

# Benefits Agency: Performance Measurement



This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

*John Bourn*  
Comptroller and Auditor General

National Audit Office  
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## Executive summary

**1** In 1996-97, the latest year for which data is available, the Benefits Agency (the Agency) paid out in excess of £75 billion to over 20 million people who receive benefits such as Income Support and Disability Living Allowance. The Agency's vision for delivering benefits is to pay **the right money to the right person at the right time; all the time**.

**2** The Agency need a good performance measurement system to enable managers to plan and deliver value for money. They also need to be able to account to the Department of Social Security (the Department), the Secretary of State and Parliament for their performance. The Department and the Agency also need to tell customers the service they are likely to get, and report to them on what has been achieved.

**3** At present the Agency have three sets of targets covering various aspects of their business including financial management and control and the speed and accuracy of processing claims:

- Secretary of State's targets which reflect the political priorities for the benefit system. The Agency achieved 8 of the 15 targets set in 1997-98;
- management targets set by the Chief Executive and approved by the Secretary of State. The Agency achieved 94 of the 109 targets set in 1997-98; and
- Citizen's Charter Standards which set out the levels of service the Agency aim to provide for their customers. The majority of Standards cover the time to clear claims and are linked to either a Secretary of State's or management target. In 1997-98, for the main benefits, 74 per cent of claims were cleared within the Charter Standard time.

Neither the existing Secretary of State's or management target package covers efficiency and therefore on their own targets cannot be used to make an assessment of the Agency's overall performance (paragraphs 1.10 to 1.16 and 2.33 to 2.34).

**4** Partly in response to our initial findings, the Agency decided, in 1998-99, to cut the number of management targets to 23. These targets focus attention on those important areas of the business not covered by Secretary of State's targets,

namely payment accuracy, claims clearance for major benefits and financial recovery and control. The remainder of the Agency's business is now covered by internal performance measures. They give operational managers information about the standards they are achieving (paragraph 1.12).

**5** The government are in the process of reviewing their priorities for social security and this could lead to new targets to support a reformed system. Similarly, they have reviewed the Citizen's Charter initiative which was relaunched in June as "Service First - the new Charter programme" and are also reviewing the methods and delivery of public services and the appropriateness and effectiveness of the regulation which underpin these services. Whatever targets are designed, we consider that the principles in this Report should still apply and that our conclusions and recommendations are intended to contribute to the debate (paragraphs 1.14, 1.21 and 4.4).

## Conclusions

**6** We have assessed the Agency's performance measurement system against best practice criteria; these criteria are intended to inform the development of systems over time rather than being requirements for current systems. Against these criteria, the Agency have an extensive performance measurement system which is well integrated into their management systems. It provides managers at all locations with considerable amounts of information, the majority of which is produced in a timely manner. The system relates well to the Agency's vision for delivering benefits and covers all of their main activities (paragraphs 1.17 to 1.20, 2.31 to 2.32 and 5.23 to 5.24).

**7** The Agency have developed the system primarily to meet the needs of Departmental and Agency management. In this it compares well with systems used by other government agencies and with systems used by organisations responsible for the delivery of benefits in other countries. The system is kept under regular review and adapted to meet the changing needs of management and staff. There is also a formal process for setting targets which takes account of the views of all relevant parties in the Department and the Agency. The Agency, however, recognise that they need to enhance the system so that it provides better measures and targets covering efficiency and the Agency's success in deterring and preventing fraud. The Agency estimated that the system cost approximately £7 million in 1997-98, which represents 0.3 per cent of their total administrative expenditure (paragraphs 1.20, 2.13 to 2.15, 2.33 to 2.34, 2.41 and 3.2 to 3.3).

**8** The Agency's system reflects the needs of their customers by measuring performance on payment accuracy and the timeliness of payments. From 1998-99, the Agency are planning to expand the range of information that they publish on their performance so that it covers all of their key targets. This represents an improvement in the arrangements for reporting the Agency's overall performance to Parliament and the public (paragraphs 2.2, 2.18 and 5.26).

**9** There are inaccuracies with some of the Agency's performance data. In 1996-97, separate examinations by ourselves and the Agency's Internal Auditors identified significant inaccuracies in the data recorded against five Secretary of State's targets. In one case, the inaccuracy was sufficient to raise doubts over whether the target has actually been achieved. In 1997-98, the Agency introduced validation procedures, which aim to identify the extent of inaccuracy in the data used to report performance against Secretary of State's targets. These procedures enabled Internal Audit to identify that there were significant inaccuracies in the unvalidated data recorded against the Secretary of State's target for Express Family Credit and as a consequence the target was reported as not achieved in the Agency's 1997-98 Annual Report. The Agency recognise the importance of accurate performance data. They are continuing to make substantial efforts to provide good quality data and to establish arrangements for validating published performance data (paragraphs 5.5 to 5.18, and 5.31 to 5.39).

**10** The Agency are considering how to develop their system to overcome existing weaknesses. They also wish to ensure that the system gives sufficient control over the quality and cost of the services delivered by their network of area offices and central benefit directorates (the providers), particularly if the relationship of providers to headquarters were to change. Our recommendations below aim to assist the Agency to further strengthen their system. In some cases the Agency are already taking action to implement these recommendations.

**11** Although most of the recommendations imply little additional on-going costs, in certain cases there may be set-up costs, such as amending information technology systems. The Agency could minimise costs by implementing recommendations when procedures and/or systems are being amended for other purposes. We recognise that this approach to implementation may lengthen the Agency's timetable to achieve what is required. The Department and the Agency also consider that there may be practical difficulties in enhancing their systems to improve performance information, because they have to give priority to changes required to meet operational and Ministerial commitments.

## Recommendations

- a) The Department should monitor the Agency's performance against a package of targets that covers all major aspects of their business and takes account of the relative priorities between the targets. The Agency should publish performance against these targets (paragraphs 3.7 to 3.10, and 5.26).

*Historically the Agency's target packages have not been ideal for monitoring purposes: the Secretary of State's targets have not covered all the main aspects of the Agency's performance and the management targets have been too numerous to be used with ease. In 1998-99, the Agency reduced the number of management targets so that they focus on important areas of business. They intend to publish performance against management targets in their Annual Report.*

- b) The Department and Agency should continue their development of an index which would provide a measure of the Agency's overall performance (paragraph 2.40).

*The Agency and the Department have worked to develop an index which would demonstrate year on year changes in the Agency's performance against Secretary of State's targets and improve the focus of the performance measurement system. By including all targets in an index they would have a measure of their overall performance.*

- c) The Agency should collect information which enables them to assess their customers' reactions to the service provided (paragraph 2.37).

*In 1996-97 and 1997-98, because of Departmental concerns about the value of using national customer surveys to measure customer satisfaction, a national customer survey was not undertaken. The Agency are now seeking to introduce new mechanisms for obtaining their customers' views. To help establish their priorities, the Agency could ask customers to identify those aspects of the service with which they are most satisfied and those aspects with which they are most dissatisfied.*



- d)** The Agency should consider monitoring, for each provider, the success rate for appeals against rejection of benefit claims by customers (paragraph 2.17).

*This data would potentially provide the Agency with an indicator of the accuracy of decision making by each area or central benefit directorate deciding entitlement to benefit.*

- e)** The Agency should consider how to measure whether providers are ensuring customers have fair and balanced access to services in line with Ministerial objectives (paragraph 2.16).

*The Department calculate the take-up rates for some benefits. Collecting such information is, however, both costly and time consuming. There are no proven methods for measuring take-up for the other benefits. As a consequence, such information is currently available only for a minority of benefits; it is not very up to date; the methods used do not permit analysis by area; and take-up is affected by factors outside the Agency's control. The Agency, therefore, should consider developing other mechanisms for monitoring the adequacy of access to the benefit system.*

- f)** The Department and the Agency should consider collecting information in a form which enables them to identify how long the various component parts of the overall clearance process take to complete (paragraph 2.21).

*It is important for the Agency to have measures that address the various needs of the different users. Customers want to know the total time that it has taken to process a claim; whilst operational managers wish to know how long it has taken to undertake those processes for which they are responsible.*

- g)** The Agency should pilot clearance time targets expressed as averages rather than as the percentage of claims cleared in a specified number of days (paragraphs 2.22 to 2.26).

*We consider that Secretary of State's and management targets based on average clearance times would give an incentive to clear all cases promptly as well as giving the Agency a more comprehensive picture of their overall performance.*

- h)** The Agency should target the time taken to date on outstanding cases (paragraph 2.27).

*The current clearance time targets only relate to cases that have already been cleared. The current targeting system does not provide an incentive for staff to process cases already past the target time. As part of the pilot exercise recommended above, we consider the Agency should target the average time taken to date on outstanding cases.*

- i)** The Agency should consider producing an aggregate indicator based on the percentage of cases by benefit that are accurate, free from fraud and cleared in the right time (paragraphs 2.29 to 2.30).

*This would provide the Agency with an indication of their overall performance in delivering benefits.*

- j)** The Agency should set their Citizen's Charter Standards at the level that they intend to provide for all customers (paragraph 4.6).

*As an example, the Standard could read "we aim to clear all benefits claims for Income Support within q days; at present we only achieve this for p per cent of our customers and we are planning to improve on this performance". The National Charter Guide published in June 1998 gives further guidance on the formulation of standards.*

- k)** The Agency should establish Citizen's Charter Standards which cover the time taken to clear changes of circumstance relevant to benefit claims (paragraph 4.7).

*In the past the Agency considered that timeliness in processing initial claims for benefits tended to be more important to their customers. Their current Citizen's Charter Standards, therefore, concentrate on the time taken to process initial claims, and do not cover amendments, such as when the customer's family circumstances change.*

- l)** The Agency should collect and publish measures, at the national level, of their achievement against all Citizen's Charter Standards (paragraph 4.9).

*Currently the Agency do not collect national data on their performance against a number of Citizen's Charter Standards, including those covering waiting time at local offices and the time taken to respond to customers' letters and complaints. They are now considering how to collect this data.*

- m)** The Agency should improve their measurement of efficiency (paragraphs 2.33 and 2.34).

*The Agency have a measure of productivity for area administered benefits. The Department are currently considering options for developing an indicator which would cover all of the Agency's activities and costs. The indicator would be based on the costs incurred in producing each of the Agency's outputs.*

- n)** The Department and the Agency should establish arrangements for the more independent validation of the statement of the Agency's performance that is presented in their Annual Report. These arrangements should draw on the work carried out by the Agency's Internal Auditors to check the accuracy of recorded performance (paragraphs 5.32 to 5.40).

*The Agency's Internal Audit perform a valuable role in checking the accuracy of recorded performance and providing assurance to the Chief Executive of the Agency. The Department should set up arrangements consistent with Treasury guidance, which requires performance measures which are relevant to the payment of bonuses, to be validated externally to the Agency. We believe that greater assurance to Parliament could be achieved if the performance information presented in the Annual Report were to be validated by a person or body external to the Department and their Departmental Accounting Officer, who is responsible to Parliament for the performance of the Agency. An external validator would be seen to be able to make an independent and objective assessment of the Agency's performance information. The validator could, however, work closely with the Agency's Internal Audit and draw upon their work, having quality assured it. We recognise that it may take some time and additional cost to set up a system which enables the full independent validation of performance information reported to Parliament.*

- o) The Agency should assure themselves of the reliability of all key performance measures and activity data which, whilst not published, are the basis for allocating resources to providers (paragraph 5.18).

*From 1997-98, the funding received by providers has depended upon their recorded workload. The Agency are considering how they will obtain assurance about the reliability of workload data.*

## Part 1: Introduction

**1.1** Part 1 sets out the context within which the Department of Social Security (the Department) and the Benefits Agency (the Agency) operate, the major requirements of a performance measurement system, the main elements of the Agency's performance measurement system, their reported performance and the scope of the study.

### The Department and the Agency

**1.2** The Department are responsible for managing the Social Security programme. There are five agencies within the Department, the largest of which is the Benefits Agency.

**1.3** Prior to 1998-99, the Agency's vision for delivering benefits was **Éto pay the right money, to the right person, at the right time, every timeÊ**. In their 1998-99 Business Plan the Agency restated the vision within a wider statement of their purpose:

“The Benefits Agency will support the Government in establishing a modern welfare state. We will do that by helping to create and deliver an active modern service, which encourages and enables independence and **pays the right money to the right person at the right time; all the time.**”

The latest Departmental Report shows that, in 1996-97, the Agency paid out over £75 billion of benefits to over 20 million customers. Figure 1 shows the level of expenditure and number of beneficiaries for the Agency's main benefits. In 1996-97, the Agency employed 77,000 people which reduced to 74,000 people in 1997-98. Over the same period their administration costs reduced from £2.6 billion to £2.5 billion. The Department of Social Security have been planning on the expectation that they would need to reduce their administrative costs to deliver savings in real terms of 23 per cent in the period 1996-97 to 1999-2000.

**The Agency's main benefits: number of beneficiaries and expenditure in 1996-97**

**Figure 1**

<b>Benefit</b>	<b>Estimated number of beneficiaries at any one time in 1996-97<sup>(1)</sup></b> <b>millions</b>	<b>Expenditure</b> <b>£ billions</b>
Retirement Pensions	10.4	32.0
Child Benefit and One Parent Benefit	7.0	6.9
Income Support <sup>(2)</sup>	5.6	14.4
Social Fund <sup>(3)</sup>	2.2	0.8
Incapacity Benefit	1.8	7.7
Disability Living Allowance	1.8	4.5
Jobseeker's Allowance - income based <sup>(2)</sup>	1.4	1.8
Attendance Allowance	1.1	2.4
Family Credit	0.7	2.1
Severe Disablement Allowance	0.4	0.9
Widow's Benefits	0.3	1.0
Invalid Care Allowance	0.3	0.7
Jobseeker's Allowance - contributions based <sup>(2)</sup>	0.3	0.3
<b>Total for the main benefits</b>	<b>33.3</b>	<b>75.5</b>

Notes: 1. A beneficiary can be in receipt of one or more benefits at any one time.

2. In October 1996, Jobseeker's Allowance was introduced and this reduced the number of people in receipt of Income Support.

3. Figures for Social Fund include expenditure and loan recoveries.

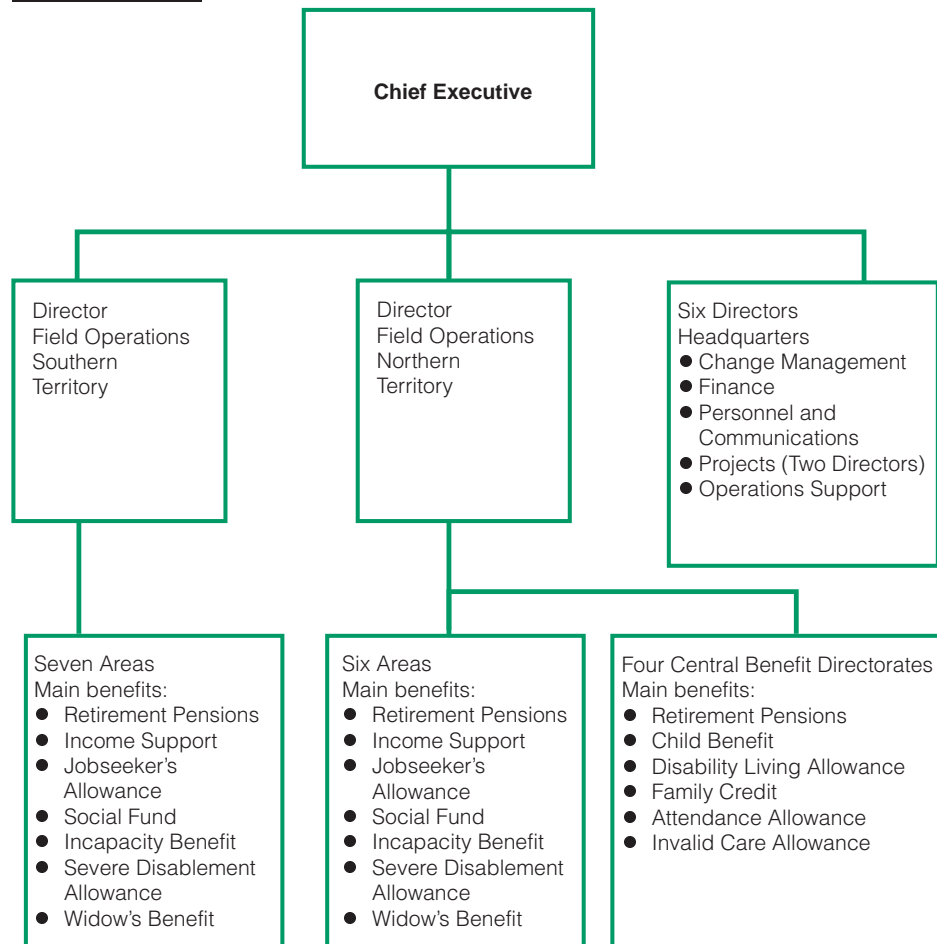
Source: Social Security Departmental Report 1998-99, April 1998, CM 3913

**1.4** Figure 2 shows how the Agency are split into a headquarters function, four benefit directorates and a geographical network subdivided into two territories and 13 areas. The benefit directorates are responsible for centrally administered benefits such as Disability Living Allowance. The remainder of benefits, such as Income Support, are administered by the areas. Before April 1997, the areas were subdivided into a total of approximately 150 districts and each district contained a number of local offices. Figure 3 shows the Agency's geographical network. The areas and central benefit directorates are referred to as the providers in this Report.

