1997. That improvement is, of course, mainly the result of the efforts of very many dedicated and professional people in the councils and agencies we have worked with. We assess performance and make recommendations. We can encourage organisations to improve but we cannot enforce this. I believe that we have helped in the shared aims of providing a decent service to customers and a secure service on behalf of taxpayers. That contribution has been based on:

- thorough inspections of the effectiveness and security in the way individual organisations manage benefits
- detailed reports providing an unbiased assessment of organisations' performance and recommendations on how they can improve
- setting out performance standards to show councils what they need to do to process benefits effectively and securely
- sharing good practice through reports, workshops and conferences
- influencing policies with our knowledge of what works in the area of processing benefits (and what doesn't), and
- practical support in putting things right, by providing a free consultancy service, the Performance Development Team (PDT), to councils whose performance needed improving.



- h** A change in our approach has helped us work effectively. Independent research by the Central Office of Information confirms that organisations we inspected saw us as extremely critical and unforgiving, but we are now seen more as a partner than as an enemy, providing a clear and welcome focus on providing support and best practice. This is supported by the feedback we get. We ask the councils we have inspected, or that have had help from the PDT, to rate our services. Over 90% assess our performance as 'good' or 'excellent'. We also have a Charter Mark, and this is further proof that we want to help our customers. When we began work, we thought our success would be judged in terms of how the organisations we inspected improved their performance. I believe this report shows we have made a large contribution to processing Housing Benefit effectively and securely, and at a reasonable cost. The benefits services customers now receive are better than they were and taxpayers' interests are better protected. All this is in the past and there are new challenges ahead for the organisations involved in processing Housing Benefit. I have set these out at the end of this report.

A photograph of a woman with short dark hair, wearing a red and white vertically striped shirt, smiling warmly at the camera. She is positioned behind a wooden desk. To her left, the back of another person's head and shoulder is visible. The background is a textured, light purple wall. A horizontal white bar is overlaid across the middle of the image, containing the text 'Inspecting performance'.

Inspecting performance

Background

- a** In 1996, the Government at the time introduced the Social Security Administration (Fraud) Act 1997. The Government was concerned about fraud levels in social security and the act introduced a range of measures to deal with fraud. It was supported by many people across all the political parties.
- b** One concern was the amount of fraud taking place and the lack of controls over it. This concern was made stronger by the National Audit Office's qualification of the Department of Social Security's accounts for several years, because it was not possible to judge the amount of fraud and error within them. There were similar concerns about the department's major spending on providing extra money to local authorities processing claims for Housing Benefit and Council Tax Benefit. Questions were also being asked about why auditors were accepting the way local authorities were processing housing benefits.
- c** Because of the things we have listed above, the Government felt strongly that an inspectorate should be created to look at what was actually happening. The Secretary of State did not need to get any legal authority to set up this sort of organisation to look at the performance of the agencies, but did need to get legal powers for the inspectorate to be able look at the performance of local authorities. These powers were contained in the act.
- d** BFI were given the power to:
- inspect organisations paying and processing state benefits, and
 - send reports to the Secretary of State. At the same time as sending the reports, we gave recommendations for how the organisation we had inspected could improve.

Our aim was to identify and get rid of bad practice, and praise and spread good practice. The Secretary of State had powers to act on reports if he was not satisfied with the progress an organisation we had inspected had made.

- e** Preparation for setting us up started even before the act became law and continued quickly after that. Like almost everything else in the act, the political parties agreed on the main principles behind setting up an inspectorate, so the change of Government made no difference to these preparations.
- f** Ministers set us up in November 1997. We were then a part of the Department of Social Security and our role was to assess and report to the Secretary of State on how state benefits were paid and processed by central government agencies and local authorities. We focused particularly on standards of preventing fraud and processing claims securely.
- g** Ministers agreed that our role was "to maximise counter-fraud performance and minimise the risk of fraud throughout the social security system".
- h** There were then three main parts to our work.
- Carrying out thorough inspections of the organisations involved in paying and processing state benefits, reporting our findings and making recommendations for improvements in our reports.
 - Promoting good practice we found among the organisations we inspected to help raise the general standard of performance.
 - Contributing to the Department of Social Security's fraud strategy, with the aim of improving how organisations perform in preventing fraud.

- i We developed methods for inspecting organisations during a series of test inspections before we officially started our work. The method was based on business process models that set out what our work covered and what steps we had to take. The business process models made sure we were consistent and thorough across our inspections, and set out minimum standards for us to follow to make sure we provided a high-quality service. The models provided a standard to base our inspection work on, but each inspection had to be tailored to the particular circumstances and needs of the organisation we inspected.
- j Recommendations were a very important part of all reports and showed that inspections were a form of consultancy where the organisation we inspected could get useful information on its performance and ideas about how they could improve that performance.
- k The main difficulty we had was the length of time it took to write reports. The amount of time spent on-site at the inspected organisation was reasonable and, particularly after we gained a little experience, information was collected in a consistent way. We also found a common format and style for writing reports after a while.

What the inspections covered

- l Ministers were keen to make sure that we were fair in our inspections and coverage, and they arranged for us to inspect social-security agencies as well as local authorities. While about 408 local authorities pay or process Housing Benefit and Council Tax Benefit, only a few central government agencies, organised in large geographical areas, process the other state benefits. Because of this, there were many more local-authority reports than reports on the government agencies. However, the large size of the agencies meant that we had to put more resources into preparing a report on them. We reported on the Benefits Agency and the Contributions Agency, and put together a critical report on the Child Support Agency, which highlighted the fact that its structure and targets did not encourage staff to collect money, even though that is the main role of the agency.
- m We have worked with 404 of the 408 councils in one way or another.