**1.5** In 1996-97, the Department launched a programme of change aimed at transforming the business to deliver improved services at a significantly reduced cost. The government are currently reviewing their priorities for social security and its delivery.

The organisation of the Benefits Agency

Figure 2



Source:  
Benefits Agency

## Performance measurement systems

**1.6** An agency must have a good quality performance measurement system so that they can accurately account for performance in achieving objectives and providing value for money to the sponsoring department, the Secretary of State and ultimately Parliament. The users of performance data include:

- senior managers in the department and the agency who use the data to assist planning, high level monitoring and inform discussions with the Treasury;
- line managers who use the data to control the day to day operations of their units; and
- customers who use information about the level of service they are likely to receive.

Benefits Agency territories and areas

Figure 3



Source: Benefits Agency

Note: The number of districts for each area prior to April 1997 is shown in brackets.



**1.7** Without a performance measurement system Parliament, Ministers and managers would have little quantitative data on an agency's achievements against plans and how the resources have been used.

**1.8** This and the following paragraph introduces some terms commonly used in performance measurement. **Performance measures** describe quantitatively how well an organisation is performing in its various aspects, including how efficiently it is operating, and what quality of service it is providing. Some aspects of performance may in practice not be directly measurable, but it may be possible instead to measure other characteristics which are useful proxies for them, and these are called **performance indicators**. At any time, the data held on a performance measurement system are called the **performance data**. Sometimes a number of different measures can be summarised as an overall or **aggregate measure**.

**1.9** Most **targets** are quantified objectives for an organisation. These are generally values of certain performance measures that should be achieved over, or by, a specified time. The specific numerical levels for the targets are called the **target values**. Targets may also be **milestones**, for example, to complete a project by a specified date, or **constraints**, for example, to live within the budget for administrative costs. A target that is a combination of other targets that must be met is a **compound target**.

## The Agency's performance measurement system

**1.10** The Benefits Agency's performance measurement system should enable the Chief Executive to assess how far the Agency are delivering the performance required of them. It should also indicate whether the Agency are doing that economically and efficiently. In a broader context it should also indicate whether the Agency are moving towards their vision for delivering benefits of paying **the right money to the right person at the right time; all the time**.

**1.11** The Agency have three sets of targets:

- Secretary of State's targets which reflect the key Ministerial priorities for the benefit system. The targets are set by the Secretary of State. In practice, the Department and Agency discuss these targets, and the Department propose a target package for the Secretary of State;
- management targets set by the Chief Executive and approved by the Secretary of State. These targets complement the Secretary of State's targets; and

- Citizen's Charter Standards which set out the levels of service the Agency aim to provide for their customers. Most Standards are linked to either a Secretary of State's or management target.

The Secretary of State's targets, management targets and Citizen's Charter Standards for the period 1996-97 to 1998-99 are listed in Appendices 1 to 3. Part of the Chief Executive's pay is performance related and is dependent on the Agency's performance against the Secretary of State's and management targets.

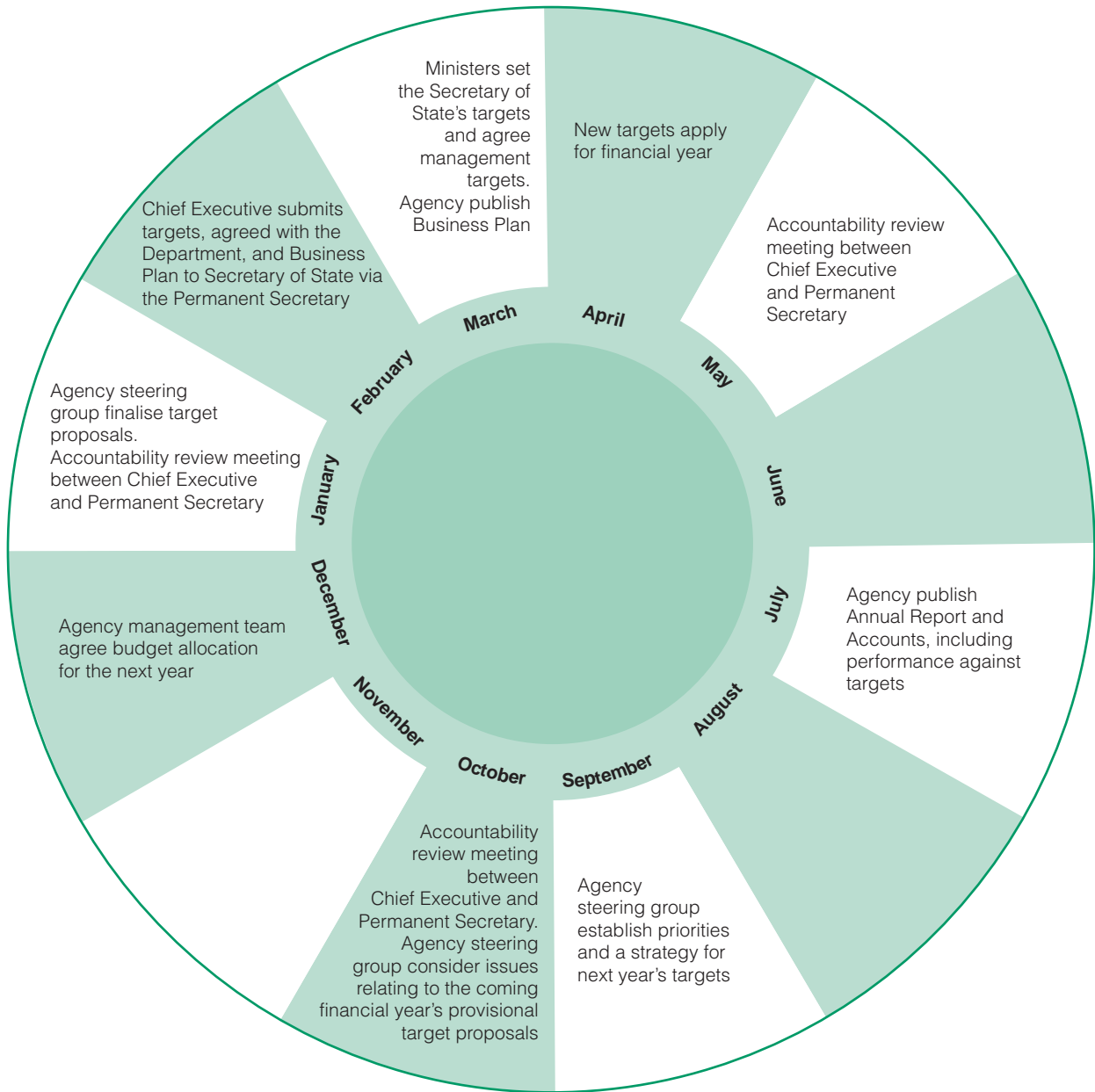
**1.12** The Secretary of State's targets and the management targets cover how accurately and promptly claims for benefit are processed and financial management targets which provide a measure of how well the Agency manage taxpayers' money. In 1997-98, there were 15 Secretary of State's targets and 109 management targets. Partly in response to our initial findings, the Agency decided to cut the number of management targets to 23 for 1998-99. The small number of targets concentrate attention on those important areas of the business not covered by Secretary of State's targets, namely payment accuracy, claims clearance for major benefits and financial recovery and control. The remainder of the Agency's business is now covered by internal performance measures. They give operational managers information about the standards they are achieving.

**1.13** The Citizen's Charter Standards set the levels of service that the Agency aim to provide to their customers. They include, for each benefit, the promptness with which the Agency aim to process new claims.

**1.14** Each year, the Department and Agency use a steering group to review the way in which they measure and target performance. Figure 4 sets out the key stages in the annual target setting round. The Agency and the Department discuss which areas of the Agency's operations could be covered by Secretary of State's targets and the target values that could be set. A proposed target package is then submitted to the Secretary of State who decides the targets to be set. The Agency and Department also discuss the management targets that should be set. Management targets are also agreed by Ministers. As the government review their priorities for social security and the nature of the service delivered, new or alternative targets could be set.

**Figure 4**

**The annual cycle for both selecting and setting target values**



Source: National Audit Office

## The Agency's reported performance

**1.15** The Office of Public Service, in the Cabinet Office, expect that target packages should stimulate continuous improvement in an agency's performance. The Benefits Agency's performance figures show that since they were established, in 1991, they have achieved over 70 per cent of their Secretary of State's targets in six of the seven years. They have also achieved over 80 per cent of their management targets in all but one of these seven years. In 1997-98, the Agency's package of Secretary of State's targets was revised so that it concentrated on the priority areas of accuracy, security and financial recovery. It was decided to reclassify the majority of targets for clearing benefit claims as management targets. Mainly for this reason, the proportion of Secretary of State's targets achieved by the Agency fell to 53 per cent and there was an increase to 86 per cent in the proportion of management targets achieved. Details of the performance against each target in 1996-97 and 1997-98 are in Appendices 1 and 2.

**1.16** On their own the Agency's performance data cannot be used to assess trends in their performance, as they do not reflect factors such as changes in priorities and resources; and movements in target coverage, definitions and values make interpretation difficult. In some cases targets have been held constant between years, to reflect increasing priority in other areas, such as accuracy of payment and anti-fraud work. And the introduction of new benefits, such as Incapacity Benefit and Jobseeker's Allowance, have limited the Agency's scope for raising targets on established benefits. In general, since 1992-93, the values for the Secretary of State's targets covering payment accuracy have either been held constant or have been lowered to reflect a change to a stricter definition of accuracy. The targets for time taken to clear claims have generally not been shortened, and have not thus been made more difficult to achieve. Over the period 1992-93 to 1998-99 the values for the financial recovery targets have been raised.

## Scope of the study

**1.17** This Report is one of a series of examinations that we are undertaking into performance measurement in government agencies (see Appendix 4). We examined how far the Benefits Agency's existing performance measurement system met standards of good practice and looked at how it should be developed to meet future demands. The study covered:

- whether the Agency's performance measures provide an adequate assessment of their performance (part 2);

- how well the Agency's package of targets meets good practice criteria (part 3);
- how well the Agency specify and report on the standards of service that their customers can expect under the Citizen's Charter (part 4); and
- how well the Agency record and report on their performance (part 5).

**1.18** We focused our examination on the system as a whole and on the major service delivery targets related to the key area administered benefits, and on performance measurement, rather than on the Agency's use of performance measures to manage services or on the Agency's performance. We assessed the reliability of the Agency's recorded performance by examining how the Agency review the accuracy of their performance data.

**1.19** During our main work on this Report, we examined the targets set for the Agency and their recorded performance for the last complete year - 1996-97 - together with the targets set for 1997-98. The Agency have subsequently announced their targets for 1998-99 and reported their performance against their targets for 1997-98 (see Appendices 1 and 2). Our Report reflects this information. The examination on this occasion was not designed to enable us to report on the actual performance of the Agency. Accordingly, the data presented in this Report is for the purpose of illustrating the performance measurement issues, and does not of itself present a fair and balanced view of the Agency's actual performance.

**1.20** Appendix 5 sets out our methodology, including the good practice criteria. All the criteria were employed in our analysis, but this Report focuses on those that were most relevant to the Agency. We also examined the targets that are used by organisations responsible for the delivery of benefits in other countries. Generally, the Benefits Agency compared very well with overseas organisations. However where important lessons may be learned these are identified in the Report.

**1.21** During the course of our study, the Department and Agency have considered a range of possible ways of delivering services, including introducing purchaser/provider relationships between the Department and Agency, and within the Agency, and the use of the private sector. Whatever targets are designed to support future arrangements, we consider that the principles in this Report should still apply and that the conclusions and recommendations in this Report will still be of general relevance.

## Part 2: The Agency's performance measures

### Key findings

- The Agency have an extensive performance measurement system which is well integrated into their management systems. It covers all of their main activities and relates well to the Agency's vision for delivering benefits. As a management information system, it compares well to systems used by other government agencies. The Agency recognise, however, that the system needs to be enhanced to provide better measures of efficiency, customer service and whether payments are made to the **right person** (paragraphs 2.8 to 2.13, and 2.31 to 2.37).
- The Agency have designed good measures for assessing whether they are paying the **right money** (paragraphs 2.2 to 2.6).
- The Agency seek to assess performance on **right person** by estimating periodically the level of fraud and customer error on different benefits, and by assessing the impact of the Agency's anti-fraud work in reducing benefit expenditure. They are working to improve the accuracy of their periodic reviews and they recognise that there are weaknesses with the indicator of benefits savings achieved which are also being addressed (paragraphs 2.7 to 2.13).
- The Agency are seeking a more comprehensive system for measuring and targeting fraud. With the Department, they are currently investigating improved ways of measuring fraud, with the intention of improving control and reducing the amount of fraud. We have worked with them in their investigations (paragraphs 2.14 to 2.15).
- The Department calculate the take-up rates for some benefits. Collecting such information is, however, both costly and time consuming. There are no proven methods for measuring take-up for the other benefits. Such information, therefore, is currently available only for a minority of benefits; it is not very up to date; the methods used do not permit analysis by area; and take-up is affected by factors outside the Agency's control. Consequently the Agency should consider developing other mechanisms for monitoring the adequacy of access to the benefit system (paragraph 2.16).

- Customers who have their benefit claim rejected can appeal against the decision. The Agency should consider monitoring the rate of appeals as an indicator of the number of claims that have been incorrectly rejected (paragraph 2.17).
- The Agency assess whether customers receive their payments at the **right time** by measuring the percentage of claims cleared in a specified number of days. The Agency could define clearance times in a more consistent manner and in ways which better meet the needs of their customers and managers (paragraphs 2.18 to 2.21).
- The Agency could redesign clearance time measures so that they cover the average time taken on cleared claims and the average time taken on cases that remain outstanding. This would ensure that the system encouraged the prompt clearance of all claims rather than targeting the minimum acceptable standard of performance. We believe that a rigorous examination of the benefits of the two target formats should be undertaken. We understand that the Department and the Agency are piloting average clearance times targets and will give consideration to their introduction depending upon the results of the pilot (paragraphs 2.22 to 2.28).
- The Agency do not measure **all the time**, the final element of their vision. We believe this could be done if the Agency were to develop an aggregate indicator based on the proportion of cases that are dealt with accurately, without fraud and within the target time (paragraphs 2.29 to 2.30).
- The Agency have measured efficiency through an index which they recognise needs to be updated or replaced as it does not cover all their main activities or costs. The Department are currently considering options for developing an indicator which would cover all of the Agency's activities and costs. The indicator would be based on the costs incurred in producing each of the Agency's outputs (paragraphs 2.33 to 2.34).
- The Agency have measured those aspects of customer service, not directly covered by the Agency's vision, through customer satisfaction surveys and mystery shopping exercises. Since 1995-96, the Agency have not undertaken either a mystery shopping exercise or a satisfaction survey, because of concerns about the latter's usefulness and the validity of its results. The Agency have now begun to develop a new system for measuring customer satisfaction (paragraphs 2.35 to 2.37).

- Most of the Agency's performance measures cover one facet of performance for a single benefit. By further increasing their use of aggregate measures, the Agency could obtain an overall measure of their performance across a range of benefits (paragraphs 2.38 to 2.40).
- The Agency estimated that their performance measurement system costs £7 million each year. This represents 0.3 per cent of their total administrative expenditure (paragraph 2.41).



## Part 2: The Agency's performance measures

### Introduction

**2.1** This part of the Report examines how the Agency measure their performance. For ease of presentation we have grouped measures under each element of the Agency's vision for delivering benefits of paying **the right money to the right person at the right time; all the time**. Measures which are relevant to the Agency's overall performance, such as efficiency and customer service, are considered separately. This part of the Report also considers the cost of the performance measurement system.

### Measures of right money



**2.2** The following measures used by the Agency are relevant to **right money**:

- **payment accuracy** - whether the monetary value of the payments made to customers are in line with entitlement based on information held by the Agency on the customers' circumstances. Errors that arise because a customer has not provided all relevant and up to date information are covered under fraud and customer error under **right person**; and
- the value of **overpayments recoveries**.