Customer focus

"I would say that BFI have driven up benefit performance amongst authorities and really put benefits services on the upper part of authorities agenda – I am not sure members even knew they had much of a benefits service prior to this."

Christine Cox, London Borough of Enfield.

"I believe that the BFI inspection, together with the support provided by DWP, has played a significant part in driving us to achieve this better performance. Without the BFI inspection, and its report and recommendations, it would have taken us much longer to turn the service around. Without it, the improvements we have made already and will continue to make during 2005, would have come at a much slower pace. The Council, its Members, its staff, and, crucially, its benefits customers, have a noticeably better and improving service as a result of the BFI inspection."

Bruce Bird, Assistant Director Financial Services, Eastbourne Borough Council.



- n The law and ministers have always made it clear that we must publish our reports. Publishing the reports allows employees, customers and other people and organisations with an interest in our work, to understand how well their organisation is performing and how performance can be improved. Also, the published reports were useful to organisations which had not yet been inspected or had already been inspected. Publishing our reports allows organisations to compare their performance and learn from the experiences of others. All our reports are published on our website which is visited, on average, 5,200 times a day. We produced about 340 reports from when we were set up in 1997 to October 2007, in the following main categories.
- Reports published after inspecting the full range of ways of managing benefits, from processing claims to arrangements for preventing fraud (60%).
 - Reports from focused inspections, which covered one or more important parts of managing benefits (30%).
 - Reports where we inspected a council or government agency again (10%).
- o We published 17 other 'special' reports, including those on:
- London Organised Fraud Investigation Team
 - Benefits Agency (London South Area Directorate)
 - Contributions Agency
 - Child Support Agency (Securing Child Support)
 - The Benefits Agency's relationship with local authorities
 - A report on how 10 councils were keeping to the Race Relations Act
 - Jobcentre Plus' relationship with councils
 - Northern Ireland Social Security Agency, and
 - Debt management – handling complaints and comments.



Performance standards

p Our early inspections found that councils were processing and paying housing benefits in many different ways and there was a lot of debate about what was good practice to manage benefits effectively and securely. Differences in opinion and practice led to a wide range in performance. There was a need to develop clear performance standards, and in their response to the Housing Green Paper published in November 2000, the Department of Social Security promised to develop a performance framework for housing benefits. We took on this task under the working title of Performance Standards for Housing Benefits.

q The performance standards were developed from:

- an understanding of problems that inspections revealed kept coming up in managing benefits; and
- what was seen to work well.

We developed the standards by working with:

- the people in the Department who are responsible for making benefits policy
- council staff, and
- other organisations with an interest in managing benefits, such as the Audit Commission and local-authority associations.

We first put the standards in place in April 2002 and these covered the full range of measures to provide benefits effectively and securely – from encouraging people to claim benefits they are entitled to, to prosecuting people who are committing fraud. The standards allowed councils, inspectors and auditors to set minimum standards of performance and quickly identify areas that could be improved.

- r** Performance standards:
- showed the performance levels that organisations were expected to achieve
 - set out what procedures and practices were needed to achieve good performance, and
 - identified good practices that had proved strong and effective.

An electronic self-assessment questionnaire allowed local authorities to quickly identify if they were performing at or above standard.

- s** But the standards were not perfect. They covered a wide range of processes and they were thorough, but they were also demanding and difficult to achieve, and they did not clearly show what the most important things were that organisations should do to manage benefits well. In 2004, a review of the new Department for Work and Pensions' programme of inspection, monitoring and support recommended that performance standards should be revised to set out more clearly the results expected and the main things that needed to be done to get those results (the essential strategies, policies and processes). We introduced revised performance standards in March 2005.
- t** Introducing performance standards was important. For the first time, all councils knew what was expected of them and what they needed to do. They made the way we assessed performance much more open and made sure organisations could quickly identify opportunities for improvement. This helped local authorities develop and improve their performance more quickly. They also helped organisations accept us as providing useful information instead of just criticising their performance.

Important events in our history

Whistlestop review of BFI

A short history of some of the more memorable moments and milestones in the ten years of BFI.

November 1997

The Benefit Fraud Inspectorate (BFI) is officially launched in response to widespread concerns about the estimated levels of fraud and fraudulent attacks being made on the social security system.

Summer 1998

BFI publishes its first report (on Blackpool Borough Council) following a number of pilot inspections.

October 1998

The Department of Social Security commissions BFI to evaluate the work of the London Organised Fraud Investigation Team (LOFIT). Following the publication of the BFI evaluation report, LOFIT is closed down.

Spring/Summer 1999

BFI publishes its Good Practice Guide, supported by good practice events in Brighton, Manchester and Edinburgh. The guide was updated in June 2000



Delegates at a BFI Good Practice Forum

Autumn 1999

At the minister's request, BFI gets tough with local authorities. BFI Director Chris Bull tells delegates at the IRRV National Conference in Brighton 'no more Mr Nice Guy' from him and BFI.

April 2000

BFI begins inspections of local authorities' Best Value reviews of benefits services, working in partnership with the Audit Commission's Best Value Inspection Service, where the authority's Best Value review covers more services than just the benefits service.

February 2001

In response to the Scampton Report's recommendation in 2000 that 'a common baseline application form for Council Tax and Housing Benefit should be introduced following consultation with local government and the BFI', BFI publishes its Model Claim Form and A Good Practice Guide to Designing Claim Forms. The Model Claim Form was updated in October 2002.



Malcolm Wicks, Housing Benefits Minister, at the Performance Standards Conference in London 2002

Spring 2002

Working jointly with DWP, BFI develops the HB/CTB Performance Standards, launching them and the self-assessment process at a series of events in London, Harrogate and Glasgow. Malcolm Wicks, Housing Benefits Minister at the time, said 'I should like to see these Standards turned from print into practice'.

time check

Summer 2002

BFI introduces its Performance Improvement Action Team (PIAT) to provide support and advice, when requested, to local authorities after inspection or assessment. The PIAT subsequently merged with the DWP Help Team to become BFI's Performance Development Team.

Summer 2002

Following the introduction of CPA in 2001, BFI completes benefit service assessments for 116 single-tier authorities. This contributes to the Audit Commission's overall assessment of the local authority's corporate capability to deliver effective services.

Spring 2003

BFI makes major reductions in the time it takes to complete inspections, reducing the average time to 17 weeks.

May 2003

BFI signs a Memorandum of Understanding with the Commission for Racial Equality and undertakes an assessment across ten councils on their compliance with the Race Relations Act 1976 (Amendment) Regulations 2003.



Trevor Phillips, chair of the Commission for Racial Equality, and Chris Bull sign the Memorandum of Understanding between the Commission for Racial Equality and BFI

Summer 2003

Listening to feedback from local authorities that the full inspections are too onerous and the subsequent reports long and unwieldy, BFI introduces focused inspections. These assess specific areas linked to DWP's Public Service Agreement targets and produce shorter, more focused reports.

May 2004

After introducing major and rapid improvements to its service and its focus on the customer, BFI achieves the Charter Mark for excellence in customer service.



Spring 2005

The Government announces in the Budget a major improvement strategy for public services inspection, designed to achieve better co-ordination, planning and prioritisation, and to reduce duplication of effort. The announcement is followed by further information from the Office of the Deputy Prime Minister and the subsequent consultation paper on future inspection arrangements.

Summer 2006

The Department for Communities and Local Government announces that from April 2008, responsibility for inspection of benefits services in England, Scotland and Wales will lie with the Audit Commission, Audit Scotland and Wales Audit Office respectively.

Winter 2006/2007

Recruitment exercises for BFI staff are held for the Performance Development Team (in advance of its transfer to DWP) and the Audit Commission. The remaining staff are given help and advice to find new opportunities.

A photograph of two people in an office setting. A man in a blue shirt and striped tie is looking towards a woman in a white sweater. The background is a plain, light-colored wall. The image has a slightly grainy texture.

Assessing performance

- a** As well as inspections, which include assessing performance and preparing recommendations, we have been closely involved in the range of national schemes set up to assess councils' performance across a range of services.

Best Value in England

- b** In England, the Local Government Act (1999) gave us a responsibility to carry out local authorities' Best Value reviews of benefits services. Best Value assessments were made alongside the Audit Commission's Best Value Service and took a lighter approach to reviewing services, based on the four main Best Value principles of:
- challenge – why and how a service is being provided
 - comparison – comparing an organisation's performance with others (including organisations in the private and voluntary sectors)
 - consultation – with local taxpayers, customers and the wider business community, and
 - competition – as a way of making sure services are efficient and effective.
- c** This provided the basic information needed for our inspectors to make two assessments.
- How good is the service?
 - Is the service going to improve?
- d** Best Value assessments of benefits services in English councils were carried out before our resources were transferred to Comprehensive Performance Assessments in 2002.

Comprehensive Performance Assessment

“The structured approach to CPA reviews – with plenty of notice, clear instructions and well defined Performance Measures and Enablers – makes the whole review process much easier, more transparent and relatively easy to compile.”

Extract taken from independent customer research evaluation.

- e Comprehensive Performance Assessment (CPA) was introduced in 2002 to bring together audit and inspection to give an overall view of councils’ performance and their arrangements for continuing to improve their services to the public.
- f Since 2002, all English single-tier and county councils have been assessed once a year. In 2004, we carried out district council assessments county by county and published the scores. Scottish and Welsh councils are not covered by the CPA process.
- g CPA assesses councils’ performance in a consistent way that can be compared with other councils. It promotes service improvement by:
 - reporting publicly how well each council is performing
 - helping councils focus on improvement and targeting support for improvement where it is needed, and
 - providing an independent challenge to local councils.
- h All the main inspectorates contribute to CPA by providing assessments of services that contribute to the overall rating of a council’s ability to provide services that are effective. The overall rating is awarded by the Audit Commission, which co-ordinates the whole process. We assessed benefits services using a method we developed after consulting the Audit Commission, the Local Government Association, Association of London Government and the Department for Work and Pensions.
- i The benefits services were assessed after reviewing a council’s self-assessment against our performance standards.
- j Council services have improved a lot since 2002, and it is widely recognised that CPA is one of the reasons for this. The table shows the improvement in benefits services in single-tier councils since the start of CPA up to 2004.

Score	2002		2003		2004	
4 – ‘Excellent’, ‘Good’ and ‘Fair to good’	16	14%	56	49%	48	41%
3 – Fair	23	20%	43	37%	61	53%
2 – Fair	42	37%	12	10%	3	3%
1 – Poor	34	30%	5	4%	4	3%
Total	115		116		116	

We have taken this table from our records.

In response to this improvement, the Audit Commission introduced 'The Harder Test – Single Tier and County Councils' Framework for 2005'. This focused more than before on the outcomes for local people and value for money, and we revised our approach to reflect this (for example, by assessing how cost-effective people who used benefits services thought the services were). We asked councils to assess themselves against the new performance standards, based on:

- managing claims
- security
- the views of people using their services, and
- managing resources.