#### Payment accuracy

**2.3** The Agency have measures of payment accuracy which cover each of the 20 plus benefits that they administer. They measure and target the percentage of payments that have been made accurately, for example in 1997-98, they recorded that 97.1 per cent of Disability Living Allowance payments were paid accurately against a target of 96 per cent. The percentage accuracy rate provides a simple measure of accuracy which can readily be understood by staff and customers.

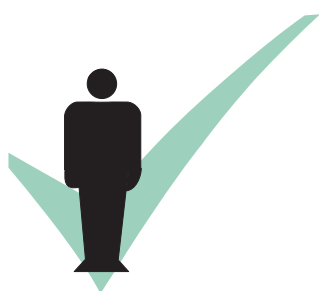
**2.4** The Agency have central checking teams whose responsibilities include reporting, for area administered benefits, on the percentage of payments that have been made accurately. The teams assess the accuracy of a sample of payments by examining the case papers held.

**2.5** The central checking teams also estimate the monetary value of the errors that are made in paying benefits. The Agency have considered targeting the monetary value of errors to provide incentives for staff to focus on minimising the more significant errors. However, on its own such a target might obscure an increased number of small value errors. All errors, whether large or small, may need to be corrected, and impose an additional workload on staff. The Agency could provide incentives for a provider to minimise both the value and number of errors, by monitoring both the payment accuracy rate and the monetary value of errors.

### **Overpayment recoveries**

**2.6** The Agency measure the recoveries they make from customers who have been overpaid benefit because of their failure to disclose a material fact or because they have misrepresented the facts. In preparation for resource accounting, the Agency are establishing a comprehensive measure of the total value of outstanding overpayments which are recoverable. The Agency are examining the potential for establishing a measure which links recoveries to the level of outstanding debt. This is the approach adopted in the United States, where the target for recoveries is expressed as a percentage of the value of outstanding overpayments. We consider that the Agency should continue with their work to establish a target for recovering a set percentage of outstanding overpayments.

## **Measures of right person**



**2.7** **Right person** has two component questions:

- whether there are people getting benefit which they should not because of fraud or error on the part of the customer (**fraud and customer error**); and
- whether people who are entitled to benefit get it (**access to benefits and appeals**).

### **Fraud and customer error**

**2.8** The Agency seek to measure fraud and customer error in two main ways: by estimating periodically the extent of fraud and customer error on individual benefits, and by estimating the success of their anti-fraud work in reducing benefit expenditure.

**2.9** In 1995, the Department and the Agency launched a series of Benefit Reviews, aimed at estimating the level of fraud on each of the main benefits. Their 1996 review of Income Support concluded that fraud and error amounted to £1.77 billion a year, equivalent to 11 per cent of total expenditure on the benefit.

**2.10** The Department and the Agency recognise that the methodologies employed in their reviews have limitations:

- the confidence limits - the ranges within which the estimated figures for fraud could lie - are wide because of the necessarily limited size of the sample; and
- they cannot establish the actual level of fraud because some customers will succeed in concealing their true circumstances.

**2.11** The Agency have taken positive steps to improve the accuracy of their estimates of the level of fraud. For each area, the Agency are aiming to estimate the level of fraud on Income Support and those elements of Jobseeker's Allowance that are not dependent upon a customer's national insurance contributions. This involves the Agency examining a sample of existing cases by interviewing the customer and checking their entitlement to benefit.

**2.12** The Department and the Agency use a number of indicators to assess the impact of the Agency's anti-fraud work. One of these indicators is weekly benefit savings which is targeted by the Secretary of State. Weekly benefit savings provide an indication of the amount of benefit expenditure saved through anti-fraud work. A weekly benefit saving is the weekly amount of benefit being claimed wrongfully when action is taken to stop the fraud, multiplied by a factor of 32. This multiplier is based on the Department's estimate of the length of time, 32 weeks, that a fraudulent payment would, on average, have continued had it not been detected. The Agency reported that they achieved weekly benefits savings of £1,509 million in 1996-97 and £1,918 million in 1997-98.

**2.13** The Department and the Agency have recognised that the weekly benefits savings indicator has a number of weaknesses, as highlighted in the Comptroller and Auditor General's Report on "Measures to Combat Housing Benefit Fraud", HC 164 1997-98, and it is under review. In particular:

- the 32 week multiplier is not tailored to individual benefits. Although based mainly on Income Support figures, it is used as a broad average across all benefits. It therefore takes limited account of the differing claim periods for individual benefits; and
- the weekly benefits savings indicator focuses on detected fraud and error on new and existing claims. However, it does not fully reflect the extent to which the Agency have prevented and deterred fraud from entering into the system in the first place.

**2.14** In principle, there are several methods by which the Agency could control their anti-fraud work. However, there are weaknesses with all of these approaches:

- setting targets for reducing the levels of fraud within a benefit or area. The Agency's benefit reviews have demonstrated the difficulties of obtaining precise estimates of the levels of fraud, even at the national level;
- setting targets for the level of public expenditure on benefits. Such targets would encourage providers to minimise both the level of fraud and the level of overpayments made to customers. However, expenditure is partly dependent on external economic and social factors which cannot be controlled by providers. Crude targets for controlling benefit expenditure are therefore unlikely on their own to properly motivate providers;
- monitoring levels of fraud detected and recoveries of overpayments. The Comptroller and Auditor General's Report on "Measures to Combat Housing Benefit Fraud" highlighted the perverse incentives that can arise when performance is measured against and funding linked to targets for detecting fraud; and
- direct controls over procedures and anti-fraud activities, and building rewards and incentives around compliance with acceptable standards of benefits administration. Such mechanisms do not however measure the outcome of the fraud work undertaken by providers.

**2.15** Given the imperfections with each of the above approaches, the Agency will probably require a range of measures, incentives and controls to secure a more complete assault on fraud. With the Department, they are currently investigating improved ways of measuring fraud, with the intention of improving control and reducing the amount of fraud. We have co-operated with them in their

investigations, and recognise the difficulties of measuring the extent of fraud and the impact of anti-fraud activity. The Department and Agency are continuing to invest considerable effort into making progress in this area.

### **Access to benefits**

**2.16** The process for collecting data on the take-up rates for benefits is both costly and time consuming and there are no proven methods for measuring take-up for all the benefits. Each year the data published by the Department includes the take-up rates for the two main income related benefits administered by the Agency. The latest published information showed that in 1995-96, approximately 70 per cent of those entitled received Family Credit and approximately 76 per cent to 82 per cent of those entitled received Income Support. However, this data is not very up to date; the methods used do not permit the data to be analysed by area; and take-up is affected by factors outside the Agency's control. Consequently the Agency should consider developing other mechanisms, for example using targeted surveys and interviews with customers, for monitoring the adequacy of access to the benefit system.

### **Appeals**

**2.17** Customers who have their benefit claim rejected are entitled to appeal against the decision. In 1996-97, in their latest available data, the Independent Tribunal Service received over 290,000 appeals. The Service publish data which shows that a substantial proportion of appellants are successful (Figure 5). An appeal can be successful for a number of reasons, including:

- the initial decision may have been incorrect;
- the circumstances of the customer may have changed;
- the tribunal may have access to information which was not available when the original decision was taken.

In 1997-98, the Agency changed their system for allocating administrative resources to provide an incentive for managers to make correct assessments in the first place. However, we consider that the Benefits Agency should consider monitoring the rate of appeals as an indicator of the number of claims that have been incorrectly rejected.

**Success rate of appeals  
between January 1996  
and June 1996**

**Figure 5**

Tribunal	Nature of appeal	Percentage of decisions made in favour of appellant
Social Security	Appeals against refusal of variety of means tested and non-means tested benefits including Income Support, Jobseeker's Allowance, Incapacity Benefit.	38 per cent
Medical Appeals	Medical appeals against refusal of claims for Industrial Injuries Disablement Benefit and Severe Disablement Allowance.	37 per cent
Disability Appeals	Appeals concerning Disability Living Allowance, Disability Working Allowance and Attendance Allowance.	59 per cent <sup>(1)</sup>

Source: Social Security Statistics 1997 (Government Statistical Service) and Report of the Independent Tribunal Service 1996 (latest available data)

Note: 1. For the period April 1996 to July 1996.

## Measures of right time



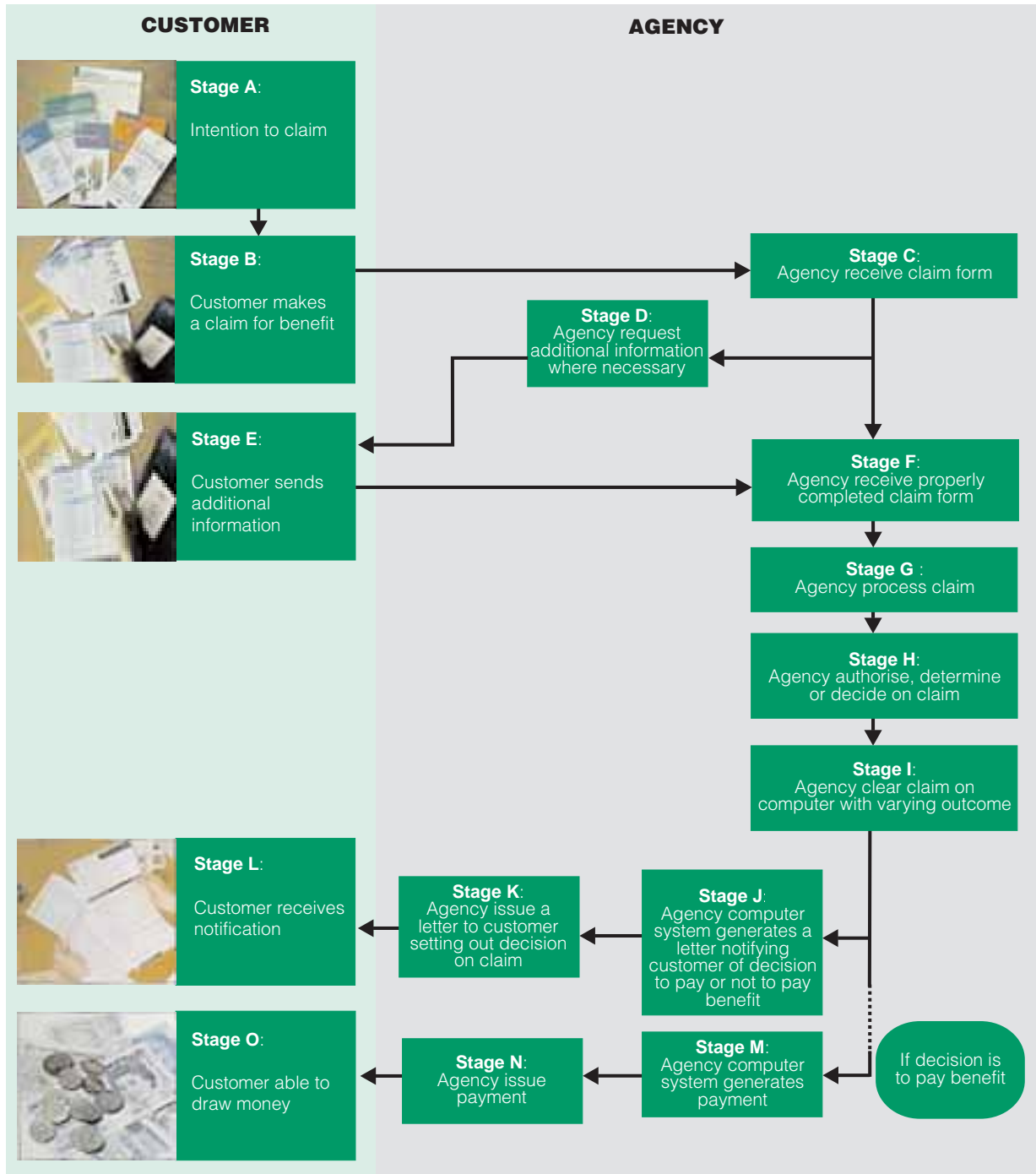
**2.18** The Agency assess **right time** by measuring the time taken to process cases which have been cleared in a given period. They also monitor the time taken to date on outstanding cases. The Agency have separate measures for both new claims, and for changes of circumstance which can affect a customer's benefit entitlement.

### Clearance time for new claims

**2.19** Figure 6 shows the main stages that a new claim can pass through as it is processed. It illustrates that a claim can either lead to the issue of a nil decision if there is no entitlement to benefit, or the issue of a payment and associated decision notice where a customer is to receive benefit. The date when a customer receives their payment is determined by the type of benefit that is being claimed. Prior to October 1997, the Agency defined all clearance time measures in a consistent manner as the time between the date they receive an application for benefit to the date that they issue their decision to the customer. Figure 7 summarises how the Agency measure clearance time for a number of benefits. It shows the Agency have not been able to use their preferred definition for some benefits. This is because the Agency have not been able to enhance the information technology systems used to administer these benefits.

**Figure 6**

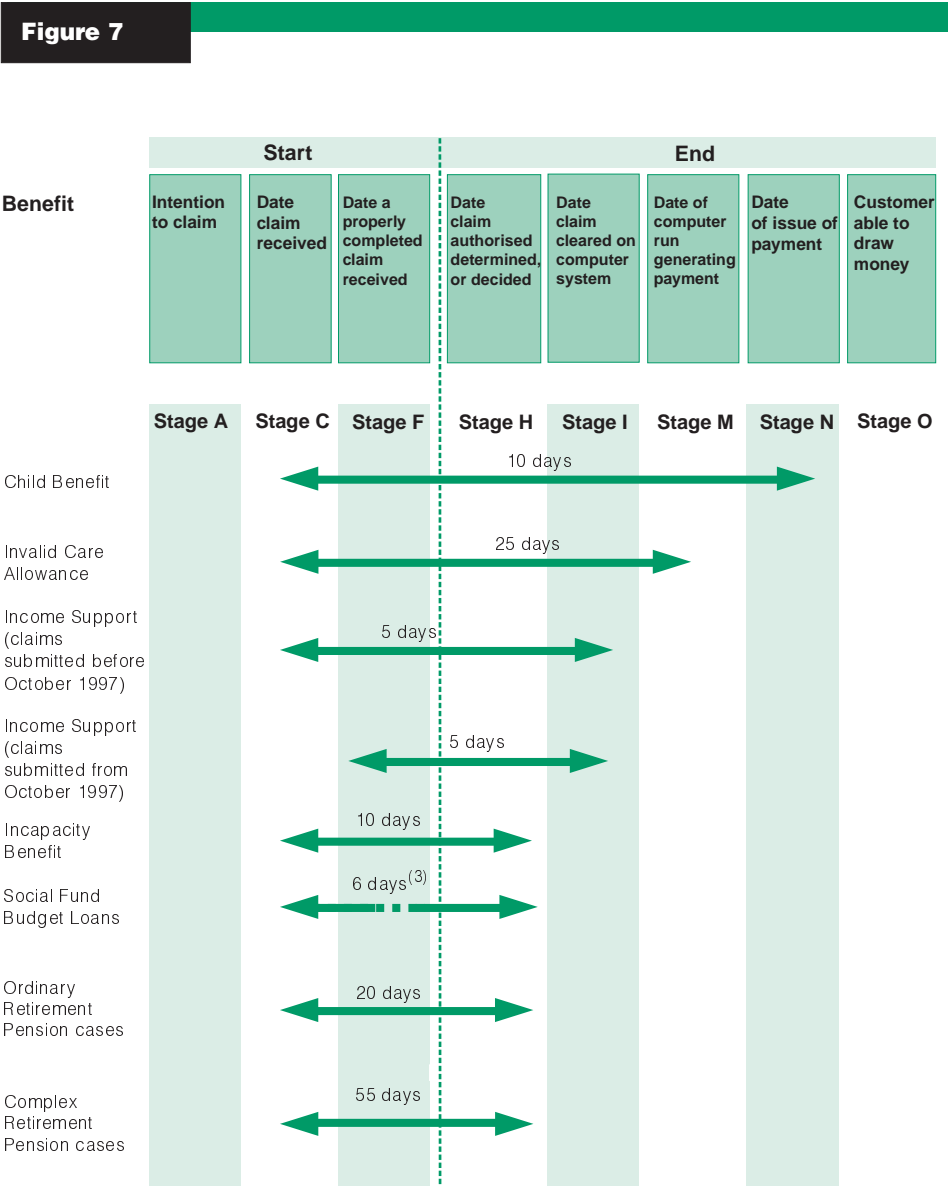
**The interaction between customers and the Agency**



Note: 1. Whilst this process is common for most benefits there are some variations, for example the decision to pay benefit and the payment may be issued together or may be separated by some time depending upon payment cycles and the individual's entitlement. For example, on retirement pension, stages A to L may take place some months before the customer retires and receives their first payment.