- l** The table shows the results for single-tier councils in the past three years. The improvement is nowhere near as much as in the first years of CPA, which reflects that the test had become more difficult and that councils were carrying out more realistic self-assessments against the revised performance standards, which were a more thorough measure of performance than the first version. But it is clear that councils are continuing to improve their performance in the benefits services they provide.

Score	2005		2006		2007	
4 – Excellent	45	39%	43	37%	56	49%
3 – Good	61	53%	61	53%	51	44%
2 – Fair	9	8%	11	9%	8	7%
1 – Poor	1	1%	1	1%		
Total	116		116		115	

We have taken this table from our records.

- m** District councils have been assessed only once under the CPA regime, with the following results for benefits services.

Score	2004	
Excellent	1	0.5%
Good	1	0.5%
Fair to good	107	45%
Fair	120	51%
Poor	7	3%
Total	236	

This table is taken from our records.

If a council asks for their overall CPA performance to be reassessed, we provide feedback reports for the Audit Commission on the council's benefits services.

Best Value in Scotland

- n** In 2003, the Local Government in Scotland Act gave local authorities a duty to make arrangements to provide Best Value and continuously improve their services. The act allowed ministers to take action to enforce these duties, including issuing directions to failing local authorities.
- o** In announcing the Best Value programme, the First Minister stressed that there would be no extra inspections for Scottish local authorities, and instead the authorities would have to provide a Best Value submission to Audit Scotland. Audit Scotland would then use management information and evidence that inspectorates working in Scotland already had, to create a 'challenge' to the submission. We and DWP provide the following to Audit Scotland.

 - Any recent inspection reports relating to the councils to be audited
 - Any 'softer' information from the inspection team that may help shape Audit Scotland's view on the councils' attitude to challenge
 - The latest information about the councils' performance and any patterns
 - Information about what government initiatives councils have taken up (such as the Verification Framework and 'Do Not Redirect').
 - Information about carrying out self-assessments against the performance standards, and the outcomes of these.
- p** Only Audit Scotland would visit the council, to discuss the submission and the challenge. After the meeting, Audit Scotland would draft the Best Value report for the council and inspectorates to consider. The reports are published after the council and inspectorates have been consulted.
- q** Audit Scotland has published 21 initial and follow-up Best Value audit reports. We have provided detailed contributions for each Best Value audit, through either other inspection reports we are carrying out at the same time, or tailored assessments of the management information available at the time.



Wales Programme for Improvement

- r** The Wales Programme for Improvement was introduced in 2002 to encourage and support improvement in how local services are provided, so that they meet the needs of the local community.
- s** Under the programme, Welsh councils must provide:
- **annual performance assessments** of all services and functions
 - an **annual joint risk assessment** agreed between the council and its regulators to identify opportunities for improving and threats to making improvements
 - **corporate and budget plans** that take on board the outcome of the annual performance assessments and the joint risk assessment, and
 - an annual **improvement plan**.
- t** We have been closely involved with the programme, providing a risk assessment for each council's benefits service and showing the priorities for improvement. In turn, this has helped councils produce their annual improvement plan.

A photograph of a middle-aged man with grey hair, wearing a white dress shirt and a black and white checkered tie. He is looking down and to his left with a serious expression. To the left, the profile of another person's head is visible, looking towards the man. The background is a plain, light-colored wall. A semi-transparent purple horizontal band is overlaid across the middle of the image, containing the text 'Supporting improvement' in white.

Supporting improvement

a Inspecting and assessing performance involves identifying problems. Over the past five years, we have also tried to solve problems, and set up a Performance Improvement Action Team in 2002. Inspection and assessment showed us what was wrong and what we needed to recommend for how councils could improve their performance, and the Performance Improvement Action Team gave direct practical support to help councils improve their benefits services. The team was funded by £1.2 million from the Treasury Invest to Save Budget under a condition that the team's consultancy support resulted in a financial return of £9 million. In January 2005, it was estimated that returns were £10.4 million. This was a cautious estimate because:

- there is always a gap between completing a consultancy support assignment and making the savings, and
- the estimate covered only 38 of the 250 assignments completed by then.

Based on this cautious estimate, the team was returning about £274,000 for each assignment. Since then, departmental officials have put forward the view that the true financial returns from the 250 assignments was £100 million. Our service has cost an average of £6.5 million a year.

b Consultancy support has also made a major contribution to the department's progress towards public-sector agreement targets to cut the time taken to process benefits and to cut levels of fraud and mistakes. Statisticians looked at the effects of 15 consultancy support assignments and found that:

- new claims were being processed 31 days sooner than before we provided support
- there has been a massive increase in the number of fraud visits to customers, and
- the total spending on Housing Benefit in each council reduced by an average of £172,000 every three months compared to the equivalent three months in the year before we started providing support.

c In 2005, the Performance Improvement Action Team merged with the Department for Work and Pensions' Help Team to form the Performance Development Team (PDT). PDT built on relationships formed during inspection and assessment to develop partnerships dedicated to raising performance and making savings. It worked across all the performance standards and has been equally successful in improving performance at a low cost to the taxpayer.

d To continuously improve our customer service, we have asked for customers' views on all consultancy support assignments since 2004, and we asked councils to assess the support against a number of points, including:

- agreeing clear aims and timescales at an early stage
- the quality of the advice we provided
- professionalism
- how useful the help they received was, and
- their overall satisfaction with the service.



- e** The positive feedback has been overwhelming and more than 90% of customers have been satisfied. In 2006, independent research by the Central Office of Information confirmed the high opinion of the team's services.

"There was widespread praise for the tone of voice and manner of BFI consultancy staff who were seen as experts in benefit administration and yet capable of providing LAs (local authorities) with practical and actionable advice and suggestions. Consultants' sensitive approach to identifying problems and developing solutions in collaboration with the LA and its staff was also praised, as was their genuine wealth of expertise and knowledge of how LAs worked."

"From all sides, the work of the PDT attracts praise. The PDT consultancy service has a very useful role in helping LAs to respond positively to the BFI inspection process."

- f** In response to the Office of the Deputy Prime Minister's consultation paper, 'Inspection Reform: The Future of Local Services Inspection', two main stakeholders commented as follows.

"The BFI's current Performance Development Team (PDT) and its predecessors, the PIAT (Performance Improvement Action Team) and Help Teams, have played a major role in the significant improvements made by a large number of local authorities in the field of benefit administration and delivery of the service to the public."

The Institute of Revenues Rating and Valuation firmly feels that the role of the BFI's PDT should continue, as it provides an invaluable service to authorities that need assistance post-inspection."

- g** Following the strong views from customers and stakeholders that the consultancy support should continue, the PDT was transferred to the Department on 1 April 2007.

Case study – City of Stoke-On-Trent

More than 12% of all households in the area covered by the City of Stoke-on-Trent Council receive Housing Benefit, and over £84 million is spent on benefits.

The council's statistics which they sent to the Department showed their performance in processing benefits had been falling for a long time. Ministers were concerned about this and in the summer of 2005 the new service manager approached us for consultancy support.

Our BFI consultant recommended that the council should set up a stakeholder steering group, which would include:

- the service director and senior managers
- elected councillors responsible for the service's portfolio
- representatives from the Department, and
- our consultant.

This group made the issues clear and created an atmosphere of openness and trust.

The new service manager had a very strong technical appreciation and management background but the long period of difficulties had meant that staff morale was low. So, the consultancy was put in place to make sure the council's culture supported the programme of major change.

The council held a series of staff workshops to identify the hopes and fears that strongly affect how motivated staff are and, depending on how well they are handled, can have a major effect on whether changes will be successful. The workshops also discussed what it would be like to work in the 'new Stoke' and how people react, learn and adapt to change.

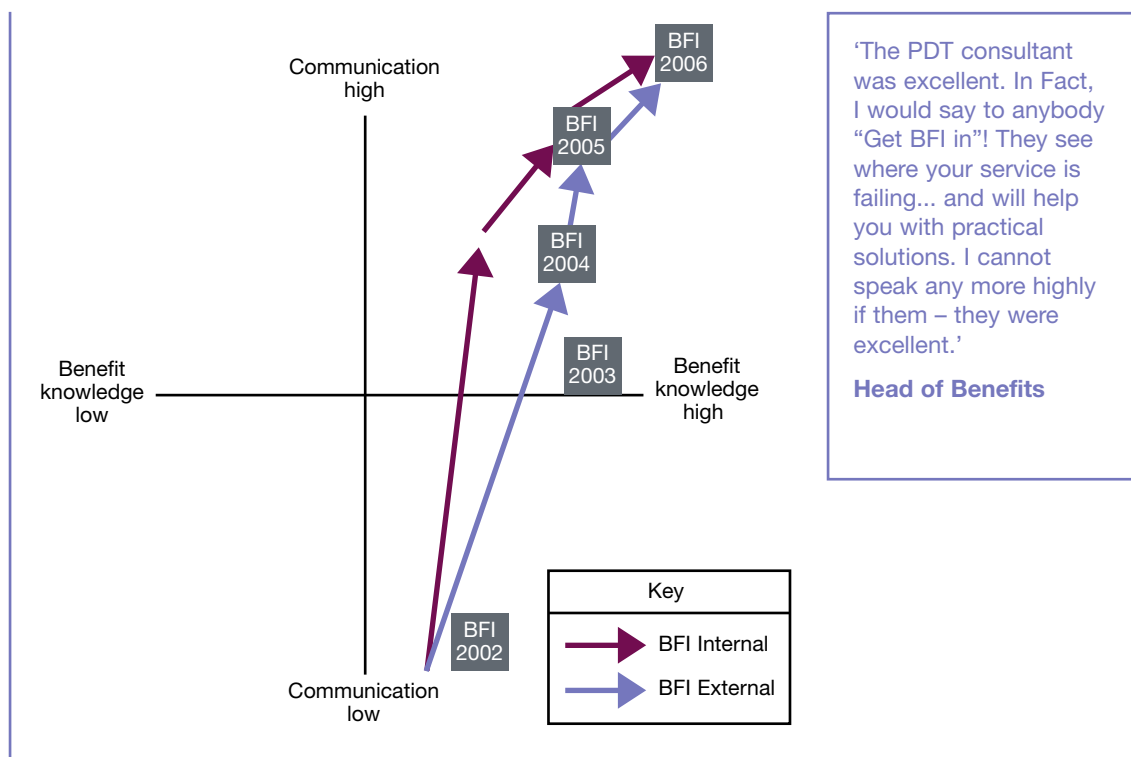
The BFI consultant presented a report of the workshops and findings to the stakeholder steering group and shaped the council's business plans and communications to staff. The report also provided evidence to support the council's successful bid for funding from the department's Performance Standards Help Fund.

It is difficult to separate the effect of the consultancy support from the changes made to the way the council worked, but together this work has had a dramatic effect on the council's benefits services. The time taken to process new claims for Housing Benefit fell from 112 days in April 2005 to 33 days in March 2007, and processing changes of circumstances was taking just 13 days in March 2007 compared to 73 days in April 2005.

A photograph of a man in a white, ribbed shirt smiling and looking towards another person whose face is partially visible on the left. The background is a plain, light-colored wall. A horizontal pink bar is overlaid across the middle of the image, containing the text 'Meeting customers' needs'.