Source: National Audit Office

Examples of how clearance times are measured for different benefits



- Notes:
1. The stages are consistent with those shown in Figure 6.
  2. The number of days shown above each line is the primary clearance time target for 1997-98 for that benefit.
  3. For Social Fund Budget Loans the time between an offer being made and the response being received is excluded.

Source:  
National Audit Office



**2.20** In October 1997, new evidence requirements were introduced which mean that the clearance process for Income Support starts when the Agency have received a properly completed form and the necessary supporting documentary evidence (see Figure 7). This change also affected Jobseeker's Allowance. In the long run, the Agency would like to use this definition for all their benefits. For Income Support, the Agency and the Department considered how the change in the definition of clearance time might impact on recorded performance. They decided that there was insufficient evidence to justify a change in the targeted values.

**2.21** In our view the different users of data on clearance times have different needs and will want to know how long different parts of the process take. For example:

- customers and senior managers in the Department and Agency will be interested in the time taken from the date the Agency receive an application to when the Agency dispatch their decision to the customer;
- senior managers in the Department and the Agency will also be interested in the time taken within the Agency to process a claim. This would exclude, for example, the time taken for queries with other organisations and the customer; and
- the Agency's operational managers will be interested in the time taken by a provider to carry out the processes which are under their control. This would exclude, for example, the time taken by other parts of the Agency to provide information or process payments.

It would therefore be useful for the Agency to hold management information in a form which enables them to identify how long the various component parts of the overall clearance process take to complete. The Agency could use such detailed information to identify, and focus, on those parts of the system where delays occur. For example, the information might help to identify the need to assist customers to present correct claims when they first apply.

**2.22** Since 1992, the Agency have expressed their clearance time targets as the percentage of claims that should be cleared in a specified number of days. This type of target is also used by several of the other agencies within the Department. For many of the Agency's benefits there is a two stage definition of the target. For example, in 1997-98, the Agency's performance data shows that they achieved their targets to process 65 per cent of Incapacity Benefit claims in 10 days and 85 per cent of claims in 30 days.

**2.23** In recent years the Department and the Agency have discussed on several occasions the merits of moving to targets based on average clearance times. In 1994, the Agency carried out a pilot exercise in a number of local offices to assess the impact of setting targets for average clearance times. The Agency considered that the results of the pilot supported a move to setting targets based on averages. The Department, however, considered that the results did not demonstrate any advantage over the existing target formats, and consequently the target structure was not changed.

**2.24** The choice of how to formulate a particular target will depend mainly on what the Agency, the Department and ultimately Ministers are seeking to achieve. There are advantages and disadvantages to both methods of measuring clearance times. In particular, the existing target format is well suited to defining a minimum acceptable standard of performance and is consistent with the format of the Agency's Citizen's Charter Standards. However, recording performance in this way could mask a change in the clearance time experienced by many customers. For example, if cases normally cleared after the target time are delayed further, this would not show up in the current formulation; and the same can also be true of delays to cases which are normally cleared quickly. On the other hand, the average clearance time format takes account of the individual clearance times experienced by all customers, and would usually show up such delays. However, in common with all statistical measures, it would mask compensating improvement and deterioration in the clearance time experienced by individual customers and the format does not relate performance to a minimum acceptable time for processing claims.

**2.25** In our view, measuring performance against average clearance times targets would provide a more complete picture of performance and provide appropriate incentives to staff. And the Agency could use their Citizen's Charter Standards to specify the minimum standard of service that all customers could expect. This would provide a better system for control, but would have the disadvantage that the management targets would be expressed in a different format from the Standards.

**2.26** The Department are not convinced that clearance targets based on averages would provide greater incentives to staff to clear all claims as quickly as possible or that they are required. They are therefore unwilling to introduce these targets as a way of controlling the Agency. They are also concerned that, while the Benefits Agency's systems can be changed to accommodate these measures, there would be cost implications if it was necessary to introduce this change in their other Agencies whose systems may not be so easily adapted. We welcome the consideration that the Department and Agency have given to this subject, but

consider that the original pilot study provided limited evidence, and we, therefore, believe a more extensive and rigorous examination of the benefits of the two target formats should be undertaken. We understand that the Department and the Agency are now piloting average clearance time targets and will give consideration to their introduction depending upon the results of the pilot.

### Uncleared new claims

**2.27** To obtain an overall picture of their performance, managers need information on both cleared and uncleared claims. The Agency provide managers with information showing the number of cases outstanding and the average length of time that cases have been outstanding. To ensure that the target package provides an incentive for managers to deal with all cases promptly, the Agency have considered setting targets linked to the average time cases have been outstanding. We consider that such targets should be established.

### Changes of circumstance

**2.28** The Agency express their clearance time targets for changes of circumstance in a similar manner to those set for new claims. For example, in 1997-98, the Agency's performance data shows that they achieved their targets to process 65 per cent of changes to Income Support claims in 2 days, but not to process 95 per cent of changes in 6 days. In general, the arguments concerning how clearance times target for new claims should be expressed apply also to targets covering changes in circumstance.

## Measures of all the time

**2.29** An **all the time** measure would assess, for each benefit, the proportion of cases that are dealt with accurately, without fraud, and within the target time. This would be a good measure of overall performance. It could be used to assess whether a provider's work has reached the agreed standard.

**2.30** The Agency do not have a measure of **all the time**. The Agency should consider producing, for each benefit, an aggregate indicator, which would be based on the percentage of cases that are accurate, free from fraud and cleared in a specified number of days.



## Measures of other aspects of the Agency's performance

**2.31** The measures used to assess performance against the Agency's strategic vision cover the key objectives of the Agency in the delivery of benefits and certain key aspects of customer service. To provide a complete picture of their overall performance, it is also important that the Agency have other measures covering workload, cost, financial control, efficiency and those key aspects of customer service, which are not directly covered by the Agency's vision. The Agency also need aggregate measures to assist their monitoring at a strategic level of their overall progress in meeting their objectives.

**2.32** Details of the various measures are summarised in Figure 8. It shows that the Agency have measures of their workload and financial control. There are, however, currently significant gaps in their measurement of efficiency and aspects of customer service.

### Efficiency

**2.33** The Agency have developed an efficiency index which measures the change in the Agency's work output per member of staff. The outputs are the processes, such as collecting evidence, that staff undertake to administer area benefits. The Agency's 1995-96 Annual Report recorded that in the period 1991-92 to 1995-96 the Agency's efficiency rose by 12 per cent. The Agency recognise that the index needs to be updated or replaced, and consequently they did not refer to it in their subsequent two Annual Reports. In particular, the index needs to be broader so that it covers all of the Agency's main activities, including the work of the central benefit directorates, and covers all the Agency's costs, including information technology.

**2.34** The Agency are developing their unit costing system which covers all the Agency's operational and overhead costs. The system aims to provide local managers with information about the cost of each of their outputs for the first time. Information on the cost of benefit operations is being collected and work in understanding the results is being undertaken at all levels of the organisation. In particular, the links between cost and other aspects of performance - accuracy, fraud, timeliness - are being explored. The system should assist managers to identify high cost operations. It should also provide the information to underpin a new comprehensive efficiency measure, which the Department are developing for the Agency. This measure will be based upon the costs incurred in producing each of the Agency's outputs.

Figure 8

## The Agency's main performance measures

## Aspect of vision or performance

## Measures

## right money



**accuracy.** The proportion of payments issued that are accurate; for example, in 1997-98 the Agency recorded that 82 per cent of Income Support payments were dealt with accurately.  
**recovery of benefit overpayments.** In 1997-98 the Agency recorded that they had recovered £122 million of overpayments against a target of £120 million.

## right person



**fraud and customer error.** The Agency do not have a measure of the amount of benefit paid to people who are not entitled; so the Agency use an indicator of benefit savings which accrue from action to prevent and detect fraud. In 1997-98 the Agency estimated that they saved £1,918 million by their actions in this area. The Agency do not monitor the number of people entitled to benefit but who do not receive it.

## right time



**clearance times.** The time between receipt of a claim and adjudication; for example, in 1997-98 the Agency recorded that 56 per cent of Income Support claims were processed within 5 days.

## all the time



**no separate measure.** The Agency could produce, for each benefit, an aggregate indicator which would be based on the percentage of cases that are accurate, free from fraud and cleared in a specified number of days.

## workload

**number of new claims and changes of circumstances.** The Agency measure cases received, cases cleared and cases not cleared. For example, in 1997-98 the Agency received 1.5 million claims for Income Support.  
**number of appeals.** The Agency measure the number of appeals for which they must prepare submissions for a tribunal. For example, in 1997-98 the Agency received 61,000 appeals against Income Support and Social Fund decisions.  
**post intake for Retirement Pensions and Widow's Benefits.** A measure of enquiries received by the Agency. In 1997-98 the Agency received 11.4 million enquiries.  
**caseloads.** A measure of the number of people in receipt of benefit. For example, in 1997-98 the Agency's caseload for Income Support was 4.0 million.

## financial control

**administration costs.** In 1997-98, the Agency's expenditure was £2.51 billion against an allocation of £2.66 billion.  
**social fund expenditure.** In 1997-98, the Agency's expenditure was £461.6 million against a budget of £467.6 million approved by Parliament.  
**recovery of Social Fund Loans.** In 1997-98, the Agency recorded that they had recovered £333.5 million of loans against a target of £333 million.

## efficiency

**efficiency index.** This provides a measure of the Agency's efficiency in undertaking the processes required to administer area benefits. The Department are developing a more comprehensive measure of efficiency based on the costs incurred in producing each of the Agency's outputs.

## customer service

**no separate measure.** Key aspects of customer service are covered under **right time** and **right money**.

Source: National Audit Office analysis of the Agency's measures

## **Customer service**

**2.35** There are key aspects of customer service, such as the accessibility of information and advice, which are not directly covered by the Agency's vision. Until 1995-96, the Agency used an independent national customer survey to measure overall customer satisfaction and to obtain the views of their customers about services. They also directly measured aspects of customer service such as waiting time and privacy through mystery shopping exercises. These involved independent observers using the Agency's services, and recording the results from the customer's perspective.

**2.36** The national survey was withdrawn because of Departmental concerns about the usefulness and the validity of its results. The mystery shopping exercise was stopped as it had achieved the Agency's objective of raising awareness of Charter commitments.

**2.37** Currently the Agency do not measure aspects of customer service, such as accessibility of local offices. The Agency are, however, planning to introduce, as a replacement for the national survey, more detailed surveys on individual benefits and selected locations and have begun to develop a system to monitor customer satisfaction.

## **Measures of overall performance**

**2.38** Most of the Agency's performance measures cover one facet of performance for a single benefit. By further increasing their use of aggregate measures, the Agency could obtain an overall measure of their performance across a range of benefits.

**2.39** The Agency have developed a small number of aggregate measures and compound targets. For example, up to 1997-98, local managers were assessed against a compound target of meeting all Secretary of State's targets and 80 per cent of management targets.

**2.40** The Department and the Agency did some initial work on developing an index of the Agency's performance against their Secretary of State's targets. This work could be reactivated and could be enhanced to include those targets such as the accuracy of Retirement Pensions, which although outside of the Secretary of State's package, cover one of the Agency's main activities. This would provide the Agency with a single measure of overall performance.

## Cost of the performance measurement system

**2.41** We asked the Agency to estimate the cost of their performance measurement system, over and above their performance management system. They estimated that the system cost approximately £7 million in 1997-98, which represents 0.3 per cent of their total administrative expenditure. The most expensive data to collect are payment accuracy rates which require central teams to check samples of payments made by areas and central benefit directorates. The Agency estimated the cost of collecting payment accuracy data as £4.6 million. A summary of the costs is provided at Figure 9.

### Estimate of the cost of the Agency's performance measurement system

**Figure 9**

	£000
<b>Operational costs for:</b>	
Area administered benefits	3,687 <sup>(1)</sup>
Centrally administered benefits	1,809 <sup>(1)</sup>
<b>Headquarters costs for:</b>	
Central services	1,863 <sup>(2)</sup>
<b>Total</b>	<b>7,359</b>

Notes: 1. The cost includes the cost of the central teams who collect the data on payment accuracy.

2. Central services consist of central data collection, computer services, collection of data on fraud, performance measurement strategy and audit.

Source: Benefits Agency

## Part 3: The Agency's target package

### Key findings

- There is a formal annual process for setting targets which takes account of the views of all relevant parties within the Department and the Agency. Currently the Department are reviewing all aspects of service delivery, including targets, to reflect Ministers' objectives (paragraphs 3.2 to 3.6).
- In 1997-98 the Agency's overall target package contained 124 targets, the majority of which cover the time taken to clear customers' claims. In 1998-99, the reclassifying of many targets as internal performance measures has led to a more manageable target package to focus on important areas of business. The size and coverage of the package could be further improved by making increased use of compound targets (paragraphs 3.7 to 3.10).
- The Department's monitoring of the Agency would be assisted by the establishment of a small package of targets which cover all of the benefits administered by the Agency. Figure 10 on page 41 provides an example of such a package (paragraph 3.12).



## Part 3: The Agency's target package

### Introduction

**3.1** The Department, on behalf of the Secretary of State, hold the Agency accountable for performance against Secretary of State's targets and management targets. In turn, the Agency hold their managers accountable for performance against these targets. This part of the Report examines how targets are selected and target values set. It also examines the focus and balance of the existing target package and considers how the Department use the system to monitor the Agency. The setting and monitoring of Citizen's Charter Standards is covered in Part 4.

### The system for selecting targets and setting target values

**3.2** The steering group responsible for overseeing the annual target setting process (which is summarised at Figure 4 on page 15) seeks the views of senior managers in the Department and the Agency on both the structure of the proposed target package and the required levels of performance. This enables key issues and developments to be reflected in the target package. The steering group also ensure the proposed target package is consistent with the requirements of central departments, such as the Service First Unit, formerly the Citizen's Charter Unit, in the Office of Public Service. The proposed target package is then submitted to Ministers. The Ministers set the Agency's targets, and the values for targets, after they have been briefed by senior officials.

**3.3** Currently the steering group considers the values for each individual target by taking account of current levels of achievement, known policy, procedural or volume changes which may affect performance, and the impact of any changes in the Agency's budget. In the future, the Department wish to introduce a new system for setting targets. During 1998-99, the Department will produce a specification for the outputs they require from the Agency. The Department, on behalf of the Secretary of State, and the Agency will then negotiate on the levels of service and prices for these outputs.

**3.4** In setting target values, both officials and Ministers need to be aware of both the cost implications of the targeted level of performance and the possible trade-offs between different targets. The Department and Agency are currently analysing existing target levels to see if they will achieve optimal levels of performance in the light of the present government's objectives.

**3.5** To plan for best value for money, the Department and Agency consider the following when advising on the balance between different target levels:

- the overall balance between quality and cost;
- the differing service levels required on different benefits;
- the different levels of performance achieved and the unavoidable variations in costs across the country; and
- the costs and the importance to be attached to different aspects of service quality, for example, between payment accuracy and the time taken to process claims.

**3.6** In the past the Agency have employed research-based models to support this process. For example, a sophisticated model of the consequences of changes in funding on clearance times was used for several years. This was used as the basis of negotiations between the Agency and the Department, and between the Department and the Treasury. Models were also used to represent other factors affecting productivity such as work pressure and local office factors; these were used in the allocation of staff to offices. Such incremental approaches are less appropriate at the present, with the recent introduction of new benefits, the fundamental reappraisal of policy by the government and the major changes necessary to achieve the reduction in funding that the Agency faces. The Department are currently reviewing all aspects of service delivery, including targets, to reflect Ministers' objectives.

## **The focus and balance of the target package**

**3.7** The Agency's operational managers responsible for the administration of a single benefit will have a small focused package of targets. However, more senior managers have found that their target package lacks focus. For example, in 1997-98 the Agency's management team monitored the Agency's performance against all 124 Secretary of State's and management targets, and a manager of an area could have been responsible for the achievement of 40 different targets. The problem has been substantially eased in 1998-99 by the Agency reclassifying many management targets as internal performance measures. The small number of management targets cover important areas of business. In our view, the Agency could further improve the focus of the target package, whilst ensuring that it covers all their benefits, by making greater use of high level compound targets. Paragraph 2.39 explains that the Agency have already developed a small number

of compound measures. The Agency could extend these by, for example, setting a manager of an area a target which covers an area's performance in clearing new claims received for all benefits.

**3.8** The Secretary of State's targets focus on priorities and therefore concentrate on specific aspects of the Agency's performance. For example, in 1997-98, the target package included clearance time targets for two of over 20 benefits administered by the Agency, and payment accuracy targets for benefits which account for approximately 40 per cent of total expenditure on benefits. In 1998-99, the package was revised so that it concentrated on accuracy, security and financial recovery and all clearance time targets were excluded.