Meeting customers' needs

- a** We began work as a critical judge of councils' performance and wrote hard-hitting reports about councils' failure to provide acceptable benefits services. These early reports produced good results, but criticism and confrontation, even when supported by recommendations, were not likely to provide long-term improvements in performance. In response to customer surveys and findings from independent research, we moved towards a more supportive approach.
- b** The first part of our response was to issue a model claim form and guidance on good practice to support the individual recommendations in reports, and we backed this up with workshops and discussion forums. The next steps we took to provide the supportive services councils said they needed were to:
- introduce the performance standards, which provide guidance on what needs to be done to process benefits well, and
 - set up the Performance Improvement Action Team and PDT, which worked with councils to help them improve services.
- c** In 2004, we were recognised for becoming a customer-focused organisation when we were the first national inspectorate to be awarded a Charter Mark. The award was a major achievement for us after putting in place a range of activities relating to our customers, including:
- a helpline
 - a newsletter for the organisations we work with
 - a formal complaints procedure
 - customer-satisfaction feedback forms for all our services, and
 - visits by a senior member of our staff after an inspection.
- The Charter Mark recognised the improvements made in all areas of our customer service. To get the Charter Mark, outside assessors gave us a thorough assessment which included looking at the evidence we provided to show we were focusing on customers, looking at our processes and practices, and interviewing staff, customers and stakeholders.
- d** The Cabinet Office Charter Mark Unit used our experience as a case study on its website to show the positive effect of Charter Mark. We also shared our experience and knowledge with other organisations including the North-East Quality Network, HM Revenue & Customs, the Passport Agency and the Child Support Agency. Our achievements have been monitored each year by outside assessors and through customer feedback to make sure that we continue to meet the Charter Mark standard.
- e** Customer feedback was supported by regular research into the views of our customers, stakeholders and staff. This was carried out independently by the Central Office of Information and through the Department's half-yearly omnibus council surveys. The diagram below gives the Central Office of Information's assessment of how we have evolved in the last five years.



Source: BFI record

- f As well as the major changes to the way we do business, we have made improvements in communicating with customers, stakeholders and other audiences. Our website, www.bfi.gov.uk, was introduced in October 1999 and became our main channel, with research showing that 90% of all local authorities regularly used it and 93% considered it to be either very useful or useful. It is used about 5,200 times a day. All our reports and publications are available on the website and will continue to be available after we close in March 2008. We recently introduced an electronic news alert system to give people all our announcements including when we published reports. We produced our newsletter, 'standard', every six months and used this to give news about us and our services along with guidance on good practice. For example, an article provided by the London Borough of Camden and a member of the standard editorial group, about recovering from the loss of its information centre, received many positive comments and was used by a number of other councils in areas outside managing benefits.
- g In 2004/2005 and 2005/2006 our standard of performance was "to ensure 80% of BFI customers rate BFI's performance in their organisation as good or excellent". We supported this with business aims for each of the main activities in our business plan. For 2006/2007 we increased the target to 90%. We measured our effectiveness by asking the organisations we inspected or assessed, and people who have had a PDT assignment, to fill in a customer feedback questionnaire. We asked the people who responded to rate their experience of different parts of our service on a scale of 1 (very poor) to 5 (excellent), and to answer 'yes' or 'no' to other questions.



- h** The following table shows the percentage of customers who rated their overall satisfaction with us as 'good' or 'excellent'.

Our customer satisfaction levels 2004/2005 to 2006/2007

Taken from our analysis of customer feedback

Type of service	Percentage of customers who rated our overall performance as 'good' or 'excellent'		
	2004/2005	2005/2006	2006/2007
Focused and full inspections	89	91	92
PDT	89	96	94
CPA	67	85	99
Overall	82	91	95



Having an effect

- a** In line with the Government's policy on inspecting public services, we have tried to improve performance in the organisations we inspect, assess and support. Since 2002:
- estimated fraud in Housing Benefit has fallen from £230 million a year to £140 million, or 1% of the total amount spent
 - the average time taken to process new claims fell from 55 days in 2002/2003 to 29 days in 2006/2007 (this is a fall of 53%), and
 - annual reports from the Local Government Ombudsman found that, while complaints about councils on all matters had gone up, complaints about processing housing benefits had continued to fall.

- b** It is difficult to separate our contribution to this much-improved performance across all councils, but there is clear evidence of improvement in the individual councils we inspected. For example, the DWP's Information and Analysis Division (part of the Government Operational Research Service) carried out an independent assessment in 2003 which showed that councils we inspected improved their performance in a number of areas. In their report, the Information and Analysis Division said the following.

"Councils with BFI inspections demonstrate the ability to improve the speed of processing new claims significantly more than the national average of inspected councils. Some councils have also improved to the extent that they are no longer in the worst 60 performing councils. The number of new and renewal claims outstanding in councils with BFI inspections also fell by many times the national average.

Councils with BFI inspections have not been slow to massively increase the amount of benefit overpayments detected... to increase the number of fraud investigators, visits to claimants and the number of prosecutions and administrative penalties issued are proportionately higher than national trends."

- c** An assessment of performance in 16 councils we inspected, assessed and supported in 2004/2005 and 2005/2006 confirms our contribution to improvement. The table below shows that 12 of the 16 councils processed new claims for housing benefits more quickly after we had got involved.