**3.9** Up to 1997-98, the Secretary of State's targets and management targets together provided comprehensive coverage of all the benefits delivered by the Agency. However, 75 per cent of targets related to the clearance of new claims, changes of circumstance and appeals. There was a risk, therefore, that the target package did not encourage managers and staff to focus on the Secretary of State's priorities of making payments accurately and securely and maximising financial recoveries. In 1997-98, the Department and the Agency, with the Secretary of State's agreement, tried to reduce the profile given to clearing claims by changing the status of some clearance time targets from Secretary of State's to management targets. We suggested to the Agency that it might be possible to improve further the balance of the overall target package, if the Agency established priorities within their package of management targets. The Agency's reclassification of many clearance time targets as internal performance measures in 1998-99 has further improved the focus of the target package.

**3.10** Neither the existing Secretary of State's or management target package covers efficiency or some aspects of customer service, which, as we have previously discussed in paragraphs 2.31 to 2.37, are not covered by the Agency. Therefore, on their own targets cannot be used to make an assessment of the Agency's overall performance.

## **The Department's monitoring of the Agency's performance**

**3.11** The Department, on behalf of the Secretary of State, hold the Agency accountable for performance against Secretary of State's targets and against other targets, including milestone targets, that the Permanent Secretary agrees with the Chief Executive. Each month the Agency provide data so that the Department can monitor the Agency's performance, including their progress on specific initiatives.

The performance data also informs the three meetings held each year between the Chief Executive and the Permanent Secretary to discuss the Agency's performance, which may cover any aspect of the Agency's performance.

**3.12** The changes made in 1998-99 mean that the Agency's management target package no longer covers all of their benefits. The Department's monitoring of the Agency would be assisted by establishing a small but comprehensive target package which could be used for assessing the overall performance of the Agency. The broad components of such a target package are set out illustratively in Figure 10.

**Figure 10****Possible package of targets for controlling the performance of the Benefits Agency****Type of target****Right money**

- specific accuracy target for individual benefits (if any) which are judged to have high priority
- general accuracy for all benefits, weighted aggregate
- overpayment recovery

**Right person**

- fraud recovery
- fraud

**Right time**

- specific clearance target for individual benefits (if any) which are judged to have high priority
- general clearance target for all benefits
- uncleared work

**All the time**

- all the time

**Citizen's Charter Standards**

- Charter Standards covering clearance times
- other Charter Standards

**Financial and efficiency**

- budget
- unit cost

**Example**

- z per cent of benefit payments are accurate
- z per cent of all payments are accurate
- to recover z per cent of the value of outstanding overpayments
- to recover z per cent of outstanding fraudulent payments
- to achieve benefit savings from the prevention and detection of fraud of £ z million
- to reduce the stock of benefit fraud to £ z million
- average clearance time for benefit claims and changes is z days or less
- average clearance time for all benefits claims and changes is z days or less
- ratio of age of benefit claims compared to target clearance time should be z
- z per cent of all cases dealt with accurately, within maximum clearance time and with payment to the **right person**; this will be statistically derived from information on cases dealt with accurately, on cases within maximum clearance times, and from estimates of the number of fraud free cases
- z per cent of Charter Standards met
- z per cent of all other Charter Standards met, by case
- to live within the set budget
- to reduce the average unit cost (output price) by z per cent in real terms

Source: National Audit Office

## Part 4: Citizen's Charter Standards

### Key findings

- In September 1997, the Service First Unit (formerly the Citizen's Charter Unit) began a consultation exercise to help shape the future direction of the Charter programme so as to best meet the objectives of improving public services and making them more responsive to users. The results of the exercise were intended to form part of the government's broader agenda to modernise and regenerate government. A National Charter Guide was published in June 1998 as part of the re-launch of the Charter initiative. The Department and the Agency are concerned to ensure that any revisions to their Charter Standards should comply with the outcome of this initiative. Our following findings should be seen as a contribution to the wider debate of these issues rather than pre-empting the initiative (paragraph 4.4).
- At present the Agency's Citizen's Charter Standards for the time taken to clear claims are generally set at levels which the Agency aim to achieve for 60 per cent to 70 per cent of their customers. The Agency need to revise their Citizen's Charter Standards so that they are consistent with recent guidance issued by the Service First Unit (formerly the Citizen's Charter Unit) and specify the service that they aim to provide for all customers (paragraphs 4.5 to 4.6).
- The Agency have not set Citizen's Charter Standards for the time taken to clear clearing changes of circumstance. As a consequence significant numbers of interactions between the Agency and their customers are not covered by Standards (paragraph 4.7).
- The majority of the Agency's Citizen's Charter Standards cover the time taken to clear claims for benefits. The Agency publish their performance against these Standards in their Annual Report. The Agency no longer monitor national performance against their other Citizen's Charter Standards. They are, however, considering how this might be done in the future (paragraphs 4.8 to 4.9).

## Part 4: Citizen's Charter Standards

### Introduction

**4.1** In addition to their Secretary of State's and management targets, the Agency specify, through their Citizen's Charter Standards (the Standards), the quality of service that they aim to provide to their customers. This part of the Report examines how the Agency's Standards are set and how they provide information to their customers on the performance achieved.

### Setting Standards

**4.2** The Agency's Standards set out the levels of service that they aim to provide to their customers. The majority of the Standards cover the time taken to clear new claims. For example, the Agency tell customers that they aim to clear Income Support claims in five days. The Standards also cover other aspects of quality including the time taken to see customers at local offices and to respond to letters and complaints. The Standards are set out in Appendix 3.

**4.3** The current package of Standards was established in December 1993. Since 1993, some changes have been made to the values at which individual Standards have been set. The Agency consulted the Department, Secretary of State and the then Citizen's Charter Unit in the Office of Public Service, about their Customer Charter and subsequent changes to Standards.

**4.4** In September 1997, the then Citizen's Charter Unit began a consultation exercise to help shape the future direction of the Charter programme so as to best meet the objectives of improving public services and making them more responsive to users. The results of the exercise were intended to form part of the government's broader agenda to modernise and regenerate government. A National Charter Guide was published in June 1998 as part of the re-launch of the Charter initiative as "*Service First - the new Charter programme*". The Department and the Agency are concerned to ensure that any revisions to their Charter Standards should comply with the outcome of this initiative. The Agency are currently reviewing their Standards and intend to re-issue their Customer Charter following the re-launch of the Charter programme. Our findings should be seen as a contribution to a wider debate of these issues rather than pre-empting the initiative.

## Specification of Standards

**4.5** In line with advice from the then Citizen's Charter Unit, the Agency have linked their Standards for clearing new claims to either a Secretary of State's or management target. For example, in 1997-98, the Standard for Income Support was to clear new claims in five days and the management target was to clear 60 per cent of claims in five days. The majority of Standards are set at a level of performance that the Agency target to achieve for 60 per cent to 70 per cent of their customers. In 1997-98, the Agency's recorded performance figures show that for the main benefits, 74 per cent of claims were cleared within the Charter Standard times.

**4.6** In June 1998, the Service First Unit (formerly the Citizen's Charter Unit) issued additional guidance to departments and their agencies. We consider that the latest guidance means that agencies should set Standards at a level that they can reasonably expect to achieve for close to 100 per cent of their customers. The Benefits Agency's reported figures for 1997-98 show that for many benefits the Agency clear considerably fewer claims than this within the Standard time (see Appendix 3). We therefore believe that, in the light of the new guidance, the Agency should review how they specify their Standards. For some benefits, the Agency may need to increase the Standard time to clear a claim.

**4.7** There are a number of other improvements that the Agency could make in defining their Standards:

- the Agency measure their Standards for clearing claims up to the date when they take a decision on a customer's entitlement to benefit. After the Agency take a decision, they send a letter informing the customer when any benefit will be paid. For some customers, the procedures used to pay benefit may mean that there is a significant gap between when the Agency take the decision and when the customer can draw upon any benefit. The possibility of such a delay should be explained by the Agency in the Customer Charter;
- the Agency's Standards do not cover the time taken to clear changes of circumstances notified by customers. These changes may affect the customer's benefit entitlement. There are a large number of changes for some benefits. For example, in 1997-98 the Agency's records showed that they processed 14 million changes to Income Support cases, and 7 million changes for Jobseeker's Allowance cases. Thus, there are significant numbers of interactions between the Agency and their customers which are not covered by Standards;



- the Agency's Standard for waiting time at local offices says that customers will be seen by a receptionist in 10 minutes, or not more than 30 minutes at very busy times. The Standard does not inform the customer when they can expect to be seen by a member of staff who will be able to attend to their enquiry or request. In the United States, the Social Security Administration measure the waiting time for customers at offices from the time of arrival to the start of the first in-depth interview.

## Monitoring and reporting performance against Standards

**4.8** The Agency publish their national performance against their Standards for clearing benefit claims in their Annual Report. In addition, each of the Agency's local offices are required to have a permanent display showing their performance against their Standards for clearing four major benefits (Figure 11). To assist customers to make comparisons, data is also provided on the performance of neighbouring offices and for the area as a whole.

**Figure 11**

### Example of data made available to customers at a district office

	<i>Income Support claims</i>	<i>Retirement Pension claims</i>	<i>Incapacity Benefit claims</i>	<i>Social Fund Crisis Loans</i>
<b>We aim to give you a decision in:</b>	5 days	20 days	10 days	same day
This district's target is to achieve this in per cent of cases	71	65	70	95
<b>Achievement:</b>				
This district	74	74	75	99
Neighbouring district	70	70	70	98
Area average	65	69	76	98

Source: Benefits Agency

**4.9** Up to 1996 the Agency used a mystery shopping exercise to monitor their performance against other Standards such as waiting time at local offices (see paragraphs 2.35 to 2.37). The overall results of the exercise were summarised in the Agency's Annual Report, but this did not analyse their performance against the individual Standards. The Agency stopped their mystery shopping exercise in 1996 and, therefore, in 1996-97 and 1997-98 there was no monitoring at national

level of performance against some Standards, although individual local offices may have run their own monitoring exercises. The Agency are now considering how, in the future, they will measure national performance against these Standards.

- While the Agency's Internal Audit perform a valuable role in checking recorded performance, in our view they are not appropriately placed to meet the requirements for independent validation of performance information reported to Parliament. We regard it as important that the validator should be external to both the Agency and their Departmental Accounting Officer who is responsible to Parliament for the performance of the Agency. The validator could, however, draw on the work of the Agency's Internal Audit (paragraphs 5.31 to 5.39).

# Part 5: Reporting on performance

## Introduction

**5.1** This part of the Report examines how the Agency check the reliability of their performance data, and whether they produce timely performance data. It also examines whether the published statements of performance are well presented and validated.

## Reliability of performance data

**5.2** We examined whether the Agency's performance is recorded in a way which is sufficiently accurate to enable users to judge the level of performance and to identify any significant changes from previous years (**accuracy**); and also whether the figures can be checked (**auditable**). In carrying out our work, we drew on the work of the Agency's Internal Audit who have examined and reported on the accuracy of the Agency's performance data.

### Accuracy

**5.3** The accuracy of performance data depends upon the method of data collection used. Figure 12 summarises the different methods used by the Benefits Agency to collect data for their main performance measures. Most data are generated automatically from the information systems used to administer benefits. However, data on payment accuracy, on the savings achieved from anti-fraud work and some workload data are generated manually.

**5.4 Data on payment accuracy.** The complexities of some of the benefit systems can make data on payment accuracy difficult to collect. Prior to 1994-95, payment accuracy data for area administered benefits was generated by districts who each checked a sample of their own payments. Because of their concerns about the quality of this data, the Agency committed considerable resources into establishing independent teams who checked on the accuracy of Income Support and other area administered benefits (see paragraph 2.4). These teams have significantly improved the quality of data on payment accuracy and have assisted the Agency to identify the main causes of error.

**Methods of collecting performance data for area administered benefits**

**Figure 12**

Performance measure	Method of data collection
<b>Payment accuracy</b>	Data are generated by checks undertaken by the central checking teams on a sample of payments.
<b>Overpayment recovery</b>	The majority of data are generated from stand-alone overpayment recording systems operated by districts.
<b>Social Fund recovery</b>	The majority of data are automatically generated by the information technology system which administers the benefit.
<b>Fraud - weekly benefit savings</b>	Data are collected and reported by the staff working within the Benefits Fraud Investigation Service, or by staff involved in the security and control programme. Validation officers check a sample of cases.
<b>Clearance times</b>	The majority of data are automatically generated by the information technology systems used to administer benefits. For a small number of decisions, data are collected manually by the staff administering the benefit.
<b>Activity data</b>	The majority of data are automatically generated by the information technology systems which administer the benefits. Some data are collected manually by the staff administering the benefit.

Source: Benefits Agency

**5.5** In 1996-97, the central checking teams examined approximately 60,000 Income Support payments generating payment accuracy rates which were valid at both national and district level. The teams use the results of their testing to estimate the likely value of monetary errors made by the Agency in paying Income Support.

**5.6** As part of our 1996-97 financial audit of Income Support expenditure, we examined a sample of payments that had previously been tested by the Agency’s central checking teams. Although there were some differences in approach, we were satisfied that the conclusions reached by the central checking teams on accuracy for 1996-97 confirmed that there was a material level of error in awards of Income Support in 1996-97.

**5.7** We also used the same sample to assess the quality of the data that the central checking teams report on Income Support payment accuracy rates. We drew different conclusions in a small number of cases. In part, differences arose because the central checking teams checked payments to the information that is

held by local offices at the time that payments are issued. We, however, also checked that payments are consistent with any information that the Agency may receive after a payment has been made. Other differences arose because the central checking teams had incorrectly classified the accuracy of the payments.

**5.8** The Agency have plans to enhance the operations of the central checking teams. In 1998, the teams intend to move towards the error definitions used by the National Audit Office and to introduce arrangements for confirming their performance. The teams also intend to improve their procedures for recruiting and training staff and to develop an accreditation package for staff.

**5.9 Data on savings from anti-fraud work.** Internal Audit have undertaken a number of reviews which have shown inaccuracies in some of the data collected on weekly benefit savings. In response, the Agency established a programme to verify the accuracy of performance recorded against the 1996-97 Secretary of State's target to achieve savings of £1.5 billion. As a result of this exercise the Agency reduced their figure for savings achieved from £1.870 billion to £1.524 billion, the figure which appeared in their 1996-97 Annual Report. In November 1997, the Agency completed their verification programme and finalised the savings figure at £1.509 billion.

**5.10** In 1997-98, the programme for validating recorded savings against a target of £2.1 billion was completed by June 1998. The Agency reported that their programme covered over 90 per cent of the savings recorded by the Agency. As a result of their validation programme, which corrected some over recording in the system, the savings figure of £1.918 billion appeared in their 1997-98 Annual Report.

**5.11** In 1996-97, the target for Security savings included an element for savings arising from improvements in the accuracy of Income Support payments made by the Agency. This element of the target was not clearly defined and there was some uncertainty over how it should be measured. The Agency therefore used their Internal Auditors to verify performance. In 1997-98, the Security programme and the associated Security target was altered so that it no longer included savings arising from improvements in the accuracy of Income Support.

**5.12 Internal Audit.** Each year the Agency's Internal Audit examine the Agency's management information system. In 1995-96, Internal Audit examined performance recorded against eight Secretary of State's targets and four

management targets. In 1996-97 and 1997-98, they considerably enhanced their programme of work. In 1997-98 Internal Audit reported on performance against 13 Secretary of State's targets and 64 management targets.

**5.13** Internal Audit aim to provide management with an objective assessment of the level of reliance that can be placed on performance data. In 1995-96, 1996-97, and 1997-98 they concluded that only limited assurance could be taken in respect of the integrity and reliability of performance data. However, in both 1996-97 and 1997-98 Internal Audit recognised that the Agency's management had taken positive steps to improve the accuracy and reliability of management information, with particular emphasis on the performance data used to report on achievement against Secretary of State's targets.

**5.14** Internal Audit test the accuracy of individual performance measures by reviewing a sample of cases. They recognised that up to 1996-97 the results of their testing were not statistically valid, because their samples do not provide adequate evidence to draw conclusions, with sufficient precision or confidence, about the level of performance actually achieved by the Agency. In 1997 the Agency reviewed their procedures for checking upon the accuracy of performance recorded against targets. In 1997-98 they began to introduce validation procedures which aim to generate results which carry statistical confidence and include checks to standards set by the Agency's Internal Audit. These procedures aim to provide the Agency with appropriate assurance about the accuracy of their recorded performance against Secretary of State's targets. In 1998-99, the Agency plan to extend this process to cover their management targets.

**5.15** In 1996-97, Internal Audit compared the results of their tests to the Agency's recorded performance figures for 17 of the Agency's 22 Secretary of State's targets. They found that:

- for 12 of the targets there was little difference between the Agency's recorded performance and the results of their own tests;
- for two targets, the Agency's figures may have significantly overstated actual performance. In one case, an Income Support clearance time target, the overstatement could impact on whether the target was actually achieved;
- for two targets, covering weekly benefit savings and overpayments, performance in the first half of the year had been overstated. As a consequence, management carried out exercises to obtain better information on performance; and

- for one target, Family Credit payment accuracy, the Agency's recorded performance could not be confirmed because of a lack of supporting evidence for some cases.

**5.16** Partly in response to Internal Audit's findings in 1995-96 and 1996-97 the Agency have taken a series of actions to improve their performance data. They have:

- issued a training video, a good practice guide and improved the instructions on data collection;
- instructed areas to appoint technically competent staff to identify areas where statistical accuracy is a high risk and ensure that effective local systems and controls are in place to ensure accurate statistics; and
- started to develop a model framework to be used by areas to validate statistics in high risk areas.

**5.17** In 1997-98, Internal Audit validated performance against 13 of the Agency's 15 Secretary of State's targets. The other two targets cover aspects of financial control where outturn is based upon financial data, rather than performance data. Internal Audit found that:

- for 11 of the targets there was little difference between the Agency's recorded performance and the results of their own tests;
- for one target, covering the time taken to clear claims for Express Family Credit, the Agency's unvalidated figures carried a data input error which led to a significant overstatement and indicated that the target had been met. The validation procedures enabled Internal Audit to identify the problem, estimate the actual level of performance and conclude that the target had not been met. This was reported in the Agency's Annual Report; and
- for one target, covering the accuracy of Disability Living Allowance payments, the Agency's validation procedures identified a data system error, which is now being investigated further. Internal Audit were able to establish that the impact of the error on performance was not material and that the target was met.

**5.18** The Agency are considering how they will ensure that performance and activity data are accurately recorded and reported by providers.



## **Auditable**

**5.19** If staff comply with the Agency's data collection systems, the majority of performance measures can be audited. However, under current procedures it is either expensive, or not possible, to audit data for the time taken to process changes of circumstance on area administered benefits and some activity measures.

**5.20** To verify the clearance time taken to process a change of circumstance, it is necessary to check that the Agency have recorded the correct start date. The information technology systems used to administer most of the area benefits do not allow immediate access to start dates held on the system so information must be obtained from a hard copy computer print. This is expensive and makes the process of checking the data time consuming.

**5.21** From 1997-98, the funding of an area became dependent on their recorded workload. Internal Audit aim to check the accuracy of some of the workload data used to calculate the income of providers. During 1997-98 they developed their methodology for carrying out these checks. They encountered problems in verifying data on the items of post received. They also found that correct claims closure procedures had not been followed in 21.0 per cent of Jobseeker's Allowance claims and 15.6 per cent of Income Support cases examined. Failure to close cases promptly will inflate the number of live cases. The Agency recognise that they need to improve the way they define, collect and verify data on workload so that the level of activity recorded by providers can be audited.

## **Performance reports**

**5.22** We examined whether the Agency's performance reports are produced promptly (**timely**); whether national reports are easy for lay readers to use (**well presented**); and whether all published performance data is independently validated (**validation**). Validation requires an independent body to check, and then state, in the published document, that performance figures are sufficiently accurate and are presented in a way not likely to mislead the reader. If it is not possible to confirm this, it should be stated that the figures had not been validated.

## Timely

**5.23** The timetable for producing performance data should be driven by the requirements of the Agency's managers and the Department. Figure 13 shows that most performance data is available once a month or once a quarter. This is likely to be adequate for those managers in the Agency and the Department, responsible for monitoring performance at the national level.

### Availability of performance data on benefits

**Figure 13**

Performance measure	District performance	National performance
Payment accuracy:		
■ Income Support	6 months	3 months
■ Jobseeker's Allowance	6 months	3 months
■ other district administered benefits	4 years	3 months
■ benefits administered by central benefit directorates	-	Monthly
Clearance times	At a minimum monthly	Monthly
Overpayment recovery and Social Fund recovery	Monthly	Monthly
Weekly benefit savings	Monthly	Monthly
Activity data	Monthly	Monthly

Note: The central checking teams visit each district twice a year to test the accuracy of payments made for Income Support and Jobseeker's Allowance. For each of the other area administered benefits, the central checking teams visit each district once every four years.

Source: Benefits Agency

**5.24** At district level, managers receive reports from the central checking teams on the accuracy for Income Support and Jobseeker's Allowance once every six months but for other area administered benefits only once every four years. Local managers can supplement the data by monitoring the results of any accuracy checks that the district undertakes on their own payments.

**5.25** In developing the information technology system for administering Jobseeker's Allowance the Agency recognised that operational managers may find it useful to have frequent access to some data. The system provides managers with:

- daily data on their performance against clearance time targets;

- information to assist setting priorities for their work; and
- the numbers of claims received and claims outstanding.

When and if resources are available, the Agency would like to upgrade the systems used to administer other area benefits so that they are able to provide similar information.

### **Well presented**

**5.26** The Agency's Annual Report summarises national performance against each of the Secretary of State's targets and also shows for each benefit the percentage of cases cleared within the Citizen's Charter Standard. Some of the Agency's main activities, such as the accuracy with which they administer Retirement Pensions, are neither covered by the Secretary of State's targets nor by Citizen's Charter Standards. As a consequence, readers of the Annual Report, which include Parliament and the public, did not obtain an overall picture of the Agency's performance. However, in 1998-99 the Agency are planning to enhance the range of performance information that they publish. They have already included their management targets in their 1998-99 Business Plan and will publish performance against these targets in their 1998-99 Annual Report.

**5.27** The Annual Report does not give any details of the variation in performance across the Agency. The Agency have internal tables for both areas and districts showing the achievement of clearance time targets. As these tables only cover one aspect of their performance, the Agency have chosen not to publish this information.

**5.28** The performance tables in the Agency's Annual Report are generally well presented, but to increase understanding the Agency could provide some clearer definitions and explanations where there are uncertainties about the data. For example, the Report could explain that Standards for the clearance of benefit claims are measured in working days, rather than calendar days.

**5.29** In their 1996-97 Annual Report, the Agency summarised their performance by stating that they had achieved 16 of the 22 Secretary of State's targets they had been set. They included a table showing the Agency's recorded performance against each Secretary of State's target together with explanatory footnotes referring to Internal Audit's work to check the recorded performance. The Agency could have improved their presentation in their Annual Report by providing a more complete explanation of the work of Internal Audit. In particular,

they should have explained that Internal Audit had not fully validated any of the Agency's performance figures. The notes did explain where Internal Audit had doubts about the accuracy of performance data and where Internal Audit had been unable to check recorded performance.

**5.30** The Agency improved their presentation of performance data in their 1997-98 Annual Report. The statement of the Agency's performance against their 15 Secretary of State's targets was supported by a summary of the Agency's new validation procedures which cover the data recorded against these targets (see paragraph 5.14). These procedures aim to ensure that any inaccuracy identified is taken account in the Agency's reported statement of performance. In the 1997-98 Annual Report the statement included explanatory notes which covered three targets and provided additional information on the findings of the Agency's validation process.

## Validation

**5.31** Reporting of performance against Secretary of State's targets is a central element in the accountability of an agency. Agencies also publish other performance information, including performance against Citizen's Charter Standards, in their Annual Reports. We believe that accountability is re-enforced if performance information reported to Parliament has been independently validated.

**5.32** Currently, there are no generally agreed professional standards governing the reporting and validation of performance data as there are, for example, for financial auditing. There is, however, general acceptance that certain agency performance information should be validated, and we believe there are benefits in this being carried out independently. There is also a growing debate about what constitutes independent validation of performance information reported to Parliament. Appendix 6 sets out key contributions made by the Treasury, the Service First Unit (formerly the Citizen's Charter Unit) of the Office of Public Service, and the Public Accounts Committee to this debate.

**5.33** Assurance about the accuracy of performance information may be sought at different levels:

- agency Chief Executives may seek assurance, for example from their internal audit, on the adequacy and effectiveness of the accounting and internal control systems, including their management information (see paragraphs 5.12 to 5.17);

- departments may seek assurance on the achievement of Secretary of State's targets; and
- Parliament may seek wider assurance on all the performance information presented to them.

Alongside these arrangements, external audit provide assurance on the performance against financial targets reported in the agency's formal accounts.

**5.34** The Benefits Agency use their Internal Audit to examine the accuracy of their performance data. This includes performance data that is published and which may lead to payments being made to senior Agency staff. In 1997-98, the Agency began to introduce new internal procedures to ensure that this data is validated by Internal Audit (see paragraph 5.14).

**5.35** The Agency and the Department told us that they have established arrangements to ensure that Internal Audit are independent of the Agency's management. An Agency Audit Committee, chaired by one of the Agency's non-executive directors oversees the work of the Agency's Internal Audit. The Committee is charged with ensuring the quality of all aspects of Internal Audit's work, including the planning of their programme. Further assurance is provided at the departmental level by the Corporate Director of Internal Audit, who has overall responsibility for Internal Audit across the Department, and by the Departmental Audit Committee which is chaired by a non-executive member of the Departmental Board. The present arrangements are a reflection of the importance the Department have placed on a robust and independent Internal Audit and the result of action being taken to strengthen that independence. The Department told us that they plan to make further changes to the arrangements for checking performance data, giving a greater role to their Corporate Internal Audit. These arrangements should offer both the opportunity to provide assurance on performance data that is in line with Treasury guidance, and is external to the Agency and good value for money.

**5.36** Each year Internal Audit's findings on the accuracy of performance recorded against Secretary of State's targets are reflected in the Agency's Annual Report (paragraph 5.26). The findings have concentrated on the accuracy of performance data. However, if Internal Audit had concerns that published performance information did not fairly represent the overall performance of the Agency, or their progress towards meeting their objectives, the Department and Agency would expect these to be raised.

**5.37** The Agency have up to now used their Internal Audit to perform the valuable role of providing assurance on the accuracy of the Agency's performance information. They have implemented revised procedures in 1997-98 to provide the Chief Executive with additional information and the Department plan to make further changes to their arrangements for checking performance data, giving a greater role to their Corporate Internal Audit. In our view this would provide the opportunity to make the arrangements consistent with Treasury guidance which says that, where performance against targets affects payments to staff, the validation must be performed externally to the Agency. In carrying out this task, the external validator may draw on the work of the Agency's Internal Audit, having checked that it is of the required standard.

**5.38** The Agency include a statement of their performance in their Annual Report. We consider that this statement should be independently validated. In our view, full independence can only be achieved if the validation is managed and reported upon by an organisation that is entirely external to both the Agency and the Departmental Accounting Officer, who is responsible to Parliament for the performance of the Agency. An external validator would be seen to be able to make an independent and objective assessment of agency performance information. There would be benefits in the validator drawing, as far as possible, upon work that the Agency's Internal Audit carry out in checking performance information. We accept that it will both take some time and additional cost to set up such a system. The Treasury, however, do not consider that external validation is necessary in all cases; their current guidance is summarised in Appendix 6.

**5.39** We consider that in validating performance information reported to Parliament a validator should go further than checking whether performance targets have been achieved. By analogy with the audit of financial statements, the validator should also provide assurance that the information as presented is not likely to mislead the reader. We therefore consider that each year the validator should assess and report upon whether the performance information as presented is accurate and whether it fairly represents the overall performance of the Agency and their progress towards meeting their objectives. The validator would not comment on the objectives or targets themselves, which are a matter for Ministers. The Treasury and the Office of Public Service, however, consider that current guidance is adequate and their position on the validation of performance against targets in agencies is summarised in Appendix 6. The Office of Public Service plan to provide new guidance on the format and content of Agency annual reports later this year, which will reflect the current Treasury guidance on validation.

**5.40** The pay of all Social Security Group Agency Chief Executives is partly linked to performance. In 1997-98, up to 15 per cent of the Benefits Agency Chief Executive's salary was payable as an additional performance related bonus. There are separate elements in the bonus relating to achievements across various aspects of the Agency's business and to differing levels of performance. Part of the bonus was dependent on the Agency meeting 6 of 11 specified Secretary of State's targets.

**5.41** As the Agency met five of the specified targets in 1997-98, none of this element of the bonus was paid. Overall, the Chief Executive received a bonus of 8 per cent for 1997-98.

# Appendix 1

## Secretary of State's targets for the Benefits Agency

**1** The following targets were set in 1996-97, 1997-98 and 1998-99. Based upon the Agency's recorded performance a "✓" or "✗" has been used to identify whether a target has been achieved.

### Payment accuracy targets

	<i>1996-97 to pay the correct amount in</i>			<i>1997-98 to pay the correct amount in</i>			<i>1998-99 to pay the correct amount in</i>
	<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>
Income Support	87% of cases	80.8% of cases	✗	87% of cases	81.7% of cases	✗	87% of cases
Incapacity Benefit (Note 1)	94% of cases	90.4% of cases	✗	94% of cases	91.7% of cases	✗	94% of cases
Family Credit	91% of cases	91.3% of cases	✓	91% of cases	92.6% of cases	✓	91% of cases
Jobseeker's Allowance	covered by management targets, see Appendix 2			87% of cases	85.1% of cases	✗	87% of cases
Disability Living Allowance	96% of cases	98.1% of cases	✓	96% of cases	97.1% of cases	✓	96% of cases

### Financial management and financial control targets

	<i>1996-97</i>			<i>1997-98</i>			<i>1998-99</i>
	<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>
Recovery of Social Fund loans	£278 million	£299.1 million	✓	£333 million	£333.5 million	✓	Covered by management targets, see Appendix 2
Security savings (Note 2)	£1,500 million	£1,509 million	✓	£2,100 million	£1,918 million	✗	£2,300 million

continued...



**Financial management and financial control targets *continued***

	1996-97			1997-98			1998-99
	Target	Recorded performance		Target	Recorded performance		Target
Unemployed register sign-offs - number of claims of those obtaining benefit by deception to be withdrawn	156,700 claims withdrawn in 10 days of fraud investigation and	140,300 claims withdrawn in 10 days and	✗	160,000 claims withdrawn in 10 days and	122,987 claims withdrawn in 10 days and	✗	Covered by management targets, see Appendix 2
	189,000 withdrawn in 28 days	181,200 claims withdrawn in 28 days	✗	185,000 claims withdrawn in 28 days	164,133 claims withdrawn in 28 days.	✗	
Recovery of benefit overpayments	£91.5 million	£102.6 million	✓	£120 million	£122.1 million	✓	£135 million
Management of Agency's resources	To manage the resources to deliver the Agency's business plan within the allocations from the Secretary of State.	Achieved	✓	To manage the resources to deliver the Agency's business plan within the allocations from the Secretary of State.	Achieved	✓	Not set
Social Fund budget	To keep to cash limit agreed with Treasury for the discretionary Social Fund budget approved by Parliament.	Achieved	✓	To keep to cash limit agreed with Treasury for the discretionary Social Fund budget approved by Parliament.	Achieved	✓	Not set

**Clearance time targets for new claims**

	1996-97			1997-98			1998-99
	Target	Recorded performance		Target	Recorded performance		to clear (in working days) Target
Social Fund Crisis Loans	On the day the need arises (Note 3).	97.6%	✓	Covered by management targets, see Appendix 2			Covered by performance measures
Income Support	63% in 5 days	64.2%	✓				
	87% in 13 days	87.5%	✓				
Incapacity Benefit	65% in 10 days	79.4%	✓				
	85% in 30 days	95.8%	✓				
Child Benefit	68% in 10 days	74.9%	✓				Covered by management targets, see Appendix 2
	94% in 30 days	93.5%	✗				

continued ...

**Clearance time targets for new claims *continued***

	1996-97 to clear (in working days)			1997-98 to clear (in working days)			1998-99 to clear (in working days)
	Target	Recorded performance		Target	Recorded performance		Target
Disability Living Allowance	65% in 30 days	64.3%	✗	Covered by management targets, see Appendix 2			Covered by management targets, see Appendix 2
	85% in 53 days	90.5%	✓				
Express Family Credit (Note 4)	90% in 5 days	91.9%	✓	90% in 5 days	86.8%	✗	
Jobseeker's Allowance	Covered by management targets, see Appendix 2			65% in 10 days	79.2%	✓	
				90% in 21 days	96.7%	✓	

**Customer satisfaction target**

	1996-97		1997-98		1998-99
	Target	Recorded performance	Target	Recorded performance	Target
The percentage of customers that regard the Agency's service as satisfactory or better (Note 5)	85%	Not measured	Covered by management targets, see Appendix 2.		Not set

- Notes:
1. Includes Incapacity Benefit, Severe Disablement Allowance and Maternity Allowance.
  2. Target includes weekly benefit savings from activity taking place within the year to prevent and detect fraud.
  3. The target for Social Fund Crisis Loans is considered to be met if 95 per cent of claims are cleared within one day.
  4. Express Family Credit was formerly known as Faster Family Credit.
  5. At the end of 1995-96 the Benefits Agency decided that the national customer satisfaction surveys, used to monitor this target, would be carried out once every two years. Therefore, it was not expected that performance would be measured in 1996-97.