Local authority	New claims 2004/2005 (days)	New claims 2005/2006 (days)	Change (days)
Cannock Chase	29	36	+7
Chester-le-Street	30	24	-6
Enfield	44	31	-13
Hart	32	34	+2
Hinckley and Bosworth	36	51	+15
Isle of Wight	34	34	0
Kerrier	67	37	-30
Knowsley	40	26	-14
Lambeth	95	53	-42
Leicester	115	57	-58
North Norfolk	108	61	-47
Portsmouth	64	60	-4
Rosendale	49	40	-9
South Bucks	37	28	-9
Swale	83	35	-48
Swindon	51	40	-11

- d** We have also made significant improvements to councils' performance in preventing fraud, as shown below.

Cautions and administrative penalties given						
Local authority	Cautions given 2004/2005	Cautions given 2005/2006	Admin penalties 2004/2005	Admin penalties 2005/2006	Prose- cutions 2004/2005	Prose- cutions 2005/2006
Cannock Chase	0	6 (+6)	0	16 (+16)	1	6 (+5)
Chester-le-Street	7	9 (+2)	3	8 (+5)	1	4 (+3)
Enfield	21	37 (+16)	22	48 (+26)	54	55 (+1)
Hart	1	12 (+11)	4	6 (+2)	2	4 (+2)
Hinckley and Bosworth	7	13 (+6)	9	10 (+1)	8	11 (+3)
Isle of Wight	35	47 (+12)	20	45 (+25)	12	16 (+4)
Kerrier	9	28 (+19)	7	18 (+11)	7	21 (+14)
Knowsley	3	22 (+19)	3	9 (+6)	6	36 (+30)
Lambeth	11	21 (+10)	12	24 (+12)	31	39 (+8)
Leicester	2	10 (+8)	4	14 (+10)	9	18 (+9)
North Norfolk	10	28 (+18)	1	4 (+3)	0	2 (+2)
Portsmouth	3	53 (+50)	9	15 (+6)	16	39 (+23)
Rossendale	6	11 (+5)	4	18 (+14)	5	10 (+5)
South Bucks	0	5 (+5)	0	2 (+2)	0	4 (+4)
Swale	0	11 (+11)	0	7 (+7)	0	6 (+6)
Swindon	13	24 (+11)	9	13 (+4)	1	13 (+12)

Taken from our records.

- e** Although not every council has improved at the same rate, these figures give the average improvements over the period.
- The number of cautions given to people committing fraud went up by 400%.
 - The number of administrative penalties we set went up by 250%.
 - The number of successful prosecutions went up by 250%.
- f** The most obvious thing we have affected is individual councils' performance, but we also aim to improve the Department's policy, for housing benefits in particular. Because of our in-depth work in councils, we are able to identify areas where policy isn't working as it should and recently we have worked to evaluate the effect of new policies.
- g** In our early days, we did not work closely with the Department. It's also fair to say that councils were suspicious about our relationship to the department. This was not a good way for us to become part of the main forums that influence policy, such as the Department for Work and Pensions and the Local Authority Association Steering Group.
- h** So, we set up a 'policy liaison unit' to help us play a major part in setting policy and to help provide information, influence and assess policies, to improve standards for processing housing benefits.

- i** We quickly became part of, and valued by, groups such as the Practitioners' Operational Group, the Fraud Operational Group and the Steering Group. Our policy liaison unit's advice was also asked for on draft papers on policies and procedures. We also worked on a range of project boards and working parties, and gave advice to individual councils on how to interpret and put in place policies in their particular area.
- j** The first example of how useful we were in assessing new policies came when the Department asked us to assess the Housing Benefit Verification Pilot – an early version of the Customer Management System. This was followed by work looking at, for example, the disputes process for housing benefits, the Customer Information System and changes of circumstances.
- k** The disputes work in particular led to a large amount of good practice being shared with local authorities, and the changes of circumstances report resulted in the Department having enough evidence to be able to justify recommending that ministers change the relevant performance measure.
- l** The working relationship between our inspectorate and the Department has been developed and maintained through regular monthly meetings between us and the department's main housing benefits divisions – the Local Authority Performance Division, the Housing Research Analytical Division and the Housing Benefit Strategy Division. We used these meetings to keep each other up to date on work, discuss developing policy and discuss our findings. Another real advantage was that we could say what was actually happening in councils, not just what people making policies thought was happening. For example, people in the department who were responsible for statistics found our technical knowledge was the perfect contrast to their analytical work.
- m** Staff have often moved jobs between us and the policy areas of the department. This has not only helped with staff development but has meant that staff can apply the things they learned from doing our inspection work to their work on policy. The most recent transfer of staff from us to the department was the PDT moving to the Local Authority Performance Division.

Some examples of the effect we have had

The London Borough of Lambeth's spending on housing benefits is well over £200 million. Lambeth's Revenue and Benefits Service now rightly prides itself in providing a polite, reliable and accessible service that makes sure everyone entitled to benefit gets the right amount at the right time. However, this wasn't always the case and our inspection report in 2001 said:

"Lambeth's administration of benefits is deeply inadequate, and radical improvements are needed in all but a few areas."

Our CPA in 2003, and a follow-up inspection in 2004, confirmed that the service was still performing poorly. However, as the benefits service was the only service in the council that was still failing, the council had shown it had a strong commitment to improving. The average time taken to process new claims was 102 days, it took about 57 days to process changes of circumstances and there was a backlog of 28,890 documents. The council had already decided to invest in the service, and it stopped using contractors to manage benefits. The council also asked for consultancy support from our Performance Improvement Action Team. The team:

- examined how effective current arrangements for processing claims were
- identified opportunities for improvement, and
- identified improvements that needed to be made to management information.

With managers and staff from the Revenues and Benefits Service, the team produced a strategy to clear the backlog. This took account of:

- resources in the Revenues and Benefits Service
- incoming work, and
- the backlog.

The council also began to put in place the 200 recommendations in the follow-up inspection report.