## Appendix 2 The Benefits Agency's management targets

**i** The following targets were set in 1996-97, 1997-98 and 1998-99. Based upon the Agency's recorded performance, a "✓" or "✗" have been used to identify whether a target has been achieved.

### Payment accuracy targets

	1996-97 to pay the correct amount in			1997-98 to pay the correct amount in			1998-99 to pay the correct amount in
	Target	Recorded performance		Target	Recorded performance		Target
District administered Long Term Benefits (includes Retirement Pensions and Widows Benefits) - data collected by central checking teams.	98% of cases	93.3%	✗	98% of cases	94.7%	✗	96% of cases
District administered Long Term Benefits (includes Retirement Pensions and Widows Benefits) - data collected by districts.	Not set			98% of cases	97.7%	✗	Not set
District administered Short Term Benefits - data collected by districts.	Not set			94% of cases	96.3%	✓	Not set
Social Fund	Not set			75% of cases	41.4%	✗	
Attendance Allowance	94% of cases	97.8%	✓	96% of cases	98.3%	✓	Covered by performance measures
Disability Working Allowance	95% of cases	90.2%	✗	95% of cases	93.3%	✗	
Invalid Care Allowance	95% of cases	96.0%	✓	95% of cases	96.1%	✓	
Guardians Allowance	98% of cases	99.0%	✓	98% of cases	98.2%	✓	
Overseas Division Long Term Benefits (includes Retirement Pensions and Widows Benefits)	97% of cases	96.6%	✗	97% of cases	98.6%	✓	
Overseas Division Medical Benefit	98% of cases	99.6%	✓	Not set			Not set

continued...

**Payment accuracy targets *continued***

	<i>1996-97</i>			<i>1997-98</i>			<i>1998-99</i>
	<i>to pay the correct amount in</i>			<i>to pay the correct amount in</i>			<i>to pay the correct amount in</i>
	<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>
Overseas Division Short Term Benefit (includes Incapacity Benefit, Maternity Allowance and Severe Disablement Allowance)	98% of cases	97.2%	✗	97% of cases	99.5%	✓	Covered by performance measures
London Pensions Group Long Term Benefits (includes Retirement Pensions and Widows Benefits)	98% of cases	96.7%	✗	98% of cases	96.4%	✗	Not set
Pension Services Reserved Claims	97% of cases	97.6%	✓	97.5% of cases	97.5%	✓	Covered by performance measures
Jobseeker's Allowance	77% of cases	87.0%	✓	Covered by Secretary of State's targets, see Appendix 1.			Covered by Secretary of State's targets, see Appendix 1.
Jobseeker's Allowance (Benefit Agency element)	81% of cases	87.0%	✓	87% of cases	89.3%	✓	Covered by performance measures
Child Benefit	98% of cases	98.9%	✓	98% of cases	98.1%	✓	Covered by performance measures
One Parent Benefit	96% of cases	96.6%	✓	(Note 1)			(Note 1)

**Clearance time targets**

	<i>1996-97</i>			<i>1997-98</i>			<i>1998-99</i>
	<i>to clear (in working days)</i>			<i>to clear (in working days)</i>			<i>to clear (in working days)</i>
	<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>
Income Support Claims	Covered by Secretary of State's targets, see Appendix 1			60% in 5 days 87% in 13 days	56.4% 85.9%	✗ ✗	60% in 5 days 87% in 13 days
Income Support Change of Circumstances	65% in 2 days 95% in 6 days	48.1% 84.5%	✗ ✗	65% in 2 days 95% in 6 days	66.6% 92.4%	✓ ✗	65% in 2 days 90% in 6 days
Jobseeker's Allowance Claims	65% in 10 days 90% in 21 days	70.2% 94.7%	✓ ✓	Covered by Secretary of State's targets, see Appendix 1.			65% in 10 days 90% in 21 days  continued...

**Clearance time targets *continued***

	1996-97			1997-98			1998-99
	Target	to clear (in working days)		Target	to clear (in working days)		to clear (in working days)
		Recorded performance			Recorded performance		Target
Jobseeker's Allowance Claims (Benefits Agency process only)	65% in 6 days	84.0%	✓	65% in 6 days	69.4%	✓	Covered by performance measures
	90% in 14 days	96.0%	✓	90% in 14 days	95.4%	✓	
Jobseeker's Allowance Change of Circumstances	65% in 2 days	78.6%	✓	65% in 2 days	80.3%	✓	65% in 2 days 95% in 6 days
	95% in 6 days	86.8%	✗	95% in 6 days	95.8%	✓	
Social Fund Crisis Loans	Covered by Secretary of State's targets, see Appendix 1			On the day the need arises (see Note 2)			Covered by performance measures
Social Fund Community Care Grants	65% in 7 days	87.2%	✓	65% in 7 days	86.0%	✓	
	95% in 20 days	98.6%	✓	95% in 20 days	98.8%	✓	
Social Fund Budget Loans	65% in 6 days	84.2%	✓	65% in 6 days	82.1%	✓	
	95% in 20 days	98.7%	✓	95% in 20 days	99.0%	✓	
Social Fund Maternity Payments	65% in 5 days	83.8%	✓	65% in 5 days	83.3%	✓	
	95% in 20 days	98.8%	✓	95% in 20 days	98.8%	✓	
Social Fund Funeral Payments	45% in 12 days	67.1%	✓	45% in 12 days	68.3%	✓	
	90% in 35 days	97.0%	✓	90% in 35 days	97.1%	✓	
Incapacity Benefit Claims	Covered by Secretary of State's targets, see Appendix 1			65% in 10 days 85% in 30 days			
Maternity Allowance Claims	61% in 13 days	73.2%	✓	61% in 13 days	71.5%	✓	Covered by performance measures
	88% in 34 days	94.4%	✓	88% in 34 days	92.2%	✓	
Severe Disablement Allowance Claims	60% in 65 days	60.5%	✓	60% in 65 days	59.8%	✗	Covered by performance measures
	85% in 133 days	87.7%	✓	85% in 133 days	87.9%	✓	
Short Term Benefits Change of Circumstances (includes Incapacity Benefit, Maternity Allowance and Severe Disablement Allowance)	Not set			65% in 5 days 95% in 15 days			65% in 5 days 95% in 15 days
					86.2%	✓	Covered by performance measures
					94.7%	✗	

continued...

**Clearance time targets *continued***

	1996-97 <i>to clear (in working days)</i>			1997-98 <i>to clear (in working days)</i>			1998-99 <i>to clear (in working days)</i>
	<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>
Retirement Pension	65% in 20 days	64.0%	✗	65% in 20 days	63.6%	✗	65% in 20 days
Claims	95% in 60 days	95.5%	✓	95% in 60 days	95.4%	✓	95% in 60 days
Retirement Pension	65% in 5 days	91.0%	✓	65% in 5 days	83.0%	✓	Covered by performance measures
Change of Circumstances	95% in 15 days	97.8%	✓	95% in 15 days	95.8%	✓	
Widows Benefit Claims	62% in 15 days	74.3%	✓	62% in 15 days	75.4%	✓	
	85% in 30 days	92.4%	✓	85% in 30 days	92.4%	✓	
Widows Payments	65% in 4 days	84.5%	✓	65% in 4 days	84.1%	✓	
	85% in 10 days	94.5%	✓	85% in 10 days	94.5%	✓	
Industrial Injury	60% in 85 days	63.1%	✓	60% in 85 days	67.3%	✓	
Disablement	90% in 175 days	93.6%	✓	90% in 175 days	93.4%	✓	
Benefit Claims							
Industrial Injury	65% in 5 days	92.2%	✓	65% in 5 days	66.1%	✓	
Disablement Benefit	95% in 15 days	99.0%	✓	95% in 15 days	96.6%	✓	
Change of Circumstances							
Disability Living Allowance Claims	Covered by Secretary of State's targets, see Appendix 1			62% in 30 days	60.4%	✗	62% in 30 days
				85% in 53 days	88.4%	✓	85% in 53 days
Disability Living Allowance Special Rules	80% in 10 days	87.3%	✓	80% in 10 days	86.6%	✓	Covered by performance measures
Disability Living Allowance Renewals	65% in 30 days	76.2%	✓	65% in 30 days	68.0%	✓	
	85% in 55 days	93.7%	✓	85% in 55 days	89.4%	✓	
Disability Living Allowance Reviews	60% in 55 days	69.0%	✓	60% in 55 days	62.5%	✓	
	80% in 75 days	88.7%	✓	80% in 75 days	84.1%	✓	
Disability Living Allowance Maintenance	Not set			75% in 9 days	88.3%	✓	
				90% in 17 days	95.3%	✓	
Attendance Allowance Claims	68% in 30 days	78.6%	✓	68% in 30 days	75.4%	✓	
	85% in 53 days	95.1%	✓	85% in 53 days	93.5%	✓	
Attendance Allowance Special Rules	80% in 10 days	90.8%	✓	80% in 10 days	91.1%	✓	
Attendance Allowance Reviews	60% in 55 days	74.1%	✓	60% in 55 days	74.2%	✓	
	80% in 75 days	91.5%	✓	80% in 75 days	88.4%	✓	

continued...

**Claims clearance time targets *continued***

	1996-97			1997-98			1998-99
	Target	to clear (in working days)		Target	to clear (in working days)		to clear (in working days)
		Recorded performance			Recorded performance		Target
Attendance Allowance	75% in 9 days	81.7%	✓	75% in 9 days	83.2%	✓	Covered by performance measures
Maintenance	95% in 17 days	92.6%	✗	90% in 17 days	92.9%	✓	
Attendance Allowances Renewals	65% in 30 days 85% in 55 days	86.6% 97.0%	✓ ✓	65% in 30 days 85% in 55 days	82.8% 95.4%	✓ ✓	
Express Family Credit Claims (Note 3)	Covered by Secretary of State's targets			Covered by Secretary of State's targets			90% in 5 days
Family Credit claims (excluding Express Family Credit cases)	60% in 13 days	76.4%	✓	60% in 13 days	69.0%	✓	Covered by performance measures
	95% in 42 days	99.0%	✓	95% in 42 days	98.4%	✓	
Disability Working Allowance	60% in 17 days	72.5%	✓	60% in 17 days	76.1%	✓	
	90% in 43 days	97.0%	✓	90% in 43 days	97.5%	✓	
Total Claims							
Invalid Care Allowance Claims	65% in 25 days	74.9%	✓	60% in 25 days	71.7%	✓	
	95% in 72 days	98.3%	✓	95% in 72 days	97.6%	✓	
Invalid Care Allowance Maintenance	60% in 10 days	77.1%	✓	60% in 10 days	71.7%	✓	
	95% in 64 days	98.2%	✓	95% in 64 days	96.5%	✓	
Child Benefit Claims	Covered by Secretary of State's targets, see Appendix 1			68% in 10 days	71.0%	✓	68% in 10 days
				94% in 30 days	91.7%	✗	90% in 30 days
Child Benefit Change of Circumstances	65% in 13 days	90.2%	✓	65% in 13 days	89.6%	✓	Covered by performance measures
	95% in 23 days	98.8%	✓	95% in 23 days	97.1%	✓	
One Parent Benefit Claims	65% in 11 days	82.8%	✓	(Note 1)			(Note 1)
	95% in 35 days	96.9%	✓				
Guardians Allowance Claims	65% in 55 days	77.2%	✓	65% in 55 days	79.4%	✓	Covered by performance measures
	93% in 99 days	93.5%	✓	93% in 99 days	94.1%	✓	
Guardians Allowance Change of Circumstances	70% in 20 days	84.6%	✓	70% in 20 days	88.5%	✓	Covered by performance measures
	95% in 55 days	94.8%	✗	95% in 55 days	97.5%	✓	
Pensions Services Division Reserved Claims	78% in 55 days	82.8%	✓	78% in 55 days	83.5%	✓	
	91% in 85 days	95.6%	✓	91% in 85 days	95.5%	✓	

continued...

**Clearance time targets *continued***

	<i>1996-97</i>			<i>1997-98</i>			<i>1998-99</i>
	<i>to clear (in working days)</i>			<i>to clear (in working days)</i>			<i>to clear (in working days)</i>
	<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>
Pensions Services	80% in 5 days	89.6%	✓	80% in 5 days	91.9%	✓	Covered by performance measures
Division Retirement	95% in 15 days	98.6%	✓	95% in 15 days	99.0%	✓	
Pensions Change of Circumstances							
London Pensions Group Conversions	95% in 17 days	99.7%	✓	95% in 17 days	98.8%	✓	Not set
Retirement Pension	65% in 17 days	87.8%	✓	65% in 17 days	91.0%	✓	
Forecast Applications	95% in 40 days	99.1%	✓	95% in 40 days	98.4%	✓	

**Customer satisfaction target**

	<i>1996-97</i>			<i>1997-98</i>		<i>1998-99</i>
	<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>	<i>Recorded performance</i>	<i>Target</i>
The percentage of customers that regard the Agency's service as satisfactory or better	Covered by Secretary of State's targets, see Appendix 1.			85%	(Note 4)	Not set

**Appeals clearance time targets**

	<i>1996-97</i>			<i>1997-98</i>			<i>1998-99</i>
	<i>to prepare cases (in working days)</i>			<i>to prepare cases (in working days)</i>			<i>to prepare cases (in working days)</i>
	<i>Target</i>	<i>Recorded performance</i>		<i>Target</i>	<i>Recorded performance</i>		<i>Target (Note 5)</i>
Appeals to the Social Security Appeals Tribunal	69% in 28 days	79.3%	✓	69% in 28 days	79.5%	✓	Covered by performance measures
	94% in 90 days	97.6%	✓	94% in 90 days	97.2%	✓	
Appeals to the Social Security Appeals Tribunal (Jobseeker's Allowance)	70% in 28 days	87.6%	✓	70% in 28 days	77.6%	✓	
	95% in 90 days	99.7%	✓	95% in 90 days	97.8%	✓	
Appeals to the Medical Appeals Tribunal	60% in 35 days	69.0%	✓	60% in 35 days	73.0%	✓	Covered by performance measures
	85% in 60 days	87.8%	✓	85% in 60 days	89.8%	✓	
Appeals to the Disability Appeals Tribunal	60% in 30 days	71.3%	✓	60% in 30 days	67.2%	✓	
	90% in 60 days	94.6%	✓	90% in 60 days	93.2%	✓	

continued...



**Benefits Agency Medical Services clearance time targets**

	1996-97 to clear (in working days)			1997-98 to clear (in working days)			1998-99 to clear (in working days) Target (Note 6)
	Target	Recorded performance		Target	Recorded performance		
Referrals for Severe Disablement Allowance claims	60% in 40 days	64.0%	✓	60% in 40 days	65.0%	✓	Covered by performance measures in commercial contract
	85% in 100 days	93.0%	✓	85% in 100 days	94.0%	✓	
Referrals for Incapacity Benefit claims	30% in 10 days	23.0%	✗	30% in 10 days	45.0%	✓	
	85% in 50 days	73.0%	✗	85% in 50 days	81.0%	✗	
Referrals for Industrial Injury Disablement Benefit claims	60% in 33 days	51.0%	✗	60% in 33 days	64.0%	✓	
	90% in 70 days	88.0%	✗	90% in 70 days	94.0%	✓	

**Other targets**

	1996-97 Recorded performance			1997-98 Recorded performance			1998-99 Target
	Target			Target			
Residual Liab Relative Maintenance - recovery (Note 7)	£2.5 million	£2.21 million	✗	£2.5 million	£2.21 million	✗	£2.5 million
Activity against collusive employers - successful prosecutions	200	202	✓	300	335	✓	320
Child Benefit Compensation Recovery Unit-certificates issued	99.8% in 4 weeks	100%	✓	99.8% in 4 weeks	100%	✓	Covered by performance measures
Recovery of Social Fund loans	Covered by Secretary of State's targets see Appendix 1			Covered by Secretary of State's targets see Appendix 1			£363 million
Unemployed register sign-offs - number of claims of those obtaining benefit by deception to be withdrawn	Covered by Secretary of State's targets see Appendix 1			Covered by Secretary of State's targets see Appendix 1			106,000 claims withdrawn in 10 days and 140,000 claims withdrawn in 28 days

- Notes:
1. In 1997-98, One Parent Benefit was subsumed into Child Benefit.
  2. The target for Social Fund Crisis Loans is considered to be met if 95 per cent of claims are cleared within one day.
  3. Express Family Credit was formerly known as Faster Family Credit.
  4. Customer satisfaction surveys were to be carried out biennially. The result of the last survey, carried out in 1995-96, was 86% against a target of 85%.
  5. No global targets were set for Appeals. Individual benefits have performance measures for Appeals.
  6. The target will be set in negotiation with the private contractor.
  7. Target relates to weekly benefit savings arising as a result of Residual Liab Relative action.