In March 2007, processing new claims took an average of 34 days and processing changes of circumstances took an average of 19 days. Customer satisfaction has increased by 20%. Although there is still a little way to go in processing changes of circumstances, there has been enormous progress. The service is now completely different and this is a great credit to everyone who was involved.

Chester-le-Street is in the north of County Durham, just south of Tyne and Wear. It pays out £13 million in benefits each year to over 5,000 customers.

We inspected the council in 2004 and made more than 200 recommendations for how it could improve. We stressed the need to improve monitoring across the council, management information systems and performance on preventing fraud.

Appointing a new chief executive made it easier to make changes and we offered consultancy support to improve the work the council does to prevent fraud.

The council has introduced new ways of working and a new staffing structure, which makes sure staff have the right skills and knowledge to do their jobs.



New benefit claims for 2005/2006 were processed in an average of 24 days, compared to 46 days in 2004/2005, and the council's performance in preventing fraud has greatly improved.

Councillor Simon Henig, the Council's deputy leader and finance portfolio holder, said:

"The improvements made since the inspection have brought significant benefits to local residents. It is down to the perseverance and dedication of staff that the benefits administration now provides a service that is on course to be on a par with the best in the country. Everyone involved can be proud of their efforts."

- n Mike Owen, Director of Finance, Bury Metropolitan Borough Council said: "Following the inspection we arranged for a Performance Improvement Action Team to work with us to help implement some of the recommendations that came out of the inspection. This experience was extremely valuable and helped us approach issues, such as backlogs, in innovative ways. As a result, and with a positive response from our staff, we eliminated a backlog ahead of schedule and made significant improvements to processing times."

- o Martin Vickers, Head of Customer Services, Salford City Council said:

"Both management and staff were devastated to learn that we were not as good as we thought we were. Previously we had focused much of our attention on claim processing speeds and the report clearly indicated that this had been achieved at the cost of having an insecure benefit gateway. The BFI report therefore proved to be the catalyst for great change. Our response was to embrace the findings of the BFI and learn from them. Management decided to take a radical approach to improvement, in order to turn round the poorer parts of the service, and improve on what was already working well. This positive approach to working with BFI and then with the Performance Standards framework worked well. We have since received a 4 star CPA rating for our Benefits service for the third successive year – and been awarded a Charter Mark and Beacon status for excellence in the provision of public services."

A photograph of a group of people in a meeting. In the foreground, a man with short brown hair and glasses is looking towards the right. He is wearing a light-colored sweater over a checkered shirt and a patterned tie. Behind him, several other people are visible, but they are out of focus. The background is a plain, light-colored wall.

Looking forward

- a** We are closing in response to the rationalisation of inspection that was set out in the 2005 budget statement. 'Rationalisation' aims to better co-ordinate inspection and reduce its burden and costs. From 1 April 2008, the Audit Commission will take over inspecting local services, including the way in which councils manage benefits, and will do this alongside its audit services to local government. The Audit Commission works in England only. The Department is making separate arrangements with the Wales Audit Office and Audit Scotland to take over inspecting Welsh and Scottish councils. The challenges will be to make sure that councils maintain their improved performance in managing benefits under the new arrangements, and that the new arrangements for inspection make the savings expected of them in terms of burden and costs.
- b** Because there will be fewer inspections after 2008, some influence over councils' performance may be lost and it will be even more important to make sure councils and agencies accurately report their performance to the department. We have found that some organisations exaggerate their performance when sending management information to the department and when assessing themselves against performance standards.
- c** At the same time as the new inspection arrangements begin, councils will need to be ready to work with the new performance framework introduced by Communities and Local Government. There will be fewer performance indicators covering councils – the number of indicators will drop from 1,200 to 200. Organisations manage their work in line with the performance indicators set, so it will be important that the indicators covering benefits encourage organisations to process benefits quickly and accurately. It will be interesting to see whether performance standards will have a role under the new framework, as the framework promises to set fewer rules for councils about how they should run their services.
- d** There are also changes to come in checking customers' claims for benefits. As the Customer Management System expands, councils will pass their role of checking claims to other agencies, and how quickly and accurately councils can process housing benefits will depend more and more on how well Jobcentre Plus, The Pension Service and HM Revenue & Customs perform. Our work in agencies shows that they could improve their performance.
- e** Councils will also face changes and challenges under the Welfare Reform Act. They will need to put the Local Housing Allowance in place while maintaining the same level of service and, working with DWP, provide the rewards of financial inclusion, choice and work that the allowance is designed to provide. Councils will also be facing their own challenges to make savings.
- f** Looking back over the past 10 years, it's clear that councils have improved how quickly and securely they provide benefits services and that we have made a full contribution to that improvement. It is also clear that there are challenges to come and it is essential to make sure that hard-won improvements are not lost as new inspection and assessment arrangements are put in place.



"The BFI has contributed significantly to the improvement and quality of housing and council tax benefits services delivered through local authorities. In the early stages of its life, there was a degree of uncertainty from those in local government because the initial reports seemed to accentuate the negative rather than develop constructive relationships. This situation gradually changed and eventually the Inspectorate emerged as an organisation which not only fulfilled the inspection role but also contributed greatly to service and quality improvement. In its final years, BFI created a 'partnership role' with local government which developed constructive and profitable working practices with individual local authorities."

David Magor, Director, Institute of Revenues Rating and Valuation.



You can get copies of our reports from:

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

Phone: 020 7962 8176

Fax: 020 7962 8491

E mail: bfi_distribution@dwp.gsi.gov.uk

You can also download our reports from www.bfi.gov.uk

© Crown copyright, 2008