## Appendix 3

# The Benefits Agency's Citizen's Charter Standards

**1** The Agency's Charter includes the following Standards when a customer claims a benefit.

From the day the Agency receive the claim they aim to give that person a decision on the following benefits	within (in working days)	Percentage of claims meeting standard in 1996-97	Percentage of claims meeting standard in 1997-98
Social Fund Budgeting Loans	6 days	84.2%	82.1%
Social Fund Crisis Loans	same day	97.6%	97.9%
Social Fund Community Care Grants	7 days	87.2%	86.0%
Social Fund Funeral Payments	12 days	67.1%	68.3%
Social Fund Maternity Payments	5 days	83.8%	83.3%
Income Support claims	5 days	64.2%	56.4%
Incapacity Benefit	10 days	79.4%	73.9%
Child Benefit claims	10 days	74.9%	71.0%
Family Credit	13 days	76.4%	69.0%
Disability Living Allowance	30 days	64.3%	60.4%
Disability Living Allowance special rules	10 days	87.3%	86.6%
Disability Working Allowance total claims (combines new claims, fastpath and renewals)	17 days	72.5%	76.1%
Retirement Pension	20 days	64.0%	63.6%
Retirement Pension: Newcastle Pension & Overseas Benefits Directorate	55 days	82.8%	83.5%
Attendance Allowance	30 days	78.6%	75.4%
Attendance Allowance special rules	10 days	90.8%	91.1%
Industrial Injuries Disablement Benefit (combined Industrial Accidents and Prescribed Diseases from 1996-97)	85 days	63.1%	67.3%
Invalid Care Allowance	25 days	74.9%	71.7%
Maternity Benefit	13 days	73.2%	71.5%
One Parent Benefit <sup>1</sup>	11 days	82.8%	-
Guardian's Allowance	55 days	77.2%	79.4%
Severe Disablement Allowance	65 days	60.5%	59.8%
Widows' benefits <sup>2</sup>	15 days	74.3%	75.4%
Widow's Payment	4 days	84.5%	84.1%

Note: 1. From 1997-98 included in Child Benefit Claims.  
2. Widowed Mother's Allowance and Widow's Pension.

**2** The Agency's Customer Charter also includes the following statements:

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**If you visit a local office**

We (the Agency) have set a new standard for the receptionist to see you within 10 minutes. At very busy times we might not yet always achieve this, but even so, you should not wait more than 30 minutes. If you then need to see someone else, the receptionist will tell you how long this is likely to take.

If you want to make an appointment to see someone, please let us know.  
Staff you see will wear name badges.

**When you write to us**

We will reply within 10 working days of receiving your letter. If for any reason we can only send a partial reply we will tell you how long it will be before we can answer your questions fully.

Our letters will be easy to understand, and the person writing to you will give you their name and telephone number.

**If you phone us**

All our offices have their own standard for how quickly they answer the phone. We know from our customer research that more and more people want to use the telephone rather than write to us or visit the office. Unfortunately, many offices' switchboards are unable to cope with the increasing volume of calls, which is frustrating to customers who cannot get through. That is why we are putting new, improved switchboards into our offices by May 1994, and the remainder by October 1996. This will make it easier and faster to get through, first time.

**If things go wrong**

**You should**

- ask to speak to the person you dealt with.
  - if you are still unhappy about something you can write or speak to the Customer Service Manager for the office you deal with. Our *Have Your Say* leaflet - which you can get from any of our offices - has a form you can use. You can post it to us or hand it in. The Customer Service Manager will reply within 7 working days.
  - if you are still not satisfied that we have sorted out your complaint, you can write for the personal attention of the Manager of the office you have been dealing with.
-

## **Appendix 4**

# **Reports by the Comptroller and Auditor General and the Committee of Public Accounts which examine the performance measurement systems of agencies**

Comptroller and Auditor General's Report: Entry into the UK, 1994-95, HC 204

Comptroller and Auditor General's Report: The Meteorological Office Executive Agency: Evaluation of Performance, 1994-95, HC 693

Committee of Public Accounts: The Meteorological Office Executive Agency: Evaluation of Performance, 7th Report, 1995-96, HC 279

Comptroller and Auditor General's Report: Metropolitan Police Service: Responding to calls from the Public, 1994-95, HC 753

Comptroller and Auditor General's Report: Health of the Nation: A Progress Report; 1995-96, HC 656

Comptroller and Auditor General's Report: Highlands and Islands Enterprise: Value for Money Review of Performance Measurement, 1997-98, HC 64

Committee of Public Accounts: Highlands and Islands Enterprise: Value for Money Review of Performance Measurement, 25th 1997-98, HC 325

Comptroller and Auditor General's Report: The Defence Evaluation and Research Agency: Review of Performance, 1997-98, HC 411

# Appendix 5

## Methodology

### Criteria

**1** We examined the Benefits Agency's performance measurement system using a set of evaluative criteria (Figures 14 and 15). The criteria split into two main types:

- broad criteria that are relevant to an agency's performance measurement system; and
- more specific criteria that can be used to assess the process that an agency uses to establish targets, monitor performance and present the results.

**Figure 14**

#### Criteria for performance measurement systems

<b>Strategic</b>	the performance measurement system should enable managers to monitor progress against the agency's strategic and business objectives.
<b>Performance value for money</b>	the performance measurement system should assist managers to manage, monitor and report upon the value for money of the agency's operations.
<b>Complete</b>	the performance measurement system should include measures of efficiency, effectiveness, output, quality, customer service and financial performance; and it should cover all the major components of the agency's programme.
<b>Relevant</b>	performance measures should be relevant to managers, the Department, the customers and third parties.
<b>Consistent</b>	there should be consistency in the terms used to describe and define targets. Consistency should exist between years, between different targets, and where possible, with other organisations.
<b>Accurate</b>	measures should be recorded to the level of accuracy sufficient to enable users to judge the level of performance and to identify any significant changes from previous years.
<b>Timely</b>	performance measures should be produced promptly.
<b>System value for money</b>	the performance measurement system should provide value for money for the agency.

**Figure 15****Criteria for designing targets, monitoring performance and presenting results****Choice:**

<b>Relevant</b>	the package of targets should direct the agency towards the achievement of their strategic and business objectives.
<b>Focused</b>	key targets should be few in number, to ensure the right degree of focus from managers and to give management sufficient freedom to manage.
<b>Detailed</b>	targets should be set with a sufficient degree of detail to send useful signals to managers.
<b>Balanced</b>	targets should form a balanced package to cover dimensions of output, time, quality and cost, and should not lead to unwanted distortion of behaviour.
<b>Clear</b>	targets should be simple, understandable and precise; each definition should be explicit, leaving no room for argument.
<b>Auditable</b>	targeted performance data should be recorded in such a way that the figures are auditable.

**Setting Targets:**

<b>Stretching</b>	target levels should be stretching but achievable and fair. Their achievement must be under the control of their manager and the resources at his/her disposal.
<b>Comparable</b>	in seeking to set stretching targets, comparisons should be made with other agencies recognised as good performers.
<b>Optimal</b>	when setting a target, a view should be taken of what its optimum value should be. This then becomes a goal, and the agency need not, and in some cases, should not necessarily go much beyond that level.
<b>Stable</b>	balancing optimality, the targets should have some degree of continuity and stability, for ease of management, and presentation to customers.
<b>Objective</b>	targets should be set objectively by a formal process, and in the overall interests of departmental policy.

**Presentation:**

<b>Well presented</b>	statements of performance should be presented so that they are easy for managers and lay readers to interpret and use.
<b>Validated</b>	all published performance data should be independently validated.

**Monitoring and Managing Performance Against Targets:**

<b>Integrated with management</b>	the monitoring of performance against targets must be integrated into the normal management process.
<b>Forward looking and identifying unexpected outcomes</b>	monitoring of performance against targets should consider actual and forecast performance against that budgeted or planned.

**2** The criteria were in the main derived from the good practice set out in a report issued by the Next Steps Team and written by a consortium of agencies, departments and KPMG on the Strategic Management of Agencies, and the Treasury's criteria for the Output and Performance Analysis which are specified in guidance on Resource Accounting. We added the requirement that published performance data should be independently validated.

## Local visits

**3** We visited two areas and three districts to examine how the existing performance measurement system operated. The areas visited were East London and Anglia, and Mercia. The districts visited were Chesterfield and Worksop, Edmonton and North Tees.

**4** The study also involved visits to the Agency's headquarters in Leeds and to the Department's headquarters in Blackpool and London to examine:

- the central systems for determining targets and target values;
- the data collection methods used and the developments planned; and
- projects taking forward purchaser/provider.

## Comparisons with other organisations

### Great Britain

**5** We looked at published information on how the following departments and agencies, which deal directly with the public, target and measure their performance: Customs and Excise, Inland Revenue, NHS Pensions Agency, Passport Agency, Scottish Office Pensions Agency and The Public Trust Office. We also visited the Halifax and Post Office Counters Limited in order to learn whether they had experience that would be applicable.

### Overseas

**6** We obtained information on how the performance of benefit systems are measured in the following countries: Australia, Austria, Canada, Germany, Ireland, Italy, Luxembourg, Netherlands, New Zealand, Spain, Switzerland and United States of America.

## Reference panel

**7** We consulted a reference panel of experts to discuss the scope of the study, initial findings and broad conclusions. Responsibility for the conclusions and recommendations rests with the National Audit Office. Figure 16 shows the composition of the panel.

### Members of the reference panel

**Figure 16**

Jeremy Cowper	Head of the Next Steps Project Team, Office of Public Service, Cabinet Office
Steve Hanney	Research Fellow, Health Economics Group, Brunel University
Alan Jones	Department of Social Security Analytical Services Division with responsibility for advice and support on performance measurement
Les Mayhew	Head of Personnel and Finance, Office of National Statistics
Tony Edge	Director of Field Operations (South), Benefits Agency



## Appendix 6

# Validation of performance data

**1** Currently, there are no generally agreed professional standards governing the reporting and validation of performance data as there are, for example, for financial auditing. There is, however, growing debate about how performance information reported to Parliament should be validated. The following paragraphs set out key contributions made by the Treasury, the Service First Unit (formerly the Citizen's Charter Unit) of the Cabinet Office, and the Public Accounts Committee on this debate and practice overseas.

**2** Treasury guidance "Next Steps Agencies: Annual Report and Accounts", issued in 1993 and still current, states that:

"Performance against those key targets which relate to the financial performance of the Agency as a whole, and which is disclosed in or directly derivable from, the formal accounts must also be reported in the notes to the accounts and will thus be covered by the audit certificate..."

**3** The guidance also includes the following statement:

"Performance against all key targets should be correctly calculated, reliable and fairly presented... The primary responsibility for this lies with Chief Executives. They will need to assure themselves that, for example, calculations are correct. They must have confidence in a properly managed internal system of data collection and in the reliability and competence of their staff, verified where appropriate by internal auditors or an outside source.

"There may be occasions where formal validation, external to the Agency, of the achievement of performance targets or of the soundness of the relevant systems is necessary; for example, where it is sought by the responsible Minister. Such validation could come from the parent department's internal auditors or from independent examination by a professional firm of accountants or consultants. The nature and timing of this validation work will be a matter of consultation between the Chief Executive and all the parties concerned...Where performance against a target may lead to payments being made to staff (e.g. through a group bonus scheme) the performance against the target must be formally and independently validated."

**4** This was re-iterated in a letter sent by the Office of Public Service to all departments, and copied to Chief Executives, in May 1997.

**5** The six principles of public service, issued by the Service First Unit (formerly the Citizen's Charter Unit) in September 1996, include the requirement for "independent validation of performance against (Charter) Standards." In March 1997, in their Report on the Citizen's Charter, the Public Service Committee recommended acceptance of our proposals for the independent validation of performance data produced by departments and agencies. The Committee accepted that the work "need not be done by the National Audit Office, but nevertheless should be done independently and on a clear and, where possible, comparable basis". The Committee also reported, the government's position that "it should remain a matter for each Minister to judge how agency performance should be validated and by whom: given the diversity of agency functions and operational circumstances, no one approach will meet all needs."

**6** The Committee of Public Accounts consider that performance information reported to Parliament should be independently validated. In their Seventh Report of Session 1995-96, "The Meteorological Office Executive Agency: Evaluation of Performance" (HC 279), the Committee concluded that:

"We look also to the Treasury to ensure that departments set in place arrangements for the independent validation of agencies' performance reports. We note the Treasury's view that the method selected for verification is a matter for departments to decide, and that internal audit or external agencies may be used. However, the provision of such performance information is a key way by which agencies demonstrate their stewardship of public resources to Parliament as well as to departments; and we think that it is important that those undertaking the verification should be entirely independent of those whose accountability and performance are being judged."

**7** In their response, the Treasury stated:

“The guidance makes it clear that where performance against a target may lead to the payment of performance bonuses the performance against the target must be formally and independently validated. But in all other cases, the Treasury believes that it is more appropriate to leave it to the discretion of the responsible Minister to determine whether external validation should be required.” (CM 3243).

**8** In New Zealand, performance information reported to Parliament is independently validated. Each government department includes, in their annual report, a statement of their service performance against targets covering the quantity, quality, timeliness and accuracy of their outputs. The Comptroller and Auditor General of New Zealand validates these statements of service performance and provides an opinion on whether they fairly reflect the actual performance of the department. None of the other 11 countries we investigated perform full validation, although this is being carried out by some states in Australia and at least one province in Canada.

## Glossary of terms

<b>Term:</b>	<b>Definition:</b>
<b>Aggregate performance measure</b>	is a summary covering a number of different <b>performance measures</b> .
<b>Chief Executive</b>	is the head of the Agency, and is accountable for the Agency's performance.
<b>Citizen's Charter Standards</b>	set out the levels of service that the Agency aim to provide to their customers.
<b>Compound target</b>	combines a number of different <b>targets</b> that must be met.
<b>Index</b>	can be used to demonstrate variation over time. One could be constructed to provide a measure of an Agency's achievement which covers all aspects of their performance.
<b>Management targets</b>	are the internal performance <b>targets</b> agreed between Ministers and the Agency and complement the <b>Secretary of State's targets</b> .
<b>Milestone target</b>	specifies that a goal, initiative or project should be achieved by a set date.
<b>Next Steps Team</b>	the part of the <b>Office of Public Service</b> which is responsible for the Next Steps initiative which aims to improve management in Government and the efficiency and effectiveness of Government services.
<b>Office of Public Service</b>	are the part of the Cabinet Office which includes both the <b>Next Steps Team</b> and <b>Service First</b> .
<b>Output costing</b>	is the measurement of the cost incurred in producing a specified output, such as the processing of a benefit claim, to a defined minimum standard.
<b>Output pricing</b>	is the price that will be paid for the delivery of a specified output, such as the processing of a benefit claim, to a defined minimum standard.
<b>Performance data</b>	are the data held on the performance measurement system.
<b>Term:</b>	<b>Definition:</b>
<b>Performance indicator</b>	is used if it is not practical to directly measure an aspect of performance, but it is possible to measure another characteristic as a useful proxy.
<b>Performance measurement system</b>	provides information to assist managers to account for, and manage, performance.

<b>Performance measures</b>	describe quantitatively how well an organisation are performing in their various aspects, including how efficiently they are operating, and what quality of service they are providing.
<b>Permanent Secretary</b>	is the permanent head of the Department, and is accountable for the performance of the Department.
<b>Secretary of State's targets</b>	these are set every year by the Secretary of State to cover the areas of business which are the key priorities and critical to the success of the Agency.
<b>Security and control programme</b>	is the Agency's programme aimed at fraud prevention and deterrence thus reducing, over time, the <b>stock of fraud</b> and the need for subsequent detection and investigation.
<b>Service First Unit (formerly the Citizen's Charter Unit)</b>	the part of the <b>Office of Public Service</b> responsible for implementing, developing and co-ordinating the Citizen's Charter programme which aims to raise the standards of public services and make them more responsive to the needs and wishes of customers.
<b>Stock of fraud</b>	is the level or extent of fraud that is committed.
<b>Take-up of benefit</b>	is the number of people in receipt of benefit expressed as a percentage of those who are entitled to the benefit.
<b>Targets</b>	are the quantified objectives for an organisation. These are generally values of certain <b>performance measures</b> that should be achieved over, or by, a specified time.
<b>Target levels</b>	The specified numerical values that are set for <b>targets</b> .
<b>Weekly benefit savings</b>	is a performance indicator which estimates the amount of fraudulent payments prevented by the discovery, or prevention, of a case of fraud.